

AUDIT COMMITTEE

MONDAY 15 JULY 2019

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.

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INFORMATION AND OTHER ITEMS

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13. 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.

14. Approved Write-Offs Exceeding £10,000

The Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 25 March 2019, which exceed the Council's Financial Regulation threshold of £10,000.

15. Feedback Report

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16. Work Programme

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Committee Members:

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

Substitutes: Councillors: Lillis, Burbage, Iqbal and Nawaz

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



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 25 MARCH 2019
FORLI ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Ellis, Shaheed, Shaz Nawaz, Coles, Aitken and Warren

Officers in

Attendance: Peter Carpenter, Acting Corporate Director of Resources
Steve Crabtree, Chief Internal Auditor
Dan Kalley, Senior Democratic Services Officer
Fiona McMillan, Director of Law and Governance

Also in

Attendance:

49. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Elsey. Councillor Coles attended as substitute.

50. DECLARATIONS OF INTEREST

No declarations of interest were received.

51. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 11 FEBRUARY 2019

The minutes of the meeting held on 11 February 2019 were agreed as a true and accurate record.

52. INTERNAL AUDIT PLAN 2019/20

The Audit Committee received a report in relation to the Internal Audit Plans for 2019/20.

The purpose of the report was for the Committee to review and agree the proposed internal audit activity for the 2019/20 year.

The Chief Internal Auditor introduced the report and confirmed that the report as well as the Plans contained the teams Audit Charter and how this operated along with the teams Code of Ethics. Emerging issues reported in February had been taken forward to departmental meetings to formulate appropriate plans. Internal Audit would follow risk assessment processes as in previous years.

Some of the issues identified could drop off the list as the year goes on, depending on its overall risk.

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

- The Peterborough Investment Partnership and Norfolk Property Services had been looked at in the current year and audit work had been, or was in the process of being completed. Reports would be produced. The new Cabinet Shareholder sub-committee would scrutinise the Council's companies and joint ventures, ensuring consistent standards of governance were upheld.
- Peterborough City Council provided the audit services to the Combined Authority. There was no risk to Peterborough City Council. Officers ensured that all reviews and any recommendations that had been made were carried out.

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

1. Agree to the Internal Audit Charter for 2019 / 2020 (Appendix A);
2. Agree to the Internal Audit Code of Ethics 2019 / 2020 (Appendix B); and
3. Approve the Internal Audit Strategy and Plans for 2019 / 2020 (Appendix C, D).

53. NEW ACCOUNTING STANDARDS

The Audit Committee received a report in relation to new accounting standards.

The purpose of the report was for the Committee to understand the new accounting standards and their impact on Peterborough City Council.

The Acting Corporate Director Resources introduced the report and confirmed that the report set out three new standards that the Council would have to follow.

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

- The Council did not currently have many leases in place. The largest was the lease on the dust carts. The Council would need to weigh up the risks of leasing new vehicles in a few years time, versus using capital expenditure to purchase the vehicles outright.
- The advantage of having a lease was that all expenditure and benefit was rolled into one package. However the Council would need to evaluate the risk of entering into lease agreements on a case by case basis.

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

1. Note the impact on the Council's 2018/19 Statement of Accounts and accounting policies for the introduction of new accounting standards on income recognition and financial instruments.

2. Note the estimated impact on the Council's 2020/21 Statement of Accounts for the introduction of a new accounting standard on leases and the progress made on implementation to date.

54. ANNUAL AUDIT COMMITTEE REPORT

The Audit Committee received a report in relation to the annual Audit Committee report for 2018/19.

The purpose of the report was to provide the Committee with the highlights of the work of the Audit Committee over the past 12 months.

The Senior Democratic Officer explained that the report outlined the work of the Committee in 2018-19 and how the Committee was going to look forward in the next municipal year.

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

- Members had to be trained before they sat on the Audit Committee. This then had to be refreshed every three years as stated in the Constitution.
- There was an appetite for further training for members to help them understand some of the trickier reports being presented and how the Committee could ask the most pertinent questions when scrutinising those reports.
- The Audit Committee handbook was reviewed on an annual basis to ensure that it was up to date.

The Audit Committee considered and **RESOLVED** (Unanimously) to approve the Annual Audit Report to Full Council.

ACTIONS:

1. Acting Corporate Director Resources and Democratic Services to look into training options for the forthcoming municipal year.

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

The Audit Committee received a report in relation to the use of RIPA.

The purpose of the report was to provide the Committee with an update on the RIPA policy.

The Director of Law and Governance introduced the report and commented that the Council had received findings of the inspection report and positive arrangements were in place. The Council had created an updated policy across both Cambridgeshire and Peterborough to which positive feedback had been received.

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

- Although the Council had now joined up on some services with Cambridgeshire the Committee would only hear if Peterborough had used RIPA.
- There were no extra strains on the Council by joining up with a shared policy. There were no differences to what the Council was currently undertaking in terms of using RIPA.
- The Council was open to communicating across borders when the need arose.

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

1. Agrees the revised joint Peterborough and Cambridgeshire RIPA policy
2. Receive an update into the usage of RIPA powers by Peterborough City Council
approve the 2019/20 Capital Strategy before being approved as part of the MTFS at Full Council in March 2019.

7:00pm – 7.30pm
Chairman

AUDIT COMMITTEE	AGENDA ITEM No. 4
15 JULY 2019	PUBLIC REPORT

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

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

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter - Acting Director of Corporate Resources	Deadline date: 15 July 2019
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive and approve the "Audit Results Report - (ISA260) for the year ended 31 March 2019" from Ernst & Young (EY), the Council's external auditors. 2. Receive and approve the 2018/19 Management Representation Letter. 3. Receive and approve the audited Statement of Accounts 2018/19. 4. To delegate to the Chairman to approve further changes if needed before the deadline of 31 July 2019. 	

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 2019" from Ernst & Young (EY) on behalf of the Council.
- To receive and approve the 2018/19 Management Representation Letter
- To receive and approve the audited Statement of Accounts 2018/19.
- To delegate to the Chairman to approve further changes if needed before the deadline of 31 July 2019.

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

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

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

3. TIMESCALES

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

Statement of Accounts 2018/19

- 4.1 The production of a timely Statement of Accounts, which is free from material error, is a key test of the robustness of financial processes and underpins the financial standing of an organisation. The Council has achieved this through the publication of the draft Statement of Accounts ahead of the statutory deadline, and also through the completion of a successful external audit process.
- 4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2018/19 Code of Practice (the Code) and are followed in the preparation of the 2018/19 Statement of Accounts.
- 4.3 Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit Committee.
- 4.4 This is in accordance with the Committees Terms of Reference – 2.2.1.16 to review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 4.5 The Accounts must be signed and certified by 31 May 2019 by the Council's Section 151 officer / Chief Finance Officer (Acting Director of Corporate Resources), in accordance with the Accounts and Audit Regulations 2015. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2019.
- 4.6 Once the audit has concluded, the Council's Section 151 officer must recertify the accounts and the Audit Committee is required to approve the Accounts no later than 31 July 2019 following, and in the knowledge of, the audit findings (Appendix 2).
- 4.7 The draft Statement of Accounts was shared with the chair of the Audit Committee and Cabinet member for Finance prior to publication on the councils website on 31 May 2019, and it has been discussed with the Audit Committee members in the training that took place on 20 June 2019. This published draft has subsequently been the subject of external audit by EY.
- 4.8 Following the external audit completed to date, some minor amendments have been made to the draft Statement of Accounts. At the time of drafting the papers for Audit Committee two other areas of the accounts are still to be finalised with auditors. The recent McCloud ruling could result in changes to the accounts and this should be known following the receipt of a revised report from the actuaries. Amendments with regards to the Property, Plant and Equipment (PPE) note are still being finalised with audit. Therefore a supplementary paper will be issued in due course which will include these adjustments. It is hoped that this will be prior to Audit Committee on the 15 July 2019.
- 4.9 An updated which includes minor presentational amendments from the draft Statement of Accounts for 2018/19 is attached in Appendix 1 for review by the Audit Committee.
- 4.10 At the time of reports publication to Committee, EY reserve the right to finalise the audit of Statement of Accounts by the deadline of 31 July 2019 (see page 6 of Appendix 2 for list of audit work still outstanding). There are no concerns regarding completing the outstanding items which are under the control of the Council and EY. If there are further updates required to the version of the Statement of Accounts distributed with this agenda, then the revised document and a

schedule of updates will be tabled at the meeting. If there are subsequent further minor amendments Audit Committee members will be notified and the delegation to the Chairman to approve further changes if needed before the deadline of 31 July 2019 will be exercised (if delegation is approved at this meeting).

4.11 There are a number of sections within the Statement of Accounts as follows:

- a) **Narrative Report** – provides a fair, balanced and understandable guide
- b) **Statement of Responsibilities** - sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts
- c) **Comprehensive Income and Expenditure Statement** - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation
- d) **Movement in Reserves Statement** - this statement shows the movement in the year on the different reserves held by the Council
- e) **Balance Sheet** - shows the value of the assets and liabilities recognised by the Council as at 31 March 2019
- f) **Cash Flow Statement** - summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2018/19
- g) **Notes to the Financial Statements** - the various statements are supported by technical notes
- h) **The Collection Fund & Notes** - shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates
- i) **Statement of Accounting Policies** - outlines the accounting policies adopted by the Council
- j) **Annual Governance Statement** - identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts, published by 31 July 2019, following its approval.

2018/19 Report to Those Charged with Governance

4.12 The External auditors have a statutory requirement to report to members under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK and Ireland) (ISA(UK&I)) 260 – "Communication of audit matters with those charged with governance". The report is known as the ISA260 or 'Audit Results Report'.

4.13 The 'Audit Results Report' for 2018/19 from Ernst & Young (EY), the Council's external auditors is attached as Appendix 2.

4.14 There are a number of sections within the report as follows:

- 1) **Executive summary** – provides a summary of the Audit and includes an overview of two new risk areas that have been identified since the 11 February 2019 Audit Plan.
- 2) **Understanding Financial Statements** - provides some commentary on the key components of net expenditure.
- 3) **Areas of Audit Focus** - Notes the risks identified in the Audit Plan, the audit procedures performed in relation to them and the results of the audit work performed. There are a mix of types of risks identified, from the general risks such as fraud and management override of controls which any organisation would face and are not specific to the Council, and as such are audited for all councils, and those more specific to the Council, such as PFI and MRP accounting. During the course of the audit, two new risks relating to MRP and Value for Money of the 2014 IT Strategy have been added to the plan and is anticipated that this will lead to additional audit fees.
- 4) **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.

- 5) **Audit differences** – this section notes that EY found one material misstatements during the audit. This related to understatement of Property Plant and Equipment disposals and is discussed in section 4.15 of this report.
- 6) **Value for money** - EY give an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. However they highlight risks around the Council's long term financial resilience due to national policy decisions outside of the control of the Council. The Council is continuing to work to review its financial strategy and notes that the size of the budget gap presents a significant challenge. Work is ongoing to ensure that future year pressures have been fully identified, as well as identifying actions for Members to consider to close what is a considerable gap, particularly in the next financial year.
- 7) **Other Reporting Issues** - includes information on the work performed on the Annual Governance Statement and Whole of Government Accounts (WGA). Due to delays in the issuing of national guidance to auditors, work on the WGA has not yet been completed. Any matters that arise will be reported to the Audit Committee.
- 8) **Assessment of Control Environment** - EY report that they only test internal controls to the extent necessary for them to complete their audit and that they have identified three areas where improvements could be made. These are discussed in section 4.15 of this report.
- 9) **Data Analytics** - explains the use of data analytics tools to improve the audit.
- 10) **Independence** - confirmation that there are no changes in EYs assessment of their independence. Includes information on Audit fees.
- 11) **Appendices**
 - Appendix A – Audit approach update
 - Appendix B – Summary of communications during 2018/19
 - Appendix C – Required communications with the Audit Committee
 - Appendix D - Management representation letter

Management Response to audit findings

- 4.15 The following table provides further detail on the Accounting Issues raised in the EY report under Sections 5 and 8, and associated management comments from the council:

EY Report - summary of points raised	Management Comment
Understatement of property, plant and equipment disposals	The council's asset register is moving to the Cloud and which means that the processes involved with such transactions are going to be more automated. Discussions with NPS will be held as to how the disposal process will work, as soon as possible after the transfer to the Cloud is completed. All working papers will be reviewed fully before the accounts are completed.
Controls should be implemented that reconcile the schools payroll balances to the Authority's general ledger system	With effect from 1 September the council will make it a requirement for all maintained schools to submit their monthly payroll reports to the Schools and Settings Finance Team as part of the standard reporting requirements. Schools will be required to provide backdated payroll reports for the period 1 April - 31

	August 2019 in order for the whole financial year to be captured. The reports will be reconciled monthly to entries made in the schools accounts. The information from the monthly payroll reports will be consolidated at year end and reconciled back to the final schools payroll entries recorded in the local authorities accounts.
The Authority's housing benefits risk based verification policy should be formally approved annually as per the housing benefit and council tax benefit circular S11/2011 paragraph 15	On an annual basis, formal written confirmation (rather than only the verbal confirmation as at present) will be sought to provide an audit trail to show that the council's risk based verification policy has been approved.
There were some omissions on the Authority's contracts register. Therefore we would recommend regular review to ensure this is up-to-date.	The Council are going through a major overhaul of the contracts register to capture any omissions and to ensure accuracy. As part of the Council's preparation for GDPR a significant exercise was undertaken by the FOI and Legal Teams to locate as many contracts as possible. The council's Procurement Manager's task is to compare the records with that list and compare the resultant list with the spend data and exemptions log. Once the delta of missing contracts is known these will be circulated to the Corporate Directors so that they can instruct their teams to produce contracts that exist. Procurement will liaise with Legal colleagues to determine the Governance needed until procurements can take place. The process of comparing the contracts register to the spend data and exemption log will be performed on a monthly basis and reports made to the council from Serco as part of the 'Category Insights' reports as part of the planned category management implementation.

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

5. CONSULTATION

- 5.1 Between 31 May 2019 and 11 July 2019, the Council's accounts have been subject to a statutory period for the exercise of public rights, where any person may inspect and take copies of the accounts and certain related documents. During this period Peterborough City Council electors have been able to ask the external auditor questions on the accounts, and are able to object to the accounts. To date two people have contacted the Council to exercise these rights and officers are currently responding to these requests.
- 5.2 Weekly update meetings have been held with council finance officers and EY, where the key findings of the audit to date have been discussed in detail. A final clearance meeting is expected to occur with EY and the Council's S151 Officer. The draft ISA260 report was discussed with the council's finance team.
- 5.3 A training event was held on 20 June 2019 for Audit Committee which included training on the Statement of Accounts and the opportunity to ask questions.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 To receive and approve the audited 2018/19 Statement of Accounts.
- 6.2 To receive and note the “Peterborough City Council - Audit Results Report” (ISA260) from EY on behalf of the Council.
- 6.3 To receive and approve the 2018/19 Management Representation Letter.

7. REASON FOR THE RECOMMENDATION

- 7.1 Paragraph 2.2.16 of the Constitution requires the Audit Committee to “review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.”
- 7.2 It is a statutory requirement under the Accounts and Audit Regulations 2015.

8. ALTERNATIVE OPTIONS CONSIDERED

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

9. IMPLICATIONS

Financial Implications

- 9.1 See main report.

Legal Implications

- 9.2 None.

Equalities Implications

- 9.3 None.

10. BACKGROUND DOCUMENTS

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

- 10.1 The Accounts & Audit Regulations 2015
Council Constitution

11. APPENDICES

- 11.1
 - Appendix 1 – Statement of Accounts 2018/19
 - Appendix 2 – Draft Peterborough City Council - Audit Results Report (ISA260)
 - Appendix 3 – Management representation letter

PETERBOROUGH



CITY COUNCIL

Statement of Accounts

2018/19



Peterborough City Council

Statement of Accounts 2018/19

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Narrative Report

1 Peterborough’s Vision and Strategic Priorities

Peterborough is the fifth fastest growing city in the UK, with a population of around 199,000 residents, which is rising all the time due to the city’s ambitious growth aspirations and a higher than average birth rate. The city has seen significant levels of growth in housing with 5,032 new homes being built in the past five years, and planning permission granted for a further 8,500.

This growth brings financial benefits such as additional Council Tax and significant income growth in Business Rates as a result of attracting new businesses to Peterborough. However, it also brings additional costs of service delivery. The Council has seen increasing pressure on its Adult and Children’s Social Care budgets, which has been recognised by Government, with additional funding across the sector being granted. The Council has also faced a sharp increase in homelessness, with over a 100% increase in the level of households coming to the Council for assistance because they were homeless or threatened with homelessness.

The Council’s Corporate Strategy 2019-2022¹ was endorsed by Cabinet on 25 February 2019. This sets out the Council’s vision, to create a Peterborough residents are proud to live, work and grow up in and where services give value for money and deliver what local people need. The Corporate Strategy identifies the

following three core priority outcomes for all Peterborough Citizens:

1

Pride in our communities and environment	First rate futures for our children, young people - and quality support for our adults and elderly	Better jobs, good homes and better opportunities for all
We want safe, friendly and healthy neighbourhoods with open spaces, roads, pavements and cycle paths that are well maintained and free from litter and mess	We want to improve opportunities for education and training and to help people to do more for themselves, for each other and for their communities	We will grow our city in a sustainable and fair way to create job opportunities and address poverty. As we grow, we will invest in the quality and availability of housing

The Council is developing an ambitious programme of change, with a determination to improve lives for local people, despite an increasingly challenging financial context. The Medium Term Financial Strategy (MTFS) outlines how the Council will deliver these services, within the resources available to the Council. Work will continue to secure future financial sustainability, where the increasing demand for our services is met, despite the available funding continuing to decrease.

¹ <https://democracy.peterborough.gov.uk/documents/s38213/8.%20Appendix%201%20-%20Corporate%20Strategy%202019%20to%202021.pdf>

The Council will approach this by incorporating a greater degree of collaboration between local public services, providers and health partners to deliver shared priorities, community outcomes and cost efficiencies.

2 The Statement of Accounts

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

- The Local Government Act 2003
- Accounts and Audit Regulations 2015
- Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

It brings together the major financial statements for the financial year 2018/19. The statements and the notes that accompany them give a full and clear picture of the financial position of Peterborough City Council.

The sections are:

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

- *Movement in Reserves Statement* – The movement in the year on the different reserves held by the Council;
- *Balance Sheet* – The value of the assets and liabilities recognised by the Council at 31 March 2019;
- *Cash Flow Statement* – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties;
- *Notes to the Financial Accounts* - Statements are supported by technical notes;
- *The Collection Fund and Notes* – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the government;
- *Statement of Accounting Policies* – Outlines the significant accounting policies adopted by the Council.

3 National and Local Context

Peterborough City Council is delivering services in the most challenging financial times that local government has ever faced. As one of the fastest growing cities in the UK, this unprecedented growth in population brings substantial additional demand for Council services.

Nationally local government is experiencing a growing demand for services, together with an increase in the complexity of the care and support required. At the same time local government has been faced with a sharp reduction to funding. The Government are showing signs of listening to the sectors concerns around pressures by providing additional social care funding and additional Council Tax flexibility. However,

according to the Local Government Association (LGA), councils are still facing a funding gap of over £3bn in 2019/20.

Local Government requires investment, financial sustainability and certainty to secure its future. These are areas that the LGA are campaigning for including creating positive outcomes housing, planning and homelessness, schools, and the social care system for both adults and children's services.

The Chancellor announced that the Spending Review 2019 (SR19), would be revealed in autumn 2019, confirming a three year funding settlement covering 2020/21 to 2022/23. However, the extension to Brexit discussions has raised speculation around the Government's ability to deliver both Brexit and SR19 to the same timeframes. There is a possibility of a one year settlement, postponing the three year settlement until 2020. This would mean that the fundamental changes to sector funding included in the Fairer Funding Review (FFR) and the Business Rate Retention Scheme (BRRS) could be delayed a further year. The re-distribution of funding could take place without the Spending Review, but as it is thought there was additional funding within the fiscal forecasts, this would have provided an ability to apply dampening to the changes.

The Ministry of Housing, Communities and Local Government (MHCLG) has now issued two consultations on the FFR, a review of the relative needs and resources allocation across Local Government. So far, the consultations have shown a direction of travel towards a flatter distribution of needs, indicating a good outcome for lower need, high tax base authorities. The final position is still unclear, and is not expected to be published until late autumn 2019. The limited information available to the Council means the future funding levels are

uncertain, and there is an anxiousness around setting budgets beyond 2020/21.

There has also been consultations on the proposed BRRS system, where the government plans to increase the share of business rates local authorities retain from 50% to 75%. This will also be affected by the proposal to reset the business rates baseline and re-distribute growth. There are a number of pilot areas across the Country testing this methodology, as well as expected further consultations on proposals for a simplified system. However, like FFR, this still remains uncertain, with the final proposal and allocations expected in the autumn.

The Council will closely monitor these developments and represent residents and businesses of the City by contributing towards the consultation process. The Council will continue to make representation on working groups for this, alongside other local government colleagues and has provided comprehensive responses to the consultations to date.

4 Managing Organisational Performance

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

- Expanding commercial income, as outlined within the Commercial Strategy. This includes:
 - Improved procurement, commissioning and effective contract management;
 - Continuing to seek to maximise funding and contributions;

- Acquisition and Investment to generate a revenue stream.
- Continuing to innovate and develop efficiencies;
- Mitigating and controlling service demand pressures, including the 'Think Communities' initiative;
- Shared Services and fuller integration with Local Authorities and other partners;
- Reviewing discretionary services expenditure.

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

Budget managers receive detailed budgetary control information each month. A monthly budgetary control report is reviewed by each Departmental Management Team, the Corporate Management Team (CMT), and has been considered by Cabinet on a regular basis throughout 2018/19.

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

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

At the meeting on 7 March 2018, Council agreed to implement a rolling budget process. This has been operated throughout 2018/19, making it possible for Council to identify and deliver

savings earlier, while keeping a continued concentration on the Council's MTFS, with it being reviewed more frequently throughout the year by Cabinet, Joint Budget Scrutiny Committee and Council.

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

An officer led Capital Review Group met on monthly basis throughout 2018/19. This group has the responsibility of reviewing all aspects of the Council's Capital Programme, including reviewing the progress of projects, monitoring capital receipts and scrutinising new proposals before recommending to CMT.

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

Other key performance indicators (KPI) include the Council's payment and debt collection performance, and are also contained in the outturn report to Cabinet. The following are a sample of the 2018/19 KPI's reported:

- Prompt payment of invoices to suppliers – 83.9% (82.5%, 2017/18) of invoices are paid promptly (within 30 days);
- Speed of collecting debtor accounts – a total of £68.5m (£56.9m, 2017/18) of invoices was raised with a total of £56.2m (£56.2m, 2017/18) collected, across all sundry debt;
- The collection of council tax and business rates – Council tax collection rate for was 95.83% (95.89%, 2017/18) and the business rates collection rate was 97.9% (97.81%, 2017/18);
- Financing costs as a proportion of the revenue budget- 3.9% (3.7%, 2017/18).

5 Revenue Position

The final revenue outturn is a £2.1m overspend. This is primarily a result of an overspend on the children's placement budget within the People and Communities directorate. Underspends in the Resources directorate, largely as a result of reduced capital financing costs, investment income and efficiencies have off set the full impact of this overspend in People and Communities.

The final position reflects the challenging financial times the Council and the local government sector now face, as pressures are emerging as a result of increasing demand and reduced funding. The following table shows how directorates performed against budget in 2018/19. Further detail is provided in the outturn report as presented to Cabinet on 17 June 2019.

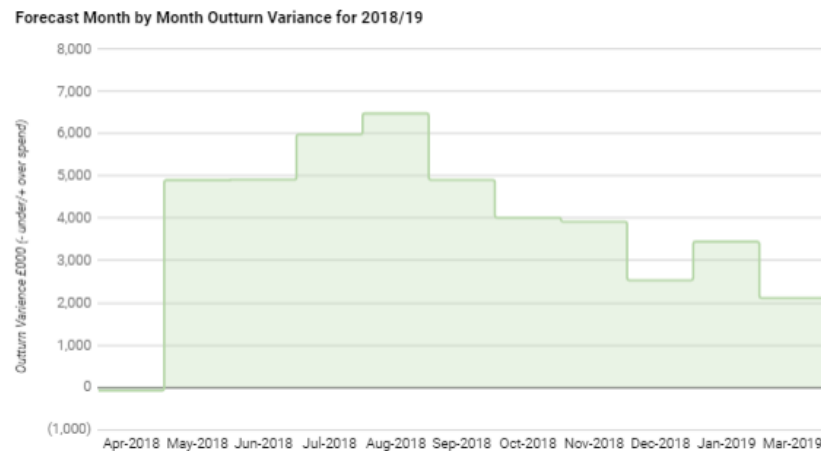
Funding of the 2018/19 overspend has been from funds held in the Capacity Building Reserve. The changes to the reserves are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in

Reserves Statement (MIRS), page 23, also shown in Note 17, page 53.

Net Revenue Expenditure	Revised Budget £000	Actual £000	Cont. to Reserve £000	Variance £000
Chief Executive	1,635	1,380	0	(255)
Governance	4,658	5,001	0	343
Growth & Regeneration	26,239	26,391	531	683
People & Communities	77,779	78,926	3,530	4,677
Public Health	(61)	(61)	0	0
Resources	41,569	34,855	4,440	(2,274)
Total Council Expenditure	151,819	146,492	8,501	3,174
Financing Adjustment				(1,055)
Revised Overspend				2,119
Transfer from Capacity Building Reserve				(2,119)

The revenue cost of financing the Council's borrowing totalled £15.5m in the year ending 31 March 2019, compared to £14.2m in the year ending 31 March 2018 (see Note 28, page 63). The Council continues to be able to finance its borrowing requirements at advantageous rates.

The following chart illustrates how the forecast outturn changed throughout the year as more detailed information on performance became available. This demonstrates the results of actions taken by management to reduce and manage budget pressures emerging during the year, following indications reported through forecast outturn overspends. Mitigating actions resulted in the reduction of the forecast overspend from £6.5m in August 2018 to a final overspend position of £2.1m.



In August 2018 the forecast overspend reached £6.5m which was largely the result of a £4.4m pressure in relation to children's placements activity, an unachieved savings target within the Peterborough Serco Strategic Partnership contract and multiple budget pressures across the Council. Continued monitoring meant that as the year progressed, further actions were taken to manage all expenditure. The Council was able to benefit from savings on the capital financing budget, due to a lower than budgeted level of borrowing and additional income received due to the extension of a loan agreement with Empower. These forecast assumptions were updated, to reflect the improved position.

Reserves Balances

As at 31 March 2019, the balance on the General Fund has not changed from previous years, remaining at £6.0m. This is in line with the approved Medium Term Financial Strategy (MTFS).

Schools balances totalled £3.4m at 31 March 2019, compared with £5.6m at 31 March 2018. This decrease reflects twelve local schools converting to academy status during the financial year, whereby at the point of conversion the reserve balances are transferred from the Council to the new Academy. The Council has a mechanism for reviewing the levels of reserves balances for schools, and allows up to 8% of their delegated budget share to be held.

During the year, the Council transferred a net amount of £2.2m to the Capacity Building Reserve, this includes accounting for the £2.1m required to support the departmental overspends in the outturn position. This reserve will fund the future service transformation of the Council, and will be used to ensure that strategic, operational and financial delivery requirements can be met.

The overall departmental reserves increase of £1.7m relates to grant funding which has been received and not fully expensed through the year. The reserve has increased due to a select number of higher value grants, which will fund programmed expenditure in 2019/20, these include:

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

Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis

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

- The Comprehensive Income and Expenditure Statement (CIES), shows revenue expenditure; income; and net expenditure for 2018/19 under proper accounting practices (see page 22).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2018/19 as it impacts on the General Fund balance and the statutory adjustments between accounting and funding bases required to reconcile to the net expenditure shown in the CIES (see Note 15, page 43).

Both EFA and CIES include comparative figures for 2017/18. The statements use the Council's management structure for reporting net expenditure.

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

6 Capital and Treasury Position

The following table shows capital budgets as agreed for the 2018/19 MTFS of £158.7m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £181.3m. The final revised budget, as reported within the Budgetary Control Report, as at 31 January 2019, was £98.3m. This compares to the final expenditure for each directorates and how this investment is planned to be financed of £95.9m. The 'Actual' values shown includes the Sand Martin House lease (£13.4m), which was not included in the January 2019 revised budget figures.

Capital Expenditure	2018/19 MTFS Budget £000	Revised Budget Apr 2018 £000	Revised Budget Jan 19 £000	Actual £000
Governance	49	49	-	-
Growth & Regeneration	55,239	63,363	49,494	45,745
People & Communities	58,883	64,692	34,096	29,166
Resources	16,195	1,119	12,947	19,303
Invest to Save	28,350	52,064	1,729	1,641
TOTAL	158,716	181,287	98,266	95,855
Financed by:				
Grants & Contributions	40,486	46,335	38,621	38,895
Borrowing	117,230	133,952	58,645	48,760
Capital Receipts (repayment of loans)	1,000	1,000	1,000	8,200
TOTAL	158,716	181,287	98,266	95,855

Major projects which progressed during 2018/19 and included in the expenditure figures in the previous table are:

- Nene Park Academy Expansion - £3.2m;
- Ormiston Bushfields Academy Expansion - £3.1m;
- Oakdale Primary 1 Form Entry Expansion - £3.2m;
- Street Lighting LED Project - £7.1m;
- Housing Joint Venture (Purchase of Midland Rd) - £5.3m;
- Homeless 50 Project - £5.7m.

Capital expenditure has been financed by grants, third party contributions, capital receipts and borrowing. Further information on capital financing can be found in the Borrowing and Investments section below and Notes 10 and 25, pages 36 and 59.

The Council has a proactive approach to investing in housing and the regenerating of the City, with examples for 2018/19 including:

- The process to regenerate a large area of the city, known as Fletton Quays, with the Peterborough Investment Partnership (PIP). This scheme has continued to progress during 2018/19 with capital investment going in to the fitting out and preparation of the Council buildings, including Sand Martin House, to ensure that the Council is able to meet the new and emerging needs of service delivery and provide opportunities for other organisations to lease parts of the building. The Council successfully moved in to its new offices in July 2018, and have recently secured a lease with the Construction Industry Training Board (CITB), who will occupy part of the building from summer 2019. Other businesses and housing on site remain under construction with some homes already reserved for sale;
- In October 2016, the Council announced that it would play the lead role in the comprehensive redevelopment of North Westgate. In 2018/19 the latest stage of the development was completed with Westgate being revamped in to a more pedestrian-friendly vibrant shopping street. The purchase of buildings in the area is ongoing to facilitate the major works planned for the future;
- In November 2018 'Housing 50' was initiated, with the approval to purchase 50 properties, up to a value of £10m, from the invest to save budget. This initiative is to provide the Council with a supply of affordable housing to be used as temporary accommodation, to meet the demand from the level of homeless households in Peterborough. At the end of the financial year the Council had accepted offers on 50

properties, with some of the properties already accommodating families by the end of the financial year:

- Medesham Homes LLP, a partnership between the Council and Cross Keys Homes, has successfully delivered 29 affordable homes at Midland Road. The properties were ready, and families moved in to these in December 2018, following a 10 month build. This investment has ensured that there is affordable housing available in the City, at a time when it is desperately needed.
- Peterborough Highway Services has completed the Bourges Boulevard phase two scheme, which has improved the appearance, safety and traffic flow around the City Centre. Further work has also been carried out on Bourges Boulevard to improve the access to the well-used train station carpark, this work was completed in 2018/19, and was funded via the Cambridgeshire and Peterborough Combined Authority.

Borrowing and Investments

The Treasury Management Strategy (TMS), approved as part of the 2018/19 MTFS at Council in March 2018, details the framework within which the Council's capital investment plans are to be delivered.

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

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

The following table shows that at 31 March 2019 the Council had net borrowings including cash and outstanding interest of £442.6m (£415.2m in 2017/18).

2017/18 £m		2018/19 £m
43.1	Short Term Borrowing	65.5
380.1	Long Term Borrowing	392.1
(8.0)	Investments	(15.0)
415.2	Net Borrowing	442.6

The Council invested in money market funds in 2018/19. This has enhanced the management of treasury risk by diversifying the investment portfolio and increasing investment returns.

The Council's cash flow position is closely monitored on a daily basis to ensure sufficient funding is available to meet its obligations and to maximise return on surplus balances. Although the Capital Programme required borrowing of £48.8m, actual gross borrowing increased by £38.0m (net £31.0m) during the year due to use of internal balances to reduce the cost of borrowing in the short term.

7 Council Performance 2018/19

Key achievements over the past 12 months include:

- Peterborough is one of the fastest growing areas in the country. Between 2001 and 2011 the population increased by 17.7% to 183,600. In 2017 the city's population was estimated at 198,914;

- Peterborough was listed as having the 5th highest levels of housing growth in the Centres for Cities report 'Cities Outlook 2019' report;
- The Council maintained 562 miles of road, over 366 structures including, bridges, 24,000 street lighting columns, 719 miles of footpaths, 279 miles of off-road cycle ways and 114 sets of traffic signals;
- Peterborough is one of the first cities in the UK to benefit from Gigabit-capable full fibre broadband. As of January 2019, the first homes now have access to Gigabit speed broadband services of up to 1000mbps;
- 4,785 potholes were repaired;
- 93% of the Schools in the City were rated good or outstanding by Ofsted (improved from 88% in 2017/18);
- In 2018/19 we cleared up 7,464 fly-tips;
- Public Health services have completed 4,300 health checks, helped 844 people stop smoking and helped 1,700 achieve personal health goals;
- Peterborough has been chosen as one of five areas to participate in a government programme aimed at improving community integration;
- The Council looked after 368 Children in care and supported 2,037 adults to remain independent in their own home;
- At the end of 2018/19, the Council was supporting 364 homeless families in temporary accommodation (down from a peak of 385 in August 2018), with none of these families being placed out of area or in hotels;
- The Council, as part of a Joint Venture, has led the comprehensive £120m Fletton Quays redevelopment, and in

July 2018 became the first, anchoring tenant there, by moving the Council's offices into Sand Martin House.

Our City, Our Council:



8 Changes to Service Delivery and Operations

The Council is continuing to build on closer working partnerships with neighbouring councils. The role of Director of Law and Governance, Fiona McMillan, is now shared with Cambridgeshire County Council (CCC), this arrangement was effective from 1 November 2018.

In January 2019, the Council's Employment Committee approved a new management structure, which saw the removal of the role Corporate Director of Growth and Regeneration, and the creation and appointment to the following shared roles with CCC:

- Director of Business Improvement and Development- Amanda Askham
- Director of Corporate and Customer Services - Sue Grace
- Executive Director of Place and Economy – Steve Cox, with an expected to start date in June 2019.

The Council's website² outlines this new Council management structure.

Shared roles have also expanded throughout the People and Communities department, with many of the teams now being shared, including the commissioning function. With 164 shared roles across the Council and CCC, this joint approach is strengthening services in both Councils and will see a more efficient and better intelligence-led deployment of pooled resources across the area.

Throughout 2018/19, the budget pressure from unprecedented demand for housing has continued. In previous years the

² <https://pcc-live.storage.googleapis.com/upload/www.peterborough.gov.uk/council/Council-ChiefExecutiveStructureMarch-2019.pdf?inline=true>

Council agreed leases with Cross Keys Homes and Stef and Phillips to secure a provision of temporary accommodation, which enabled the Council to house families which had become homeless. However, in August 2018 the demand for housing peaked with 385 households presenting themselves homeless, with the Council having to use accommodation out of area or hotels to meet this demand at the time.

The Housing Needs team has now been restructured, with significant resource put in to the area to focus on prevention. This has helped households stay in their own homes and avoid being in a position where housing is required. The Council has made substantial capital investment with the launch of 'Housing 50' initiative. This programme has been put in place to purchase 50 properties, specifically for use as temporary accommodation. At the same time the Council launched a scheme to secure 50 long-term leases with private landlords, to boost the housing supply available. A combination of all of the above measures has meant the Council has reduced the number of households in temporary accommodation to 364 at March 2019, with no households being placed in a hotel or out of area.

The Council has set up its first Local Authority Trading Company (LATCo), formally known as Aragon Direct Services. The new company, which is wholly owned by the council, represents a new delivery vehicle of many Council services, including building cleaning, passenger transport, waste and recycling, building and grounds maintenance, and street cleaning. These services have transferred from Amey in a phased approach over the period of 2 February to 4 May 2019, and ceases the contract with Amey as all staff delivering these services transfer to Aragon Direct Services.

The change in operating model enables the Council to continue to improve these services and develops a more flexible approach to meeting the growing needs of the City. By operating as a commercial company, the Council is able to expand the services delivered by the LATCo to a much wider market than a Council department, generating commercial income which will contribute towards creating a self-sufficient Council budget in the future.

The Council has adopted an agile approach to the way it works. This approach is supported through the adoption of new software applications and equipment and associated training to maximise efficiency gains and use of a modern working environment which facilitates new, agile working styles at Sand Martin House, Fletton Quays.

In keeping with using technology to realise benefits the Council will move on to Microsoft Office 365 suite. This will enhance the Council agile capabilities, and allow for a more streamlined approach to working within a shared service role, across multiple organisations.

The Council is keen to continue looking at digital and ICT technology, to drive future efficiencies through automation and system re-engineering.

9 Strategy for Future Sustainability

The Council continues to face significant challenges in the amount of funding available and increased demand for services. The Council's MTFS for 2019/20 was balanced by the identification of £20.7m of budget reductions, including the use of £10.6m of capital receipts to repay debt as a one-off measure. The Council also plans to use of £3.1m from reserves.

A copy of the Council's MTFS for 2019/20 to 2021/22 can be found via the Council's website³. A summary of the budget changes agreed at Council on 6 March 2019 and the financial challenge, which still remains, is outlined in the following table. The Council will need to identify budget reductions totalling at least £20m by 2021/22 to set a balanced budget.

Summary Budget Position	2019/20 £000	2020/21 £000	2021/22 £000
Budget Gap (without the use of reserves)	12,712	19,317	16,926
Service Pressures and investment			
Tranche 1	1,692	4,562	5,463
Tranche 2	4,224	3,696	3,668
Tranche 3	5,173	5,592	5,641
Total	11,089	13,850	14,772
Budget Position before Savings & additional income	23,801	33,167	31,698
Savings and additional income			
Tranche 1	(4,177)	(3,841)	(61)
Tranche 2	(11,418)	(5,641)	(5,308)
Tranche 3	(5,122)	(5,276)	(6,273)
Total	(20,717)	(14,758)	(11,642)
Use of Reserves	(3,084)	-	-
Final Budget Gap	-	18,409	20,056

The Council approved the increase to general council tax by 2.99% in 2019/20, following a change to the referendum limit announced as part of the 2019/20 Provisional Local Government

³ <https://www.peterborough.gov.uk/council/budgets-spending-and-performance/our-finance/>

Finance settlement in December 2018. The Council now has a much greater reliance of Council Tax compared to five years ago. In 2013/14 £56.6m of Council Tax Income was generated, this has increased by 38.2% to £78.2m. However, the Council's flexibility to raise Council Tax is restricted by the referendum principles put in place by the Government.

The following diagram outlines the make-up of the Council's Key resources for 2019/20:



Revenue Support Grant (RSG) has decreased to £10.0m in 2019/20, in line with the levels confirmed in the four year settlement the Council obtained. RSG has seen a reduction of 80%, since 2013/14 when the grant was £55.0m, and now forms a small proportion of the Council's core resources.

Business rates income has grown significantly over recent years. The City has seen great economic and business growth, which is reflected in the creation of new businesses. The City has

experienced an increase of 7%, over 2% higher growth than the UK average. This is forecast to continue to grow with the development of Fletton Quays progressing, the expansion of the Roxhill and Great Haddon site, along with other new business developments.

Other grants received include grants for Adult Social Care, which have been announced on a one-off basis for a number of years, as well as New Homes Bonus, which is an incentive based grant to reward local authorities for the development of new housing. The future of these grants is uncertain beyond 2019/20.

Efficiencies and one-off budget reductions have meant that the Council has been able to make lower reductions to service budgets and maintained the current level of services in the most cases, in its 2019/20 MTFS. This has been possible through strategic financial planning and the hard work of Council staff, who are committed to work more efficiently and generate additional income as alternatives to reducing levels of service for the City's residents. Due to the significant future funding gap, as part of the future budget planning process the level of service offer will need to be reviewed to bring this in line with the resource envelope available to the Council to deliver services.

Careful financial and performance monitoring will continue throughout 2019/20, with an enhancement to the frequency of reports and the type of rigour applied, and an emphasis being placed on tracking the achievement against savings targets. An April 2019 budget monitoring report is planned for Cabinet on 17 June 2019, to ensure early action is taken to resolve emerging pressures and with continued transparency being provided on the Council's financial and operational performance. These actions will ensure expenditure remains within budget limits, and saving plans are on track for delivery.

Work has already commenced to address the estimated £18.4m budget gap in 2020/21, which is forecast to rise to £20.0m in 2021/22. The Council is focussing on creating a sustainable budget for the future and will continue to operate a rolling budget process throughout the year, with more frequent updated information being reported and consulted on.

The Council is in pursuit of service efficiencies from the continued delivery of shared services and aligned priorities with CCC. The Council aims to build on the success of the shared senior management team by sharing further positions within the management structure. Further areas for investigation include the consolidation of services such as Finance, HR, Business Support, ICT and Legal and Democratic services. The plans also include maximising efficiencies from sharing systems, procurement and premises. The savings target, incorporated in the MTFS for this opportunity reaches £9.0m by 2020/21.

By 2020/21 it is expected that a system of 75% Business Rates retention and a new fairer funding formula will replace the current grants system. It is not currently known what the financial impact will be on Peterborough. However, it is anticipated that there will be increased volatility as the Council will be exposed to a greater proportion of Business Rate cash flows and the impact of valuation appeals. Consultation on the final Fairer Funding methodology is ongoing, with confirmation of allocations expected in autumn 2019. It will be essential for the Council to monitor this development and ensure that its particular spending needs are recognised in any new formulae.

10 Risks, Challenges and Mitigating Action

The Council has an enhanced approach to managing risk, with the Risk Management Board, led by the Acting Director Corporate Resources meeting regularly. The Board challenges and supports risk management across the Council and partner organisations.

The most current substantial risks are identified and considered by the CMT, with mitigation actions being made where possible. Risks are reported to the Audit Committee on a regular basis. Present risks include:

- Demand Led Services - the Council provides services in a number of areas where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness services. The demographics associated with these services will remain under regular review throughout the year;
- There is a risk that the Council's financial resilience is insufficient to further withstand the combination of pressures from reducing grant and the increased cost of service delivery. Any weaknesses in the delivery of the strategy to strengthen financial resilience may exacerbate this risk. The strategy to strengthen this includes changes to the arrangements for procuring/commissioning services and commercialisation, however a clear medium term financial solution is not fully identified;
- Levels of one-off, non-repeatable savings - the Council has used a number of non-repeatable budget savings, such as capital receipts and while this provides CMT and Cabinet time to implement fully appraised service strategies, it also defers the impact of reduced funding. To ensure the timely

delivery of sustainable savings options the Council now operates a rolling budget process;

- Savings Delivery - the achievement of a balanced and sustainable budget is reliant on a challenging savings programme and organisational capacity to deal with speed of change. The Council is embarking on a programme of transformation where services will be shared and integrated with CCC. An ambitious target has been allocated against this activity in the MTFS, there is a risk attached to the timing of the delivery. Progress against all saving proposals will be monitored as part of the regular budgetary control cycle and reported to the Shared Services Programme Board, CMT and Cabinet accordingly;
- Business Rates, Council Tax and Income Levels - the council heavily relies on income generated from council tax, business rates and other income streams such as parking, planning and other fees and charges. This is dependent on prompt debt collection and accurate forecasting. There is a risk that collection rates could decline or growth assumptions built in to the budget are beyond that actually achieved. However, finance officers use a detailed approach to forecasting to increase the level of integrity and confidence in figures. Provision are set aside to take account of the risk from business rates appeals and bad debt, and both are closely monitored on a monthly basis;
- Business Rates Retention and Fairer Funding – the uncertainty surrounding the future funding model for the Council presents a financial risk to the available resources the Council has to be able to deliver services. The Council will monitor progress on this closely and will continue to input in to the various consultations, to ensure its funding requirements are voiced;

- The capital programme is partially reliant on developer contributions as well as successful bids for external funding. These funding streams are not guaranteed and could be impacted by a downturn in development or the economy.
- The Council monitors the forecasts for sale completions and valuations with extreme caution to ensure the correct value has been accounted for within the MTFS. It also takes a proactive approach in successfully bidding for grant funding and reviewing the capital programme regularly at an officer led Capital Review Group (CRG).

11 Summary

The Council continues to provide services that matter to the residents of Peterborough against the challenges of reduced funding and growing service demand. This is being achieved through:

- One-off, non-repeatable savings;
- Finding innovative, efficient and effective ways of working;
- Working more closely with neighbouring authorities and partners in the health service;
- Adopting more early intervention and preventative action;
- Seeking value for money from our contracts and future procurement;
- Reducing the capital programme, and therefore the cost of borrowing;

The Council will endeavour to protect services and avoid drastic cuts but will need to deliver services within its financial envelope. The Council is aspiring to achieve this by becoming more self-sufficient through greater levels of commercialisation being applied to all activities it undertakes.

The Council approved the revenue and capital budget requirement for 2019/20 in its MTFS. The budget supported the Council's key priorities and included £20.7m of budget reductions, and the use of £3.1m from the Grant Equalisation reserve. The budget gap in 2020/21 remains at £18.4m, rising to £20m in 2021/22. The Council still remains in a difficult financial position, however it will continue to be proactive in making decisions on how it can best deliver services within its financial envelope.

The Council has where possible managed the financial challenges during 2018/19, by being alert to service and budget pressures, and balancing the demands of local circumstances with the financial constraints of the national economic climate. The action taken by Cabinet and CMT has meant that the Council has significantly reduced the forecasted overspend by £4.4m, from £6.5m at its peak in August 2018 to £2.1m by the end of the financial year.

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

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



Peter Carpenter,
Acting Director of Corporate Resources

Independent Auditors' Report to the Members of Peterborough City Council

To be added following conclusion of audit – July 2019

To be added following conclusion of audit – July 2019

To be added following conclusion of audit – July 2019

To be added following conclusion of audit – July 2019

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Chairman's Certificate

I certify that the Statement of Accounts for the year ended 31 March 2019 was approved at the meeting of the Audit Committee on 15 July 2019.

Signed on behalf of Peterborough City Council:

Chairperson of meeting
approving the accounts:

Date:

David Over

July 2019

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 22 to 95 present a true and fair view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Acting Director of Corporate
Resources:

Date:

Peter Carpenter

July 2019

Comprehensive Income and Expenditure Statement (CIES)

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

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

<i>Restated 2017/18*</i>			Comprehensive Income & Expenditure Statement (CIES)	Notes (From Page 26)	2018/19		
<i>Gross Expenditure £000</i>	<i>Gross Income £000</i>	<i>Net Expenditure £000</i>			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,183	(626)	1,557	Chief Executives		2,170	(672)	1,498
6,486	(1,779)	4,707	Governance	4	6,336	(1,122)	5,214
322,895	(228,128)	94,767	People & Communities	1, 2, 6	304,815	(198,998)	105,817
103,440	(82,861)	20,579	Resources	3	90,572	(67,976)	22,596
70,624	(18,614)	52,010	Growth & Regeneration		69,208	(20,022)	49,186
11,371	(11,353)	18	Public Health	6	11,083	(11,110)	(27)
516,999	(343,361)	173,638	Cost of Services		484,184	(299,900)	184,284
15,859	(14,726)	1,133	Other Operating Income & Expenditure	9	6,311	(9,661)	(3,350)
52,667	(6,481)	46,186	Financing & Investment Income & Expenditure	10,11	89,469	(7,727)	81,742
2,514	(167,046)	(164,532)	Taxation & Non-Specific Grant Income & Expenditure	12	2,642	(166,143)	(163,501)
588,039	(531,614)	56,425	(Surplus) / Deficit on Provision of Services	15	582,606	(483,431)	99,175
		(23,720)	(Surplus) / Deficit on Revaluation of Non-Current Assets	16,18			(2,468)
		(12,495)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			37,247
		(36,215)	Other Comprehensive Income & Expenditure				34,779
		20,210	Total Comprehensive Income & Expenditure				133,954

* Restated to take account of changes in organisation structure during 2018/19 in order to present figures on a like for like basis.

Movement in Reserves Statement (MiRS)

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

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

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

The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 16, page 46.

Movement in Reserves during 2017/18 and 2018/19	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 2017</i>		(6,000)	(5,406)	(32,975)	-	(1,210)	(45,591)	115,176	69,585
<i>Total Comprehensive Income & Expenditure</i>		56,578	(153)	-	-	-	56,425	(36,215)	20,210
<i>Adjustments between accounting basis & funding basis under regulations</i>		(58,502)	-	-	-	(6)	(58,508)	58,508	-
<i>Net Increase / Decrease before Transfers to Earmarked Reserves</i>		(1,924)	(153)	-	-	(6)	(2,083)	22,293	20,210
<i>Transfers to / (from) Earmarked Reserves</i>		1,924	-	(1,924)	-	-	-	-	-
<i>(Increase) /Decrease in 2017/18</i>		-	(153)	(1,924)	-	(6)	(2,083)	22,293	20,210
<i>Restated Balance at 31 March 2018 Carried Forward</i>		(6,000)	(5,559)	(34,899)	-	(1,216)	(47,674)	137,469	89,795
Balance at 1 April 2018		(6,000)	(5,559)	(34,899)	-	(1,216)	(47,674)	137,469	89,795
<i>Total Comprehensive Income & Expenditure</i>		96,990	2,185	-	-	-	99,175	34,779	133,954
<i>Adjustments between accounting basis & funding basis under regulations</i>		(93,308)	-	-	(7,663)	106	(100,865)	100,865	-
<i>Net Increase before Transfers to Earmarked Reserves</i>		3,682	2,185	-	(7,663)	106	(1,690)	135,644	133,954
<i>Transfers to / (from) Earmarked Reserves</i>		(3,682)	-	3,682	-	-	-	-	-
(Increase) / Decrease in 2018/19		-	2,185	3,682	(7,663)	106	(1,690)	135,644	133,954
Balance at 31 March 2019 Carried Forward		(6,000)	(3,374)	(31,217)	(7,663)	(1,110)	(49,364)	273,113	223,749

Balance Sheet

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

- The first category of reserve are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes the reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement, page 23, line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018	Balance Sheet	Notes	31 March 2019
£000			£000
603,515	Property, Plant & Equipment	18	564,066
21,797	Investment Property	19	29,622
8,978	Intangible Assets	20	9,144
7,787	Long term Debtors	28, 29	1,372
642,077	Long Term Assets		604,204
25	Short Term Investments	28, 29	17
436	Inventories	31	456
83,535	Short Term Debtors	32	76,698
8,756	Cash & Cash Equivalents	29, 40	15,268
285	Current Intangible Asset	33	128
80	Assets Held for Sale	21	1,217
93,117	Current Assets		93,784
(43,074)	Short Term Borrowing	28	(69,062)
(68,997)	Short Term Creditors	35	(63,757)
(6,698)	Provisions	34	(9,088)
(118,769)	Current Liabilities		(141,907)
(271,338)	Long Term Creditors (Pension Liability)	7	(321,952)
(142)	Provisions	34	(175)
(380,087)	Long Term Borrowing	28	(392,087)
(33,847)	Other Long Term Liabilities	28, 29	(45,720)
(20,806)	Capital Grants Receipts in Advance	36	(19,896)
(706,220)	Long Term Liabilities		(779,830)
(89,795)	Net (Liabilities) / Assets		(223,749)
(47,674)	Usable Reserves	16	(49,364)
137,469	Unusable Reserves	16	273,113
89,795	Total Reserves		223,749

Cash Flow Statement

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

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

2017/18 £000		Notes	2018/19 £000
Cash Flow Statement			
56,425	Net (Surplus) / Deficit on the Provision of Services		99,175
(32,367)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(68,333)
(64,871)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		(60,782)
(40,813)	Net Cash Flows from Operating Activities		(29,940)
78,674	Investing Activities	38	62,568
(30,190)	Financing Activities	39	(39,140)
7,671	Net (Increase) / Decrease in Cash & Cash Equivalents		(6,512)
16,427	Cash & Cash Equivalents at the Beginning of the Reporting Period		8,756
(7,671)	Increase / (Decrease) in Cash and Cash Equivalents		6,512
8,756	Cash & Cash Equivalents at the end of the Reporting Period	40	15,268

Notes to the Accounts

1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2018/19 and for the previous financial year 2017/18 are as follows:

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

The Council's expenditure on running schools is funded primarily by DSG provided by the Education and Skills Funding Agency. An element of DSG is recouped by the Department for Education to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools

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

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

2 Pooled Funds

The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund (BCF), Learning Disability Services and Integrated Community Equipment Services are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The fourth

agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

Better Care Fund (BCF)

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

The BCF value for 2018/19 was £13.3m (2017/18 £13.0m) of which £6.8m (2017/18 £6.6m) is a pooled fund shown within the People & Communities line in the Comprehensive Income and Expenditure Statement (CIES). The remaining, non-pooled fund element, is made up of £1.8m (2017/18 £1.7m) directly received capital funding and £4.7m (2017/18 £4.7m) retained by CPCCG.

Learning Disability Services

The Council has a S75 agreement with CPCCG for commissioning and providing specialist health related learning disability services. The annual agreement for 2018/19 sets out the Council's contribution to the Pool, the level of performance that the Council aimed to deliver across a range of performance indicators and key service developments that the Council would take forward. Activity for this partnership is shown in the People & Communities line in the CIES of £0.9m (2017/18 £0.9m).

Integrated Community Equipment Services (ICES)

The annual S75 agreement for 2018/19 agreed a pooled budget and monitoring process for the provision of a joint ICES store and associated expenditure in relation to Social Care. The Council's contribution of £0.4m (2017/18 £0.3m) to this pooled partnership is shown in the People & Communities line in the CIES.

Mental Health Services

The Council has a S75 agreement with CPFT which provides for the cost of staff and associated overheads providing mental health services. The Council's contribution to this pooled partnership of £1.2m (2017/18 £1.2m) is shown in the People & Communities line in the CIES.

3 External Audit Costs

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

2017/18 £000	External Audit Costs	2018/19 £000
144	Fees payable with regard to external audit services carried out by the appointed auditor	97
-	Other services provided by the appointed auditor	-
<u>144</u>	Total	<u>97</u>

4 Member's Allowances

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

2017/18 £000	Member's Allowances	2018/19 £000
839	Allowances	847
1	Expenses	-
<u>840</u>	Total	<u>847</u>

5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £0.9m (2017/18 £1.2m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

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

2017/18 £000	Termination Benefits	2018/19 £000
8	Governance	20
51	Growth & Regeneration	186
867	People & Communities	443
133	People & Communities (Schools)	146
-	Public Health	16
110	Resources	115
1,169	Total	926

The number of packages agreed and the value of those packages are analysed in the following tables, in bands of £20k up to £100k and £50k thereafter (some bands are combined to avoid disclosing individual payments).

Termination and Exit Packages 2018/19							
Compulsory No.	Voluntary No.	Total No.	Bands	Compulsory £000	Voluntary £000	Total £000	Pension Strain inc. in total ¹ £000
12	11	23	£0 - £19,999	34	116	150	13
2	8	10	£20,000 - £99,999	128	253	381	23
-	2	2	£100,000 - £150,000 +	-	395	395	283
14	21	35	Total	162	764	926	319

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

¹ 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 2018/19 the Council paid £4.7m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2017/18 were £6.2m and 16.5%.

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

NHS Pension Scheme

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

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

In 2018/19 the Council paid £0.1m to NHS Pensions in respect of employee's retirement benefits, representing 14.3% of

pensionable pay. The figures for 2017/18 were £0.2m and 14.3%.

7 Defined Benefit Pension Schemes

Participation in pension schemes

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

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

Transactions Relating to Post-Employment Benefits

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

2017/18 £000	Comprehensive Income & Expenditure Statement	2018/19 £000
	Cost of Services:	
23,163	Current service cost	20,888
19	Past service cost	133
(3,713)	Effect of settlements	(649)
	Financing & Investment Income & Expenditure	
(11,602)	Interest Income on Scheme Assets	(12,334)
18,713	Interest Cost on Defined Benefit Obligation	19,739
26,580	Total post-employment benefit charged to the Deficit on the Provision of Services	27,777
	Other employment benefit charged to the CIES	
1,762	Return on plan assets (excluding the amount included in the net interest expense)	(26,516)
-	Actuarial gains and losses arising on changes in demographic assumptions	-
(14,365)	Actuarial gains and losses arising on changes in financial assumptions	62,946
(133)	Other Experience	816
241	Adjustment to actuarial estimate contribution	1
(12,495)	Total Remeasurements Recognised in CIES	37,247
14,085	Total post-employment benefit charged to the CIES	65,024
	Movement in Reserves Statement	
(14,085)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(65,024)
	Actual amount charged against the General Fund Balance for pensions in the year:	
15,034	Employer's contributions payable to scheme	14,410
949	Total Movement in Reserves Statement	(50,614)

The previous 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.

31 March 2018 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	31 March 2019 £000
456,983	Fair Value of Employer Assets	496,032
(706,119)	Present Value of Funded Liabilities	(795,411)
(22,202)	Present Value of Unfunded Liabilities	(22,573)
(271,338)	Total	(321,952)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £322m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, see Note 16, page 51. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2018 £000	Reconciliation of the Fair Value of the Scheme Assets	31 March 2019 £000
446,376	Opening fair value of Scheme Assets	456,983
11,602	Interest Income	12,334
(1,762)	Return on plan assets, excluding the amount included in the net interest expense	26,516
(1,029)	Effect of Settlements	(189)
15,034	Contributions from Employer	14,410
	Adjustment for Actuarial estimated Employer	(1)
(241)	Contributions	
3,697	Contributions from Employees	3,559
(16,694)	Benefits Paid	(17,580)
456,983	Closing Fair Value of Scheme Assets	496,032

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 2018 £000	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2019 £000
718,663	Opening Liability at 1 April	728,321
23,163	Current Service Cost	20,888
18,713	Interest Cost	19,739
3,697	Contributions from Scheme Participants	3,559
(14,365)	Actuarial gains/losses arising from changes in financial assumptions	62,946
-	Actuarial gains/losses arising from changes in demographic assumptions	-
(133)	Other experience	816
(4,742)	Liabilities Extinguished on Settlements	(838)
19	Past Service Costs including curtailments	133
(16,694)	Benefits Paid	(17,580)
728,321	Closing Liability at 31 March	817,984

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

31 March 2018 £000	Local Government Pension Scheme Assets comprised	31 March 2019 £000
Equity Securities		
12,690	Consumer	14,667
8,206	Manufacturing	9,371
9,835	Energy and Utilities	11,472
19,693	Financial Institutions	19,013
4,848	Health and Care	2,987
2,157	Information Technology	2,971
57,429	Sub-total equity	60,481
Debt Securities – Government Bonds		
11,521		12,329
Private Equity		
42,388		40,493
Investment Funds and Unit Trusts		
253,079	Equities	270,078
45,927	Bonds	47,551
-	Infrastructure	18,566
31,926	Other	38,984
330,932	Sub-total Investment Funds and Unit Trusts	375,179
14,713	Cash and Cash Equivalents	7,550
456,983	Total Assets	496,032

Basis for estimating assets and liabilities

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

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

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

31 March 2018	Long-term expected rate of return on assets in the scheme	31 March 2019
2.7%	Equity Investments	2.4%
2.7%	Bonds	2.4%
2.7%	Property	2.4%
2.7%	Cash	2.4%
	Mortality Assumptions	
	Longevity at 65 for Current Pensioners:	
22.4	Men (years)	22.4
24.4	Women (years)	24.4
	Longevity at 65 for Future Pensioners:	
24.0	Men (years)	24.0
26.3	Women (years)	26.3
	Financial Assumptions	
3.4%	Rate of inflation	3.4%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate of increase in salaries	2.8%
2.7%	Rate for discounting scheme liabilities	2.4%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
63.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	63.0%

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

Impact on the Council's Cash Flows

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2016, and their recommendations have been implemented from April 2017. The actuary has recommended a combination of an increase to the employer contribution percentage (from 16.3% in 2014/15 to 17.4%) along with a cash lump sum into the fund of £1.9m for the current and following year. The Council anticipates to pay £12.5m expected contributions to the scheme in 2019/20 in addition to the lump sum cash payment. This helps maintain contributions as payrolls decline. These contributions are provided for in the Council's Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. The actuary will be carrying out the next triennial valuation of the fund during 2019 the results of which will be implemented in 2020/21 financial year.

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

8 Officers' Remuneration

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

The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds. The bands include those employees who have received remuneration and lump sum payments during the year, but not any associated pension strain. This makes comparison between years difficult, but data showing the termination and exit packages is detailed in Note 0.

The Council shares a number of posts with Cambridgeshire County Council (CCC), see note 13. Where the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note and costs are shown in full. Where CCC holds the employment contract they are not included in this note.

The Council has been acting as employer for 38 staff working for Cambridgeshire and Peterborough Combined Authority (CPCA). As the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note. The cost of these employees are charged to CPCA in full and they will transfer to sole CPCA employment on 1 May 2019. Additional notes have been added where CPCA staff are disclosed in the following tables.

The Council has a Pay Policy Statement approved by Council for each financial year setting out the policies relating to the remuneration of its chief officer, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who

are not chief officers. The Pay Policy Statement for 2018/19 was approved on 7 March 2018.

2017/18 No. of Employees					2018/19 No. of Employees				
Non Schls	Schls	CPCA	Total	Remuneration Band	Non Schls	Schls	CPCA	Total	
27	27	-	54	£50,000 - £54,999	29	25	-	54	
8	17	1	26	£55,000 - £59,999	17	16	1	34	
13	13	-	26	£60,000 - £64,999	10	15	1	26	
7	14	-	21	£65,000 - £69,999	10	7	2	19	
8	6	-	14	£70,000 - £74,999	8	10	-	18	
4	7	-	11	£75,000 - £79,999	3	4	3	10	
3	5	-	8	£80,000 - £84,999	5	4	1	10	
3	1	-	4	£85,000 - £89,999	4	2	-	6	
1	4	-	5	£90,000 - £94,999	1	2	-	3	
1	2	-	3	£95,000 - £99,999	-	2	-	2	
-	1	-	1	£100,000 - £104,999	1	-	-	1	
-	1	-	1	£105,000 - £109,999	1	2	1	4	
2	1	-	3	£110,000 - £114,999	-	1	-	1	
1	-	-	1	£115,000 - £119,999	-	-	-	-	
-	-	-	-	£120,000 - £124,999	3	-	-	3	
1	-	-	1	£125,000 - £129,999	-	-	-	-	
1	-	-	1	£130,000 - £134,999	-	1	-	1	
1	-	-	1	£140,000 - £144,999	1	-	1	2	
1	-	-	1	£145,000 - £149,999	1	-	-	1	
-	-	-	-	£170,000 - £174,999	1	-	-	1	
1	-	1	2	£175,000 - £179,999	-	-	-	-	
-	-	-	-	£195,000 - £199,999	-	-	1	1	
-	-	-	-	£220,000 - £224,999	1	-	-	1	
83	99	2	184	Total	96	91	11	198	

Senior Employees Remuneration

The table shows the remuneration paid to the Council's senior employees, the salary reflecting the actual amounts paid in the period and includes fees, allowances and basic arrears. There were no Bonuses or Benefits in Kind payable during 2018/19 or 2017/18.

Post Holder	Year	Salary ¹	Expenses Allowances	Compensation for loss of Office	Election duties ²	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) ³	Total Remuneration (inc. Pension contributions)
Chief Executive G Beasley <i>see Note A</i>	2018/19	£173,598	-	-	£373	£173,971	£29,375	£203,346
	2017/18	£171,597	-	-	£4,875	£176,472	£28,692	£205,164
Corporate Director: People & Communities <i>see Note A</i>	2018/19	£145,152	-	-	£350	£145,502	£6,262	£151,764
	2017/18	£143,963	-	-	£750	£144,713	£24,759	£169,472
Acting Corporate Director: Resources From 30 March 2018 <i>see Note B</i>	2018/19	£121,535	-	-	£200	£121,735	£21,147	£142,882
	2017/18	-	-	-	-	-	-	-
Corporate Director: Resources J Harrison to 31 July 2017 <i>see Note B</i>	2018/19	-	-	-	-	-	-	-
	2017/18	£109,200	-	-	£4,550	£113,750	£8,671	£122,421
Corporate Director: Growth & Regeneration to 17 March 2019 <i>see Note C</i>	2018/19	£126,425	-	94,945	-	£221,370	£22,027	£243,397
	2017/18	£127,939	-	-	£250	£128,189	£22,143	£150,332
Director of Governance to 27 November 2017 <i>see Note D</i>	2018/19	£65,899	-	-	-	-	-	-
	2017/18	£65,899	-	-	£3,950	£69,849	£11,526	£81,375
Assistant Director of HR and Development from 1 July 2017 <i>see Note E</i>	2018/19	£81,029	-	-	£1,145	£82,174	£14,099	£96,273
	2017/18	£57,861	-	-	£610	£58,471	£9,938	£68,409
Senior Employees employed on behalf of Cambridgeshire & Peterborough Combined Authority (CPCA)								
CPCA Chief Executive – K Sawyer from 26 September 2018 <i>see Note F</i>	2018/19	£77,474		-	-	£77,474	£13,480	£90,954
CPCA Chief Executive – M Whiteley to 30 September 2018 <i>see Note F</i>	2018/19	£94,027	£7,500	£95,000	-	£196,527	£16,159	£212,686
	2017/18	£162,894	£14,917	-	-	£177,811	£28,214	£206,025
^{1.} Salary is the full amount paid by the Council and includes the costs related to Shared Senior Officer arrangements with other organisations – see following page for details. ^{2.} Payment for election duties depend on the elections overseen in the year. During 2017/18 there were three local by-elections, a General Election, and a Cambridgeshire & Peterborough Combined Authority Mayoral Election, during 2018/19 there was a local by-election The General Election costs are funded by the Electoral Commission and the Cambridgeshire & Peterborough Combined Authority Mayoral Election is funded by the Cambridgeshire & Peterborough Combined Authority. ^{3.} The Pension Contributions column reflects the employer's contribution only. Each employee makes their own contributions directly to the Pension Fund.								

Notes to the Senior Employees Remuneration table

A – The costs of the Chief Executive and Corporate Director: People & Communities are shared with Cambridgeshire County Council (CCC) under a S113 Agreement. As they are employed by the Council costs are shown in full in the table, and 50% of the cost is recharged to CCC. A similar arrangement is in place for the Director of Public Health, but as this post is employed by CCC it is not shown in the table, the cost to the Council for 2018/19 was £52,632 (2017/18 £52,932). From 1 January 2019 the Council also shared CCCs Director of Customer & Digital Services (£16,250) and Director of Business Improvement & Development (£19,625)

B – The Corporate Director Resources: From 30 March 2018 the post is being covered by an internal acting up arrangement. Director Resources resigned with effect from 31 July 2017, and was filled by an Interim from 1 August 2017 to 29 March 2018 at a cost of £147,943. The role was seconded part time to Fenland District Council between 2 July and 13 August 2018 for which the Council received £9,000 (2017/18 - The role was seconded part time to act as S151 Officer for Cambridgeshire & Peterborough Combined Authority until 31 August 2017 for a fixed contribution of £30,000 and also at the disposal of East Cambridgeshire District Council to act as S151 Officer until 19 June 2017 who paid £3,410 based on chargeable days.)

C – The full cost of the Corporate Director: Growth & Regeneration is included in the table. From 2 January to 17 March 2019 the postholder was seconded full time to South Kesteven District Council for which the Council received £34,340. (2017/18 The post acted as Managing Partner for the Peterborough Investment Partnership until 31 December 2017 which contributes half the costs. The income to the Council for

2017/18 was £63,574). From 7 January this post was covered in the Corporate Management Team by an interim Development Director at a cost of £62,239.

D – The Director of Governance was seconded to act as Monitoring Officer for Cambridgeshire & Peterborough Combined Authority (CPCA) part time until 30 June 2017 then full time until 27 November 2017 at which point they left their substantive post to take up the CPCA role permanently. From 1 July 2017 the Council's Monitoring Officer role was covered by an interim and then, from 1 November 2018 through sharing CCC's Service Director, Legal and Governance at a total cost of (£62,362) (2017/18 - two successive interims at a total cost of £134,672).

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

F – The Cambridgeshire & Peterborough Combined Authority (CPCA) Chief Executive is disclosed in the table as they are employed by the Council on behalf of CPCA and meet the statutory definition of a Senior Employee, but the post is not part of the Corporate Management Team and works full time for CPCA who cover all the costs. This reflects the mechanics of setting up CPCA which did not have registered employer status when the post was appointed to. The post will transfer to sole CPCA employment from 1 May 2019.

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

2017/18	Other Operating Income & Expenditure	2018/19
£000		£000
600	Parish Council Precepts	586
613	Drainage & Flood Levies	627
4	Payments to the Government Housing Capital Receipts Pool (Note 16)	2
1,371	Net (Gains) / Losses on Disposal of Non-Current Assets	(3,345)
(1,455)	Gains on Right To Buy Receipts	(1,220)
1,133	Total	(3,350)

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

2017/18	Financing & Investment Income & Expenditure	2018/19
£000		£000
16,585	Interest Payable & Similar Charges (Note 28)	17,704
(1,268)	Interest Receivable & Similar Income (Note 28)	(1,991)
(166)	Other Investment Income	(201)
7,111	Pension Interest Cost & Expected Return on Pension Assets (Note 7)	7,405
(2,138)	(Gains) / Losses on Trading Operations (Note 11)	(1,099)
90	(Gains) / Losses in Fair Value of Investment Properties (Note 19)	(1,088)
(103)	Impairment and Derecognition of Current Assets and Long Term Debtors	1,035
26,075	De-recognition of Subsidiary Assets	59,977
46,186	Total	81,742

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 incorporated a range of schemes which were designed to both generate a profit for the Council and deliver aspects of the Council's Environment Capital vision. All significant activity on these schemes ended during 2017/18.

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

Trading Operations 2018/19	Expenditure	Income	Deficit / (Surplus)
	£000	£000	£000
Industrial Properties	135	(897)	(762)
Commercial Properties	868	(1,941)	(1,073)
Market Properties	285	(288)	(3)
Total for Properties	1,288	(3,126)	(1,838)
Westcombe Industries	1,559	(1,321)	238
Environment Capital	-	-	-
Other Traded Services	1,559	(1,321)	238
Sub Total	2,847	(4,447)	(1,600)
Capital Charges Adjustment	501	-	501
Total for Trading Units	3,348	(4,447)	(1,099)

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

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

<i>2017/18</i>	Taxation & Non-Specific Grant Income	<i>2018/19</i>
<i>£000</i>		<i>£000</i>
	Taxation Income	
(69,029)	Council Tax Income	(74,599)
213	NDR Levy Payment	272
2,301	NDR Tariff Payment	2,370
(44,193)	NDR Income	(45,454)
(110,708)	Total Taxation Income	(117,411)
	Non-Specific Government Grants	
(19,821)	Revenue Support Grant	(15,056)
(6,641)	New Homes Bonus	(5,153)
(2,809)	Section 31 Grant	(4,234)
(29,271)	Total Non-Specific Government Grants	(24,443)
(24,553)	Capital Grants & Contributions (Note 25)	(21,647)
(164,532)	Total Income	(163,501)

13 Related Parties

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

The disclosures do not include transactions with related parties that the Council has no discretion over such as council tax and rates payments, the award of benefits and Nursery Education Funding payments whose terms apply commonly across the local population and for which the related party would have a duty or entitlement if the relationship did not exist.

Central Government

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

Members

The current Register of Members' Interest is open to public inspection at the Town Hall during office hours (2018/19 Register of Members Interests is also available) and the details of Members Interests are disclosed in the Council area by Member on the Council's website.

Of the 60 Councillors one declaration of related party interests was not received by 29 May 2019.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2018/19 is shown in Note 0. Members have been consulted over potential related parties and three Councillors are board members or trustees of companies or charities that have material related party transactions with the Council in the last financial year. These are normal business transactions and the Councillors have not been involved in the decision to award the contracts.

- Cllr M Nadeem is Director of Nadeem Construction Ltd which the Council paid £355k under a contract for Care & Repair services, £34k of which was outstanding at 31 March 2019.
- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £114k for services during 2018/19.
- Cllr M Cereste is Director of Tower Properties (Peterborough) Limited which the Council paid £110k for leasing of emergency housing during 2018/19.

Members and officers are appointed by the council as representatives to various local and national bodies where related party transactions routinely arise. The complete List of Outside Bodies is in the Council area of the Council's website (<http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1>) and is also available for public inspection at the Town Hall during office hours. The only significant transactions that have taken place with these bodies during 2018/19 which are not disclosed elsewhere are with Vivacity.

Vivacity

Vivacity is an independent, not-for-profit organisation with charitable status which since 1 May 2010 manages many of Peterborough's culture and leisure facilities on behalf of the Council through a Funding and Management Agreement. During 2018/19 the Council spent £2,360k on services with Vivacity (2017/18 £2,304k) and received £1,281k from Vivacity for services (2017/18 £1,434k). At 31 March 2019 the Council owed nil to Vivacity (2017/18 nil) and Vivacity owed £1,200k to the Council (2017/18 £723k).

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

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

- Legal services to Rutland County Council and Fenland District Council,
- Regulatory services to Rutland County Council,
- Planning policy services to Fenland District Council, North Kesteven District Council (until Dec 2018) and East Cambridgeshire District Council,
- Neighbourhood planning service to North Kesteven District Council and West Lindsey District Council,
- Health and safety services to Rutland County Council

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

These initiatives are designed to produce cost savings for the Council, but are not individually of a material nature, except to the arrangements with Cambridgeshire County Council and

Cambridgeshire and Peterborough Combined Authority (as follows).

Cambridgeshire County Council

The Council shares its Chief Executive, other senior staff and a range of services with Cambridgeshire County Council (CCC) to generate savings for the mutual benefit of both councils. Services shared include Public Health and Social Care Commissioning, Children and Adult Social Care management structures and Regulatory Services. During 2018/19 the Council spent £3,019k with CCC (2017/18 £1,372k) and received £3,319k from CCC (2017/18 £2,451k). At 31 March 2019 the Council owed £2,168k to CCC (2017/18 £917k) and CCC owed £2,058k to the Council (2017/18 £1,069k).

Cambridgeshire and Peterborough Combined Authority

Cambridgeshire and Peterborough Combined Authority (CPCA) came into existence 3 March 2017, having operated for several months prior to this as a shadow authority. From 1 April 2018 it incorporated a new Business Board which took on the functions of the Local Enterprise Partnership. The Council has been providing a range of services to support CPCA. These include Legal, Insurance, Internal Audit, Treasury Management, Finance Systems, Accountancy, and HR & Payroll. As part of the HR & Payroll SLA during 2018/19 the Council is acted as employer for 38 CPCA staff. These staff will transfer to sole CPCA employment from 1 May 2019. During 2018/19 the Council has received £3,592k from CPCA for services provided, costs incurred and grants (£1,994k 2017/18). A debtor balance of £673k was outstanding at 31 March 2019 (£836k 31 March 2018).

Entities Controlled or Significantly Influenced by the Council

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

The Mayor of Peterborough's Charity Fund is registered with the Charity Commission as an unincorporated association. The charity has a long established tradition involving the Mayor and Mayor's charity committee in organising and participating in a wide range of fundraising events during the Mayoral year. The proceeds are gifted to a charity or charities of the Mayor's choice. In 2018/19 the amount raised was £17k (2017/18 £29k).

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

14 Interest in Companies and Partnerships

The council has interests in a number of subsidiaries and Joint Ventures. Summary financial information of the companies and related party transactions with the Council as disclosed in the table below:

			Opportunity Peterborough Limited £000	Blue Sky Peterborough £000	Peterborough Investment Partnership LLP £000	Empower CIC £000	NPS Peterborough Limited £000	Medesham Homes LLP £000	Medesham Limited £000	Peterborough Limited £000
Company Financial Information:										
Profit / (Loss)		2018/19	53	-	128	6	98	132	-	(635)
		2017/18	(37)	-	(989)*	-	88	(27)	-	-
Net Assets		2018/19	199	-	1,894	8	222	305	-	(635)
		2017/18	146	-	1,766*	2	124	173	-	-
Related Party Transactions with the Council:										
Cost to the Council	In Year	2018/19	363	-	-	-	2,168	5,572	-	110
		2017/18	529	-	-	-	2,533	2,290	-	-
	Balance at year end	31 March 2019	148	-	-	-	79	-	-	110
		31 March 2018	2	-	-	-	37	-	-	-
Income to the Council	In Year	2018/19	(12)	-	(511)	-	(166)	-	-	595
		2017/18	(16)	-	(1,326)	-	(104)	-	-	-
	Balance at year end	31 March 2019	-	-	(28)	-	-	-	-	595
		31 March 2018	-	-	(104)	-	(55)	-	-	-

* Restated as figures disclosed in 2017/18 Statement of Accounts were from draft company accounts.

Opportunity Peterborough Limited

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

The related party transactions include a funding contribution to the company of £190k (2017/18 £207k).

Blue Sky Peterborough Limited

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

The company is limited by shares, and the share capital of the company is £1. As at 31 March 2019 there have been no transactions through the company.

Peterborough Investment Partnership LLP (PIP)

Peterborough Investment Partnership LLP is a limited liability partnership and the members are Peterborough City Council and Peterborough Partnership SARL. The Partnership is 50:50 controlled by the Council and 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

Empower Community Interest Company (CIC)

The members of Empower Peterborough Community Interest Company are Empower Community Management LLP and Peterborough City Council. The company is 50:50 controlled by the Council and Empower Community Management LLP and was incorporated on the 21 July 2015. The company was incorporated as part of the strategic partnership to deliver solar panel on residential properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing the solar panel programme. As it is a Community Interest Company a percentage of the money generated is shared equally between a Local Community Fund and the Council.

NPS Peterborough Ltd

NPS Peterborough Ltd is 50:50 Joint Venture controlled by the Council and NPS Property Consultants Ltd, with NPS Property Consultants Ltd holding 8 A shares and the Council holding 2 B shares. It was incorporated on the 8 July 2016. NPS Peterborough Ltd was set up as an in-house company to into which the property services of the Council were transferred. The work transferred included estate management, arrangement of asset acquisition, disposals and rent collection for the Council.

Medesham Homes LLP

Medesham Homes LLP is a limited liability partnership and the members are CKH Developments Limited (A member), Medesham Limited (B member) and Peterborough City Council (A member). The partnership is controlled 50:50 by the A members, CKH Developments Limited and Peterborough City Council, and was incorporated on the 25 November 2016. The partnership was incorporated with the objectives to deliver affordable rented housing, and to investigate further opportunities for starter homes, shared equity, market sale, private rented, student accommodation and housing solutions for vulnerable groups.

The related party transaction are all capital for the provision of homes for affordable rent except £282k for the purchase of land.

Medesham Limited

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

Peterborough Limited

The registered name of the company is Peterborough Limited and is a wholly owned subsidiary of Peterborough City Council trading under the name Aragon Direct Services. It was incorporated on the 31 July 2018. The company is a Local Authority Trading Company (LATCo) and was set up to deliver services which had previously been provided under contract by Amey. Building cleaning transferred to Peterborough Limited on 2 February 2019 with, passenger transport and waste and recycling following on 1 April 2019, and building maintenance, street cleansing and grounds maintenance on 4 May 2019. The company is limited by shares, and the share capital of the company is £1.

The company has been set up as a Teckal company, which means that at least 80% of its income will come from the Council.

In addition the related party transactions disclosed in the table the Council made available a £1,750k loan facility to Peterborough Limited at a commercial interest rate to provide working capital. As at 31 March 2019 £940k of this facility had been drawn down.

As the company has only just started trading, the set up costs have not yet been recovered and a loss was recorded. Due to the Council loan facility the company has sufficient cash to trade until a profit is made.

15 Expenditure and Funding Analysis and Subjective Analyses

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

<i>Expenditure Chargeable to the General Fund</i>	<i>Restated 2017/18* Adjustments between the Funding and Accounting Basis (Note 15)</i>	<i>Net Expenditure in the CIES</i>	Expenditure and Funding Analysis (EFA)	Notes (From Page 26)	Expenditure Chargeable to the General Fund	2018/19 Adjustments between the Funding and Accounting Basis (Note 15)	Net Expenditure in the CIES
£000	£000	£000			£000	£000	£000
1,426	131	1,557	Chief Executives		1,380	118	1,498
4,499	208	4,707	Governance	4	5,001	213	5,214
73,388	21,379	94,767	People & Communities	1, 2, 6	81,111	24,706	105,817
34,441	(13,862)	20,579	Resources	3	34,855	(12,259)	22,596
21,810	30,200	52,010	Growth & Regeneration		26,391	22,795	49,186
1	17	18	Public Health	6	(61)	34	(27)
135,565	38,073	173,638	Cost of Services	15	148,677	35,607	184,284
(137,642)	20,429	(117,213)	Other Income & Expenditure	9,10,11,12	(142,810)	57,701	(85,109)
(2,077)	58,502	56,425	(Surplus) / Deficit on Provision of Services	15	5,867	93,308	99,175
(44,381)			Opening General Fund Balance	16	(46,458)		
(2,077)			Less/Plus (Surplus) or Deficit on General Fund Balance in Year		5,867		
(46,458)			Closing General Fund Balance**	16	(40,591)		

* Restated to take account of changes in organisation structure during 2018/19 in order to present figures on a like for like basis.

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

Adjustments for Capital Purposes ¹	Restated 2017/18*			Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes ¹	2018/19		
	Net change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments			Net change for the Pensions Adjustments ²	Other Differences ³	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
-	130	1	131	Chief Executives	-	117	1	118
16	193	(1)	208	Governance	17	193	3	213
15,420	6,990	(1,031)	21,379	People & Communities	23,443	5,616	(4,353)	24,706
32,151	(3,616)	(42,397)	(13,862)	Resources	57,829	(664)	(69,424)	(12,259)
27,705	718	1,777	30,200	Growth & Regeneration	22,514	668	(387)	22,795
-	20	(3)	17	Public Health	-	32	2	34
75,292	4,435	(41,654)	38,073	Cost of Services	103,803	5,962	(74,158)	35,607
(25,914)	7,111	39,232	20,429	Other income and expenditure from the EFA	(23,952)	7,405	74,248	57,701
49,378	11,546	(2,422)	58,502	Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services	79,851	13,367	90	93,308

* Restated to take account of changes in organisation structure during 2018/19 in order to present figures on a like for like basis.

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

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

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

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

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

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

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

Restated 2017/18*			Segmental analysis of certain Items of Income and Expenditure shown net in the EFA	Revenues from External Customers	2018/19 Interest Revenue	Interest Expense
£000	£000	£000		£000	£000	£000
(626)	-	-	Chief Executives	(435)	-	-
(1,319)	-	-	Governance	(894)	-	-
(57,277)	(7)	37	People & Communities	(51,077)	(6)	33
(18,041)	(1,261)	16,158	Resources	(13,996)	(1,985)	16,223
(22,297)	-	390	Growth & Regeneration	(23,708)	-	1,448
(157)	-	-	Public Health	(202)	-	-
(99,717)	(1,268)	16,585	Total in Cost of Services	(90,312)	(1,991)	17,704

* Restated to take account of changes in organisation structure during 208//19 in order to present figures on a like for like basis.

Restated 2017/18*	Expenditure & Income Analysed by Nature	2018/19
£000	Expenditure	£000
138,177	Employee Expenses	128,311
22,649	Employee Expenses (Voluntary Aided and Foundation Schools) ¹	14,643
375,583	Other Service Expenses	391,959
33,738	Depreciation, Amortisation & Impairment	28,774
16,585	Interest Payments	17,704
90	Loss in Fair Value of Investment Properties	-
1,213	Precepts & Levies	1,213
4	Payments to Housing Capital Receipts Pool	2
588,039	Total Expenditure	582,606
	Income	
(99,717)	Fees, Charges & Other Service Income	(90,312)
(14,726)	Capital Receipts	(9,661)
-	Gain in Fair Value of Investment Properties	(1,088)
(1,434)	Interest & Investment Income	(2,192)
(69,029)	Income from Council Tax	(74,599)
(44,193)	NDR Income	(45,454)
(302,515)	Government Grants & Other Contributions	(260,125)
(531,614)	Total Income	(483,431)
56,425	Deficit / (Surplus) on the Provision of Services	99,175

*Restated to show additional categories of income and expenditure.

¹Following the reporting requirements stipulated by the Code on accounting for schools, the Council's Statement of Accounts includes an analysis of the income and expenditure of the Council's maintained schools as if it were the expenditure of the Council. However Voluntary Aided and Foundation schools employees are not in fact employees of the Council, so they are shown separately in this note.

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

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

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

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

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
Adjustments involving the Capital Adjustment Account:	£000	£000	£000	£000
Reversal of items debited or credited to the CIES:				
Depreciation & impairment of non-current assets	(26,372)	-	-	26,372
Revaluation losses on Property Plant and Equipment	(18,185)	-	-	18,185
Movements in the fair value of Investment Properties	1,088	-	-	(1,088)
Amortisation of intangible assets	(2,402)	-	-	2,402
Capital grants and contributions	38,000	-	-	(38,000)
Revenue expenditure funded from capital under statute	(20,502)	-	-	20,502
Impairment of Financial Asset (Loans)	(105)			105
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(62,047)			62,047
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	226	-	-	(226)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants & contributions unapplied from the CIES	789	-	(789)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	895	(895)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	8,441	(8,441)	-	-
Redemption of Financial Assets (Loans)	-	(8,200)	-	8,200
Use of the reserve to finance capital expenditure	-	8,200	-	(8,200)
Capital Receipts used for the repayment of loans	-	11,189	-	(11,189)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(2)	2	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(10,413)	-	10,413
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	1,220	-	-	(1,220)
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.	(48)	-	-	48
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(27,777)	-	-	27,777
Employer's pensions contributions & direct payments to pensioners payable in the year	14,410	-	-	(14,410)
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	(611)	-	-	611
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(345)	-	-	345
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Adjustments for short-term compensated absences	914	-	-	(914)
Total Adjustments	(93,308)	(7,663)	106	100,865

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<i>Adjustments involving the Capital Adjustment Account:</i>				
<i><u>Reversal of items debited or credited to the CIES:</u></i>				
Depreciation & impairment of non-current assets	(31,049)	-	-	31,049
Revaluation losses on Property Plant and Equipment	(8,016)	-	-	8,016
Movements in the fair value of Investment Properties	(90)	-	-	90
Amortisation of intangible assets	(2,689)	-	-	2,689
Capital grants and contributions	36,505	-	-	(36,505)
Capital contributions used for the repayment of loans	4,437	-	-	(4,437)
Revenue expenditure funded from capital under statute	(23,392)	-	-	23,392
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(39,840)	-	-	39,840
<i><u>Insertion of items not debited or credited to the CIES:</u></i>				
Statutory provision for the financing of capital investment	-	-	-	-
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
Capital grants & contributions unapplied from the CIES	32	-	(32)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	26	(26)
<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	4,315	(4,315)	-	-
Redemption of Financial Assets (Loans)	-	-	-	-
Use of the reserve to finance capital expenditure	-	1,083	-	(1,083)
Capital Receipts used for the repayment of loans	-	7,180	-	(7,180)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	(4)	4	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(3,952)	-	3,952
<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	10,413	-	-	(10,413)
<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.	(47)	-	-	47
<i>Adjustments involving the Pensions Reserve:</i>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(26,580)	-	-	26,580
Employer's pensions contributions & direct payments to pensioners payable in the year	15,034	-	-	(15,034)
<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	668	-	-	(668)
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	1,674	-	-	(1,674)
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
Adjustments for short-term compensated absences	127	-	-	(127)
Total Adjustments	(58,502)	-	(6)	58,508

- **Summary of Usable and Unusable Reserves**

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

1 April 2017 £000	Movement £000	31 March 2018 £000	Summary of Usable and Unusable Reserves	1 April 2018 £000	Movement £000	31 March 2019 £000
			Usable Reserves			
(6,000)	-	(6,000)	General Fund Balance	(6,000)	-	(6,000)
(5,406)	(153)	(5,559)	School's Balances	(5,559)	2,185	(3,374)
(32,975)	(1,924)	(34,899)	Specific Earmarked Reserves (Note 17)	(34,899)	3,682	(31,217)
-	-	-	Capital Receipts Reserve	-	(7,663)	(7,663)
(1,210)	(6)	(1,216)	Capital Grants Unapplied Account	(1,216)	106	(1,110)
(45,591)	(2,083)	(47,674)	Total Usable Reserves	(47,674)	(1,690)	(49,364)
			Unusable Reserves			
(144,206)	(8,090)	(152,296)	Revaluation Reserve	(152,296)	18,483	(133,813)
(13,558)	40,215	26,657	Capital Adjustment Account	26,657	57,264	83,921
(3,959)	(6,461)	(10,420)	Deferred Capital Receipts Reserve	(10,420)	9,193	(1,227)
340	47	387	Financial Instruments Adjustment Account	387	48	435
272,287	(949)	271,338	Pension Reserve	271,338	50,614	321,952
859	(2,342)	(1,483)	Collection Fund Adjustment Account	(1,483)	956	(527)
3,413	(127)	3,286	Accumulating Compensated Absences Adjustment Account	3,286	(914)	2,372
115,176	22,293	137,469	Total Unusable Reserves	137,469	135,644	273,113
69,585	20,210	89,795	Total Usable and Unusable Reserves	89,795	133,954	223,749

- **Revaluation Reserve**

The Revaluation Reserve (RR) contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account (CAA).

2017/18 £000	Revaluation Reserve:	2018/19 £000
(144,206)	Balance at start of year	(152,296)
(29,652)	Upward revaluation of assets	(14,968)
5,932	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	12,500
2,794	Difference between fair value depreciation & historical cost depreciation	2,801
12,836	Release of revaluation gains on disposal	18,150
<u>(152,296)</u>	Balance at end of the year	<u>(133,813)</u>

- **Capital Adjustment Account**

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation,

impairment losses and amortisations are charged to the CIES. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

2017/18 £000	Capital Adjustment Account:	2018/19 £000
(13,558)	Balance at start of year	26,657
31,049	Charges for depreciation & Impairment	26,372
8,016	Revaluation (gains) / losses on Property, Plant & Equipment	18,185
90	Movement in fair market value of Investment Properties	(1,088)
2,689	Amortisation of Intangible Assets	2,402
(36,505)	Capital Grants & Contributions that have been applied to Capital Financing	(38,000)
(26)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(895)
23,392	Revenue Expenditure Funded from Capital under Statue (REFCUS)	20,502
39,840	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	62,047
	- Impairment of Empower Loan	105
	- Redemption of Financial Assets (Loans)	8,200
(1,083)	Transfer from Useable Capital Receipts	(8,200)
(7,180)	Use of Capital Receipts to Repay Loans	(11,189)
	- Revenue Provision for the Repayment of Loans	(226)
(4,437)	Use of Capital Contributions to Repay Loans	-
(2,794)	Depreciation & Impairment written down to Revaluation Reserve	(2,801)
(12,836)	Transfer of Revaluation Reserve on disposal	(18,150)
<u>26,657</u>	Balance at end of the year	<u>83,921</u>

Deferred Capital Receipts Reserve

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

2017/18 £000	Deferred Capital Receipts Reserve:	2018/19 £000
(3,959)	Balance at start of year	(10,420)
(10,413)	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	(1,220)
3,952	Transfer to the Capital Receipts Reserve upon receipt of cash	10,413
<u>(10,420)</u>	Balance at end of the year	<u>(1,227)</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.

2017/18 £000	Financial Instruments Adjustment Account:	2018/19 £000
340	Balance at start of year	387
47	Interest Paid on Short Term Loans	48
<u>387</u>	Balance at end of the year	<u>435</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.

2017/18 £000	Pensions Reserve:	2018/19 £000
272,287	Balance at start of year	271,338
(12,495)	Actuarial gains / losses on pension assets & liabilities (Note 7)	37,247
26,580	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)	27,777
(15,034)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(14,410)
<u>271,338</u>	Balance at end of the Year	<u>321,952</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 80.

2017/18 £000	Collection Fund Adjustment Account:	2018/19 £000
859	Balance at start of year	(1,483)
(668)	Amount by which Council Tax Income credited to the CIES is different from Council Tax Income calculated for the year in accordance with statutory requirements	611
(1,674)	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	345
<u>(1,483)</u>	Balance at end of the Year	<u>(527)</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.

2017/18 £000	Accumulating Compensated Absences Adjustment Account:	2018/19 £000
3,413	Balance at start of year	3,286
(127)	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	(914)
<u>3,286</u>	Balance at end of the Year (Note 35)	<u>2,372</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 2018 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2019 £000	Purpose of the Earmarked Reserve
Departmental Reserves	5,198	(787)	3,079	(600)	6,890	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	4,936	(50)	-	(1,488)	3,398	To provide for future claims (self-insurance). A number of risks, contingencies and financial losses are covered by the Council's Insurance Reserve. In general terms the Council self-insures against the risks of theft, subsidence and accidental damage to property. Additionally, the excess on external insurance arrangements, which range from £2,500 to £50,000 per loss, are also met by the Reserve.
Schools Capital	1,208	(855)	163	(33)	483	School revenue reserves put aside for funding future school capital schemes.
Future Cities	240	(240)	-	-	-	Grant funding from The Technology Strategy Board to support the 'Connected Peterborough' Future Cities Demonstrator project.
Capacity Building	12,714	(4,597)	4,735	2,121	14,973	The balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council.
Public Health	428	(64)	-	-	364	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	8,445	(4,231)	-	-	4,214	A reserve created to defer the impact of Central Government funding reductions in order to allow a strategic approach to the realisation of savings.
Development Equalisation Reserve	1,233	(1,233)	-	-	-	This reserve is used to manage the cash flow from strategic development and smooth the impact on the revenue account.
Other	497	(127)	525	-	895	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
Total Reserves	34,899	(12,184)	8,502	-	31,217	

18 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2018/19	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Heritage Assets	Surplus Assets	Assets under Construction	Total PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2018 Gross Book Value	420,680	40,286	283,821	901	688	1,135	14,865	762,376
Additions	27,723	2,899	25,240	4	-	-	17,957	73,823
Revaluation increase / (decrease) recognised in the Revaluation Reserve	(1,218)	-	-	-	(5)	-	-	(1,223)
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(19,003)	-	-	-	-	-	-	(19,003)
Derecognition - Disposals	(65,986)	(6,282)	-	-	-	-	(5)	(72,273)
Reclassified Assets	(7,379)	-	-	-	-	-	(77)	(7,456)
Assets Under Construction Completed In Year	23,566	5,486	385	1	-	-	(30,682)	(1,244)
At 31 March 2019	378,383	42,389	309,446	906	683	1,135	2,058	735,000
Accumulated Depreciation and Impairment								
At 01 April 2018	(18,900)	(20,491)	(119,366)	-	-	(104)	-	(158,861)
Depreciation Charge	(8,611)	(4,736)	(12,420)	-	-	-	-	(25,767)
Depreciation written out to the Revaluation Reserve	3,077	-	-	-	-	-	-	3,077
Depreciation written out to the (Surplus) / Deficit on Provision of Services	834	-	-	-	-	-	-	834
Impairment (losses) /reversals recognised in the Revaluation Reserve	(84)	-	-	-	-	-	-	(84)
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	(600)	-	-	(5)	-	-	-	(605)
Depreciation Movement on Transfers	-	-	-	-	-	-	-	-
Derecognition - Disposals	5,168	5,163	-	-	-	-	-	10,331
Assets Reclassified	141	-	-	-	-	-	-	141
At 31 March 2019	(18,975)	(20,064)	(131,786)	(5)	-	(104)	-	(170,934)
Net Book Value - At 31 March 2019	359,408	22,325	177,660	901	683	1,031	2,058	564,066
<i>Net Book Value - At 31 March 2018</i>	<i>401,780</i>	<i>19,795</i>	<i>164,455</i>	<i>901</i>	<i>688</i>	<i>1,031</i>	<i>14,865</i>	<i>603,515</i>

Comparative Movements in 2017/18

<i>Property, Plant & Equipment (PPE) – 2017/18</i>	<i>Other Land & Buildings</i>	<i>Vehicles, Plant & Equipment</i>	<i>Infra-structure Assets</i>	<i>Community Assets</i>	<i>Heritage Assets</i>	<i>Surplus Assets</i>	<i>Assets under Construction</i>	<i>Total PPE</i>
<i>Cost or Valuation</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>At 1 April 2017 Gross Book Value</i>	450,485	42,098	261,761	901	688	2,269	8,335	766,537
<i>Additions</i>	5,099	2,549	21,552	34	-	-	13,166	42,400
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	2,877	-	-	-	-	(1)	-	2,876
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	(9,185)	-	-	-	-	-	-	(9,185)
<i>Derecognition - Disposals</i>	(29,025)	(6,464)	-	-	-	(1,237)	-	(36,726)
<i>Reclassified Assets</i>	-	-	-	-	-	-	(836)	(836)
<i>Assets Under Construction Completed In Year</i>	429	2,103	508	30	-	104	(5,800)	(2,626)
<i>At 31 March 2018</i>	420,680	40,286	283,821	965	688	1,135	14,865	762,440
<i>Accumulated Depreciation and Impairment</i>								
<i>At 01 April 2017</i>	(30,894)	(21,141)	(106,562)	-	-	-	-	(158,597)
<i>Depreciation Charge</i>	(8,977)	(4,226)	(12,804)	-	-	-	-	(26,007)
<i>Depreciation written out to the Revaluation Reserve</i>	12,289	-	-	-	-	-	-	12,289
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	1,169	-	-	-	-	-	-	1,169
<i>Impairment (losses) /reversals recognised in the Revaluation Reserve</i>	8,475	-	-	-	-	-	-	8,475
<i>Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(2,159)	(49)	-	(64)	-	(104)	-	(2,376)
<i>Depreciation Movement on Transfers</i>	-	-	-	-	-	-	-	-
<i>Derecognition - Disposals</i>	1,432	4,925	-	-	-	-	-	6,357
<i>Assets Reclassified</i>	(235)	-	-	-	-	-	-	(235)
<i>At 31 March 2018</i>	(18,900)	(20,491)	(119,366)	(64)	-	(104)	0	(158,925)
<i>Net Book Value - At 31 March 2018</i>	401,780	19,795	164,455	901	688	1,031	14,865	603,515
<i>Net Book Value - At 31 March 2017</i>	419,589	20,956	155,198	901	688	2,269	8,337	607,938

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:

2017/18 £000	Investment Properties	2018/19 £000
30,413	Balance at start of year	21,797
159	Acquisition	-
283	Subsequent Expenditure (Note 25)	27
32	Assets Under Construction Completed in Year	7
(9,261)	Disposals	-
(90)	Revaluations (Note 10)	1,088
261	To / (from) Property, Plant and Equipment	6,703
<u>21,797</u>	Balance at end of the Year	<u>29,622</u>

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

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

- Level One – quoted prices in active markets for identical assets
- Level Two – other significant observable inputs
- Level Three – significant unobservable inputs

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

There have been no transfers between Levels One and Two, and Levels Two and Three during the year.

20 Intangible Assets

Intangible assets are assets that do not have physical substance for example computer software and licences. 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 2018 £000	Intangible Assets	Remaining Amortisation Period Years	31 March 2019 £000
1,084	Energy Performance Contract	3	723
-	Broadband Infrastructure	3	507
1,372	Educate Software	2	932
1,981	Lot 1 Viridor Contract	27	1,907
-	Sand Martin House ICT	3	862
<u>4,437</u>	Total		<u>4,069</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 2018	Intangible Assets	31 March 2019
£000	Balance at 1 April:	£000
23,142	Gross Carrying Amounts	20,319
(13,001)	Accumulated Amortisation	(11,341)
10,141	Net Carrying Amount at Start of the Year	8,978
	Additions	
1,810	Purchases (Note 25)	1,351
2,593	Assets Under Construction Completed in Year	1,238
(2,666)	Impairment Losses Recognised in the (Surplus) / Deficit on the Provision of Services	-
(2,689)	Amortisation for the period	(2,402)
	Disposals	
(4,560)	De-recognition - Disposals	(326)
4,349	De-recognition - Disposals (Accumulated Amortisation)	305
-	Other Changes – Gross Carrying Amount	-
-	Other Changes - Amortisation	-
8,978	Net Carrying Amount at the End of Year	9,144
20,319	Gross Carrying Amounts	22,581
(11,341)	Accumulated Amortisation	(13,437)
8,978	Net Carrying Amount at the End of Year	9,144

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.

2017/18 £000	Assets Held for Sale - Current Assets	2018/19 £000
-	Balance at 1 April:	80
80	Revaluation Gains	698
-	Revaluation Losses	(16)
-	Property, Plant and Equipment Classified as Held for Sale	535
-	Assets Sold	(84)
	Other movements:	
-	Additions (Note 25)	4
80	Balance at end of the Year	1,217

22 Capital Commitments

As at 31 March 2019 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment and Intangible Assets. These contracts, at a budgeted cost of £23.7m, 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 31/3/19
	£000	£000
Paston Reserve Primary	340	266
Oakdale Primary 1 Form Entry Expansion	3,779	690
Woodston Expansion	3,263	1,859
Jack Hunt Expansion	4,175	2,872
Thorpe Lea Meadows	363	363
Can- Do Park & Open Spaces	192	192
North Town Hall Works	109	109
Nene Bridge Bearings	4,177	1,432
Junction 18 Build	2,625	2,202
Street Lighting LED Project	4,037	1,610
Surface Treatments	271	271
Longthorpe Fibre Works	216	216
Whittlesey Road Access Phase 2	122	103
Total	23,669	12,185

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 2018/19 were carried out by NPS Peterborough Ltd and Wilks Head & Eve (WHE). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of

Chartered Surveyors. In addition to the rolling four year programme each year WHE also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the current values are:

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

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

Revaluation Reserve see Note 16	Other Land & Buildings	Vehicles, Plant & Equipment	Assets Held for Sale*	Total
Valued at current value as at:	£000	£000	£000	£000
31 March 2019	(17,699)	(5)	(779)	(18,483)
31 March 2018	8,015	(4)	79	8,090
31 March 2017	31,806	11	-	31,817
31 March 2016	8,100	(21)	(14,566)	(6,487)
31 March 2015	8,424	16	(30)	8,410
31 March 2014 & Prior Years	93,589	5	16,872	110,466
Total Valuation	132,235	2	1,576	133,813

* Assets Held for Sale includes values relating to Surplus Assets

24 Impairment Losses

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

During 2018/19 2.3m (2017/18 £5.1m) 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.

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.

2017/18 £000		2018/19 £000
509,771	Opening Capital Financing Requirement	540,082
29,234	Property, Plant and Equipment (Note 18)	55,866
13,166	Assets Under Construction (AUC) (Note 18)	17,957
442	Investment Properties (Note 19)	27
1,810	Intangible Assets (Note 20)	1,351
23,392	Revenue Expenditure Funded from Capital under Statute (REFCUS)	20,502
-	Assets Held for Sale	4
(100)	Correction of REFCUS funded in 2016/17 as AUC	-
12,309	Loans to Third Parties	148
(711)	Abortive costs of Renewable Energy Projects	-
	Sources of Finance	
(36,531)	Capital Grants & Contributions	(38,895)
-	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(226)
(7,180)	Repayment of Loan debt from Capital Receipts	(11,189)
(4,437)	Repayment of Loan debt from Capital Contribution	-
(1,083)	Capital Receipts – repayment of Loan	(8,200)
540,082	Closing Capital Financing Requirement	577,427
	Explanation of movements in year	
42,639	Increase in underlying need to borrow:	35,169
-	Assets acquired under finance leases	13,591
(711)	Abortive costs of Renewable Energy Projects	-
-	Decrease in underlying need to borrow:	
-	MRP	(226)
(7,180)	Capital Receipts used to repay MRP	(11,189)
(4,437)	POIS Used to Repay MRP	-
30,311	Increase in Capital Financing Requirement	37,345

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

2017/18 £000	Repayment of Loans Funded by:	2018/19 £000
-	Revenue Provision	226
7,180	Capital Receipts	11,189
4,437	Capital Contribution	-
661	Previous Years Overprovision	3,176
12,278	Total Repayment of Loans	14,591

* For 2017/18 the revenue provision was £1.01.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Council's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. For 2018/19 this expenditure is £20.5m compared with £23.4m in 2017/18. £11.2m of this REFCUS expenditure relates to Academies (which include the 18 schools that have transferred to Academies since the transfer programme began) and a Free School. Academies and Free Schools are the responsibility of government and as such do not form part of the Council's asset base, and therefore expenditure is treated as 'REFCUS'.

2017/18 £000	Reconciliation of Grant Funding Applied to Capital Financing	2018/19 £000
24,553	Grants Received in year (Note 12)	21,647
(4,437)	POIS used to fund MRP	-
(32)	Grants Received in year not applied in year	(789)
26	Grants Applied from Capital Grants Unapplied Account	895
	Grants used to Fund Revenue Expenditure Funded from Capital under Statute:	
16,421	In Year	17,142
36,531	Total Grants & Contributions applied	38,895

2017/18 £000	Body of Grant Funding Applied	2018/19 £000
1,831	Department for Communities & Local Government	1,865
7,094	Department for Transport	2,586
19,294	Department of Education	18,242
129	Department of Health	52
378	Arts Council	63
-	Cambridgeshire & Peterborough Combined Authority	6,570
3,396	Greater Cambridge Greater Peterborough Partnership (GCCPP) Local Enterprise	-
32,122	Total Grants Applied	29,379
2,744	Section 106 Contributions	7,670
1,665	Third Party Contributions	1,846
4,409	Total Contributions applied	9,516
36,531	Total Grants & Contributions applied	38,895

26 Private Finance Initiatives (PFI) and Similar Contracts

On the 31 July 2006 the Council signed a 30 year PFI agreement with IIC BY Education (Peterborough Schools) Limited for the delivery of new and improved facilities and services for three secondary schools in Peterborough. This agreement required the contractor to construct the Voyager secondary school (now called Queen Katherine Academy), and to extend and refurbish two existing secondary schools (Jack Hunt and Ken Stimpson). The contractor will maintain these three schools and provide them with a range of other services such as caretaking, cleaning and catering. The three schools and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred.

Queen Katherine Academy and Jack Hunt have transferred to Academy status therefore in line with CIPFA guidance the associated assets are not recognised on the Council's Balance Sheet. The value of the remaining school which is recognised on the Council's Balance Sheet is £14.8m (2017/18 £15.9m).

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 2019 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
Payable:	£000	£000	£000	£000
In 2019/20	923	2,070	5,390	8,383
Within two to five years	3,887	7,306	23,281	34,474
Within six to ten years	7,508	8,180	29,691	45,380
Within 11 to 15 years	10,545	5,624	32,062	48,231
Within 16 to 19 years	7,923	451	26,243	34,616
Total	30,786	23,631	116,667	171,084

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 2018		31 March 2019
£000		£000
(32,889)	Balance brought forward	(31,775)
1,114	Lease liability redemption in the year	989
(31,775)	Value of Total Liability carried forward	(30,786)
(989)	Short Term Liability	(923)
(30,786)	Long Term Liability	(29,863)
(31,775)	Value of Total Liability carried forward	(30,786)

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 2018		31 March 2019
£000	Council as Lessee - Finance Leases	£000
2,303	Other Land & Buildings	15,435
971	Vehicles, Plant Furniture & Equipment	183
3,274	Total	15,618

The Council has 2 long finance leases on Investment Properties, 18 Academy finances leases and has also entered into a new finance lease for Council Offices and Car Park for 25 years during 2018/19. The Council has also terminated a lease with Enterprise for Refuse Collection Vehicles.

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 2018		31 March 2019
£000	Finance Lease Liabilities (net present value of minimum lease payments)	£000
417	Current	293
2,924	Non-current	15,728
19,176	Finance costs payable in future years*	43,902
22,517	Minimum lease payments	59,923

* Non-Peppercorn leases range from one to 103 years

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

31 March 2018			31 March 2019	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
737	417	Not later than one year	2,035	293
1,566	404	Later than one year & not later than five years	7,549	775
20,214	2,520	Later than five years *	50,339	14,953
22,517	3,341	Total	59,923	16,021

* Non-Peppercorn leases range from one to 103 years

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

Of the investment properties held under these finance leases, the Council has sub-let individual units. At 31 March 2019 the minimum payments expected to be received under these sub-leases was £308k (£318k in 2017/18).

Council as Lessee - Operating Leases

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

The future minimum lease payments due under these contracts are enforceable during that period and would only be cancelled with the permission of the Landlord:

31 March 2018		31 March 2019
£000	Council as Lessee - Operating Leases	£000
998	Not later than one year	1,568
3,721	Later than one year & not later than five years	5,897
6,812	Later than five years	15,662
11,531	Total	23,127

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 2018		31 March 2019
£000	Council as Lessee - Operating Leases	£000
1,046	Minimum lease payments	1,525
-	Contingent rents	-
(189)	Sublease payment receivable	(68)
857	Total	1,457

Council as Lessor - Finance Leases

The Council has leased land on long term leases, these include playing fields and Nene Park. The Council has also leased schools to various trusts as the schools transferred to Academy status as per instruction from DfES. The leases are at peppercorn or minimal value rents only.

Council as Lessor – Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses

- To generate an income from property owned as investment property
 - To provide lower service costs eg Viridor – Energy for Waste
- The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2018		31 March 2019
£000	Council as Lessor - Operating Leases	£000
3,505	Not later than one year	2,787
9,617	Later than one year & not later than five years	8,675
50,902	Later than five years*	43,887
64,024	Total	55,349

* Above operating leases range from five to 125 years

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

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:

<i>Restated 2017/18*</i>		2018/19
£000	Financial Assets	£000
(1,268)	Interest Income	(1,991)
(166)	Other Investment Income	(201)
(1,434)	Total for Financial Assets (Note 10)	(2,192)
	Financial Liabilities	
2,380	Interest Payable Relating to PFI	2,211
14,205	Interest Payable on Borrowings	15,493
16,585	Total for Financial Liabilities (Note 10)	17,704
15,151	Net expenditure for the year	15,512

* Restated to include Other Investment Income

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

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

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

2018 Long Term £000	2018 Current £000	Financial Instruments Balances	2019 Long Term £000	2019 Current £000
Assets at Amortised Cost:				
-	25	Investments	-	17
-	1,000	Debtors – Local Authority Mortgage Scheme	-	-
-	23,150	Debtors – ECS Peterborough 1 LLP	-	23,046
7,200	-	Debtors - Axiom	-	-
587	17,451	Debtors - Loans and receivables	1,372	24,864
7,787	41,626		1,372	47,927
Liabilities at Amortised Cost:				
(380,087)	(39,442)	Borrowings - Financial liabilities at amortised cost	(392,087)	(65,500)
-	(3,632)	Accrued Interest associated with Borrowing	-	(3,562)
(136)		Long term Creditors	(129)	
(33,711)	-	Long term PFI & finance lease liabilities	(45,591)	-
-	(3,881)	Creditor - Financial liabilities at amortised cost	-	(4,920)
(413,934)	(46,955)		(437,807)	(73,982)

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

The Loan to ECS Peterborough 1 LLP is shown in the Debtors section of the table above, see Note 14.

29 Fair Value of Assets and Liabilities carried at Amortised Cost

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

- PWLB interest rates for new loans at 31 March 2019 have been used for loans from the PWLB;
- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable;
- no early repayment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

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

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

2017/18		Financial Liabilities	2018/19	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(329,587)	(416,961)	PWLB debt	(369,587)	(467,365)
(50,500)	(50,496)	Non-PWLB debt	(22,500)	(22,552)
(39,442)	(46,800)	Short term borrowing *	(65,500)	(73,368)
		Accrued Interest associated with Borrowing	(3,562)	(3,562)
(3,632)	(3,632)	Short term creditors	(3,704)	(3,704)
(2,555)	(2,555)	Short term finance lease liability	(1,216)	(1,216)
(1,406)	(1,406)	Long term creditors	(129)	(129)
(136)	(136)	Long term PFI & finance lease liabilities	(45,591)	(59,413)
(33,711)	(48,369)			
(460,969)	(570,355)	Total	(511,789)	(631,309)

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

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

The fair value of Public Works Loan Board (PWLB) loans of £467.4 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.

2017/18		Financial Assets	2018/19	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
25	25	Short Term Investments	17	17
1,000	1,000	Local Authority Mortgage Scheme - Short Term	-	-
23,150	23,150	ECS Peterborough 1 LLP Loan	23,046	23,046
7,200	7,200	AXIOM Loan	-	-
8,756	8,756	Total Cash and Cash Equivalent	15,268	15,268
8,695	8,695	Trade Debtors	9,596	9,596
587	587	Other Long Term Loans & Receivables	1,372	1,372
49,413	49,413	Total	49,299	49,299

In December 2011 the Council advanced £1.0m with a further £1.0m in July 2013 to Lloyds Banking Group as part of the Local Authority Mortgage Scheme (LAMS). LAMS was aimed at supporting first time buyers and the advance reflected the Council's share of financial assistance provided through the provision of an indemnity. Total mortgages approved against the £2.0m advance was £1.7m.

As at 31 March 2019 all advances have been returned to the Council but an indemnity of £0.5m remains until July 2023 or until the individual mortgage advances have been repaid.

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

30 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

The 2018/19 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays), Bank of Scotland (part of the Lloyds Banking Group) and the CCLA money market fund.

The credit criteria in respect of financial assets held by the Council are as follows:

- Deposits could be made with banks and other financial institutions that have been rated by recognised independent credit rating agencies with a minimum score of “A”, with £100m of the total amounted deposited in the highest rated category. The credit element of the methodology focuses solely on the Short and Long Term investment ratings, therefore no longer including the viability and financial strength of the institution.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. local authorities, and these are subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to £100m in total.
- No more than £15m is held with any one banking institution, except for the Debt Management Office (DMO), regardless of standing or duration, and a range of counterparties that operate in different sectors in the UK is used to reduce risk exposure.
- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors, Link Asset Services.

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

The Council had a total of £15.0m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2019. 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 2019. The Council has had no experience of default over the last five years.

The Council continues to receive dividends relating to investments in two Icelandic institutions made in 2008/09. The expected recovery rate for the Kaupthing Singer & Friedlander (KSF) investment is 86p to 86.5p whilst the Heritable Bank (HB) recovery rate is expected to be 98p to 100p in the £. The total dividends received as at 31 March 2019 are £1.7m for KSF and £1.0m for HB (2017/18 £1.7m, £1.0m). Further dividends are expected in 2019/20.

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

Council tax and business rates are statutory charges and the Council monitors total and individual arrears from taxpayers taking effective action to minimise losses on collection. The Council makes prudent financial provision for bad debts based on

an assessment of the risks for each type of debt and the age of those debts.

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

2017/18 £000	Age of Trade Debt	2018/19 £000
4,444	Less than three months	5,754
552	Three to six months	656
692	Six months to one year	725
3,007	More than one year	2,461
8,695	Total	9,596

Liquidity Risk

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

The Council's strategy to reduce this risk is to spread the profile of maturing loans across a period of 50 years, to ensure that a large number do not all mature in the same year. The Council's cashflow is forecast, in detail, for up to 12 months ahead.

The maturity analysis of financial liabilities is as follows:

Restated 2017/18* £000	Maturity analysis of financial liabilities	2018/19 £000
(55,537)	Less than one year *	(73,983)
(26,327)	Between one and two years	(18,700)
(32,515)	Between two and five years	(26,360)
(346,593)	Between five and fifty years	(392,747)
(460,972)	Total	(511,790)

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

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

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the (Surplus) / Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will

be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease from the Fair Value of Fixed Rate Borrowing Liabilities shown in Note 28 by £87.0m, but this would have no impact on the (Surplus) / Deficit

on the Provision of Services or Other Comprehensive Income and Expenditure.

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

Price Risk

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

The Council has £1 shares in its subsidiary company and Joint Ventures, see Note 14. The Council is not exposed to price risk through these holdings.

Foreign Exchange Risk

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

31 Inventories

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

31 March 2018	Inventories	31 March 2019
£000		£000
330	Westcombe Industries Stock	374
106	Other Stock Balances	82
436	Total	456

32 Debtors

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

31 March 2018	Debtors	31 March 2019
£000	(Each item is net of impairment)	£000
3,145	Central Government Departments	3,544
2,186	Cross Keys Homes	1,630
9,586	Cambridgeshire & Peterborough CCG	11,034
7,834	Council Tax Arrears	8,047
1,943	NNDR Arrears	2,080
6,896	Payments in Advance	6,186
626	Section 106 Debtors	1,673
27,169	General Debtors	19,458
59,385		53,652
	Outstanding Balances on Loans Granted	
23,150	ECS Peterborough 1 LLP (Notes 14, 25)	23,046
1,000	Local Authority Mortgage Scheme Loan	-
83,535	Total Debtors	76,698

(2017/18 estimated at 31 March 2018 £166k, actual £156k) and has included a provision in the accounts for this, see Note 34.

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 £128k as at 31 March 2019 (31 March 2018 £285k).

It is expected that the full balance will be surrendered by 31 October 2019 and a further £37k of allowances will be purchased to meet the Council's reported CO₂ emissions for 2018/19 in accordance with the requirements of the CRC Scheme. The Council has estimated its liability under the scheme to be £165k

34 Provisions

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

Provision Description	31 March 2018	Additional Provision	Payment from Provision	Released back to CIES	Transfer between long term & short term	31 March 2019
	£000	£000	£000	£000	£000	£000
Short Term Provisions						
<u>Insurance Claims</u> – this represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer's liability and property damage. The amount and timing of these payments are uncertain.	(740)	(108)	269	-	(284)	(863)
<u>Charges from suppliers which are uncertain or in dispute</u> - these represent charges from suppliers that are of an uncertain amount and timing	(267)	-	267	-	-	-
<u>Carbon Reduction Commitment Scheme (CRC)</u> - the obligation of the Council for the purchase of CRC allowances for 2018/19	(166)	(165)	156	10	-	(165)
<u>Climate Change Levy (CCL)</u> - estimated liability for 2017/18 and 2018/19	-	(634)				(634)
<u>Non Domestic Rate Appeals Provision</u> – see Collection Fund for further details	(5,525)	(2,201)	300	-	-	(7,426)
Total Short Term Provisions	(6,698)	(3,108)	992	10	(284)	(9,088)
Long Term Provisions						
<u>Insurance Claims</u> – see above comments	(142)	(317)	-	-	284	(175)
Total Short and Long Term Provisions	(6,840)	(3,425)	992	10	-	(9,263)

35 Creditors

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

31 March 2018	Creditors	31 March 2019
£000		£000
(961)	Council Tax Overpaid	(1,062)
(1,037)	Council Tax Prepaid	(1,005)
(3,234)	NDR Overpaid	(2,610)
(949)	NDR Prepaid	(1,159)
(5,701)	NDR Preceptors	(6,981)
(13,132)	Deposits / Receipts in Advance	(8,769)
(3,286)	Accrual Accumulated Absences (Note 16)	(2,372)
(1,406)	Short Term Finance Lease Liabilities (Notes 26,27)	(1,216)
(39,291)	General Creditors	(38,583)
(68,997)	Total Creditors	(63,757)

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:

Restated 31 March 2018*	Capital Grants Receipts in Advance	31 March 2019
£000		£000
(1,653)	Department of Education	(2,739)
(763)	Department for Transport Cambridgeshire & Peterborough Authority	(8)
(626)	Homes and Communities Agency (HCA)*	(1,464)
	Disabled Facilities Grant	(545)
(820)	Other Third Party Contributions*	(509)
(34)	Department of Health	(478)
(16,910)	Section 106 Contributions	-
(20,806)	Total Capital Grants Receipts in	(14,153)
		(19,896)

* Restated as prior year figures did not total correctly due to rounding.

37 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000	Cash Flow Statement – Operating Activities	2018/19 £000
(727)	Interest Received	(646)
19,628	Interest Paid	17,933

38 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2017/18 £000	Cash Flow Statement – Investing Activities	2018/19 £000
58,853	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	59,739
24,248	Other Payments for Investing Activities	20,292
(4,422)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(17,458)
(5)	Proceeds from Short-Term Investments	(5)
<u>78,674</u>	Net cash flows from investing activities	<u>62,568</u>

39 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2017/18 £000	Cash Flow Statement – Financing Activities	2018/19 £000
(24,215)	Cash Receipts of Short & Long Term Borrowing	(60,000)
1,639	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	23,891
(7,614)	Other Payments for Financing Activities	(3,031)
<u>(30,190)</u>	Net cash flows from financing activities	<u>(39,140)</u>

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.

2017/18 £000	Cash Flow Statement – Cash and Cash Equivalents	2018/19 £000
8,000	Short Term Cash Investments	15,000
48	Petty Cash & Imprest	44
708	Bank Current Accounts	224
<u>8,756</u>	Total Cash & Cash Equivalents	<u>15,268</u>

41 Trust Funds

The Council administers five trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2019 was £16,674 (£16,940 at 31 March 2018). 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 £17,589 at 31 March 2019 (£19,256 at 31 March 2018) all invested internally.

The Council also has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 225 adults and older people (204 at 31 March 2018). The total Client funds at 31 March 2019 was £2.5m (£2.0m at 31 March 2018).

The Council acts as the sole trustee for the Peterborough Museum and Art Gallery, a registered charity. From 1 May 2010 the delivery and operation of cultural services, including Peterborough Museum and art Gallery were transferred to Vivacity. However the Council remains sole Trustee.

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

42 **Contingent Liabilities**

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

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these issues;
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party. For example land transferred to the Council which the Homes and Communities Agency (formerly known as the Housing Corporation) has an interest in;
- Under a 1987 Bond Issue North Housing Association Ltd (now Home Group) raised finance to carry out development in a number of local authority areas. The Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North

Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m;

- Following a High Court Case the Local Government Pension Scheme (LGPS) is expecting to face additional liabilities relating to compensating members for differences attributable to Guaranteed Minimum Pensions – the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme (SERPS). The amount of the liability related to the Council's pension fund members is yet to be determined and some of this may be funded by Central Government rather than the pension fund. The pension fund actuary estimates that the increase in pension liabilities for a typical LGPS is no more than 0.5% which would equate to £4.1m;
- The high court ruled that transitional arrangements protecting some members of the Judiciary and Firefighters pension schemes constituted age discrimination. Government is seeking to appeal the rulings. As the LGPS has introduced similar transitional arrangements, per the above mentioned schemes, it may face costs to compensate members disadvantaged by the arrangements. The Government Actuary's Department has been commissioned to assess the potential impact on a LGPS England and Wales scheme wide basis as at 31 March 2019. Their current estimate is that this would lead to an increase in pension liabilities of between 0.5% and 1 % which would equate to £4.1m to £8.2m.

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

The standards which have been introduced by the 2019/20 Code and will be effective from 1 April 2019 are as follows:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property clarifies the guidance on accounting for transfers to and from Investment Property. This will not have an impact on the Council's financial statements;
- Annual Improvements to IFRS Standards 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 2014 - 2016 Cycle will be effective from 1 April 2019. The issues included in these cycles will not have a material impact on the Council's financial statements;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the accounting for transactions in foreign currency that include the receipt or payment of advance consideration in a foreign currency. This will not have an impact on the Council's financial statements as the Council does not have material transactions of this nature;
- IFRIC 23 Uncertainty over Income Tax Treatments clarifies the accounting treatment of Income Tax where uncertainty exists. This will not have an impact on the Council's financial statements as the Council does not produce group accounts which incorporate companies with income tax liabilities;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation introduces minor

changes to IFRS 9 to allow classification of some debt instruments where a borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed at amortised cost instead of fair value through profit and loss. As the Council does not have any such instruments, there will be no impact on the Council's financial statements.

44 Critical Judgements in Applying Accounting Policies

In applying the accounting policies, set out from page 82, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status, with a further twelve schools transferring status during 2018/19. Current government aspirations are to encourage all remaining maintained schools to convert to Academy status in future years, although this will not be mandated. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See table overleaf for analysis of the type of schools in Peterborough and its surrounding area;

Type and number of Schools	Community	Controlled	Aided	Academies	Total
Nursery	1	-	-	-	1
Primary Schools	16	4	7	30	57
Secondary Schools	1	-	1	9	11
All through Schools	-	-	-	3	3
Special Schools	4	-	-	1	5
Total	22	4	8	43	77

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council treats this expenditure as Revenue Expenditure Funded from Capital Under Statute (REFCUS). This results in the capital expenditure being shown in the Comprehensive Income and Expenditure Statement in the period in which it is incurred with a corresponding entry made from the Capital Adjustment Account, which is an unusable reserve, so there is no overall impact to the General Fund balance;

- The Council's accounting policy for the recognition of school-related assets is in line with the provisions of the Code, such that schools are recognised on the Council's balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. There are five schools (net book value at 31 March 2015 of £9.5m) which are classed as either voluntary aided or voluntary controlled schools where it is not clear that legal ownership of elements of the land and buildings of these schools resided with the governing bodies at the 31 March 2019. However, in order to provide a faithful presentation of the accounts, the Code requires the Council to consider the substance of an

economic phenomenon rather than merely representing its legal form. As legal ownership should reside with, and is in the process of transferring to the governing bodies, the Council has determined that in this case substance should take precedence over form. Therefore the assets (apart from undeveloped land for voluntary aided and controlled schools) have not been incorporated into the Council's Balance Sheet;

- The Council has a rolling programme that ensures that all Property, Plant and Equipment (PPE) is measured at current value and is revalued at least every four years by external valuers. In addition to this rolling programme each year the Council's external valuers assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the prevailing economic climate. Further information is detailed in Note 23, page 58;
- 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 56;
- 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 61 and 61;

- The Council has ten arrangements which it has considered against the Group Accounting criteria. The Council has not included these arrangements as Group Accounts in the Statement as due to the nature of their activities and small size, both individually and considered in total, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. As these are held for service delivery purposes rather than as investments the Council accounts for them at cost rather than as at fair value as allowed by the Code. Further information on Peterborough Museum and Art Gallery and The Mayor of Peterborough's Charity Fund can be found in Note 13. Further information on Opportunity Peterborough Limited, Blue Sky Peterborough Limited, Peterborough Investment Partnership LLP, Empower Peterborough Community Interest Company, Medesham Homes LLP, Medesham Limited, NPS Peterborough Ltd and Peterborough Limited (trading as Aragon Direct Services) can be found in Note 14;

- In common with many local authorities the Council has received an application for mandatory business rate relief from a NHS trust. The Council has considered this against its accounting policies and the reporting requirements of the Code. Initial advice from the Local Government Association and subsequent opinion from leading counsel has determined that the claim has no basis and therefore no disclosure is required elsewhere in the Statement of Accounts.

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

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £225k for every year that useful life is reduced, which equates to a 3.1% 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 £468k, which is 0.07% of the Council's total asset base. 7% 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 £87m • a 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £10m • a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £76m • a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5%
Arrears	At 31 March 2019 the Council had a balance of £21.7m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 12% or £2.6m was appropriate.	If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £265k would be required. If 10% of the debt portfolio was one year older, additional impairment of £296k would be required.
Business Rates	The Business Rates Retention Scheme was introduced on 1 April 2013 and the Council is now liable for its proportionate share of successful business rate appeals. A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. There are two calculations that make up the estimate. The estimate for appeals against rates valuations from the 2010 List which applies to bills up to 2016/17 has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date. A change in the Valuation Office process for appealing against rates bills means similar data	There are different classes of business, each of which have had historically different success rates of appeal. If all appeals against the 2010 list valuations lead to an additional 1% reduction in the rateable value to the estimated amount then the provision would need to be increased by £343k. This equates to a 11% increase in the estimated provision held in the Council's Balance Sheet. If the appeals against the 2017 List valuations lead to a 1% greater reduction in total rates due then the provision would need to be increased by £1,079k. This equates to a 25% increase in the estimated provision held in the Council's Balance Sheet.

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	is not available for appeals against rates valuations from the 2017 list which applies to rates bills from 2017/18. An estimate has been calculated using the MHCLG methodology applied in setting NDR budgets, which has been amended to be more applicable to the Council.	

46 Authorisation of the Accounts

The Acting Director of Corporate Resources authorises these accounts to be issued no later than 31 July 2019.

The Collection Fund and Notes

31 March 2018	Collection Fund Statement	Notes	31 March 2019 Business Rates £000	Council Tax £000	Total £000
£000					
	Income				
(84,430)	Council Tax Receivable		-	(91,054)	(91,054)
(97,877)	Business Rates Receivable	3	(100,812)	-	(100,812)
	Contribution to Previous Year's Deficit:				
(1,158)	Peterborough City Council	4	286	-	286
(24)	Cambridgeshire & Peterborough Fire Authority		6	-	6
(1,182)	Central Government		292	-	292
(184,671)	Total Income		(100,228)	(91,054)	(191,282)
	Expenditure				
	Precepts:				
68,188	Peterborough City Council	4	-	74,023	74,023
3,665	Cambridgeshire & Peterborough Fire Authority		-	3,868	3,868
10,249	Cambridgeshire Police Authority		-	11,180	11,180
82,102	Total Precepts		-	89,071	89,071
	Business Rates Share:				
43,454	Peterborough City Council	4	45,129	-	45,129
887	Cambridgeshire & Peterborough Fire Authority		921	-	921
44,341	Central Government		46,050	-	46,050
88,682	Total Business Rates Shares		92,100	-	92,100
	Charges to Collection Fund:				
1,695	Increase / (Decrease) in Bad Debt Provision		1,007	1,286	2,293
1,914	Increase / (Decrease) in Provision for Appeals		3,879	-	3,879
268	Cost of Collection		270	-	270
5,388	Transitional Payment Protection		3,242	-	3,242
326	Renewable Energy Disregard	4	336	-	336
9,591	Total Charges to Collection Fund		8,734	1,286	10,020
	Contribution to Previous Year's Estimated Surplus:				
173	Peterborough City Council	4	-	1,188	1,188
10	Cambridgeshire & Peterborough Fire Authority		-	64	64
27	Cambridgeshire Police Authority		-	179	179
210	Total Contribution to Previous Year's Estimated Surplus		-	1,431	1,431
(4,086)	(Surplus) / Deficit Arising During the Year		606	734	1,340
	Collection Fund Balance				
1,960	(Surplus) / Deficit Brought Forward 1 April		(973)	(1,153)	(2,126)
(4,086)	(Surplus) / Deficit Arising During the Year		606	734	1,340
(2,126)	(Surplus) / Deficit Carried Forward 31 March		(367)	(419)	(786)
	Allocated to:				
(1,436)	Peterborough City Council		(180)	(347)	(527)
(61)	Cambridgeshire & Peterborough Fire Authority		(4)	(18)	(22)
(143)	Cambridgeshire Police Authority		-	(54)	(54)
(486)	Central Government		(183)	-	(183)
(2,126)	Total		(367)	(419)	(786)

1 Collection Fund Overview

The Collection Fund is an agent's statement that reflects the Council's statutory obligation as a billing authority to maintain the Collection Fund as a separate account to the General Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government.

There is no requirement for a separate Collection Fund balance sheet. Instead Collection Fund balances are distributed across the balance sheet of the billing authority, the Government and precepting authorities.

2 Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	34,744	23,163
B	7/9	20,866	16,229
C	8/9	13,997	12,442
D	9/9	7,903	7,903
E	11/9	4,411	5,391
F	13/9	1,918	2,770
G	15/9	947	1,578
H	18/9	70	140
Total		84,856	69,616

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 56,259 (54,879 for 2017/18).

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 2018/19 the total non-domestic rateable value at the year-end is £236.9m (£234.8m in 2017/18). The national multipliers for 2018/19 were 48.0p for qualifying Small Businesses, with the standard multiplier being 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/18).

4 Council Precept

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

2017/18	Council Precept	NDR	Council Tax	2018/19 Total
£000		£000	£000	£000
(111,642)	Precept / Share	(45,129)	(74,023)	(119,152)
(279)	Estimated Renewable Energy Disregard (RED)	(336)	-	(336)
(47)	Difference between actual & estimated RED	-	-	-
38	Adjustment to prior year additional growth pilot income.	-	-	-
985	Share of Prior Year Estimated Deficit / (Surplus)	(286)	(1,188)	(1,474)
(841)	Reverse actual share prior year Deficit / (Surplus)	477	959	1,436
(1,436)	Share of Deficit / (Surplus)	(180)	(347)	(527)
(113,222)	Total (Note 12)	(45,454)	(74,599)	(120,053)

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015.

The Statement of Accounts must be prepared in accordance with proper accounting practices. These practices are mainly the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost. However some non-current assets and financial instruments are revalued.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash is paid or received.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract

Supplies are recorded as expenditure when they are consumed. If there is a gap between supplies being received and their use, they are carried as inventories on the Balance Sheet.

Services (including by employees) are recorded as expenditure when the services are received, rather than when payments are made.

Interest on borrowing and investments is accounted for using the effective interest rate of the financial instrument, not contract payments.

A debtor is recorded in the Balance Sheet where revenue has been recognised but cash not received.

A creditor is recorded in the Balance Sheet where expenditure has been recognised but cash not paid.

The balance of debtors is written down and a charge made to revenue for any income that might not be collected.

Cash and Cash Equivalents

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

Cash equivalents are highly liquid investments. They mature within three months of acquisition. They are readily convertible to a known cash value. There is an insignificant risk the value on conversion will change.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts. These are any overdrafts that are repayable on demand and form an integral part of cash management.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made:

- when required by proper accounting practices

- to provide more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance.

Where a change in accounting policies is made, it is applied retrospectively (unless stated otherwise). This is done by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

Changes in accounting estimates are accounted for in current and future accounting periods. Changes in accounting estimates do not give rise to a prior period adjustment.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged the cost of holding non-current assets: These charges are:

- depreciation
- revaluation and impairment losses (if there are sufficient accumulated gains in the Revaluation Reserve, such losses are written off against these)
- amortisation of intangible assets.

The Council does not raise Council Tax to fund any of these charges.

The Council must however make an annual contribution from revenue to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP). The MRP is determined prudently in accordance with statutory guidance.

Charges to the General Fund for non-current assets are replaced by the MRP. There is an adjusting transaction with the Capital

Adjustment Account in the Movement in Reserves Statement (MIRS) for the difference between the two.

Council Tax and Business Rates

The Council is a billing authority and collects business rates (NDR) and council tax.

It collects council tax on behalf of itself and major preceptors. The major preceptors are Cambridgeshire and Peterborough Fire Authority and Cambridgeshire Police and Crime Commissioner.

The Fire Authority and the Government are entitled to shares of business rates income.

The Council must maintain a separate Collection Fund. The Fund accounts for the collection and distribution of amounts due in respect of council tax and business rates.

Under legislation billing authorities, major preceptors and Government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than forecast.

Accounting for Council Tax and Business Rates

The Council's share of council tax and business rates income is included in the Comprehensive Income and Expenditure Statement (CIES). However, regulations determine the amount of council tax and business rates that must be included in the Council's General Fund. The difference is recognised in the Collection Fund Adjustment Account and is included as a reconciling item in the MIRS.

The Balance Sheet includes the Council's share of the year-end balances of council tax and business rates. These are arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

Termination Benefits

Termination benefits reflect a decision by the Council to terminate an officer's employment before the normal retirement date. They may also reflect an officer's decision to accept voluntary redundancy. Termination benefits are charged in the appropriate service segment in the CIES.

The benefits are recognised when the offer of those benefits is irrevocable or when the Council recognises restructuring costs whichever is the earlier.

Termination benefits may involve the enhancement of pensions. Statutory provisions require the General Fund Balance to be charged with the amount payable to the pension fund or pensioner in the year. This may be different from the amount calculated under accounting standards. In the MIRS appropriations are made to charge the General Fund Balance as required by statute.

Post-employment Benefits

Employees of the Council may be members of three separate pension schemes:

- The Local Government Pension Scheme (LGPS), administered by Cambridgeshire County Council.

- The Teachers' Pension Scheme, it is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions.

These schemes provide defined benefits to members (retirement lump sums and pensions). The benefits are earned as employees work for the Council.

The arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if it were a defined contribution scheme. No liability for future payments of benefits is recognised in the Balance Sheet. The People and Communities line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year. The People and Communities and Public Health lines are charged for the NHS scheme.

The Local Government Pension Scheme

The Scheme is accounted for as a defined benefits scheme.

Fund liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future retirement benefits earned to date by employees.

The assessment uses assumptions about mortality rates, employee turnover and future earnings of current employees.

Scheme liabilities are discounted to their current value. The discount rate is set by the actuary. It mirrors the yield on high quality corporate bonds.

The fund assets attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price

- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The net pensions liability is the difference between fund liabilities and assets. The change in the net pensions liability is analysed between service cost and remeasurements.

The service cost element is the change in current and past service costs plus a net interest change.

Pension liabilities increase over the accounting period as scheme members earn increased benefits. This is the current service cost. Current service cost is charged in the CIES to the services for which employees worked.

Past service cost is the increase in liabilities as a result of a scheme amendment or curtailment. The change applies only to benefits earned in previous accounting periods. Past service cost is charged to Resources in the CIES.

Net interest on the net defined benefit liability is calculated by applying the discount rate to the net liability during the accounting period. It is charged below the cost of services in the CIES as part of the deficit in the provision of services.

Remeasurements are the return on plan assets and actuarial gains and losses. Remeasurements are charged below the deficit on the provision of services in the CIES.

The return on plan assets excludes the net interest on liabilities that is already included in the service element.

Actuarial gains and losses are differences from past actuarial assumptions or changes in the assumptions

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the

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

Events after the Balance Sheet Date

These are events that occur between the end of the accounting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- If events provide new evidence of conditions that existed at the balance sheet date the Statement of Accounts is adjusted.
- Other events are only indicative of conditions that arose after the balance sheet date. The Statement of Accounts is not adjusted. But where such a category of events would have a material effect, disclosure is made in the notes. The note sets out of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council is contractually committed to a financial instrument. They are initially measured at fair value. They are carried at their amortised cost.

The amount charged to revenue is based on the effective interest rate. The effective interest rate discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The carrying value for most loans is outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable under the agreement.

But for three stepped rate loans, the amount charged to revenue is based on the effective interest rate.

Annual charges for these loans are made to the Financing and Investment Income and Expenditure line in the CIES. The charge is the carrying amount of the liability multiplied by the effective rate of interest.

For these loans the difference between the annual charge and the cash paid is reversed out in the MIRS.

Any premium or discount on redemption of loans is added to the amortised value of the replacement loan. Premiums and discounts are written down to the CIES. This is done by adjusting the effective interest rate. Regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the charge over the remaining term of the loan replaced.

The amount charged to the CIES may differ from the charge against the General Fund Balance. An appropriate transfer is made from the Financial Instruments Adjustment Account in the MIRS.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan

in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

Instruments Entered Into Before 1 April 2006

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

Government Grants and Contributions

Government grants and third party contributions and donations are recognised when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

This applies whether the grants and contributions are paid on account, by instalments or in arrears. Grants and contributions are held as creditors in the Balance Sheet until conditions have been satisfied.

Grants and contributions are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Once conditions are satisfied, the grant or contribution is credited to the CIES. For attributable revenue grants and contributions this is to the relevant service line. For non ring-fenced revenue grants and all capital grants this is the Taxation and Non-specific Grant Income and Expenditure line.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Intangible Assets

Non-monetary assets that do not have physical substance are intangible assets. The assets are controlled by the Council as a

result of past events (e.g. software licences). Non-monetary assets are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where:

- It is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available)
- The Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset. Capitalisation is restricted to the development phase. Research expenditure is not capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. This is the case with the Mayor's car licence plate.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are charged to the relevant service line in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Income and Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact

on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities

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

Investment Properties

Investment properties are used solely to earn rentals and capital appreciation. Property is not investment property if:

- used to deliver services
- used to produce goods
- held for sale.

Investment properties are measured initially at cost. They are subsequently carried at fair value. Fair value is the price that would be received selling the asset in an orderly transaction between market participants at the measurement date.

As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the CIES and increase the General Fund Balance.

Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the CIES. Statute prevents such gains and losses having an impact on the General Fund Balance. They are transferred out of the General Fund Balance in the MIRS. They are transferred to the Capital Adjustment Account. Sale proceeds greater than £10,000 are transferred to the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Leases may comprises both land and buildings. The land and buildings elements are classified separately.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment is recognised on the Balance Sheet at fair value at the start of the lease. The present value of the minimum lease payments is used if lower.

The asset is matched by a liability to pay the lessor. Initial direct costs of the Council are added to the carrying amount. The lease liability is written down by any premium paid on entry.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets. But depreciation is charged over the lease term if:

- the lease term if this is shorter than the asset's estimated useful life, and also
- ownership of the asset does not transfer to the Council at the end of the lease period.

The Council does not raise Council Tax to cover depreciation or revaluation and impairment losses. A prudent contribution is made from revenue funds under statutory requirements.

The difference is accounted for by a transfer from the MIRS to the Capital Adjustment Account.

Operating Leases

Rentals are charged to the relevant service line in the CIES. Charges are spread equally over the life of the lease. The pattern of actual payments under the lease may be different.

Council as Lessor

Finance Leases

At the start of the lease the carrying amount of the asset is written out of the balance sheet. The write out is charged to the Other Operating Income and Expenditure line in the CIES.

The Council's net investment in the lease is credited to the same line and a long-term debtor asset is created in the Balance Sheet.

Lease rentals are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease debtor (any premiums received are also used to write down the lease debtor) and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the CIES.

A gain on disposal is credited to the CIES. Statute does not allow the gain to increase the General Fund balance. The gain is required to be treated as a capital receipt.

A premium may be received on the grant of a lease. Any premium is transferred out of the General Fund Balance to the Capital Receipts Reserve in the MIRS.

A finance lease may be settled by the payment of rentals in future financial years. The income is transferred from the General Fund Balance to the Deferred Capital Receipts Reserve in the MIRS.

The capital receipt element of rentals writes down the lease debtor. Deferred capital receipts for the disposal are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax. The cost of non-current assets is fully provided for under capital financing. Write-offs are appropriated to the Capital Adjustment Account from the General Fund Balance in the MIRS.

Operating Leases

For an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Income and Expenditure line in the CIES.

Credits are made evenly over the life of the lease. This may not match the pattern of payments. For example if there is a premium paid at the commencement of the lease.

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset. The costs are charged over the lease term in the same way as rental income.

Overheads and Support Services

The costs of overheads and support services shown as part of the Directorates that they are managed within in accordance with the Council's arrangements for accountability and financial performance.

Property, Plant and Equipment (PPE)

Assets that are classified as Property, Plant and Equipment if they:

- have physical substance
- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes
- are expected to be used during more than one financial year.

Recognition

The acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided:

- it is probable that future economic benefits or service potential will flow to the Council
- the cost of the item can be measured reliably.

Repair and maintenance expenditure that does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

- costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value. (Unless the acquisition does not have commercial substance and will not lead to a variation in the cash flows of the Council.)

Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. Any difference between fair value and consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the CIES.

If the donation has been made conditionally the gain is held in the Donated Assets Account until conditions are satisfied. Gains credited to the CIES are transferred out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the measurement bases set out below.

Infrastructure is carried at depreciated historical cost. Infrastructure assets include roads, bridges and streetlights. Infrastructure is classed as inalienable assets. Expenditure on infrastructure is only recoverable by continued use of the asset. There is no prospect of sale or alternative use.

Infrastructure in the Balance Sheet includes a lump sum which transferred to the Council when Peterborough City Council was formed. It is not broken down on an asset by asset basis.

Since the Council's inception, additions and enhancements, recorded at cost, have increased the balance. These have been recorded in the Council's fixed asset register on an infrastructure asset type basis rather than by individual asset. Additions and enhancements from projects may relate to a number of infrastructure assets.

The infrastructure balance has been reduced annually by depreciation. This has been calculated using the Council's depreciation policy.

- Community assets and assets under construction are measured at historical cost.
- All other assets are measured at current value. Current value is determined as the amount that would be paid for the asset in its existing use (EUV).

For surplus assets the current value measurement base is fair value. This is estimated at highest and best use from a market participant's perspective

There may be no market-based evidence of current value because of the specialist nature of an asset. If so depreciated replacement cost (DRC) is used as an estimate of current value.

Some non-property assets have short useful lives or low values. Depreciated historical cost basis is used as a proxy for their current value.

Revaluation

Assets carried at current value are valued regularly. This ensures their carrying amount is not materially different from their current value at the end of the accounting period. As a minimum revaluation takes place every five years.

Increases in valuations are unrealised gains. They are credited to the Revaluation Reserve.

Gains that reverse a previous loss charged to a service are credited to the surplus or deficit on services in the CIES.

Decreases in value

The carrying amount is written down against any balance of gains for that asset in the Revaluation Reserve. Otherwise the carrying amount is written down against the relevant service line in the CIES.

The Revaluation Reserve was implemented in April 2007. It only recognises gains since then. Gains before have been consolidated into the Capital Adjustment Account.

Impairment

If the recoverable amount of an asset is materially different from its carrying value, an impairment loss is recognised.

The value is written down against any gains for the asset in the Revaluation Reserve. Otherwise the carrying amount is written down against the relevant service line in the CIES.

If the loss is later reversed it is credited to the relevant service line(s) in the CIES. The reversal is up to the amount of the original loss. An adjustment is made for depreciation that would have been charged if the loss had not been recognised.

Disposal and Decommissioning

Assets held for sale or PPE may be sold or decommissioned. The carrying amount in the Balance Sheet is written off to the Other Operating Income and Expenditure line in the CIES. This transfer is part of the gain or loss on disposal. In the case of academy school transfers, the loss on disposal for nil consideration is charged to the Financing and Investment Income and Expenditure line in the CIES.

An additional transfer will be made of the difference between the carrying value and the disposal proceeds. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The balance of receipts remains within the Capital Receipts Reserve. They can then only be:

- used for new capital investment
- set aside to reduce the Council's underlying need to borrow (the capital financing requirement)

Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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

Depreciation

Depreciation is provided on all PPE assets. The depreciable amount is systematically allocated over an asset's useful life.

An exception is made for assets without a determinable finite useful life. These include:

- freehold land
- certain Community Assets
- assets that are not yet available for use
- assets under construction.

Basis of depreciation

Depreciation is calculated on the following bases:

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

Where a PPE asset has major components whose individual cost is significant compared to total cost the components are depreciated separately.

Revaluation gains are also depreciated. An amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements for the Council to receive services. The PFI contractor is responsible for making available the PPE needed to provide the service. The Council is deemed to control the services that are provided under its PFI scheme. Ownership of the PPE will pass to the Council at the end of the contract for no additional charge. The Council therefore carries the assets used under the contract on its Balance Sheet as part of PPE.

The original recognition of these assets was at fair value. Fair value was calculated on the cost of purchasing the PPE. A liability for amounts due to the scheme operator for the capital investment was also recognised.

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

Amounts payable to the PFI operator each year are analysed into four elements:

- fair value of the services received during the year – debited to the relevant service in the CIES
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – increases in the amount to be paid for the property - these are debited to the Financing and Investment Income and Expenditure line in the CIES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator - the profile of write-downs is calculated using the same principles as for a finance lease.

Provisions

Provisions are made:

- where an event has taken place that gives the Council a legal or constructive obligation
- that the obligation probably requires settlement by a transfer of economic benefits or service potential
- a reliable estimate can be made of the amount of the obligation.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES. Provisions are charged in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to

settle the obligation, taking into account relevant risks and uncertainties.

Payments eventually made are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Some or all of the payment required to settle a provision may be expected to be recovered from another party (e.g. from an insurance claim). This is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either:

- it is not probable that an outflow of resources will be required or
- the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. It is included in the Surplus or Deficit on the Provision of Services in the CIES.

The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits. These reserves are not usable resources for the Council – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset for the Council has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority.

The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements.

Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

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

The Council transfers academy school assets on a 125-year lease in accordance with national guidelines. As such they are subject to lessor finance lease policies (see leases policy).

Value Added Tax (VAT)

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

Glossary

Accounting Period - 1 April to 31 March is the local authority accounting period. It is also termed the financial year.

Accruals - Revenue and capital income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Transactions are accrued with income and expenditure due but unpaid at 31 March brought into the accounts.

Accumulating Compensated Absences Adjustment Account – Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year.

Amortisation – The reduction in the useful economic life of a long term intangible asset. This may arise with the passing of time. It may also arise through obsolescence or technological changes.

Annual Governance Statement – Identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

Balance Sheet – This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows the balances and reserves at the Council's disposal and its long term indebtedness. It also shows the long term and net current assets employed in its operations.

Balances – The non-earmarked reserves of the Council. These are made up of the accumulated surplus of income over expenditure. This is known as the General Fund Balance. Adequate revenue balances are needed to meet unexpected expenditure or a

shortfall in income. The Council may decide to use its revenue balances to reduce its budget and thus its call on the Collection Fund.

Budget - A statement of a Council's plans for net revenue and capital expenditure.

Business Rates Retention Scheme – the name given to the system of funding local authorities through the local government finance settlement. The local government sector retains 50% of the business rates they collect. In addition they also receive Revenue Support Grant to help support their services. The Government plans to introduce 75% retention by councils in 2019/20.

Capital Adjustment Account – This account was created at the end of financial year 2006/07. Its opening balance was made up of the balance on the Fixed Asset Restatement Account (FARA) and the Capital Financing Account.

Capital Charge - A charge to service revenue accounts for the cost of non-current assets used in the provision of their services.

Capital Expenditure - Expenditure on the acquisition or development of major assets which will be of use or benefit to the Council in providing its services beyond the year of account.

Capital Grant - A grant received towards the capital expenditure incurred on a particular service or project. Capital grants can be made by a Council. An example would be grants to homeowners to meet the cost of improving their houses.

Capital Receipt - Proceeds from the sale of non-current assets such as land and buildings. Capital receipts can be used to

finance new capital expenditure, repay debt or fund transformational change that lead to future revenue savings.

Cash Equivalent – An investment that is liquid and matures within three months. There is no significant risk to the value on redemption.

Code of Practice on Local Authority Accounting – The statutory accounting code published by CIPFA.

Collection Fund - A statutory fund in which a Council records transactions for Council Tax and business rates.

Community Assets - Assets that the local Council intends to hold in perpetuity. A useful life is not calculated for these assets. They are likely to have restrictions on their disposal. Examples of community assets are parks and open spaces.

Comprehensive Income and Expenditure Statement or CIES - Reports the income and expenditure for all the Council's services. The CIES demonstrates how services have been financed from general government grants and income from taxpayers.

Contingent rent (under a lease) – Additional rent that is not fixed in the lease terms.

Creditor - An amount owed by the Council for work done, goods received or services rendered to the Council within the accounting period but for which payment has not been made.

Current Asset - An asset which can be expected to be consumed or realised during the next accounting period.

Current Liability - An amount which will become payable or could be called in within the next accounting period.

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

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

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

Deemed Capital Investment (of a finance lease)- A calculation of the capital cost of an asset purchased by a finance lease. A minimum revenue provision must be made to redeem the cost.

Deferred Capital Receipts Reserve - Holds the gains recognised on the disposal of non-current assets for which cash settlement has not been made.

Defined Benefit (pension scheme) – A pension scheme where benefits are determined by years of service and salary earned.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of a long term asset. This arises from use, time or obsolescence through technological or other changes.

Derecognition – The removal of an asset or liability from the balance sheet.

Direct Revenue Financing (DRF) - A contribution to the financing of capital expenditure by a charge to the Comprehensive Income and Expenditure Statement. This can be used to supplement the Council's other capital resources.

Effective Interest Rate (EIR) – The rate of interest that is consistent with estimated cash flows over the life of a financial instrument and its initial value in the balance sheet. It is calculated using discounted cash flow.

Fair Value – Fair value is used for setting the value for various assets in the balance sheet. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financing Charges - Annual charges to the Comprehensive Income and Expenditure Statement to cover interest and principal of loans raised for capital expenditure.

Finance Lease - A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee. In a finance lease the present value of the minimum lease payments plus any initial payment is substantially the fair value of the leased asset.

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

Financial Instrument – This is an important definition in understanding the accounts. It includes both financial assets and liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

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

General Fund - The main fund of the Council that meets the cost of most services provided by the Council. The services are paid for from Council Tax, business rates, government grant and other income.

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

Heritage Assets – A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historical Cost – The nominal or original cost.

IAS 19 - This is an International Accounting Standard now universally adopted across all sectors (public and private) for the inclusion and reporting of pension costs in the financial accounts. It is based on the principle of recognising pension costs in the financial year that they become known rather than the cash transfers made in that year – usually, this means that a higher cost arises. These (higher) costs are calculated each year by Actuaries who forecast changes in future liabilities and the performance of the Pension Fund in determining any potential shortfall. In local government, a Pension Reserve has been introduced to absorb this impact so that no additional costs fall on Council Taxpayers until they are actually due.

Impairment – Impairment arises where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Infrastructure Assets - Carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

Investment Properties – Properties that are used solely to earn rentals or for capital appreciation.

Lessee – The holder or tenant of a lease.

Lessor – The person allowing occupation or use of property by a lease.

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

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

Minimum Lease Payments – Those lease payments that the Council is or can be required to make.

Minimum Revenue Provision (MRP) - This is the minimum amount that must be charged to the Council's Comprehensive Income and Expenditure Statement. It must be set aside to repay debt. MRP is charged in line with the life of the asset for which borrowing was undertaken.

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

Non-current asset - An asset which has value beyond one financial year.

Non-distributed costs – Discretionary retirement benefits and impairment losses on assets held for sale.

Non-Domestic Rates (NDR) or business rates - The rates payable by businesses on their properties are calculated by applying a nationally determined multiplier to the rateable value of the property. There is a lower multiplier for small businesses.

NDR Levy Payment – The Council pays a 6% levy to the government of its share of business rates income that exceeds settlement assumptions.

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

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

Precept - The amount a local authority that cannot levy a council tax directly on the public requires it to be collected on its behalf. The Council collects precepts on behalf of Cambridgeshire Police and Crime Commissioner, Cambridgeshire and Peterborough Fire and Authority and 25 Parish Councils.

Projected Unit Method - A method for calculating pension costs which takes full account of future salary increases. It is the method prescribed in relevant Accounting Standards.

Provisions - Required for any liabilities of uncertain timing or amount that have been incurred. Provisions are set aside in the accounts and charged to individual services. When the relevant expenditure occurs, it is charged direct to the Provision.

Prudential borrowing – Borrowing for capital purposes in accordance with the Prudential Code on affordability.

Reserves - Amounts set aside for purposes falling outside the strict definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific projects or service areas, or expected future commitments.

Revaluation Reserve – This account was created on 1 April 2007 and its balance represents the revaluation gains accumulated since 1 April 2007.

Revenue Expenditure - The day-to-day running costs the Council incurs in providing services (as opposed to capital expenditure).

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

Service cost (for pension liabilities) – part of the change in pension liabilities over the year.

Short term employment benefits – A benefit that will be settled within 12 months of the year-end. The benefits include salaries, sick leave and annual holiday entitlement.

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

Unusable Reserves – Those reserves that absorb the timing differences arising from different accounting arrangements. Unusable reserves are not available to fund expenditure or reduce local taxation.

Table of Acronyms

BCF	Better Care Fund	EFA	Expenditure and Funding Analysis
BSP	Blue Sky Peterborough	EIR	Effective Interest Rate
CAA	Capital Adjustment Account	IAS	International Accounting Standard
CCC	Cambridgeshire County Council	LEP	Local Enterprise Partnership
CIES	Comprehensive Income and Expenditure Statement	LGA	Local Government Association
CIC	Community Interest Company	LGPS	Local Government Pension Scheme
CIPFA	Chartered Institute of Public Finance and Accountancy	LLP	Limited Liability Partnership
CMT	Corporate Management Team	MHCLG	Ministry of Housing, Communities and Local Government
CPCA	Cambridgeshire and Peterborough Combined Authority	MIRS	Movement in Reserves Statement
CPCCG	Cambridgeshire and Peterborough Clinical Commissioning Group	MTFS	Medium Term Financial Strategy
CPFT	Cambridgeshire and Peterborough NHS Foundation Trust	NDR	Non-domestic Rate
CRC	Carbon Reduction Commitment Energy Efficiency Scheme	PFI	Private Finance Initiative
DfE	Department for Education	PIP	Peterborough Investment Partnership
DSG	Dedicated Schools Grant	PPE	Plant Property and Equipment
DMO	Debt Management Office	PWLB	Public Works Loan Board
		REFCUS	Revenue Expenditure Funded from Capital under Statue
		RR	Revaluation Reserve

Index of Notes to the Core Financial Statements

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(Draft) Annual Governance Statement – 2018/19



(Draft) Annual Governance Statement

The Annual Governance Statement will be discussed and approved by Audit Committee on 15 July 2019. The draft version is included here.

Scope of Responsibility

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

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

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

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

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

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

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. An updated Corporate Strategy 2019-2022 was endorsed by Cabinet in February 2019 for consultation and final approval in July 2019. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

Key Elements of the Governance Framework

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

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

- The Council established a Constitution and Ethics Committee in May 2018 to oversee the Member and Officer codes of conduct, the operation of the constitution and the Member Officer protocol. In its first year of operation it has amended and updated the Member Code of Conduct and associated complaint procedures, overseen the drafting and issuing of a Social Media Code for members, updated the Member Officer protocol, introduced a procedure for the operation of a Shadow Cabinet, updated Council Standing Orders, Civic Protocol, Petitions Scheme and Officer Employment Rules. It has also considered the recommendations and best practice identified in the report by the Committee on Standards in Public Life on Local Government Standards and compared against the council's current procedures.
- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns.
- Staff behaviour is governed by the Officer Code of Conduct.
- Third party challenge to the Council's operations is through a publicised complaints procedure.
- Confidential concerns can be raised through the Council's Whistleblowing Policy.
- A Counter Fraud Strategy has been established to deliver raise awareness of fraudulent activities and to provide proactive solutions to minimise the risks of fraud. Our policies have been reworked to reflect this.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.
- The Council is managed by a Cabinet system as set out in the agreed Council Constitution which sets out the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.
- Member and Officer relationships, governed by the Member Officer Protocol in the council's constitution, are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is vital in making service changes and more self-sufficiency from citizens into reality.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Management Team. Cabinet portfolios are assigned on a function basis rather than directorate and subject to appropriate officer support.

- The Acting Corporate Director of Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit are provided direct and work in line with the Public Sector Internal Audit Standards. In 2018/19 the service was externally reviewed externally to ensure it demonstrated compliance with the Public Sector Internal Audit Standards
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability.
- The Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the law and the Constitution.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives (An updated Corporate Strategy was published in February 2019 for consultation and approval in July 2019).
- Council meetings are open to every citizen.
- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, Fletton Quays residential proposals.
- The Council is a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of new powers devolved from central government.
- In order to demonstrate its openness, the Council also publishes its Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.
- Consideration of the final budget (Tranche 3) took place at Full Council on 6 March 2019. The Council Tax increase for the year was 3%, the maximum allowed by regulations. Tranches 1 and 2 of the budget were considered by Council in July and December 2018 respectively.

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

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Management Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management is monitored through the Risk Management Board to ensure consistent treatment and action.
- The Medium Term Financial Strategy sets out how services are delivered within the Council's financial resources, including how we are delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough.
- Significant changes to services are supported by an Equality Impact Assessment.

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

- Decisions are based on rigorous and transparent scrutiny and a relationship of trust between Members and Officers.
- In order to achieve long term financial targets the Council has set a budget for the year 2019 / 2020 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council.
- All meetings and key decisions are included in the Councils Forward Plan which is published and available to the public.
- The Audit Committee is an essential part of good governance and is regularly assessed against best practice.
- The Council, in order to discharge its functions on Health, operates a dedicated Health Scrutiny Committee.
- Educational attainment is acknowledged as a particular priority and plans are set up to improve results in this area for the longer term.
- Performance management is undertaken across all areas, whether relating to individuals, processes or projects. Lessons learnt from mistakes are acted upon.

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

- Performance management framework is in place which covers all officers including an appraisal system with targeted, relevant training. Human Resources procedures set out the appointment process which is transparent.
- Regular meetings and 1:1's are held at all levels.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and the Council is also seeking to achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service (which in 2018/19 passed its 5 yearly assessment to assure compliance with Public Sector Internal Audit Standards), complying with best practice. Findings are reported to the Audit Committee.
- Key partners who provide essential Council services are subject to independent oversight by Committees.
- A new Cabinet Shareholder Committee has been approved in 2018/19 to give oversight and scrutiny of entities the Council has an interest in.
- A protocol for the delivery of joint work with Cambridgeshire County Council was approved by Cabinet in September 2018 to ensure that as this increases over time there is the associated governance around its management and delivery.
- The Constitution is reviewed on at least an annual basis, with quarterly reports on potential changes going to the Council's Constitution and Ethics Committee and then on to full Council for a final decision.

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

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

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

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

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and also by comments made by the external auditors and other review agencies and inspectorates. During 2018 / 2019, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was a sound governance framework from which those charged with governance could gain reasonable assurance. It should be noted, as per table 2, that one of the new issues to be addressed is a full review of existing governance processes. This is required in particular as more services are delivered with Cambridgeshire County Council to ensure both Council's Governance requirements and present best practice is taken into account.

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

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

An External Audit of the accounts year ended 31 March 2018 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers for the 2017/18 closure process were of high quality.

Significant Governance Issues

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

Table 1 below sets out the governance issues which were previously reported and the progress in addressing them.

Table 1: 2016 / 2017 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.01	INNOVATION AND GOVERNANCE Lead: Director of Law and Governance	<p>Gap: Our desire to explore more innovative and commercial ways of working requires a flexible and agile approach, but also a clear framework for governing arrangements.</p> <p>Proposal: An Organisation Change Board has been created to drive forward the transformation programme with representatives from all departments.</p>	<p>A cross-department Officer Agile Working Group meets to ensure that all parts of the Council embrace the move to Agile and new ways of working. This has been especially important during 2018/19 on the move to Sand Martin House in July 2018.</p> <p>During the year arrangements have been put in place to strengthen the Programme Management Office to oversee change programmes and the implementation of Council savings and efficiency initiatives. A weekly meeting takes place to review progress. Since January, this has been a cross departmental meeting.</p> <p>Protocols have been agreed for joint work with Cambridgeshire County Council (CCC) and these were agreed by Cabinet in September 2018.</p>

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.04	SCHOOL ATTAINMENT Lead: Corporate Director: People and Communities	Gap: Damage to reputation through poor performance in published league tables compared to the national average. Proposal: Improvement plans and a programme of training has been developed and there is ongoing monitoring to look at the effectiveness of this in raising attainment in Peterborough schools.	<p>The improvement programme is now in the delivery phase. A new Service Director has been appointed. Early analysis predictions suggest improved attainment again for the 2018 academic year results at KS2.</p> <p>However, any increases in attainment levels are too early to fully quantify so the action will continue to be monitored throughout 2018.</p> <p>There is an ongoing Schools cause and concern working group under the Service Director Education which will look into these issues.</p>
17.06	WORKFORCE PLANNING Lead: Director of Law and Governance	Gap: The Council is undergoing tremendous organisational change. This will create significant workforce issues around having the right skills, people and employee capacity. The Council will require employees to have different skill sets that underpin a transformed business model. Proposal: Human Resources have developed a series of training and workforce development schemes to ensure that the organisation is future proof. This is closely linked in with 1 above.	<p>Sharing of officers and services between Peterborough City Council (PCC) and CCC has been developed and implemented. The joint protocol approved by Cabinet in September 2018 sets out how these interactions should work.</p> <p>Other services are also delivered with other Councils via individual agreements.</p> <p>During the course of the year additional support has been explored and provided via the Workforce Training and Development model Cambridgeshire County Council utilise. This has been scaled and adapted to PCC's immediate requirements and continues to be reviewed & developed in light of the exploration of wider shared service arrangements with CCC.</p>

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.07	NEW WAYS OF WORKING Lead: Corporate Director: Resources	<p>Gap: Linked to 6 above, as the Council gears up to move to new accommodation, it is critical that the appropriate tools are in place to cope with smarter ways of working.</p> <p>Proposal: Close partnership working is in place to ensure that accommodation; technological requirements; business, staff and stakeholder needs are met to deliver practical solutions in a leaner manner. Regular reports on progress are referred to Corporate Management Team.</p>	<p>See responses to 17.01 and 17.06 above.</p> <p>In addition, for the move to Sand Martin House the Council implemented a Senior Officer working group to ensure delivery - which was achieved on target.</p>
17.08	INFORMATION Lead: Director of Law and Governance	<p>Gap: The Council is increasingly managing, storing and maintaining personal data and information as part of the delivery of services. With data held in a vast array of places and transferring between supply chain partners, it becomes susceptible to loss, protection and privacy risks.</p> <p>Proposal: Information is paramount to the successful delivery of all services. Regular reviews of sharing protocols are in place.</p>	<p>Council staff have been and continue to be provided with training. Any non-completers have had their director made aware of non completion.</p> <p>The council continue to review its systems, the data captured and their capabilities to meet the rights as detailed in the regulation, which has highlighted issues to address.</p> <p>The council has completed the work on the Information Asset Register and Record of Processing Activity.</p> <p>The council has undertaken a review of its retention schedules and will be working further this year to bring this together with CCC.</p> <p>The council continue to review contracts to ensure compliance with legislation and examine ways in which it can improve supplier compliance.</p> <p>The council have a process agreed to ensure compliance issues are highlighted at procurement stage including the DPIA screening checklist and we have had a workshop with Procurement and Legal to understand the cause of issues. PCC will be delivering a training session with Procurement and Legal to commissioners to help the process be smoother from the start.</p>

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
			PCC have delivered data protection training to Members The council continues to review privacy notices and statements with services as changes arise, CCC also has a few privacy notices in development.
17.09	CYBER SECURITY Lead: Corporate Director, Resources	<p>Gap: It is important that the Council continues to keep data security high on the agenda to ensure that it is effectively managed, particularly with the introduction of new service delivery arrangements for ICT and information management. The risk of a cyber-attack is a very real one and all organisations, including those in the public sector, should consider cyber security as an organisational risk. To mitigate this risk, it is essential to raise awareness and commit to implementing a cyber security, risk averse culture.</p> <p>Proposal: Regular system monitoring and reporting is in place throughout the Council on the threats and actions to mitigate.</p>	<p>Our ICT partner, Serco, commissioned an external review of the ICT security arrangements and a report was received in Autumn 2017.</p> <p>PCC and Cambridgeshire County Council are working together on cyber security.</p> <p>A joint bid was put together for funding from the LGA which was successful. This funding has been used to purchase cyber security training videos for staff and members which has been well received. We have funding to undertake gap analysis of systems and develop a project plan to address those areas of weakness. Work has begun on cyber incident response plans, business continuity and disaster recovery with IT partners. This is an ongoing project tying into the move to Microsoft 365 which will take place in late 2019.</p> <p>Routine items undertaken in 2018/19: Firewall maintaining at latest released; Antivirus deployments maintained at latest release; Monthly patching regime enforced; Continued vigilance of potential threats via reports from the NCSC.</p> <p>Specific items delivered in 2018/19 Removal of W2003 servers and XP desktops and laptops from the estate; Removal of W2008 servers from estate is underway.</p>

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.10	FRAUD, CORRUPTION AND SERIOUS ORGANISED CRIME Lead: Corporate Director, Resources	<p>Gap: Pilot studies have been undertaken in a number of regions which has resulted in a best practice checklist being established to ensure that local authorities have sound and robust procedures to reduce the threat of Serious Organised Crime impacting on Council activities</p> <p>Proposal: Internal Audit will liaise with Police and other Councils to ensure that appropriate arrangements have been developed. Internal Audit has incorporated a number of reviews within its Audit Plan to follow the best practice checklists to look to provide assurance to the Council.</p>	<p>Internal Audit have undertaken a risk assessment against the Serious Organised Crime checklist. An initial focus has been on gifts and hospitality and will be reported on as part of Annual Audit Opinion.</p> <p>Limited frauds have been identified in year and Counter Fraud policies have been revisited, updated, referred to and approved by the Audit Committee in March 2018.</p> <p>As with last year, limited frauds have been identified in 2018/19.</p> <p>The 2017/18 Fraud Investigation Report was reviewed by the Audit Committee in July 2018.</p>
17.11	SCHOOL STATUTORY TESTING Lead: Corporate Director, Resources	<p>Gap: There are statutory requirements under several sets of regulations which require regular inspections and tests of systems and equipment. These can include lifts, hoists, air conditioning units, pressure systems, local exhaust ventilation systems and gas or electrical installations. An Internal Audit review of schools identified limited evidence that the programme of work was being managed or monitored.</p> <p>Proposal: As part of its work protocols, Internal Audit are following up on the issues identified which will be reported through to the appropriate channels.</p>	<p>There are ongoing meetings reviewing delivery of improvements. Separate reviews are in train covering Health and Safety across the Council estate to ensure consistency of approach.</p> <p>It is anticipated that actions will not have been completed until early summer.</p>

Table 2: 2017 / 2018 Progress on Previous Actions			
	Area of Assurance	Gap	Proposal to Mitigate
18.01	FINANCIAL MANAGEMENT Lead: Acting Director of Corporate Resources	<p>The budget for the Council is underpinned by a number of transformation projects and savings targets.</p> <p>There is a requirement to ensure that there is appropriate monitoring of these to ensure that these remain on track or alternatives options put in place to ensure the budget remains balanced.</p>	<p>Budget Monitoring is key to underpinning the decision making processes at the council. Budget monitoring is reported to:</p> <ul style="list-style-type: none"> • Officers at Corporate Management Team on a monthly basis • Members - to each Cabinet meeting (with the most up to date information). <p>In addition, a half yearly review of Treasury Management activity is reported to the Audit Committee.</p> <p>Budgeting at PCC is now linked to a quarterly cycle which was implemented in 2018/19.. This has given the Council the ability for earlier delivery of budget initiatives.</p> <p>The following tranches were delivered in 2018/19:</p> <ul style="list-style-type: none"> • Tranche 1- July 2018 • Tranche 2 – December 2018 • Tranche 3 – March 2019 <p>Budgets are developed to enable an ability to flex the budget so that savings / proposals can be moved between years if they cannot deliver early enough. Savings initiatives are now logged on Verto and will be reviewed as part of the monthly monitoring process.</p>
18.02	COUNCIL GOVERNANCE Leads:	<p>Council processes can be cumbersome which provide opportunity for decisions to be made through a variety of routes.</p>	<p>An overarching review of governance arrangements is being undertaken. Progress through 2018/19 includes:</p>

	<ul style="list-style-type: none"> Chief Executive; 	There is a requirement to simplify the arrangements so as to close off any ambiguity or other avenues which could be used if a decision has already been made to reject.	<ul style="list-style-type: none"> The approval of a joint protocol with CCC by Cabinet in September 2018 for shared services work. The approval by Cabinet in December 2018 of a Shareholders Committee to give oversight of all council companies and joint ventures.
	Area of Assurance	Gap	Proposal to Mitigate
	<ul style="list-style-type: none"> Director of Law and Governance; Acting Director of Corporate Resources 	which could be used if a decision has already been made to reject.	<ul style="list-style-type: none"> The approval of a new Senior Officer structures to take account of joint work that is taking place with CCC. <p>Work now continues to embed these changes</p>
18.03	PROCUREMENT AND PROJECTS Lead: Acting Director of Corporate Resources	Linked with 18.02 above, there is a need to ensure that consistent approaches are used to develop business cases for each project. Furthermore, as part of the delivery phase, appropriate arrangements are required to ensure compliance with contract rules.	<p>See the response to items 17.01 and 17.06 which sets out the approach to projects now being followed at the Council.</p> <p>This also links into items 18.01 and 18.02 above which set out the financial monitoring regime through which issues are escalated to the appropriate levels within the Council.</p> <p>A review is presently taking place of the correct approach for procurement/commissioning as presently this is devolved to departments for delivery.</p>
18.04	CORPORATE FRAUD Lead: Chief Internal Auditor	With finite resources across the Council, there is a need to ensure that funds are used for their intended purpose and are not being misused or misappropriated. There are limited levels of fraud reported on across the Council. The Council will look to raise awareness across all departments, its contractors, suppliers and partners.	<p>See response to 17.10 above</p> <p>Corporate Fraud policies have been updated and reported to the Audit Committee in March 2018.</p> <p>The 2017/18 Fraud Investigation Report was reviewed by the Audit Committee in July 2018.</p>

			<p>The Council will continue to take part in the National Fraud Initiative which started again in 2018/19.</p> <p>Appropriate training and raising awareness will continue to be delivered to officers, Members and our key partners. A detailed Action Plan for 2019/20 will be produced and reported through CMT and Audit Committee.</p>
	Area of Assurance	Gap	Proposal to Mitigate
18.05	IT GOVERNANCE Lead: Director of Law and Governance	Imminent deadline for compliance with GDPR. Robust plans will be followed to ensure PCC meets the deadline	<p>Please see responses above to items: 17.01 - which sets out project reporting (including ICT) 17.08 - Information requirements (including GDPR) 17.09 - Cyber Security</p> <p>In addition, the position has been reported both to CMT and the Joint Management Team with CCC.</p>
18.06	EMERGENCY PLANNING AND BUSINESS CONTINUITY Lead: ALL Directors	The Council recognises the importance of putting in place robust arrangements for disaster recovery etc. This will mitigate the risk to the Council that major incidents could potentially result in an inability to provide critical services to residents, customers, partners and key stakeholders.	<p>On Move to Sand Martin House a full “Black Box” test of ICT systems was undertaken in early 2019 which was successfully completed.</p> <p>The Resilience Team continues to work with services from across the council to support them to transfer their previous Business Impact Assessments (BIA), and Business Continuity Risk Assessments (RA), onto a new set of templates, before moving on to support them to complete a service level Business Continuity Plan. The team visited all departments following the move to Sand Martin House.</p> <p>The delivery of Business Continuity (BC) within PCC will now be undertaken by a newly created shared service, the</p>

			Cambridgeshire and Peterborough Resilience Team, which will continue to support services in a similar way to before with the advantage of work relating to BC now being led by a dedicated BC Officer from within the new shared service.
18.07	PARTNERSHIPS Lead: Director of Law and Governance	The Council has working relationships with a range of organisations and providers. There is a need to ensure there is effective oversight of each by Members and ongoing monitoring by officers.	An annual review of alternative delivery models will be undertaken (e.g. LLPs, partnerships, significant contracts etc.) See 18.02 above
	Area of Assurance	Gap	Proposal to Mitigate
			Cabinet, in December 2018, approved the creation of a Cabinet Shareholders Sub-Committee to give oversight of all council companies and joint ventures.
18.08	EQUALITY AND DIVERSITY Lead: Director of Law and Governance	While the Council has an Equality and Diversity Policy the action plans for embedding are now out of date. The policy was approved by the Employment Committee January 2011. Last revision of the policy was February 2017	2017 Equality and Diversity Policy was reviewed in May 2018 and no changes were required at that point. The Policy will; be next reviewed in May 2019. In the budget process, all proposals that have an equalities impact have an Equalities Impact Assessment carried out and published for the consultation process.

As part of regular reviews of the governance, processes and procedures across the Council, a number of new issues to be addressed have been identified during 2018 / 2019. These are documented in Table 3 below.

Table 3: 2018 / 2019 New Governance Areas For Action			
	Area of Assurance	Gap	Proposal to Mitigate
19.01	Budget Resilience	<p>As per the 2019/20 MTFS, the council has an ongoing budget deficit of circa £20m which needs to be delivered for the council to achieve a sustainable ongoing budget.</p> <p>Over the past 2 years this gap has been closed by the use of one off resources which is not a sustainable strategy.</p> <p>In order for the council not to move into financial difficulties, savings and efficiency proposals must be agreed in time for full delivery in 2020/21.</p>	<p>Savings, efficiency and commercial proposals to balance the 2020/21 budget need to be in place and agreed in Tranche 1 of the 2020/21 budget process to ensure delivery (as set out in the 2019/20 Stewardship Statement).</p> <p>To ensure this is delivered a concentrated budget option process will be followed during the summer of 2019 to ensure Members have options that can be scrutinised and agreed to deliver a balanced budget in 2020/21 and moves the Council to sustainability in the medium term.</p>
19.02	Partnerships and Procurement Arrangements	<p>A full review is required to ensure that contractual arrangements entered into by the council are to the benefit of the council and sustainable and follow all local and national legislation and best practice. Examples where this has been identified include:</p> <ul style="list-style-type: none"> • Issues that have been identified with the formation of the 2014 IT Strategy and the delivery of this strategy, especially around work linked to the Digital Front Door. From the work it has been identified Procurement rules were not followed/complied with. • Extension of the Empower loan. • That in the past, gifts and hospitality in relation to interactions with contractors have not been added to the gifts and hospitality register in a timely manner. 	<p>Review contract rules/compliance and setting up of cross council officer group to ensure compliance to Council and national rules, regulations and best practice for procurement and commissioning.</p> <p>Linkage of the project management and contracting processes to the monthly monitoring process to the Council to ensure best practice is followed and the Council deliver value for money from its contracts.</p> <p>Overview of Council companies via the Shareholders Committee to ensure companies are delivering to Council objectives.</p> <p>In September 2018, an internal audit review of Gifts and Hospitality was undertaken and gave a 'Reasonable Assurance' opinion. A review is being undertaken of the Officer Code of Conduct including Gifts and Hospitality – a confidential report is going to Constitution and Ethics Committee in July 2019 which will then need to go to the</p>

	Area of Assurance	Gap	Proposal to Mitigate
			<p>JNC and Employment Committee as it forms part of the terms of employment.</p> <p>This will ensure:</p> <ul style="list-style-type: none"> • Correct contract specification and market warming • Minimisation of cost - to fit with Council's financial remit • Correct solutions for the Council's service strategies
19.03	Monitoring	Financial monitoring goes to every CMT and every Cabinet. It does not contain any performance information. For correct decision making both finance and performance must be included in the same report at the correct level of detail.	<p>That in 2019/20, monitoring will include both a financial and performance aspect. The initial performance data will be based on the data that is submitted to the GPC Committee at CCC - so both Councils are aligned for those services.</p> <p>Indicators will need to be designed for those services specific for PCC.</p>
19.04	Health and Safety	<p>There has been significant changes to how the Council works following the move to Sand Martin House and the rise in Agile working.</p> <p>There have been three audits that have been undertaken in 2018/19:</p> <ul style="list-style-type: none"> • A H&S Health Check undertaken by 4OC • A Fire Safety audit undertaken by 4OC • An Internal Audit review of Health & Safety <p>There is a requirement for the delivery of the outputs from these audits to ensure the council's Health and Safety arrangements fully reflect the new working arrangements that Council now work within.</p>	<p>Work has been taking place to move forward the recommendations from the three audits along the following themes:</p> <ul style="list-style-type: none"> • Principal Responsible Person responsibilities • Health & Safety policy updates (including KPI's and reporting policy). • Fire Strategy • Estate compliance (of all issues) • Training and compliance • Auditing and risk assessment <p>These will be reviewed via the re-constituted Health and Safety Board</p>

	Area of Assurance	Gap	Proposal to Mitigate
19.05	Business Continuity	To ensure that the work undertaken in 2018/19 is completed and updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.	Review all departmental Business Continuity delivery plans in Q1 and Q4 of 2019/20 to ensure the points raised in 18.6 above has been delivered. Conduct a yearly full business continuity test during 2019/20.
19.06	Cyber Security	To ensure that the work undertaken in 2018/19 is updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.	Review to ensure all Members and Officers have undertaken training Review to ensure compliance to all applicable Cyber and Information security standards Review to ensure all council data is in a format that is "Safe"

Summary

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

Certification

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

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

Signed:

To be signed by 31 July 2019

Gillian Beasley, Chief Executive

Date:

Signed:

To be signed by 31 July 2019

Councillor John Holdich, Leader of the Council

Date:

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Peterborough City Council Audit results report

Year ended 31 March 2019

4 July 2019



4 July 2019

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Peterborough City Council (the Authority) for 2018/19. We will issue our final report following the Audit Committee meeting on 15 July 2019.

We have substantially completed our audit of the Authority for the year ended 31 March 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 4 of this report, before the end of July. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 15 July 2019.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'S Patel'.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' 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 report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.



01 Executive Summary

Executive Summary

Scope update

In our audit plan presented at the 11 February 2019 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality - We updated our planning materiality assessment using the draft statement of accounts and have also reconsidered our risk assessment. Based on our materiality measure of 1.8% of gross expenditure on provision of services, we have updated our overall materiality assessment to £9.3 million (audit plan – £10.0 million). This results in updated performance materiality, at 75% of overall materiality, of £7.0 million, and an updated threshold for reporting misstatements of £0.467 million.
- ▶ Since February 2019, we have recognised two new significant risks:

New risk identified	Detail of changes to our scope
Financial Statements - Minimum Revenue Provision	<p>The Authority must make an annual contribution from revenue to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP). The MRP is determined prudently in accordance with statutory guidance.</p> <p>During the latter part of the financial year, the Authority's approach to MRP has been subject to media attention as well as scrutiny from the Ministry of Housing, Communities & Local Government (MHCLG). As a result we have updated our risk assessment of the financial statements and identified the MRP calculation as a significant risk.</p>
Value for Money - Procurement arrangements following the Authority review of the 2014 IT Strategy	<p>During the year the Authority informed us of issues that they identified with the formation of the 2014 IT Strategy and its delivery, in particular in respect of procurement arrangements. We updated our value for money risk assessment to recognise this as a significant risk and have carried out appropriate procedures to inform our value for money conclusion.</p>

As disclosed in the audit plan these additional risks are likely to result in additional audit fees which will be agreed in advance with S151 officer and then PSAA.

We include a summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit in Appendix A.



Executive Summary

Status of the audit

We have substantially completed our audit of the Authority's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- ▶ Clearance of I&E sample testing - awaiting information from officers on the final transactions
- ▶ PPE valuations work - awaiting information on one asset from officers and subject to final internal review process
- ▶ Clearance of issues arising from technical review of the accounts
- ▶ Clearance of all queries on our audit query log
- ▶ Review of the final version of the financial statements
- ▶ Completion of our final review processes
- ▶ Completion of subsequent events review
- ▶ Receipt of the signed management representation letter
- ▶ IAS19 procedures on the pension disclosures (still awaiting the response from the pension fund auditor)
- ▶ WGA: completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

In addition to the above, there is an ongoing national issue which may require a late change to the Authority's reporting of its participation in the local government pension scheme. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts have recognised this matter as a contingent liability (note 42, page 74). However, since the year-end there have been increasing indications that this may not be the correct treatment, and may need to be incorporated into the assessment of the scheme liabilities depending on the materiality of the issue. We will continue to liaise with officers on the outcome of this matter.

We expect to issue the audit certificate after we issue the audit opinion, once the WGA submission has been completed.

Audit differences

At the date of this report there are no unadjusted audit differences arising from our audit.

During the audit we have identified audit differences in the draft financial statements which management has chosen to adjust. The only material adjustment identified during our work related to PPE where assets disposals valued at £21.7m had been omitted from the accounts in error. Details can be found in Section 5 Audit Differences.

Executive Summary

Areas of audit focus

Our audit plan identified key areas of focus for our audit of the Authority's financial statements. As outlined on page 6, we have since identified further risks. In total we have identified five significant risks and three areas of audit focus. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure and REFCUS	We have completed our testing and found no indications that revenue expenditure and REFCUS have been inappropriately charged to capital
Misstatements due to fraud or error - incorrect application of capital grants	We have completed our testing and found that for the sample of capital grants we review, they were correctly applied.
Valuation of property, plant and equipment assets under depreciated replacement cost model	We have carried out our procedures including review of a sample of valuations by our EY Real Estates specialist. We are currently discussing with officers a non-material issue before reaching our conclusion. Subject to final internal review.
PFI accounting	We have completed our procedures including review by our EY PFI specialist and have no issues to report.
Minimum Revenue Provision (MRP) accounting	Our EY MRP specialist has completed the review and we are satisfied that the MRP accounting is appropriate.
Area of audit focus	Findings & conclusions
Valuation of other land & buildings & investment properties	We have completed our testing and identified no issues to report.
Pension liabilities	We are completing our review but await the outcome of the McCloud issue before concluding.
Implementation of new accounting standards	We have considered management's impact assessment and are satisfied that the Authority has implemented the new standards appropriately.

This report sets out our observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues; and
- ▶ You agree with the resolution of the issues; and there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, during the audit we identified three minor observations and improvement recommendations in relation to management's financial processes and controls:

- ▶ Controls should be implemented that reconcile the schools payroll balances to the Authority's general ledger system;
- ▶ The Authority's housing benefits risk based verification policy should be formally approved annually as per the housing benefit and council tax benefit circular S11/2011 paragraph 15; and
- ▶ There were some omissions on the Authority's contracts register. Therefore we would recommend regular review to ensure this is kept up-to-date.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our audit plan we identified a significant risk relating to the challenges facing the Authority to address longer term financial resilience issues. Whilst these challenges are similar to other authorities, the scale appears more significant for Peterborough with the Authority identifying large gaps in future funding requirements. The financial resilience risk we identified impacted two aspects of the value for money arrangements - taking informed decisions and deploying resources in a sustainable manner.

During the audit we also identified an additional value for money risk in relation to procurement arrangements as communicated in the "Scope Update" section above. This additional risk impacted two aspects of the value for money arrangements - taking informed decisions and working with partners and other third parties.

We have included in Section 6 the detailed work we carried out in response to these risks. Whilst we are satisfied that the Authority has proper arrangements in place in respect for taking informed decisions, deploying resources in a sustainable manner and working with partners and other third parties we do also highlight that, despite these arrangements, there remain risks around the financial resilience of the Authority and its ability to meet future gaps in funding requirements.

Other reporting issues

We have reviewed the information presented in the 2 July 2019 version of the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the time of writing, we had only just received the Group Audit instructions from the NAO. We will complete this work in August ahead of the deadline of 13 September 2019. We have no other matters to report.

Independence

We have no matters relating to our Independence to bring to your attention. Section 10 includes our update.

02

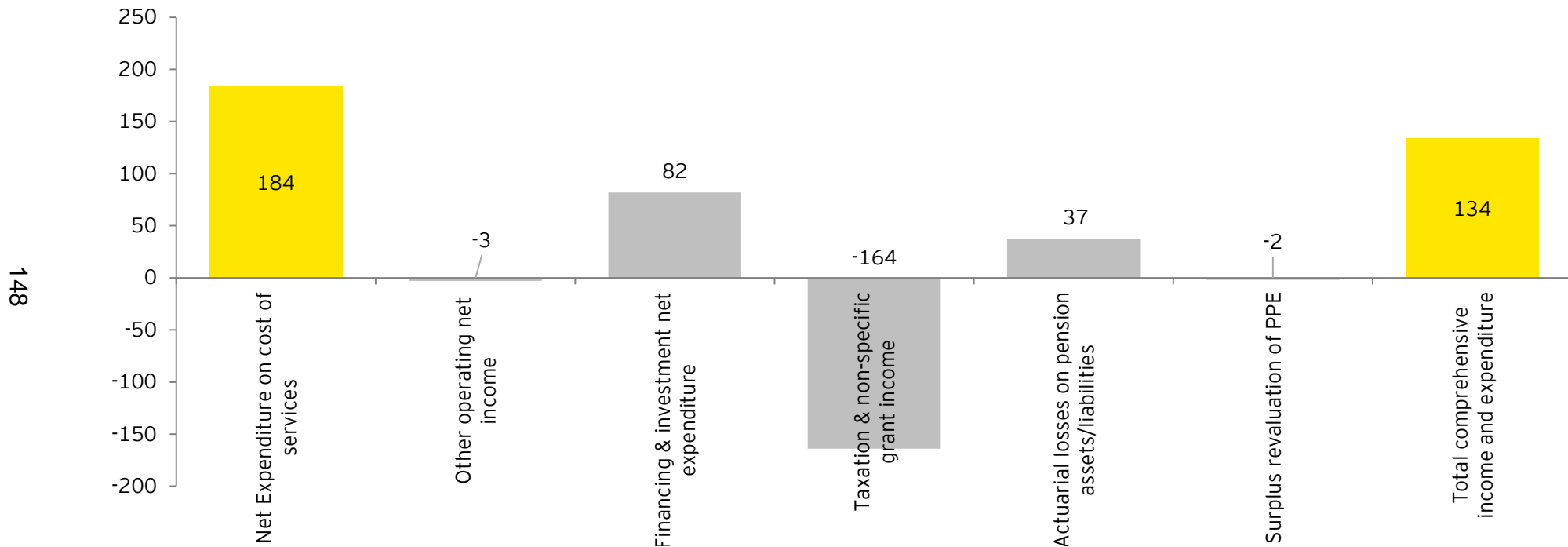
Understanding Financial Statements



Understanding Financial Statements

Key components of net expenditure

Net expenditure on cost of services for the year ended 31 March 2019 was £184 million, an increase of £10 million from the prior year. During the year significant events have occurred with an impact on the underlying financial position of the Authority. The following provides an overview of the material items:



The following provides an overview of the material items:

- Gross income of £486 million is comprised of government grant income of £261 million, Council Tax of £75 million, Business Rates of £45 million and other service income (including fees and charges) of £105 million.
- The majority of grant income is Dedicated Schools Grant of £98 million, Revenue Support Grant of £15 million, Housing Benefit Subsidy of £54 million and Capital Grants of £22 million.
- Total gross expenditure on cost of services of £586 million relates largely to staff costs of £143 million, service expenses of £396 million, interest payments of £18 million and depreciation of £29 million.



03 Areas of Audit Focus





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure and REFCUS

What is the risk?

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

In 2018/19 the Authority has incurred £95.9 million capital expenditure (of which REFCUS represented £20.5 million).

What judgements are we focused on?

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We have focused on the Authority's judgement that an item is capital expenditure in nature and the judgement that expenditure treated as REFCUS is associated to an asset not owned by the Authority.

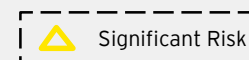
What did we do?

Our approach focused on:

- ▶ Sample testing additions to property, plant and equipment to ensure that they had been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- ▶ Sample testing REFCUS transactions to ensure they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state; and
- ▶ Using our data analytics tool to identify and test journal entries that moved expenditure into capital codes.

What are our conclusions?

- ▶ Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.
- ▶ Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.
- ▶ Our sample testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state.
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error - incorrect application of capital grants

What is the risk?

The Authority is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets. We consider the risk applies to the application of capital grants in the financial statements. Regulations are varied and complex, resulting in a risk that management misstate accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning the application of capital grants.

In 2018/19 the Authority applied £38.0 million of capital grants and contributions.

What judgements are we focused on?

We have identified a specific risk of misstatements due to fraud or error that could affect the income and expenditure accounts and the balance sheet.

We have focused on the Authority's judgements in respect of the application of capital grants.

What did we do?

Our approach focused on:

- ▶ Sample testing the application of capital grants to ensure they met the definition of capital expenditure;
- ▶ Sample testing capital grants received in advance to ensure any conditions had been correctly applied; and
- ▶ Using our data analytics tool to identify and test journal entries adjustments that impact capital grant accounts.

What are our conclusions?

- ▶ Our sample testing of the application of capital grants confirmed that they met the definition of capital expenditure.
- ▶ Our sample testing of capital grants received in advance found that conditions had been correctly applied.
- ▶ Our data analytical procedures performed to identify and test journal entries adjustments that impact capital grant accounts did not identify any issues.





Areas of Audit Focus

Significant risk

Valuation of property, plant and equipment assets under depreciated replacement cost model

What is the risk?

Property, plant and equipment (PPE) represents a significant balance in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the PPE balances held in the balance sheet. For assets valued using depreciated replacement cost (DRC) this risk is heightened due to the specialised nature of the assets and insufficient availability of market-based evidence to assist the valuation.

As the Authority's DRC asset base is significant (£246 million), and the outputs from the valuer are subject to estimation, there is a significant risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What judgements are we focused on?

We have identified a specific risk of misstatements due to fraud or error that could affect the balance sheet.

We consider the risk applies to the valuation of property, plant and equipment using the depreciated replacement cost method in the balance sheet.

What did we do?

Our approach focused on:

- ▶ The adequacy of the scope of the work performed by the Authority's valuer, their professional capabilities and the results of their work;
- ▶ Sample testing key judgements used by the valuer in performing their DRC valuations;
- ▶ The use of EY valuation specialists to review a sample of the underlying assumptions used to value any material specialist DRC assets;
- ▶ Review of DRC assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consideration of useful economic lives in the most recent valuation; and
- ▶ Testing that accounting entries had been correctly processed in the financial statements.

What are our conclusions?

Our consideration of the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work did not identify any issues.

Through our sample testing of key judgements used by the valuer in performing their DRC valuations, including use of our EY valuation specialists, we did identify some issues which resulted in the valuations falling at the ends of the tolerance range set by our specialists. However, as the valuations were within the range and we did not identify any evidence of management bias or manipulation, we have concluded that the valuations are materially correct.

Our review of DRC assets not subject to valuation in 2018/19 (59% of the total DRC assets) confirmed that the remaining asset base was not materially misstated.

Our consideration of the useful economic lives in the most recent valuation did not identify any issues.

Accounting entries have been correctly disclosed.

Subject to final internal review.



Areas of Audit Focus

Significant risk

PFI accounting

What is the risk?

The Authority has a material PFI arrangement for three secondary schools in Peterborough. PFI accounting is a complex area. We undertook a detailed review of the arrangements in 2015/16 and concluded that the accounting disclosures were materially correct. Given the complexities involved we have identified a need to undertake a technical review of the accounting arrangements by an EY PFI specialist to ensure the arrangements are still operating effectively.

In 2018/19 the Authority reported future PFI repayments totalling £171.0 million in the financial statements.

What judgements are we focused on?

We have identified a specific risk of misstatements due to fraud or error that could affect the balance sheet.

We have focused on the Authority's judgement that the variables in the PFI accounting model (such as RPI) remain consistent with the PFI operating model.

What did we do?

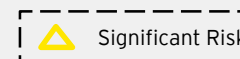
Our approach focused on:

- ▶ Making enquiries to management in respect of any changes to arrangements and the calculation of annual payments and the PFI liability in the balance sheet; and
- ▶ Using our PFI specialists to review the operating and accounting models for the schemes to ensure these were operating effectively and consistent with the disclosures in the financial statements.

What are our conclusions?

Our audit testing confirmed that there were no audit issues in the calculation of the PFI annual payments or the liability held in the balance sheet.

In addition our PFI specialist was able to confirm that the operating and accounting models did not contain any material audit issues and that they were consistent with the disclosures in the financial statements.





Areas of Audit Focus

Significant risk

MRP accounting

What is the risk?

The Authority must make an annual contribution from revenue to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP). The MRP is determined prudently in accordance with statutory guidance.

During the latter part of the financial year, the Authority's approach to MRP has been subject to media attention as well as scrutiny by Ministry of Housing, Communities & Local Government (MHCLG). As a result we have updated our risk assessment of the financial statements and identified the MRP calculation as a significant risk.

What judgements are we focused on?

We have focused on the Authority's judgement that it has calculated its minimum revenue provision appropriately.

What did we do?

Our approach focused on:

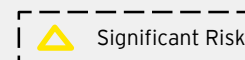
- ▶ Testing the application of MRP to ensure the calculation met the statutory guidance;
- ▶ Re-performing the MRP calculation; and
- ▶ Engaging our EY MRP technical specialist to review the Authority's MRP policy and disclosure.

What are our conclusions?

Our testing confirmed that the MRP calculation met the statutory guidance.

Our re-performance of the MRP calculation did not identify any material misstatements although we did identify some trivial adjustments which would need to be applied in future periods to ensure a cumulative material error does not arise.

Our review of the MRP policy and disclosure did not identify any material audit issues.





Areas of Audit Focus



Other Areas of Audit Focus - Valuation of Other Land and Buildings and Investment Properties

The fair value of non-DRC Property, Plant and Equipment (PPE) (£318m) and Investment Properties (IP) (£29.6m) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Authority engages an external expert valuer who applies a number of complex assumptions. Annually, PPE are assessed to identify whether there is any indication of impairment (i.e. a reduction in their carrying value).

As the Authority's asset base is significant, and the outputs from the valuer are subjective, there is a risk that the fair value of PPE may be under or overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

This risk relates to assets that are revalued, being other land and buildings (non-DRC), surplus assets and investment properties. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.

Our approach has focused on:

- ▶ Considering the work performed by the Authority's valuers, Wilks, Head and Eve (WHE) and NPS Peterborough, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Reviewing and sample testing the key asset information provided by the Authority to the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, leasing agreements for the estimated rental income);
- ▶ Reviewing and sample testing the key assumptions used by the valuers in performing their valuation, by cross referencing to available market data for similar properties within the region (e.g.: value of developed and undeveloped land)
- ▶ Considering the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the Code. We have also considered whether any specific changes to assets (which would impact its value) have been communicated to the valuer;
- ▶ Performing a reasonableness review on the valuation of assets not included in the 2018/19 valuation cycle, via reference to the NAO commissioned Local Government Gerald Eve report. This is performed to confirm that the remaining asset base is not materially misstated;
- ▶ Considering changes to useful economic lives as a result of the most recent valuation;
- ▶ Considering whether asset categories held at cost have been assessed for impairment and are materially correct; and
- ▶ Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

Our audit procedures above have not identified any material differences in the financial statements. However we did identify a non-material misclassification of the Peterborough Town Hall which we are currently discussing with officers.

In addition, during our work on PPE we identified that £21.7m of asset disposal had been omitted from the accounts in error. We have included this in Section 5 on Audit Differences and we are satisfied from our work on disposals that there are no other significant omissions.



Areas of Audit Focus



Other Areas of Audit Focus - Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2019 this totalled £322 million (£271 million at 31 March 2018).

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- ▶ Liaising with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Peterborough City Council;
- ▶ Assessing the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

At the time of our draft Audit Results Report, we were still waiting for assurance from the pension fund auditor. The Authority has also requested that actuary re-runs the IAS 19 report for any changes relating to investment movement and McCloud ruling which we have highlighted on page 6 of this report.



Areas of Audit Focus



Other Areas of Audit Focus - New accounting standards

The Code requires the Authority to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contracts
- IFRS 16 - Leases

There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

Standard	Audit Findings
IFRS 9 - Financial Instruments	Our audit procedures for financial instruments did not identify any audit issues.
IFRS 15 - Revenue from Contracts	Our audit procedures for revenue from contracts did not identify any audit issues.
IFRS 16 - Leases	IFRS 16 replaces IAS 17 Leases and its related interpretations, it will apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the authority. We have considered the Authority's implementation plan and preparedness for IFRS 16. The Authority have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Authority is well placed to address the implications of IFRS 16.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
 - new definitions of assets, liabilities, income and expenses
 - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
 - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).



04 Audit Report



Audit Report

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETERBOROUGH CITY COUNCIL

Opinion

We have audited the financial statements of Peterborough City Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 46, the Collection Fund and the related notes 1 to 4, and the 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Peterborough City Council as at 31 March 2019 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 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our draft opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2018/19 set out on pages 2 to 123, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Peterborough City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Our draft opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 21, 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether 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 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 2019.



Audit Report

Our draft opinion on the financial statements

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
31 July 2019



05 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

There was one material adjusted audit difference, at the time of our draft audit results report. We highlight the following misstatement greater than £7.0 million which has been corrected by management that was identified during the course of our audit:

Understatement of property, plant and equipment disposals:

- ▶ Debit: Other Operating Income - Losses on Disposal of Non-Current Assets = £21.7 million
- ▶ Credit: Balance Sheet - Property Plant and Equipment = £21.7 million

This error was identified as part of our reconciliation work between the fixed asset register, the Authority records and the statement of accounts.

There were no uncorrected misstatements identified as part of our audit.



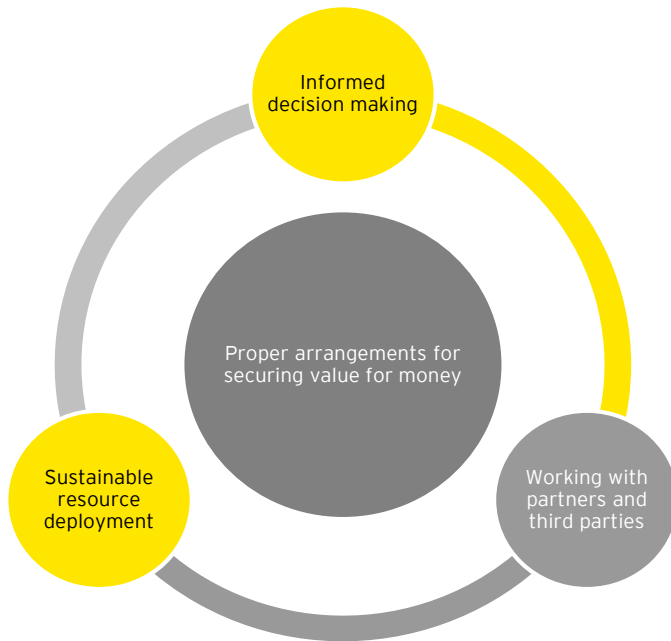
06

Value for Money Risks



Value for Money

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Background

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

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

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

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified two significant risks around these arrangements. The tables below present our findings in response to the risk in our audit plan as well as one risk identified since then and any other significant weaknesses or issues we want to bring to your attention.

We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources. However, we do highlight to the Committee the significant challenges faced by the Authority to secure its long term financial resilience in light of national and local pressures, some of which the Authority has control and influence over and others where it has less.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:
"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We present below the findings of our work in response to the risks areas in our audit plan as well as the additional risk identified since then.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>We reported in the previous year our views on the financial resilience of the Authority and in particular the scale of the financial challenge it faces. Like most local authorities, the Authority's finances continue to be stretched. There are significant gaps in the budget over the period of the Medium Term Financial Strategy. The cumulative budget gap to 2020/21 is £20.7million and this also includes the successful delivery of £72.3 million of savings up to that period. Whilst the Authority is taking action to identify ways to bridge the gaps, there remains a significant risk to its financial resilience.</p>	<ul style="list-style-type: none"> ▶ Take informed decisions ▶ Deploy resources in a sustainable manner 	<p>The Authority has significant budget gaps over the next three years. The Authority has worked hard to close the gap for 2019/20 through the planned use of reserves, budget cuts and savings targets (some of which are non-recurrent). The Authority has built up reserve levels over the last three to five years and as at 31 March 2019 it had £37.2 million in General Fund and Earmarked reserves.</p> <p>The Authority has a good track record of underspends, and meeting savings targets. Although the Authority has significant budget gaps it has clear plans for how it will manage these in the short to medium term.</p> <p>Communication and explanation of the Medium Term Financial Strategy to Members and to the public has been transparent and realistic. The latest MTFS report presented to Cabinet on 11 June 2019 clearly sets out the approach the Authority is taking over the next three years; including implementation of a rolling budget in 2019/20 to be executed in three tranches through the year, enabling a more flexible approach. The report also sets out the challenges and difficult decisions that will need to be made.</p> <p>Whilst the Authority has sound arrangements in place, the size of the challenge in the longer term is significant with a £20.7 million cumulative gap for 2021/22. A number of these challenges are driven by national policy and decisions outside of the control of the Authority. As such there remain risks around the longer term financial resilience of the Authority.</p>



Value for Money Risks

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What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Procurement arrangements following the Authority's review of the 2014 IT Strategy</p> <p>During the year the Authority informed us of issues that they had identified with the formation of the 2014 IT Strategy and its delivery, in particular in respect of procurement arrangements. We updated our value for money risk assessment to recognise this as a significant risk and have carried our appropriate procedures to inform our value for money conclusion.</p>	<ul style="list-style-type: none">▶ Take informed decisions▶ Working with Partners and Other Third Parties	<p>We have reviewed information provided by the Authority on its internal consideration of issues with the formation of the 2014 IT Strategy and its delivery, specifically in relation to the procurement arrangements in operation at that time and were followed to award related contracts. The Authority's internal review has identified evidence that some procurement arrangements were not followed appropriately. We have considered these matters against the two aspects of value for money arrangements.</p> <p>We have reviewed the Authority's contract register and sought assurances over the appropriateness of the related procurement arrangements for a sample of contracts. Whilst we have identified a need for the Authority to ensure it's contract register is up to date, from our review we were satisfied that expected procurement arrangements were in place.</p> <p>In the latest version of the Annual Governance Statement (2 July) the Authority has made reference to this matter.</p> <p>We note that the Authority has asked internal audit to carry out a review of contracts in 2019/20.</p> <p>We have concluded that the arrangements for 2018/19 were in place.</p>



07 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the latest version of the Annual Governance Statement (2 July) and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the time of writing, we had only just received the Group Audit instructions from the NAO. We will complete this work in August ahead of the deadline of 13 September 2019.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

**08**

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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

- ▶ Controls should be implemented that reconcile the schools payroll balances to the Authority's general ledger system;
- ▶ The Authority's housing benefits risk based verification policy should be formally approved annually as per the housing benefit and council tax benefit circular S11/2011 paragraph 15; and
- ▶ There were some omissions on the Authority's contracts register. Therefore we would recommend regular review to ensure this is up-to-date.



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Data Analytics



Use of Data Analytics in the Audit

Data analytics – Journal Entry Analysis and Payroll Analysis

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all the financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit plan.

Payroll Analysis

We also use our journal entry analyser in our payroll testing of the non-schools payroll. We obtain all payroll transactions posted in the year from the general ledger system and perform completeness analysis over the data, including reconciling the total amount to the payroll system. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



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10 Independence

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 30 January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 15 July 2019.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

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Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Final Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£
Total Audit Fee - Code work (Note 1)	TBC	83,570	115,283
Non-audit work - Housing Benefit Subsidy Claim (Note 2)	N/A	N/A	20,827

All fees exclude VAT

Note 1: We have performed additional work as a result of the risks identified in this audit results report. This will result in an additional audit fee which we will seek to agree with the S151 officer and PSAA and reported to the Audit Committee at a later date.

Note 2: The Authority has appointed a new provider for the 2018/19 housing benefit subsidy claim.



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Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Property, plant and equipment	Substantively test all relevant assertions	Substantively tested all relevant assertions	No change
Short term debtors			
Short & long term borrowing			
Short & long term creditors			
Other long term liabilities			
Capital grants received in advance			
Reserves			

Appendix B

Summary of communications during 2018/19




Date 	Nature 	Summary 
September 2018 - April 2019	Calls and meetings	EY held several calls and meetings with the S151 to discuss the PCC review of the 2014 IT strategy and delivery procurement arrangements
25 October 2018	Meeting	EY attended a planning meeting with S151 officer and the finance team.
19 November 2018	Meeting	EY attended the Audit Committee to present an outline audit plan for discussion indicating significant risks and areas of audit focus.
12 February 2019	Meeting	EY attended the Audit Committee to present the final audit plan.
3 June 2019	Meeting	EY attended a meeting around capital receipts with S151 officer.
11 June 2019 18 June 2019	Meeting	Audit team held meetings with the finance team to discuss audit progress and agree any findings.
20 June 2019	Call	Suresh Patel caught up with S151 around some of the VfM work.
15 July 2019	Meeting	EY attended Audit Committee to present this Audit Results Report (ISA 260 report).

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.



Appendix C

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - February 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - February 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2019

Appendix C

		Our Reporting to you
Required communications	 What is reported?	 When and where
Major Local Authorities	<p>For the audits of financial statements of public interest entities our written communications to the Audit Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	Audit Plan - February 2019 and Audit Results Report - July 2019

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Peterborough City Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - July 2019
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit Results Report - July 2019

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures, Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - July 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit Plan - February 2019 and Audit Results Report - July 2019

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - July 2019

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - July 2019
Material inconsistencies or misstatements	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - July 2019
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2019
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan - February 2019 and Audit Results Report - July 2019

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

X July 2019

Suresh Patel
Associate Partner

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Dear Suresh

This letter of representations is provided in connection with your audit of the financial statements of Peterborough City Council ("the Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Peterborough City Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
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 2018/19, and are free of material misstatements, including omissions. 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 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls or significant contracts between the Council and third parties, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.



Appendix D

Management representation letter

Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 1 April 2018 to the most recent meeting on the following date: 15 July 2019.
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 31 March 2019 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 42 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Estimates

Minimum Revenue Provision
Pensions Liability
Private Finance Initiative
Property, plant and equipment/Investment Properties – valuations and impairment
Provision for impairment of receivables

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

.....
Acting Corporate Director of Resources Date

.....
Chair of the Audit Committee Date

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Telephone: 01733 452520
E-Mail: Peter.Carpenter@peterborough.gov.uk
Please ask for: Pete Carpenter
Our Ref: SoA1819RepLet
Your Ref:



Suresh Patel
Associate Partner
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Financial Services
Resources
Peterborough City Council
Sand Martin House
Bittern Way
Fletton Quays
Peterborough. PE2 8TY

15 July 2019

Dear Suresh

Letter of representations

This letter of representations is provided in connection with your audit of the financial statements of Peterborough City Council ("the Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Peterborough City Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
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 2018/19, and are free of material misstatements, including omissions. 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 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. **We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.**
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls or significant contracts between the Council and third parties, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 1 April 2018 to the most recent meeting on the following date: 15 July 2019.
- 4. We confirm the completeness of the 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 31 March 2019 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 42 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of / or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Estimates

Minimum Revenue Provision

Pensions Liability

Private Finance Initiative

Property, plant and equipment/Investment Properties – valuations and impairment

Provision for impairment of receivables

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

.....

.....

Acting Corporate Director of Resources

Chair of the Audit Committee

Date

Date

AUDIT COMMITTEE	AGENDA ITEM No. 5
15 JULY 2019	PUBLIC REPORT

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

AUDIT FEES 2019/20

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter - Acting Director of Corporate Resources	Deadline date: N/A
It is recommended that Audit Committee approve the 2019/20 external audit fee proposal	

1. ORIGIN OF REPORT

- 1.1 The 2019/20 Fees letter has been received from Ernst & Young LLP.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to enable consideration of the proposed audit fees for auditing the 2019/20 accounts
- 2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money

3. TIMESCALES

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

- 4.1 The proposed fee is the scale set by Public Sector Audit Appointments Ltd. The 2019/20 audit is the second under a five year appointing period. The 2019/20 scale fee is the same as for 2018/19 which represented a 23% reduction on the 2017/18 fee.
- 4.2 In proposing the scale fee, as the indicative fee, Ernst & Young LLP have assumed that there are no significant increases in the Council's financial risks compared to 2018/19 and that the quality of the accounting and control environment is maintained.
- 4.3 The letter list some examples of additional risks and / or circumstances which would attract additional fees. It is anticipated that additional fees will be requested as the Council is likely to prepare group accounts for 2019/20 incorporating Aragon Direct Services first full year of trading. If the Council does not agree with the level of any additional fees it would be able to challenge them through Public Sector Audit Appointments.

4.4 The proposed fee level does not exceed the 2019/20 approved budget.

5. CONSULTATION

5.1 There has been no consultation in respect of this report.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Work will commence on the conclusion of the 2018/19 audit to plan the 2019/20 audit with Ernst & Young LLP.

7. REASON FOR THE RECOMMENDATION

7.1 The fee proposed is reasonable.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None.

9. IMPLICATIONS

Financial Implications

9.1 The fees are provided for in the 2019/20 budget.

Legal Implications

9.2 Due process has been followed so there are no legal implications, anticipated.

Equalities Implications

9.3 None specific

10. BACKGROUND DOCUMENTS

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

10.1 Local Audit and Accountability Act 2014
Accounts & Audit Regulations 2015

11. APPENDICES

11.1 Ernst & Young LLP letter 25 April 2019 - Annual Audit 2018/19.

Gillian Beasley
Chief Executive
Peterborough City Council
Town Hall
Bridge Street
Peterborough
Cambridgeshire
PA1 1HQ

25 April 2019

Ref: Fee Letter/19-20

Direct line: 020 7951 2340
Email: SPatel22@uk.ey.com

Dear Gillian

Annual Audit 2019/20

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year at Peterborough City Council.

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

Indicative audit fee

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

Our final fee will include the impact of additional risks and/or circumstances that are out of the scope of the scale fee, for example:

- The preparation of group accounts;
- Additional work performed on asset valuations, including the involvement of our valuation specialists;
- Additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- Additional work arising from the implementation of IFRS 16 Leases.

At this stage, we have set the indicative fee at the scale fee, basing it on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;
- Officers meet the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2018/19, our audit planning process for 2019/20 will continue as the year progresses. We will review fees and updated them as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2019/20 (£)	Planned fee 2018/19 (£)	Actual fee 2017/18 (£)
Scale Fee	83,570	83,570	108,533
Additional Code work	Tbc	Tbc	6,750

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the scale fee will be subject to PSAA approval.

Billing

We will bill the scale fee in 4 quarterly instalments of £20,893.

Audit plan

We expect to issue our plan before March 2020. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Corporate Director – Resources and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will presented to the Audit Committee.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader

at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

cc. Peter Carpenter, Corporate Director, Resources
Councillor David Oliver, Chair of the Audit Committee

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AUDIT COMMITTEE	AGENDA ITEM No. 6
15 JULY 2019	PUBLIC REPORT

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

ANNUAL GOVERNANCE STATEMENT 2018/19

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

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee following referral from the S151 Finance Officer as part of the annual closure of accounts process and is included in the Audit Committee annual work programme.

2. PURPOSE AND REASON FOR REPORT

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

3. TIMESCALES

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

4.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2018/19 reporting year.

4.2 This report includes the AGS for Audit Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.

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

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

4.4 ARRANGEMENTS FOR COMPILING THE ANNUAL GOVERNANCE STATEMENT (AGS)

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

4.5 SUPPORTING EVIDENCE

Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.

4.6 Internal Audit: Annual Internal Audit Opinion 2018/19

The annual report from Internal Audit is elsewhere on this agenda. There were five key issues which have been highlighted in the report as requiring attention are:

- Health and Safety / Fire Safety
- Cyber Security
- Statutory Testing
- External Organisations governance.
- Budgetary Control

There are action plans in place to address the issues identified. Subject to these being completed appropriately, the Annual Audit Opinion provides a reasonable assurance on the overall standard of effective of the internal control framework. In addition, there is an effective Internal Audit in place when measured against the defined criteria as listed above which is in full compliance with the Public Sector Internal Audit Standards.

4.7 External Audit

Throughout the year, Ernst and Young (EY) have undertaken works reviewing the activities of the Council. EY provides an Annual Audit Letter giving an overall evaluation of the Council. The content of the letter was reported to the Audit Committee on 24 September 2018. Overall the letter is positive in nature with respect to performance of the Council. However, it notes a significant risk with regard to the budget gaps identified in the Medium Term Financial Strategy

with a requirement to develop a sustainable budget with less reliance on one-off 'saving' measures by identifying repeatable savings. The key messages are:

Review Area	Commentary
Opinion on the Councils: Financial Statements	Unqualified – The financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
Opinion on the Councils: Consistency of the information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.
Reports by Exception: Consistency of Governance Statement	The Governance Statement was consistent with EY's understanding of the Council
Reports by Exception: Public interest report	We had no matters to report in the public interest.
Reports by Exception: Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
Reports by Exception: Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 4 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 30 August 2018.

In conclusion, from a Peterborough City Council perspective, the Annual Audit Letter gives assurance in respect of 2017/18 Financial Accounts and confirms an effective system of internal control.

4.8 Internal Control and Governance Self-Assessment

Internal Audit issued each Directorate with the Internal Control and Governance Self-Assessment in March 2019 and this assessment provides a considered overview of the controls in place in

order to come to an opinion on the governance arrangements and internal control environment within their service. The areas covered within the assessment were:

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

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

4.9 Risk Management

Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant issues which could have a major impact on the strategic delivery of the Council's objectives (the latest update to Audit Committee being on 11 February 2019).

4.10 Corporate Governance

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

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

5. **CONSULTATION**

- 5.1 A key message from the CIPFA / SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements. Following review the AGS (Appendix B) was agreed with the Acting Director of Corporate Resources, the Monitoring Officer and the Chief Executive on 30 May 2019. The AGS has then been included within the published draft Statement of Accounts on the same day. The AGS was re-presented to Corporate Management Team for comment, challenge and update on 19 June 2019.

6. **ANTICIPATED OUTCOMES OR IMPACT**

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

7. REASON FOR THE RECOMMENDATION

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

8. ALTERNATIVE OPTIONS CONSIDERED

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

9. IMPLICATIONS

Financial Implications

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

Legal Implications

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

Equalities Implications

- 9.3 This report contains no specific equalities implications.

10. BACKGROUND DOCUMENTS

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

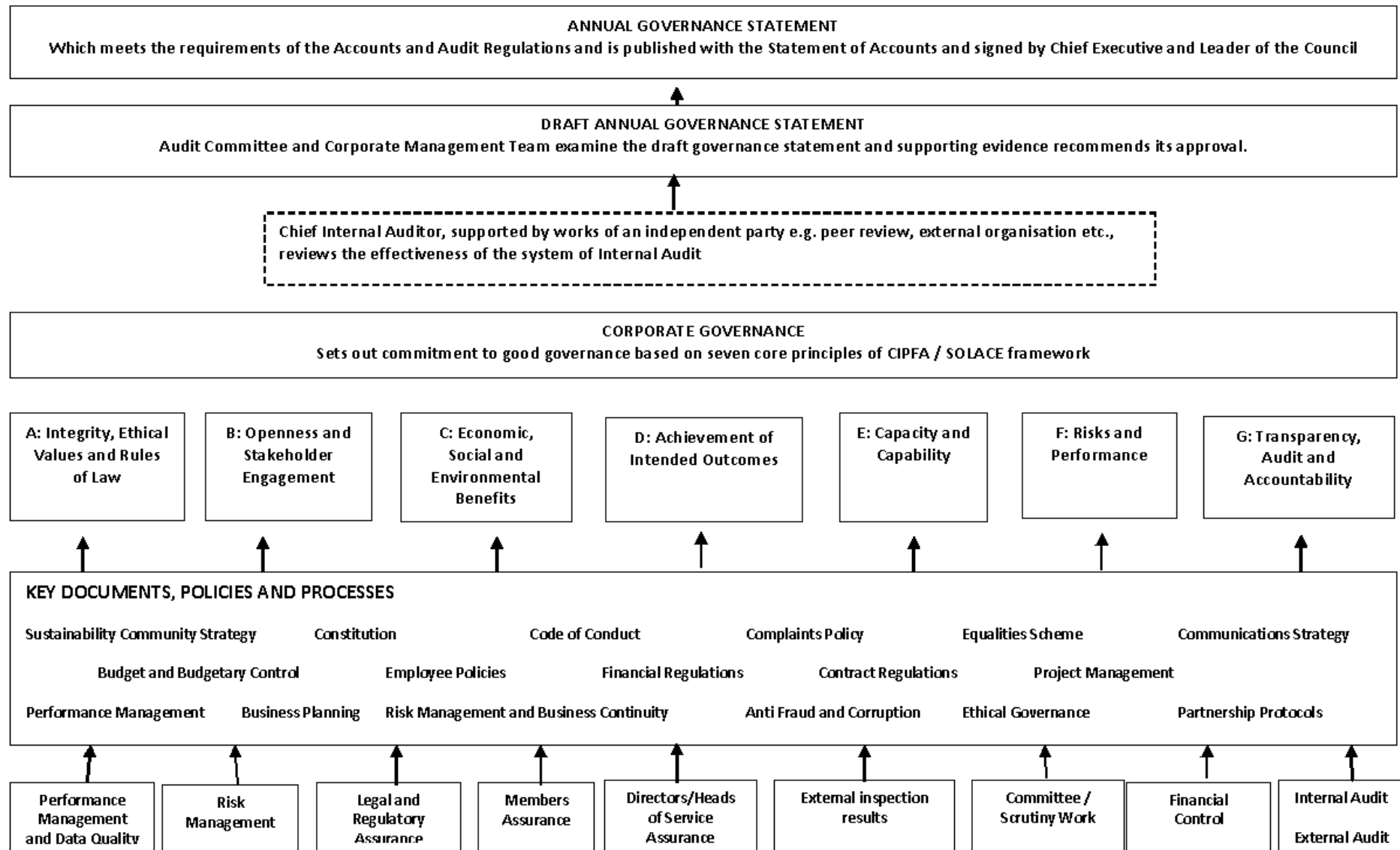
- 10.1
- Delivering Good Governance in Local Government (CIPFA / SOLACE)
 - Accounts and Audit (England) Regulations 2015
 - Directors: Internal Control and Governance Self-Assessment templates

11. APPENDICES

- 11.1 Appendix A: Framework for the Annual Governance Statement
Appendix B: Annual Governance Statement

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PETERBOROUGH CITY COUNCIL FRAMEWORK FOR THE ANNUAL GOVERNANCE STATEMENT



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Annual Governance Statement – 2018/19



Annual Governance Statement

Scope of Responsibility

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

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

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

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

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

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

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. An updated Corporate Strategy 2019-2022 was endorsed by Cabinet in February 2019 for consultation and final approval in July 2019. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

Key Elements of the Governance Framework

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

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

- The Council established a Constitution and Ethics Committee in May 2018 to oversee the Member and Officer codes of conduct, the operation of the constitution and the Member Officer protocol. In its first year of operation it has amended and updated the Member Code of Conduct and associated complaint procedures, overseen the drafting and issuing of a Social Media Code for members, updated the Member Officer protocol, introduced a procedure for the operation of a Shadow Cabinet, updated Council Standing Orders, Civic Protocol, Petitions Scheme and Officer Employment Rules. It has also considered the recommendations and best practice identified in the report by the Committee on Standards in Public Life on Local Government Standards and compared against the council's current procedures.
- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns.
- Staff behaviour is governed by the Officer Code of Conduct.
- Third party challenge to the Council's operations is through a publicised complaints procedure.
- Confidential concerns can be raised through the Council's Whistleblowing Policy.
- A Counter Fraud Strategy has been established to deliver raise awareness of fraudulent activities and to provide proactive solutions to minimise the risks of fraud. Our policies have been reworked to reflect this.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.
- The Council is managed by a Cabinet system as set out in the agreed Council Constitution which sets out the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.
- Member and Officer relationships, governed by the Member Officer Protocol in the council's constitution, are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is vital in making service changes and more self-sufficiency from citizens into reality.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Management Team. Cabinet portfolios are assigned on a function basis rather than directorate and subject to appropriate officer support.

- The Acting Corporate Director of Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit are provided direct and work in line with the Public Sector Internal Audit Standards. In 2018/19 the service was externally reviewed externally to ensure it demonstrated compliance with the Public Sector Internal Audit Standards
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability.
- The Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the law and the Constitution.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- The Council has established clear vision and values linked to its strategic objectives (An updated Corporate Strategy was published in February 2019 for consultation and approval in July 2019).
- Council meetings are open to every citizen.
- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, Fletton Quays residential proposals.
- The Council is a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of new powers devolved from central government.
- In order to demonstrate its openness, the Council also publishes its Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.
- Consideration of the final budget (Tranche 3) took place at Full Council on 6 March 2019. The Council Tax increase for the year was 3%, the maximum allowed by regulations. Tranches 1 and 2 of the budget were considered by Council in July and December 2018 respectively.

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

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Management Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management is monitored through the Risk Management Board to ensure consistent treatment and action.
- The Medium Term Financial Strategy sets out how services are delivered within the Council's financial resources, including how we are delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough.
- Significant changes to services are supported by an Equality Impact Assessment.

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

- Decisions are based on rigorous and transparent scrutiny and a relationship of trust between Members and Officers.
- In order to achieve long term financial targets the Council has set a budget for the year 2019 / 2020 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council.
- All meetings and key decisions are included in the Councils Forward Plan which is published and available to the public.
- The Audit Committee is an essential part of good governance and is regularly assessed against best practice.
- The Council, in order to discharge its functions on Health, operates a dedicated Health Scrutiny Committee.
- Educational attainment is acknowledged as a particular priority and plans are set up to improve results in this area for the longer term.
- Performance management is undertaken across all areas, whether relating to individuals, processes or projects. Lessons learnt from mistakes are acted upon.

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

- Performance management framework is in place which covers all officers including an appraisal system with targeted, relevant training. Human Resources procedures set out the appointment process which is transparent.
- Regular meetings and 1:1's are held at all levels.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and the Council is also seeking to achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service (which in 2018/19 passed its 5 yearly assessment to assure compliance with Public Sector Internal Audit Standards), complying with best practice. Findings are reported to the Audit Committee.
- Key partners who provide essential Council services are subject to independent oversight by Committees.
- A new Cabinet Shareholder Committee has been approved in 2018/19 to give oversight and scrutiny of entities the Council has an interest in.
- A protocol for the delivery of joint work with Cambridgeshire County Council was approved by Cabinet in September 2018 to ensure that as this increases over time there is the associated governance around its management and delivery.
- The Constitution is reviewed on at least an annual basis, with quarterly reports on potential changes going to the Council's Constitution and Ethics Committee and then on to full Council for a final decision.

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

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

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

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

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and also by comments made by the external auditors and other review agencies and inspectorates. During 2018 / 2019, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was a sound governance framework from which those charged with governance could gain reasonable assurance. It should be noted, as per table 2, that one of the new issues to be addressed is a full review of existing governance processes. This is required in particular as more services are delivered with Cambridgeshire County Council to ensure both Council's Governance requirements and present best practice is taken into account.

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

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

An External Audit of the accounts year ended 31 March 2018 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers for the 2017/18 closure process were of high quality.

Significant Governance Issues

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

Table 1 below sets out the governance issues which were previously reported and the progress in addressing them.

Table 1: 2016 / 2017 Progress on Previous Actions			
	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.01	INNOVATION AND GOVERNANCE Lead: Director of Law and Governance	<p>Gap: Our desire to explore more innovative and commercial ways of working requires a flexible and agile approach, but also a clear framework for governing arrangements.</p> <p>Proposal: An Organisation Change Board has been created to drive forward the transformation programme with representatives from all departments.</p>	<p>A cross-department Officer Agile Working Group meets to ensure that all parts of the Council embrace the move to Agile and new ways of working. This has been especially important during 2018/19 on the move to Sand Martin House in July 2018.</p> <p>During the year arrangements have been put in place to strengthen the Programme Management Office to oversee change programmes and the implementation of Council savings and efficiency initiatives. A weekly meeting takes place to review progress. Since January, this has been a cross departmental meeting.</p> <p>Protocols have been agreed for joint work with Cambridgeshire County Council (CCC) and these were agreed by Cabinet in September 2018.</p>

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.04	SCHOOL ATTAINMENT Lead: Corporate Director: People and Communities	<p>Gap: Damage to reputation through poor performance in published league tables compared to the national average.</p> <p>Proposal: Improvement plans and a programme of training has been developed and there is ongoing monitoring to look at the effectiveness of this in raising attainment in Peterborough schools.</p>	<p>The improvement programme is now in the delivery phase. A new Service Director has been appointed. Early analysis predictions suggest improved attainment again for the 2018 academic year results at KS2.</p> <p>However, any increases in attainment levels are too early to fully quantify so the action will continue to be monitored throughout 2018.</p> <p>There is an ongoing Schools cause and concern working group under the Service Director Education which will look into these issues.</p>
17.06	WORKFORCE PLANNING Lead: Director of Law and Governance	<p>Gap: The Council is undergoing tremendous organisational change. This will create significant workforce issues around having the right skills, people and employee capacity. The Council will require employees to have different skill sets that underpin a transformed business model.</p> <p>Proposal: Human Resources have developed a series of training and workforce development schemes to ensure that the organisation is future proof. This is closely linked in with 1 above.</p>	<p>Sharing of officers and services between Peterborough City Council (PCC) and CCC has been developed and implemented. The joint protocol approved by Cabinet in September 2018 sets out how these interactions should work.</p> <p>Other services are also delivered with other Councils via individual agreements.</p> <p>During the course of the year additional support has been explored and provided via the Workforce Training and Development model Cambridgeshire County Council utilise. This has been scaled and adapted to PCC's immediate requirements and continues to be reviewed & developed in light of the exploration of wider shared service arrangements with CCC.</p>

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.07	NEW WAYS OF WORKING Lead: Corporate Director: Resources	<p>Gap: Linked to 6 above, as the Council gears up to move to new accommodation, it is critical that the appropriate tools are in place to cope with smarter ways of working.</p> <p>Proposal: Close partnership working is in place to ensure that accommodation; technological requirements; business, staff and stakeholder needs are met to deliver practical solutions in a leaner manner. Regular reports on progress are referred to Corporate Management Team.</p>	<p>See responses to 17.01 and 17.06 above.</p> <p>In addition, for the move to Sand Martin House the Council implemented a Senior Officer working group to ensure delivery - which was achieved on target.</p>
17.08	INFORMATION Lead: Director of Law and Governance	<p>Gap: The Council is increasingly managing, storing and maintaining personal data and information as part of the delivery of services. With data held in a vast array of places and transferring between supply chain partners, it becomes susceptible to loss, protection and privacy risks.</p> <p>Proposal: Information is paramount to the successful delivery of all services. Regular reviews of sharing protocols are in place.</p>	<p>Council staff have been and continue to be provided with training. Any non-completers have had their director made aware of non completion.</p> <p>The council continue to review its systems, the data captured and their capabilities to meet the rights as detailed in the regulation, which has highlighted issues to address.</p> <p>The council has completed the work on the Information Asset Register and Record of Processing Activity.</p> <p>The council has undertaken a review of its retention schedules and will be working further this year to bring this together with CCC.</p> <p>The council continue to review contracts to ensure compliance with legislation and examine ways in which it can improve supplier compliance.</p> <p>The council have a process agreed to ensure compliance issues are highlighted at procurement stage including the DPIA screening checklist and we have had a workshop with Procurement and Legal to understand the cause of issues. PCC will be delivering a training session with Procurement and Legal to commissioners to help the process be smoother from the start.</p>

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
			PCC have delivered data protection training to Members The council continues to review privacy notices and statements with services as changes arise, CCC also has a few privacy notices in development.
17.09	CYBER SECURITY Lead: Corporate Director, Resources	<p>Gap: It is important that the Council continues to keep data security high on the agenda to ensure that it is effectively managed, particularly with the introduction of new service delivery arrangements for ICT and information management. The risk of a cyber-attack is a very real one and all organisations, including those in the public sector, should consider cyber security as an organisational risk. To mitigate this risk, it is essential to raise awareness and commit to implementing a cyber security, risk averse culture.</p> <p>Proposal: Regular system monitoring and reporting is in place throughout the Council on the threats and actions to mitigate.</p>	<p>Our ICT partner, Serco, commissioned an external review of the ICT security arrangements and a report was received in Autumn 2017.</p> <p>PCC and Cambridgeshire County Council are working together on cyber security.</p> <p>A joint bid was put together for funding from the LGA which was successful. This funding has been used to purchase cyber security training videos for staff and members which has been well received. We have funding to undertake gap analysis of systems and develop a project plan to address those areas of weakness. Work has begun on cyber incident response plans, business continuity and disaster recovery with IT partners. This is an ongoing project tying into the move to Microsoft 365 which will take place in late 2019.</p> <p>Routine items undertaken in 2018/19: Firewall maintaining at latest released; Antivirus deployments maintained at latest release; Monthly patching regime enforced; Continued vigilance of potential threats via reports from the NCSC.</p> <p>Specific items delivered in 2018/19 Removal of W2003 servers and XP desktops and laptops from the estate; Removal of W2008 servers from estate is underway.</p>

	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
17.10	FRAUD, CORRUPTION AND SERIOUS ORGANISED CRIME Lead: Corporate Director, Resources	<p>Gap: Pilot studies have been undertaken in a number of regions which has resulted in a best practice checklist being established to ensure that local authorities have sound and robust procedures to reduce the threat of Serious Organised Crime impacting on Council activities</p> <p>Proposal: Internal Audit will liaise with Police and other Councils to ensure that appropriate arrangements have been developed. Internal Audit has incorporated a number of reviews within its Audit Plan to follow the best practice checklists to look to provide assurance to the Council.</p>	<p>Internal Audit have undertaken a risk assessment against the Serious Organised Crime checklist. An initial focus has been on gifts and hospitality and will be reported on as part of Annual Audit Opinion.</p> <p>Limited frauds have been identified in year and Counter Fraud policies have been revisited, updated, referred to and approved by the Audit Committee in March 2018.</p> <p>As with last year, limited frauds have been identified in 2018/19.</p> <p>The 2017/18 Fraud Investigation Report was reviewed by the Audit Committee in July 2018.</p>
17.11	SCHOOL STATUTORY TESTING Lead: Corporate Director, Resources	<p>Gap: There are statutory requirements under several sets of regulations which require regular inspections and tests of systems and equipment. These can include lifts, hoists, air conditioning units, pressure systems, local exhaust ventilation systems and gas or electrical installations. An Internal Audit review of schools identified limited evidence that the programme of work was being managed or monitored.</p> <p>Proposal: As part of its work protocols, Internal Audit are following up on the issues identified which will be reported through to the appropriate channels.</p>	<p>There are ongoing meetings reviewing delivery of improvements. Separate reviews are in train covering Health and Safety across the Council estate to ensure consistency of approach.</p> <p>It is anticipated that actions will not have been completed until early summer.</p>

Table 2: 2017 / 2018 Progress on Previous Actions			
	Area of Assurance	Gap	Proposal to Mitigate
18.01	FINANCIAL MANAGEMENT Lead: Acting Director of Corporate Resources	<p>The budget for the Council is underpinned by a number of transformation projects and savings targets.</p> <p>There is a requirement to ensure that there is appropriate monitoring of these to ensure that these remain on track or alternatives options put in place to ensure the budget remains balanced.</p>	<p>Budget Monitoring is key to underpinning the decision making processes at the council. Budget monitoring is reported to:</p> <ul style="list-style-type: none"> • Officers at Corporate Management Team on a monthly basis • Members - to each Cabinet meeting (with the most up to date information). <p>In addition, a half yearly review of Treasury Management activity is reported to the Audit Committee.</p> <p>Budgeting at PCC is now linked to a quarterly cycle which was implemented in 2018/19.. This has given the Council the ability for earlier delivery of budget initiatives.</p> <p>The following tranches were delivered in 2018/19:</p> <ul style="list-style-type: none"> • Tranche 1- July 2018 • Tranche 2 – December 2018 • Tranche 3 – March 2019 <p>Budgets are developed to enable an ability to flex the budget so that savings / proposals can be moved between years if they cannot deliver early enough. Savings initiatives are now logged on Verto and will be reviewed as part of the monthly monitoring process.</p>
18.02	COUNCIL GOVERNANCE Leads: <ul style="list-style-type: none"> • Chief Executive; 	<p>Council processes can be cumbersome which provide opportunity for decisions to be made through a variety of routes.</p> <p>There is a requirement to simplify the arrangements so as to close off any ambiguity or other avenues which could be used if a decision has already been made to reject.</p>	<p>An overarching review of governance arrangements is being undertaken. Progress through 2018/19 includes:</p> <ul style="list-style-type: none"> • The approval of a joint protocol with CCC by Cabinet in September 2018 for shared services work. • The approval by Cabinet in December 2018 of a Shareholders Committee to give oversight of all council companies and joint ventures.

	Area of Assurance	Gap	Proposal to Mitigate
	<ul style="list-style-type: none"> Director of Law and Governance; Acting Director of Corporate Resources 	which could be used if a decision has already been made to reject.	<ul style="list-style-type: none"> The approval of a new Senior Officer structures to take account of joint work that is taking place with CCC. <p>Work now continues to embed these changes</p>
18.03	PROCUREMENT AND PROJECTS Lead: Acting Director of Corporate Resources	Linked with 18.02 above, there is a need to ensure that consistent approaches are used to develop business cases for each project. Furthermore, as part of the delivery phase, appropriate arrangements are required to ensure compliance with contract rules.	<p>See the response to items 17.01 and 17.06 which sets out the approach to projects now being followed at the Council.</p> <p>This also links into items 18.01 and 18.02 above which set out the financial monitoring regime through which issues are escalated to the appropriate levels within the Council.</p> <p>A review is presently taking place of the correct approach for procurement/commissioning as presently this is devolved to departments for delivery.</p>
18.04	CORPORATE FRAUD Lead: Chief Internal Auditor	With finite resources across the Council, there is a need to ensure that funds are used for their intended purpose and are not being misused or misappropriated. There are limited levels of fraud reported on across the Council. The Council will look to raise awareness across all departments, its contractors, suppliers and partners.	<p>See response to 17.10 above</p> <p>Corporate Fraud policies have been updated and reported to the Audit Committee in March 2018.</p> <p>The 2017/18 Fraud Investigation Report was reviewed by the Audit Committee in July 2018.</p> <p>The Council will continue to take part in the National Fraud Initiative which started again in 2018/19.</p> <p>Appropriate training and raising awareness will continue to be delivered to officers, Members and our key partners. A detailed Action Plan for 2019/20 will be produced and reported through CMT and Audit Committee.</p>

	Area of Assurance	Gap	Proposal to Mitigate
18.05	IT GOVERNANCE Lead: Director of Law and Governance	Imminent deadline for compliance with GDPR. Robust plans will be followed to ensure PCC meets the deadline	Please see responses above to items: 17.01 - which sets out project reporting (including ICT) 17.08 - Information requirements (including GDPR) 17.09 - Cyber Security In addition, the position has been reported both to CMT and the Joint Management Team with CCC.
18.06	EMERGENCY PLANNING AND BUSINESS CONTINUITY Lead: ALL Directors	The Council recognises the importance of putting in place robust arrangements for disaster recovery etc. This will mitigate the risk to the Council that major incidents could potentially result in an inability to provide critical services to residents, customers, partners and key stakeholders.	On Move to Sand Martin House a full “Black Box” test of ICT systems was undertaken in early 2019 which was successfully completed. The Resilience Team continues to work with services from across the council to support them to transfer their previous Business Impact Assessments (BIA), and Business Continuity Risk Assessments (RA), onto a new set of templates, before moving on to support them to complete a service level Business Continuity Plan. The team visited all departments following the move to Sand Martin House. The delivery of Business Continuity (BC) within PCC will now be undertaken by a newly created shared service, the Cambridgeshire and Peterborough Resilience Team, which will continue to support services in a similar way to before with the advantage of work relating to BC now being led by a dedicated BC Officer from within the new shared service.
18.07	PARTNERSHIPS Lead: Director of Law and Governance	The Council has working relationships with a range of organisations and providers. There is a need to ensure there is effective oversight of each by Members and ongoing monitoring by officers.	An annual review of alternative delivery models will be undertaken (e.g. LLPs, partnerships, significant contracts etc.) See 18.02 above

	Area of Assurance	Gap	Proposal to Mitigate
			Cabinet, in December 2018, approved the creation of a Cabinet Shareholders Sub-Committee to give oversight of all council companies and joint ventures.
18.08	EQUALITY AND DIVERSITY Lead: Director of Law and Governance	While the Council has an Equality and Diversity Policy the action plans for embedding are now out of date. The policy was approved by the Employment Committee January 2011. Last revision of the policy was February 2017	2017 Equality and Diversity Policy was reviewed in May 2018 and no changes were required at that point. The Policy will; be next reviewed in May 2019. In the budget process, all proposals that have an equalities impact have an Equalities Impact Assessment carried out and published for the consultation process.

As part of regular reviews of the governance, processes and procedures across the Council, a number of new issues to be addressed have been identified during 2018 / 2019. These are documented in Table 3 below.

Table 3: 2018 / 2019 New Governance Areas For Action			
	Area of Assurance	Gap	Proposal to Mitigate
19.01	Budget Resilience	As per the 2019/20 MTFS, the council has an ongoing budget deficit of circa £20m which needs to be delivered for the council to achieve a sustainable ongoing budget. Over the past 2 years this gap has been closed by the use of one off resources which is not a sustainable strategy. In order for the council not to move into financial difficulties, savings and efficiency proposals must be agreed in time for full delivery in 2020/21.	Savings, efficiency and commercial proposals to balance the 2020/21 budget need to be in place and agreed in Tranche 1 of the 2020/21 budget process to ensure delivery (as set out in the 2019/20 Stewardship Statement). To ensure this is delivered a concentrated budget option process will be followed during the summer of 2019 to ensure Members have options that can be scrutinised and agreed to deliver a balanced budget in 2020/21 and moves the Council to sustainability in the medium term.

	Area of Assurance	Gap	Proposal to Mitigate
19.02	Partnerships and Procurement Arrangements	<p>A full review is required to ensure that contractual arrangements entered into by the council are to the benefit of the council and sustainable and follow all local and national legislation and best practice. Examples where this has been identified include:</p> <ul style="list-style-type: none"> • Issues that have been identified with the formation of the 2014 IT Strategy and the delivery of this strategy, especially around work linked to the Digital Front Door. From the work it has been identified Procurement rules were not followed/complied with. • Extension of the Empower loan. • That in the past, gifts and hospitality in relation to interactions with contractors have not been added to the gifts and hospitality register in a timely manner. 	<p>Review contract rules/compliance and setting up of cross council officer group to ensure compliance to Council and national rules, regulations and best practice for procurement and commissioning.</p> <p>Linkage of the project management and contracting processes to the monthly monitoring process to the Council to ensure best practice is followed and the Council deliver value for money from its contracts.</p> <p>Overview of Council companies via the Shareholders Committee to ensure companies are delivering to Council objectives.</p> <p>In September 2018, an internal audit review of Gifts and Hospitality was undertaken and gave a 'Reasonable Assurance' opinion. A review is being undertaken of the Officer Code of Conduct including Gifts and Hospitality – a confidential report is going to Constitution and Ethics Committee in July 2019 which will then need to go to the JNC and Employment Committee as it forms part of the terms of employment.</p> <p>This will ensure:</p> <ul style="list-style-type: none"> • Correct contract specification and market warming • Minimisation of cost - to fit with Council's financial remit • Correct solutions for the Council's service strategies
19.03	Monitoring	<p>Financial monitoring goes to every CMT and every Cabinet. It does not contain any performance information. For correct decision making both finance and performance must be included in the same report at the correct level of detail.</p>	<p>That in 2019/20, monitoring will include both a financial and performance aspect. The initial performance data will be based on the data that is submitted to the GPC Committee at CCC - so both Councils are aligned for those services.</p> <p>Indicators will need to be designed for those services specific for PCC.</p>

	Area of Assurance	Gap	Proposal to Mitigate
19.04	Health and Safety	<p>There has been significant changes to how the Council works following the move to Sand Martin House and the rise in Agile working.</p> <p>There have been three audits that have been undertaken in 2018/19:</p> <ul style="list-style-type: none"> • A H&S Health Check undertaken by 4OC • A Fire Safety audit undertaken by 4OC • An Internal Audit review of Health & Safety <p>There is a requirement for the delivery of the outputs from these audits to ensure the council's Health and Safety arrangements fully reflect the new working arrangements that Council now work within.</p>	<p>Work has been taking place to move forward the recommendations from the three audits along the following themes:</p> <ul style="list-style-type: none"> • Principal Responsible Person responsibilities • Health & Safety policy updates (including KPI's and reporting policy). • Fire Strategy • Estate compliance (of all issues) • Training and compliance • Auditing and risk assessment <p>These will be reviewed via the re-constituted Health and Safety Board</p>
19.05	Business Continuity	To ensure that the work undertaken in 2018/19 is completed and updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.	<p>Review all departmental Business Continuity delivery plans in Q1 and Q4 of 2019/20 to ensure the points raised in 18.6 above has been delivered.</p> <p>Conduct a yearly full business continuity test during 2019/20.</p>
19.06	Cyber Security	To ensure that the work undertaken in 2018/19 is updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.	<p>Review to ensure all Members and Officers have undertaken training</p> <p>Review to ensure compliance to all applicable Cyber and Information security standards</p> <p>Review to ensure all council data is in a format that is "Safe"</p>

Summary

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

Certification

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

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

Signed:

To be signed by 31 July 2019

Gillian Beasley, Chief Executive

Date:

Signed:

To be signed by 31 July 2019

Councillor John Holdich, Leader of the Council

Date:

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AUDIT COMMITTEE	AGENDA ITEM No. 7
15 JULY 2019	PUBLIC REPORT

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

ANNUAL INTERNAL AUDIT OPINION 2018 / 2019

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter, Acting Director of Corporate Resources	Deadline date: N/A
<p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> 1. Receive, consider, provide challenge to and endorse the attached Chief Internal Auditor's annual report for the year ended 31 March 2019. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Audit Committee and provides details of the performance of Internal Audit during 2018 / 2019 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the council.

2. PURPOSE AND REASON FOR REPORT

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

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

- 2.2 The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed audits and activities undertaken by the Internal Audit Team during 2018 / 2019.

3. TIMESCALES

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

- 4.1 The Internal Audit Opinion is based on review work undertaken during the period April 2018 to March 2019 and is set out in the attached **Appendix A**.
- 4.2 In preparing the opinion, the Chief Internal Auditor has reviewed all audit activities carried out

relating to 2018 / 2019. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where systems have fallen below expected standards, details of these have been identified within the report as an executive summary. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes.

- 4.3 The report highlights five key areas particularly relevant to the preparation of the Annual Governance Statement, which are:
- Health and Safety/Fire Safety
 - Cyber Security
 - Statutory Testing
 - External organisations governance
 - Budgetary Control

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

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

5. CONSULTATION

- 5.1 Summary committee reports are produced and discussed periodically through Audit Committee for information and challenge. All audit reports are issued to the appropriate Head(s) of Service for action, Executive Directors, Chief Executive, Leader of the Council and the Chair of Audit Committee in accordance with the agreed Audit Charter (last approved by Audit Committee March 2019).

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

6. ANTICIPATED OUTCOMES OR IMPACT

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

7. REASON FOR THE RECOMMENDATION

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

8. ALTERNATIVE OPTIONS CONSIDERED

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

9. IMPLICATIONS

Financial Implications

9.1 None

Legal Implications

9.2 There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

Equalities Implications

9.3 None

10. BACKGROUND DOCUMENTS

10.1 Internal Audit Plan 2018 / 19
Internal Audit mid-year Progress Report 2018 / 19
Internal Audit Reports

11. APPENDICES

11.1 A – Head of Internal Audit Annual Opinion

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APPENDIX A

**ANNUAL AUDIT OPINION
2018 / 2019**



ANNUAL REPORT

Introduction

Arriving at an Opinion

Opinion 2018 / 2019

Basis of Annual Opinion

Resourcing and Performance

Assurance Levels and Recommendations

Appendix Audit Reports Issued: Opinion of Limited Assurance or No Assurance

INTRODUCTION

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

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

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

ARRIVING AT AN OPINION

Background

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2018 / 2019. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance PSIAS and our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers, such as External Audit.

Risk Based Planning

A risk based approach is used to develop the Internal Audit Annual Plan, allowing us to direct resources at areas key to the organisation's success and to provide an opinion on the control environment as a whole. In an ever changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council. As such, risks have been reviewed during the year and the plan has been revised accordingly. Revisions were reported and approved at our mid-year report to Audit Committee on 19 November 2018. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. Our approach gives precedence to areas assessed as high risk, however we aim to provide coverage over a wide range of activities, as listed below, to ensure our opinion is comprehensive.

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

- Anti-fraud culture

The Audit Review

There are two key elements to each internal audit review.

- Firstly, the control and risk environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to establish an opinion on how well the control framework has been designed to mitigate identified risk, and whether there are any gaps in control.
- However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are operating in practice. This element of the review enables internal audit to form a view on the extent of compliance with the control framework.

Reporting

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

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

Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.

NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.
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RECOMMENDATION GRADES	
Grade	Description
CRITICAL	Fundamental control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
HIGH	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
MEDIUM	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
LOW	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

OPINION 2018 / 2019

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

- Assessed the quantity and coverage of internal audit work against the 2018 / 2019 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the council's risk management control and governance processes;
- Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
- Considered any significant actions not accepted by management and the consequent risks;
- Assessed the status of actions identified as not implemented as part of Internal Audit follow up reviews and subsequent progress tracking;
- Considered the effects of significant changes in the Council's objectives or systems and the requirement for Internal Audit involvement;
- Reviewed and considered matters arising from reports to Council committees; and
- Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

Following consideration of the above I am able to provide the following Opinion for 2018 / 2019:

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

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

Chief Internal Auditor
June 2019

BASIS OF ANNUAL OPINION

The audit work that was completed for the year to 31 March 2019 is detailed at the end of this report and lists each audit and individual result in terms of the audit assurance level and the number of recommendations made. A summary of assurance levels is detailed below. This shows that 72% of the systems that were given an opinion achieved an assurance level of reasonable or higher (2016-17: 60% and 2017-8: 84%).

AUDIT ASSURANCE						
Assurance Levels	Issued			%		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
Substantial	5	1	1	33	5	5
Reasonable	4	14	12	27	79	67
Limited	5	2	5	33	11	28
No	1	1	0	7	5	0
	15	18	18	100	100	100

RECOMMENDATIONS MADE			
	Numbers		
	2016/17	2017/18	2018/19
Low	35	30	17
Medium	62	47	43
High	42	31	18
Critical	0	0	0
	139	108	78

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

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

At the year-end 2 audit reviews and 1 piece of consultancy work were in progress and audit opinions relating to these will be reported during 2019-20 as part of the agreed performance reporting timetable to the Audit Committee.

Scope Limitations and Impairments

PSIAS states that the CAE should disclose any impairments or restrictions to the scope of Internal Audit work. Our Internal Audit Charter sets out our remit and authority to have full, free and unrestricted access to any of the organisation's records, assets and people. This includes access to organisations where council data is processed as part of a contractual arrangement. One area that requires further clarity is our access to the various external organisations and partnerships in which the Council has an interest, and this is currently under review. This has not impacted on our audits of external organisations, save for one presently underway regarding the project to transition services from Amey to our Local Authority Trading company, Aragon Services.

In line with the PSIAS, we have a process for team members to declare any interests that may impact on the impartiality of our work. I can confirm that all declarations have been made as necessary, and no conflicts have occurred during 2018-19 that have impaired the work carried out.

Where the CAE has roles or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. The CAE at Peterborough manages the Insurance and Investigations teams, conducts stage 2 corporate complaint reviews and acts as a reserve approver for payments from the Council's (and Combined Authority's) bank accounts. Our Charter states that, should we carry out an audit of these areas, the work will be quality assured independently from the CAE. Our audit of Treasury Management on behalf of the Combined Authority (which has provided Peterborough City Council with a degree of assurance) falls into this category. I can confirm that the work was managed and reviewed by the Group Auditor.

Acceptance and Implementation of Recommendations

94% of the recommendations made (where reports have been finalised) have been accepted fully or partially. Those not accepted were due to a change in practice making them no longer relevant.

	Critical	High	Medium	Low	Total	%
Recommendations Made	0	13	26	7	46	
Agreed	0	13	25	5	43	94
Partially Agreed	0	0	1	0	1	2
Not Agreed	0	0	0	2	2	4

Where follow-ups have been carried out 57% of agreed actions have been implemented, 33% were in progress at the time of the review and 10% were no longer relevant. Where important recommendations have not yet been actioned, we will continue to track progress. The majority of recommendations reported here as being in progress relate to a follow up of our information governance audit, and this is currently being reviewed again.

	Critical	High	Medium	Low	Total	%
Recommendations Agreed	0	21	21	7	49	
Implemented	0	11	11	6	28	57
In progress	0	6	9	1	16	33
No longer relevant	0	4	1	0	5	10

Corporate Governance

A new corporate board structure was planned for 2018-19 to streamline roles and accountabilities at senior management level. It did not occur as planned, as a review scrutiny arrangements for external and commercial bodies took precedence (see section below on Partnerships and External Organisations). Internal Audit have included a review of this area in the 2019/20 plan.

A Control Self-Assessment document was issued to all Directors in March 2019. The responses received have then been used to formulate any significant issues for the Annual Governance Statement as well as issues arising from internal audit reports. The Chief Internal Auditor has traditionally produced the Annual Governance Statement each year, contrary to recommended practice within the audit standards. In a departure to that this year, Internal Audit referred details from each area through to the Acting Corporate Director of Resources for compilation. The final Annual Governance Statement has then been discussed and agreed by the Chief Executive and the Director of Governance.

Risk Management

The Risk Management Board was formed in 2018 to carry on and develop the work previously lead by the Resilience Team. It is chaired by the Acting Corporate Director of Resources and has representation from all directorates, along with Insurance and Internal Audit. Departmental risk registers are updated and discussed at each meeting (bi-monthly) and recorded on VERTO, our project management system. The Project Management Office collate and report the information, which is discussed at Corporate Management Team meetings. Issues that are assessed with a high level of risk are escalated to the Strategic Risk Register, and reported to Audit Committee. Developments this year include a review of shared risks with Cambridge County, for example on Brexit issues. Internal Audit have lead on the establishment of a Fraud Risk Register and this will be taken through the board during 2019 to gain ownership of the document.

Information Governance

Internal Audit have been involved in a variety of initiatives and work streams in this area. We conducted a follow-up audit of Information Governance, including an overview of GDPR implementation plans; attended the Information Management Strategic Board meetings; and have kept a watching brief on cyber security developments, including business continuity and disaster recovery, via the Cyber Security Stocktake programme.

The latter involved a self-assessment against an LGA questionnaire as part of a bid for funding to improve **cyber security**. Much work has been done in the latter half of the year to fill some of the gaps identified including: compiling an asset register of IT equipment and mobile devices; reviewing the process for starters, leavers and movers; publishing training for staff at Cambridge and Peterborough (for which funding was received); determining responsibilities for monitoring and reporting information in relation to cyber security. We will continue to monitor this programme of work, including the planned independent 'gap analysis' review.

The Resilience Team leads on **business continuity** and have been working together with Cambridgeshire to align our methodology with theirs. As from April 2019 the Resilience Teams from Peterborough and Cambridge have joined to become a shared service within the Corporate and Customer Services Directorate and there

is a dedicated Business Continuity officer. Work is underway to develop business continuity plans for each department and there is a significant amount of work to do. In conjunction with this, a recent project managed by Serco, has identified business critical systems and options for **disaster recovery** for the servers based at Sand Martin House. Work continues to be progressed to develop a detailed DR solution. Our plan for 19/20 includes a review of business continuity and the impact of agile working.

The **Information Governance** teams at Peterborough and Cambridge have joined and are working to align practices and this has impacted on the achievement of agreed actions. Our follow-up showed that 8 of the 17 recommendations have been implemented with the remaining 9 being progressed. We also reviewed data security arrangements in relation to the move to Sand Martin House and the arrangements for compliance with GDPR, with no issues to report. We have just commenced another piece of work to assess the status of the actions outstanding at the time of this follow-up.

Financial Governance

The Council continues to face a difficult budget position due to increasing demands for services and reductions in government grants. As a high risk area, we included a review of budgetary control in our plan. The focus of our audit was the processes in place to identify, validate and track savings proposals, and in principle these are good. Those processes can only be effective, however, when there is a common understanding and application of the process, along with increased ownership and accountability, across the Council. Whilst we are awaiting a response to our draft report, we are aware that significant work is underway to identify savings for the 2020/21 MTFS and we have set aside time in our 2019/20 plan to look at this area again.

In our role as auditors for the Cambridge and Peterborough Combined Authority (CPCA) we conducted a review of Treasury Management. As this function is carried out by Peterborough's Treasury Team, we can gain some assurance on the control framework at Peterborough from our work. This is because, although we only reviewed transactions relating to the CPCA, the processes examined are predominantly the same for both authorities.

Other areas of work that Internal Audit were involved in include a review of Financial Regulations, which was undertaken by the Finance Team in the early part of 2018, to which Internal Audit contributed advice and comment. This work has yet to be completed and, as such, the Financial Regulations document remains out of date. Also, we provided advice on controls for new system for managing expenditure on Procurement Cards, which was implemented in the latter part of the financial year and is now operational. The control environment remains similar to that under the previous system, although a process for online approval of expenditure is being progressed, which will improve controls. Several other smaller pieces of control advice were provided, predominantly around payment systems operated by Serco, and it is pleasing to note that staff seek advice when they have queries about controls, or there are changes to systems.

Partnerships and External Organisations

We completed audits of the Peterborough Investment Partnership and the Norfolk Property Services Peterborough Joint Venture. Our main findings were around the need for an overarching governance framework to independently challenge and monitor the activities of external organisations, and guidance for Council

members and employees who take on roles within them. Scrutiny and client management arrangements have now been developed and a Shareholders Committee has been established from April 2019, with its first meeting in June. Documented guidance has just been published.

We also carried out a financial audit of the Mayor's Charities Fund, in line with Charity Commission requirements, with no matters to report. Financial administration of the fund had been brought in house in 2017/18 and therefore we also looked at financial and governance controls. A number of improvements were identified, some of which were initiated during the course of our audit. The fund now comes under the umbrella of the new Shareholders Committee.

We looked at the arrangements for the transfer of services from Amey to our new local authority trading company, Aragon Services, via a review of the management of the project. Work is still underway to obtain all necessary documentation to be able to form an opinion.

We will continue to examine this important area in 2019/20 with follow-ups of the above audits, the annual financial audit of the Mayor's Charities Fund and a review of the new governance framework for external organisations. We aim also to look specifically at the governance and service delivery arrangements for Aragon Services.

Programmes and Projects

The Programme Management Office oversee project management arrangements, including monitoring use of the project management system, VERTO, advising project managers and producing reports for senior management. We carried out a follow-up of our audit of VERTO and its use, which showed good improvements in its use by managers, as well as the revised reporting functionality. A follow-up of the Nene Park Academy project was also undertaken, with all recommendations implemented. A review of the project to manage the transition from Amey to Aragon is underway and an overarching review of project management arrangements is included in the 2019-20 plan.

Contracting and Procurement

A number of Internal Audit reviews have touched on this topic. Our review of the Norfolk Property Services (NPS) joint venture looked at the contractual relationship as well as the partnership between Peterborough and NPS, and we also covered contract management arrangements as part of an audit of Passenger Transport. Our review of the TACT contract was removed from the plan as a consultant was engaged to assist in negotiations regarding a contract dispute, which we understand has now been resolved. We are currently working on a review of contract tendering arrangements, as well as a follow-up of the Materials Recycling Contract audit (previously a limited opinion). From our work so far, our view is that contract management responsibilities are not always well defined and prioritised, and there is limited guidance for managers. We have a review of this topic planned for 2019-20.

Service Delivery

A wide range of audits was carried out across all directorates and covering important areas, such as Safeguarding and Health and Safety. On the whole there are no major risks to report. However our review of Health and Safety highlighted some key improvements needed to the governance framework, and this was compounded by the outcome of an external review into fire safety. Please see section below on 'significant issues' for further information.

Anti-fraud Culture

Internal audit also includes the investigations team who are responsible for reviewing council tax fraud, corporate fraud, staff misconduct and Blue Badge fraud. A separate report covering their activity for the year is brought to the Audit Committee alongside this one. There is some crossover in the work of the investigations team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud, however Internal Audit has not been involved in any fraud investigations this year. We did investigate an allegation of an irregular invoices raised by one of our schools and the results of this were passed to the appropriate team for consideration and amendment (including the payment of VAT that was previously excluded). Work has been carried out with regards to the National Fraud Initiative to organize and verify the download of data from a variety of Council systems. This statutory exercise involves data matching of public and private sector data to detect potential fraud. The resultant reports have been received recently and will be investigated this year.

Significant Issues

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

- **Health and Safety/Fire Safety** - Three reviews have been undertaken in this area, initially one by Internal Audit and then subsequently two more by a consultant following concerns around fire safety and evacuation procedures at Sand Martin House. All reported on the need to improve governance arrangements, particularly the need to re-instate a Health and Safety Board, report on key performance targets and ensure roles and responsibilities are properly allocated. There is now a new Health and Safety Board overseeing the implementation of all recommendations and we have a further audit of this area in our 2019-20 plan.
- **Cyber Security** – as mentioned above there is a significant amount of work being undertaken presently to improve our arrangements for the security of our IT systems and the data within them. And whilst there is a lot of good practice in place, the fact that this work is required is evidence that there have been gaps in our arrangements over the year. A further gap analysis is planned and Internal Audit will continue to monitor this area.
- **Statutory Testing** (the regulatory requirement to test electrical and safety equipment) – this subject received a limited opinion when we reviewed it in 2016, particularly in relation to the arrangements for monitoring and ensuring that tests had occurred. It has been difficult to obtain further information on the status of the agreed actions due to the ongoing review of the Amey contract. We aim to review this area again early in 2019-20 as part of the Aragon Services contract review.

- **External Organisations** – over the years the number of external organisations for which the Council has accountability (albeit in partnership with other organisations in some instances) has steadily grown. The governance arrangements for each have been developed separately and accountability has been spread across various directorates, members and officers. As such, there has been limited overarching monitoring and scrutiny of the arrangements and a lack of clarity over the separate roles of managing the contractual relationship and managing our interests in the organisation. A new governance structure has been developed in conjunction with the development of the arrangements for the new LATCo, Aragon Direct Services. The Shareholders Committee was operational from April 2019 and oversees all external organisations. It meets in public and subject to scrutiny through the Scrutiny Committee for Growth, Environment and Resources and also accounts to the Council's Audit Committee. Our audits also noted a lack of guidance for those involved, particularly in relation to the statutory duties of directors and the possible conflicts of interest that this can bring about. Plans are in place to develop such guidance.
- **Budgetary Control** – this is a critical time for the Council and there is significant work underway to identify options to bridge the deficit. Our work looked at a discreet aspect of the budgetary process - the arrangements to track delivery of savings targets – and identified a number of areas where practices can be improved. This included the need to have a consistent approach that is understood and followed across the whole organisation, along with the continued development of the corporate savings tracker, thus ensuring proposals are robust and that mitigating actions can be taken if required.

Limited and No Assurance reports

The audits listed below have resulted in a limited or no assurance opinion. In line with our Internal Audit Charter, where the resultant reports have been issued as a final, executive summaries are provided for your information. See table at the end of this report.

Reports for 15 July 2019

- NPSP Joint Venture (Final)
- Mayor's Charities Fund (Final)
- Savings Targets (Draft)
- Procurement Card System (Draft)

RESOURCING AND PERFORMANCE

Resourcing

During 2018 / 2019, resources were slightly higher than planned, predominantly due to the employment of two temporary auditors in the early part of 2019 to provide some cover for the vacant Senior Auditor post. This post is being recruited for currently, with interview dates set for the end of July. Our sickness levels remain low, at an average of 3.25 days per FTE and this has not impacted on the deliverability of audits in general, as we assume a contingency for this when compiling our annual plan.

We have spent more time than planned on work for other entities (214 days compared to 152 days), and this represents 22% of the time available for audit work. The proportion of time spent in this area is set to remain at this level in the 2019-20 plan. This work is chargeable to the organisations involved.

	No. of posts	Planned	Total in post for 2018/19	Audit Work PCC	Audit Work other entities	Non-Audit Work *
	Posts	FTE	FTE	%	%	%
Chief Internal Auditor	1.0	1.00	1.00	40%	25%	35%
Group Auditor	2.0	1.46	1.57	78%	19%	3%
Principal Auditor	1.0	0.50	0.50	100%	-	-
Senior Auditor	1.0	1.00	1.00	61%	39%	-
Senior Auditor (vacant) covered by agency staff	1.0		0.40	50%	50%	-
Auditor	1.0	1.00	1.00	99%	-	1%
TOTAL	7.0	4.96	5.47	69%	22%	9%

*Insurance/Investigations/Complaints/Elections/Job Evaluation

Quality Assurance

Compliance with Public Sector Internal Audit Standards:

An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) was carried out in March 2018, with a final report being received in November 2018 awarding a Full Compliance opinion. The Internal Audit Service has operated in compliance with PSIAS throughout the year.

Improvement Plan:

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

- Inclusion of specific information within our Audit Charter, Annual Audit Opinion and progress reports to Audit Committee.
- Update of our documented working practices.
- Review of our control evaluation process.
- Review of our follow-up process and tracking of recommendations.
- Passing on the responsibility for drafting the Annual Governance statement to management.

- Reviewing the job description of the CAE.

Training:

Continuing professional development is a key aspect of the quality assurance programme, to ensure staff have the skills to carry out their responsibilities. There is a limited budget to purchase formal training, and we utilise free webinars, network events and team meetings to deliver training. Staff are also encouraged to carry out their own reading and research, and this has been particularly useful in our reviews of joint ventures and charities in which the Council has an interest. There is also regular supervision of staff, and all audits are subject to a quality review by the Group auditors to ensure standards and quality are maintained.

Performance

Delivery of Plan:

We delivered 603 audit days to Peterborough against a plan of 578 days; and 214 audit days to external organisations against a plan of 152 days. Additional days have been delivered by the employment of temps as well as permanent staff working additional hours.

In accordance with best practice, the Annual Audit Plan was re-assessed throughout the year to ensure it was aligned to changing risks and priorities, therefore the audits planned at the beginning of the year are rarely the same as the ones completed by the end of the year. The Audit committee reviewed the updated plan at its November 2018 meeting and it is worth noting that the resources being planned for at that stage were higher than actually occurred (as temps were recruited later than planned).

This report lists the audits as outlined in the November version, along with subsequent additions and deletions. Since that time, 8 audits were deferred or removed, 4 were added, and additional work was completed for external organisations. The original Annual Plan contained 54 separate jobs for the Council, and although some jobs have been removed, others added, and scopes of work have been changed, we have completed 51 pieces of work and have 3 currently in progress.

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

- Mayor's Charities Fund – Following a decision to bring the treasurer role into the Council, Internal Audit carried out a detailed bank reconciliation; produced accounting statements for 16/17 and 17/18; advised on the form and content of the Trustee's Annual Report; restructured the spreadsheet used to record income and expenditure. This will enable easier reconciliations to take place and automate the production of annual accounts in future.
- Connecting Families. There has been a significant increase in the number of claims being submitted as the scheme is nearing its conclusion. Claims are made approximately monthly now, instead of quarterly, and there has been significant involvement in the update of the Council's Outcomes Plan.

Responses to Audit Reports

For audits completed in 2018-19 there has been an average of 99 days between issuing a draft report to management, and issuing a final report with management comments. This statistic includes a number of reports that are outstanding, as detailed in the table below, although there have been others during the year with long turn-around times. We aim to turn a draft into a final within 28 days, and provide a target date for response, as well as reminders. Generally this figure is reflective of the fact that, with reduced officer numbers, operational activities take priority over audit reports. We will review our protocol for escalating late responses as well as how we manage the conclusion of an audit.

Audit	Directorate	Date Draft issued	Days overdue
Gifts And Hospitality	Law and Governance	25 Sept 2018	269
Passenger Transport	People and Communities	20 Feb 2019	121
Savings Targets	Resources	24 April 2019	58
Procurement Cards	Resources	4 April 2019	78

ASSURANCE LEVELS AND RECOMMENDATIONS 2018 / 2019

Audit Activity	Department	Audit Type	Assurance opinion	Description
ANNUAL GOVERNANCE AND ASSURANCE				
Annual Governance Statement Review	All	consultancy	n/a	Annual Governance Statement for 2017-18 was presented to Audit Committee on 16 July 2018.
Senior Management Control Risk Self-Assessment	All	consultancy	n/a	Collation of results from a self-assessment completed by directors, and fed into the Annual Governance Statement for 2018-19.
Annual Investigations Report	All	consultancy	n/a	Annual Report for 2017-18 was presented to Audit Committee on 16 July 2018
Annual Audit Opinion	All	consultancy	n/a	Mid-year progress for 2017-18 was presented to Audit Committee on 19 November 2018.
				Annual Opinion for 2017-18 was presented to Audit Committee on 16 July 2018.
Annual Audit Plan & Strategy	All	consultancy	n/a	For 2019-20. Included a discussion report to Audit Committee on emerging themes and planning approach on 11 February 2019, as well as a review of our charter and ethics documents. The Plan, Strategy, Code of Ethics and Charter were presented to Audit Committee on 25 March 2019.
Internal Audit Effectiveness	All	consultancy	n/a	An external review of our compliance with PSIAS occurred in 2018. An improvement plan was produced and reported to the Audit Committee on 11 February 2019. Progress is detailed in the main body of this report.
Audit Committee Effectiveness	All	consultancy	n/a	An annual review that is being reported to the Audit Committee at this meeting, on 15 July 2019.

Audit Activity	Department	Audit Type	Assurance opinion	Description
CORPORATE GOVERNANCE AND RISK MANAGEMENT				
Information Governance	All	Consultancy	n/a	Involvement in the Information Management Strategic Board and any emerging issues.
Cyber Security	All	Consultancy	Limited	Overview of cyber security developments, including business continuity and disaster recovery, via the Cyber Security Stocktake programme.
Information Governance Framework	Law and Governance	Follow-up	Reasonable	8 of the 17 recommendations had been implemented at the time of the audit and 9 were in progress. Previous opinion was Reasonable. High 2/4; Med2/8; Low 4/5
IT Strategy	Resources	Consultancy	n/a	Critical friend role via the Strategic Governance Board, where various policies have been discussed.
Risk Management	All	Consultancy	n/a	Involvement in the Risk Management Board and any emerging issues.
Corporate Board Structure	Law and Governance	Consultancy		A new corporate board structure was to be implemented to streamline roles and accountabilities at a senior management level, but this did not occur. Audit deferred.
Freedom of information	Law and Governance	Risk Based		Removed from plan due to higher priority work/additional work carried out for external organisations.

AUDIT ACTIVITY	Department	Audit Type	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
				Critical	High	Med	Low	Total	
FINANCIAL SYSTEMS									
Savings Targets	Resources	Risk Based	Limited	0	5	4	1	10	A review of the process for identifying and tracking the delivery of savings. Report to be finalised.
Procurement Card System	Resources	Consultancy (unplanned)	Limited	0	2	3	0	5	Provision of guidance on the control environment throughout the implementation phase of BSM. Report to be finalised.
Financial Rules	Resources	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Advice during the update of the financial rules document, which forms part of the Constitution.
Agresso Access Permissions	Resources	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Advice on control requirements when amending access permissions and financial authority within Agresso.
PayPal	Resources	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Advice on control requirements for administering a PayPal account.
Payment Card Industry Standards	Resources	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Advice on compliance with PCIS in relation to spend on accommodation.
Petty Cash Authorisation Process	Resources	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Comment on proposed changes to the way in which petty cash reimbursements are approved.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
EXTERNAL ORGANISATIONS									
Peterborough investment Partnership	Growth and Regeneration	Risk Based	Reasonable	0	2	1	0	3	A review of the arrangements in place to manage the Council’s interests in this joint venture arrangement.
Norfolk Property Services Peterborough	Resources	Risk Based	Limited	0	2	4	0	6	A review of the arrangements in place to manage the Council’s interests in this joint venture arrangement, plus an overview of the management of the contract.
Mayor’s Charity Fund	Law and Governance	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Cash book redesign to facilitate reconciliations and easier production of annual accounts. Guidance on charity commission requirements, including the form and content of the Trustee’s Annual Report.
		Compliance	Limited	0	4	12	4	20	Review of financial control and governance framework.
Shareholders Committee	Law and Governance	Consultancy (unplanned)							Deferred as committee not operational until May 2019.
PROGRAMMES AND PROJECTS									
Project Management (Verto)	Resources	Follow-up	Reasonable	n/a	n/a	n/a	n/a	n/a	4 actions from the previous audit were reviewed (all medium priority). 2 had been actioned and 2 were in progress. Previous opinion was Reasonable.
Nene Park Academy Project	People and Communities	Follow-up	Reasonable	n/a	n/a	n/a	n/a	n/a	2 actions from the previous audit were reviewed (both high priority). 1 had been actioned and 1 was in progress. Previous opinion was Reasonable.
Transition of Amey contract to Council LATCo	Growth and Regeneration	Risk Based							The management of the project to ensure the desired outputs are achieved. In progress

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
CONTRACTS AND PROCUREMENT									
Materials Recycling Facility contract	Growth and Regeneration	Follow-up	Reasonable	n/a	n/a	n/a	n/a	n/a	A review of agreed actions from the previous open-book review of operating data (previously a Limited Opinion). 15 out of 18 recommendations have been actioned, with 3 in progress. High: 6/8 actioned and 2 in progress. Med:6/7 actioned and 1 in progress. Low: 2/2 actioned.
Passenger Transport Contract	People and Communities	Risk Based	Reasonable	0	0	1	2	3	A look at how tendering and contract management arrangements provide assurance over safeguarding responsibilities. Report to be finalised.
Contract Tendering	Resources	Risk Based							Compilation of an assurance framework identifying ownership for controls in place to mitigate risks, and highlighting any gaps. Work in progress.
Permanency Contract (TACT)	People and Communities	Compliance							A review of contract management arrangements or an open book review of operational activities was planned. The audit was removed when an external consultant was engaged to resolve a contract dispute.
Commissioning	People and Communities	Risk Based							This audit was removed and replaced by another higher priority job.
Section 75 Contract	Public Health	Risk Based (unplanned)							A review of the contract in place between the Council and the CPFT was initiated, but the scope of the work was incorporated into a review by a consultant. Audit removed.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
SERVICE DELIVERY									
Health and Safety	Growth and Regeneration	Risk Based	Reasonable	0	3	3	0	6	A review of the council's health and safety governance framework, including health and safety assurance over construction contracts.
Safeguarding	People and Communities	Compliance	Reasonable	0	0	3	3	6	A follow-up of the recommendations made following an external review of a specific incident/complaint.
0-25 Disabilities Service in Peterborough and Cambridge	People and Communities	Risk Based (unplanned)	Reasonable	0	0	4	3	7	A review of this service across both Peterborough and Cambridgeshire Councils (carried out as two separate jobs). Details here relate to Peterborough only. Report to be finalised.
Carbon Reduction Commitment	Growth and Regeneration	Compliance	Reasonable	0	0	5	0	5	Areas for improvement noted during the CRC certification process.
Right to Work	Law and Governance	Consultancy (unplanned)	Reasonable	n/a	n/a	n/a	n/a	n/a	A review of HR records to ensure documentation is held in respect of 'Right to Work' status and is in compliance with legislation.
Taxi Licensing	Resources	Risk Based	Substantial	0	0	0	3	3	Covering the process for issuing taxi licenses, including safeguarding arrangements, in accordance with the Serious Organised Crime Pilot.
Gifts and Hospitality	Law and Governance	Compliance	Reasonable	0	0	3	1	4	Covering the processes in place to protect against 'insider threat' aspects of the Serious Organised Crime report. Report yet to be finalised.
Human Resources – google documents	Law and Governance	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Review of new google documents – time-sheets and leave cards, and advice on delegate permissions/access control.

Energy Billing	Resources	Consultancy (unplanned)	n/a	n/a	n/a	n/a	n/a	n/a	Investigation and advice regarding liability for energy bills at a specific site.
Audit Activity	Department	Audit Type	Assurance Opinion	Description					
Blue Badges	Growth and Regeneration	Follow-up	n/a	n/a	n/a	n/a	n/a	n/a	Previous opinion was Limited. The implementation of a new online system has superseded the three recommendations, although the implementation has been delayed and transitional assurance on processes is being reviewed as part of the NFI exercise.
Generic Logons	Resources	Consultancy (unplanned)							Advice on protocols for generic logon requests. Work in progress.
Statutory Testing	People and Communities	Follow-up							Audit deferred due to changes in the Amey contract.
Pupil Referral Unit	People and Communities	Risk Based							Audit removed due to higher priority work/additional work carried out for external organisations.
Family Safeguarding	People and Communities	Risk Based							Audit deferred due to higher priority work. Currently underway in 2019-20 plan as a post implementation project review.

Audit Activity	Department	Audit Type	Assurance Opinion	Description
ANTI FRAUD CULTURE				
National Fraud Initiative	All	Consultancy	n/a	The organisation and verification of the downloads of data from a variety of Council systems in order that they can be submitted for data matching. Resultant reports have been received and are being reviewed.

Special Investigation	People and Communities	Consultancy (unplanned)	n/a	An investigation looking at an allegation that irregular invoices were raised by one of our schools. As a result the invoices were amended.
Anti-Fraud Policies		Consultancy		Policies have been refreshed during the year. Training planned
Fraud Risks	All	Consultancy		Proactive testing of high risk areas. Removed due to higher priority work/additional work carried out for external organisations.

AUDIT ACTIVITY	Department	Audit Type	ASSURANCE LEVEL	COMMENTARY
GRANTS AND OTHER CERTIFICATION				
Bus Service Operators	Growth and Regeneration	Grant	Certified	A DfT grant to support bus services, including community transport services.
Integrated Transport and Highways Maintenance Grant	Growth and Regeneration	Grant	Certified	DfT scheme to help local authorities cut carbon emissions and create local growth.
Pothole Action Fund	Growth and Regeneration	Grant	Certified	A capital funded DfT grant to support pothole repairs.
National Productivity Investment Fund	Growth and Regeneration	Grant	Certified	New DfT funding for 2017/18 to improve local road networks and public transport.
Highways Maintenance Challenge Fund	Growth and Regeneration	Grant	Certified	This DfT grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks.
Disabled Facilities Grant	People and Communities	Grant	Certified	Non ring-fenced capital funding towards grants that the council can award to disabled clients for housing alterations.
Bourges Boulevard phase 2 Improvements	Growth and Regeneration	Grant	Certified	A GCGP grant for this specific scheme.
Connecting Families	People and Communities	Certification	Certified	A verification of each payment-by-results claim to MHCLG in relation to the government's Troubled Families programme. 10 claims were made in 2018-19. Including ongoing review of the Outcomes Plan, which describes the council's method for applying the qualification and success criteria.

Carbon Reduction Commitment	Growth and Regeneration	Certification	Certified	A verification of the Council's submission of annual energy usage figures in accordance with the requirements of the Environment Agency.
Mayor's Charity fund	Law and Governance	Certification	Certified	An audit of the accounts maintained in relation to fund-raising for the Mayor's Charities Fund in line with Charity Commission requirements. Including performing a bank reconciliation and compiling accounts for 16-17 and 17-18.

EXTERNAL WORKS	Work which generates income for the council
Combined Authority	7 reviews are completed or in progress for this external client.
Vivacity	9 reviews are completed or in progress for this external client.

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

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
NPSP Joint Venture	Limited	15 July 2019
Mayor's Charities Fund	Limited	15 July 2019

NORFOLK PROPERTY SERVICES PETERBOROUGH - Executive Summary

Introduction

Norfolk Property Services Peterborough is a joint venture company between Peterborough City Council and NPS Group. It began trading in July 2016, at the start of a 10 year contract, and delivers estates and asset management services.

Objectives and Scope

The purpose of the audit was to review joint venture (JV) arrangements to ensure that-

- It operates effectively and adequate governance arrangements are in place to include performance and risk management
- There is a written JV agreement / Contract and an effective JV structure
- There is an effective budget planning and monitoring process
- Communication and relations promote effective monitoring of business needs affordability and value for money

The scope covered the arrangements that the Council has put in place to manage the joint venture with Norfolk Property Services Peterborough (NPSP).

Main Findings

- The NPSP joint venture operates with the involvement of two key council officers. During the audit, the Corporate Director Growth and Regeneration acted as a director on the JV board and in this capacity had a duty to act in the best interests of the JV. There is also a Head of Property Services who manages the contract with NPSP to ensure the terms of the contract are met for the benefit of the Council. The Corporate Director Growth and Regeneration had direct line management responsibility for the Head of Property Services and, in the absence of any overarching scrutiny framework, this appears to be a conflict of interest. This arrangement is currently no longer in place, but is important that such conflicts are not repeated in any new management arrangements.
- The Service Specification is in need of review. Elements are unclear and open to interpretation, particularly in relation to facilities management, which has been explained as an omission to the specification. This omission has not been resolved in the two years since the contract began and has been compounded by a lack of clarity within the Council due to the split of responsibilities between the NPSP and Amey contracts. It is understood that this area is under review with the imminent proposals to bring the Amey contract deliverables into the new local authority trading company, Peterborough Ltd.

Conclusion and Opinion

Internal Audit's primary focus was how the Council manages the relationship with NPSP, both in terms of its role as a joint partner in the company, and also how it manages the delivery of the contract. Whilst there is good practice in place, Internal Audit has made observations in relation to potential conflicts of interest for those officers involved, the unclear elements of the Service Agreement and aspects of the contract management process. Internal Audit has also raised earlier concerns within the Peterborough Investment Partnership report, regarding the lack of formal governance structure for all commercial/external entities within Peterborough City Council in order to effectively monitor arrangements, activity and achievements as per Business Plans. The Director of Legal & Governance Services and the Acting Corporate Director Resources are currently reviewing and implementing a new structure and scrutiny arrangements to ensure it can be demonstrated that they operate in the best interests of the Council.

The audit opinion is Limited Assurance.

MAYOR'S CHARITIES FUND - Executive Summary

Introduction

Every May a new Mayor is elected by full Council from within their membership. One of the Mayor's roles is to nominate charities that they support, and to raise funds on behalf of those charities during their term of office, with the assistance of a new management committee of volunteers. The Mayor of Peterborough's Charity Fund (MPCF) is a registered charity in its own right, and is independent from the Council. The MPCF is required by the Charity Commission to upload accounts and a trustee's report every year to the Commission's website. Once accounts are finalised, all net proceeds are shared out between the nominated charities. This takes place early in the following mayoral year. The Charity Commission also require that where a charity's annual gross income exceeds certain thresholds, the accounts are subject to external scrutiny (i.e. either an independent examination or a full audit).

The Council provides support to the MPCF in a number of ways. For example, administrative support from council employees, provision of Council venues and equipment for fund-raising events, and printing of posters and tickets. Since September 2017 the role of MPCF Treasurer was brought 'in-house', and is performed by the Mayoral Services Manager. In the event that there were significant issues with the finances of the MPCF, the Council could have its own reputation damaged due to its closeness to the fund. It is therefore important that the council satisfies itself that the MPCF is being appropriately managed. An audit of the MPCF's accounts for mayoral year 2017/18 was requested as part of the 2018/19 audit plan.

Objectives and Scope

The scope initially covered the Mayor of Peterborough's Charities fund for 2017-8. The planned objectives were to:

- Carry out an independent examination of the fund for 2017-18, verifying the income and expenditure statement to source documentation and bank statements, in compliance with Charity Commission requirements.
- Evaluate controls for managing the fund and provide any advice needed (for example relating to segregation of duties, approvals, evidence and record keeping).

Following initial evaluation, our objectives were expanded to include:

- Perform a bank reconciliation for 2017-18, including any necessary adjustments to the workbook
- Compile a set of receipts and payments accounts for 2016-17 and 2017-18 as required by the Charity Commission
- Advise on the form and content of the Trustees' Annual Report, as required by the Charity Commission
- Advise on an appropriate format for the workbook, such that it assists with the performance of bank reconciliations and the production of accounts.

Main Findings

- Registration as a charity confers the obligation to upload to the Charity Commission's website by a specific deadline: a set of accounts; a statement that the accounts have been audited; and an annual trustees report. This deadline was missed for the 2016/17 year and the Charity Commission wrote to the trustees in July 2018 stating that the MPCF was in default of its legal obligations. A time extension was arranged with the Charity Commission, and the required documents were subsequently uploaded to the website by the revised deadline. Awareness of the Charity Commission requirements has increased during the course of this review, although some documented guidance would assist current and future members of the MPCF in fulfilling their roles.
- The MPCF has two governing documents. The constitution, dated December 2015, was adopted prior to registration as a charity. There is also a separate Memorandum of Understanding (MoU) between the key parties for each mayoral year. The constitution and MoUs differ over who the charity's trustees are. Additionally, the formal processes for handing over from one set of trustees from one mayoral year to the next set, as implied by the constitution, are not reflected in the MoU, and are not followed in practice. Work is already in progress to update and align both documents.
- A reconciliation of the bank balances to the calculated net proceeds was performed at year end, but this did not balance. A number of accounting errors were subsequently identified and corrected, enabling the correct net proceeds total to be established, and for this total to be reconciled against the bank account funds. Regular bank reconciliations throughout the year would enable earlier identification and correction of errors and anomalies; a smoother year end accounts and audit process; and speedier payments to the nominated charities.
- Approximately 70% of the income transactions examined for 2017-18 during testing were not supported by a written receipt. It is important that receipts are issued for all income so that it can be demonstrated that the income has been reflected in the accounts.
- The previous Treasurer's internet banking credentials had not been terminated. However there was no evidence of any suspicious transactions from the MPCF's bank account.
- There is a lack of required segregation of duties in the MPCF's financial processes, which presents a greater risks of fraud, error, and failing to maximise fund-raising. Examples include lack of managerial oversight of accounting records and cash held, ability of event organisers to reclaim their own expenses from cash held without submitting a claim, and freedom of organisers to spend what they like on the events they hold.

Conclusion and Opinion

Registration as a charity in late 2015 has resulted in the MPCF having a number of responsibilities, of which it had not previously been aware. During the course of this review, the MPCF's understanding of the Charity Commission's requirements has increased. Internal Audit are satisfied with the accounts for 2017-18, and there are no material issues to be reported. The Trustees' Annual Report for that year has been written, so the March 2019 deadline for uploading these documents to the Charity Commission's website should be met.

The review identified a number of financial and governance controls that need to be improved, and these have been discussed with the Civic Office throughout the review. These issues, along with further details in relation to the main findings mentioned above, are explained in the main body of this report, with recommendations on how they might be addressed. Internal Audit are continuing to provide advice and support. Work has been undertaken to deliver an enhanced accounting workbook that will semi-automate bank reconciliations and production of final accounts. This should assist the Treasurer in keeping the accounts balanced throughout the year, speeding up closure at year end, and reducing work in the long run. The Charity Commission also provide general guidance on internal financial controls, and this can be found at <https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8>.

The audit opinion, based on the internal controls identified, is Limited Assurance. The Chief Internal Auditor's opinion in relation to the MPCF's accounts for 2017-18 as the charity's Independent Examiner is that:

"In connection with my examination, no matter has come to my attention:

- *Which gives me reasonable cause to believe that in, any material respect, the requirements to keep accounting records in accordance with the 2011 Act; and prepare accounts which accord with the accounting records and comply with the accounting requirements of the 2011 Act, have not been met; or*
- *To which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.*

While not impacting on the materiality of the accounts, some improvements have been identified to enhance the monitoring, record keeping, preparation and completion of accounts following a change of officers managing the accounts."

AUDIT COMMITTEE	AGENDA ITEM No. 8
15 JULY 2019	PUBLIC REPORT

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

FRAUD AND INVESTIGATIONS ANNUAL REPORT 2018 / 2019

R E C O M M E N D A T I O N S	
FROM : Steve Crabtree, Chief Internal Auditor	Deadline date : N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive, consider and endorse the attached annual report on the investigation of fraud and other issues during 2018 / 2019. 	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

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

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

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

3. TIMESCALE

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

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

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

4.3 The attached report provides an overview of the work undertaken during the year, demonstrates the successes in investigating fraud and irregularity across the Council and provides an insight into how the Council will continue to operate.

5. CONSULTATION

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

6. ANTICIPATED OUTCOMES OR IMPACT

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

7. REASON FOR THE RECOMMENDATION

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

8. ALTERNATIVE OPTIONS CONSIDERED

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

9. IMPLICATIONS

Financial Implications

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

10. BACKGROUND DOCUMENTS

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

10.1 None

11. APPENDICES

11.1 Appendix A: Annual Fraud Report 2018 / 2019

1...Introduction

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

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

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

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

1.4 This report documents the Council's response to fraud during 2018 / 2019, and is presented to the Audit Committee in order to discharge its responsibility, as reflected in its terms of reference '*Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the council's complaints process*'.

2...National Studies

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

2.2 An annual survey is issued by the CIPFA Counter Fraud Centre which is used to collate fraud data within local government. The latest survey was issued on 31 May 2019 with a completion date of 12 July 2019. Results from the previous year's survey¹ set out that:

- *CIPFA has estimated that for local authorities in the UK, the total value of fraud detected or prevented in 2017/18 is £302m, which is less than the £336m estimated in 2016/17.*
- The four main types of fraud (by volume) that affect local authorities (but not necessarily the main ones for Peterborough) are Council Tax, Housing, Disabled Parking (Blue Badge) and Business Rates.

2.3 **Annex 1** provide analysis of the various frauds which have been detected throughout the country together with an explanation to each category.

¹ CIPFA Counter Fraud Centre: Fraud and Corruption Tracker Summary Report 2018

3...National Fraud Initiative

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

3.2 The National Fraud Initiative (NFI) exercise brings together datasets from across the public and private sectors. The provision of data for the purposes of NFI is a requirement of the Audit Commission Act 1998. The Council provides a range of datasets for matching, on receipt of the results the Council then has the responsibility to follow up and investigate the matches, and identify fraud, overpayment and error. The main NFI data matching is undertaken every 2 years, the results of these matches are fed into a national report at the end of each cycle. The Council submitted data in October 2018 and matches for review were received in early 2019. Distinct datasets are prescribed, for PCC these are:

TABLE 1: DATASETS SUBMITTED AS PART OF THE NATIONAL FRAUD INITIATIVE	
Blue Badge Parking Permit	Personal Alcohol Licences
Concessionary Travel Pass	Personal Budgets
Creditors	Residential Parking Permits
Housing Benefits (data provided by DWP)	Taxi Drivers
Market Licences	Waiting List
Payroll	

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

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

3.5 Where personal data was included in the submission, and in order to be compliant with the Data Protection Act, notices were sent to individuals to inform them that their personal data was being submitted as part of the NFI exercise e.g. on the original data capture forms. Furthermore, a

full download of all creditor records / payments made during the two year period was provided. Primarily matches were to ascertain any duplicate payments or absence of VAT.

3.6 Throughout the year, additional matches are provided as data records are updated elsewhere. Each dataset is ranked based on risk / quality of the match i.e. more fields the same such as name, address etc. Initial results from the exercise are set out in **Tables 2, 3 and 4**.

TABLE 2: SPECIFIC DATASET DATA MATCHES				
	High	Medium	Low	Total
Blue Badge Parking Permit	64	69	1	134
Concessionary Travel Pass	310	279	0	589
Council Tax Reduction Scheme	25	72	501	598
Housing Benefit Claimants	75	18	480	573
Market Traders	0	0	0	0
Payroll	1	7	9	17
Personal Alcohol Licence	1	0	0	1
Personal Budgets	6	11	5	22
Private Residential Care Homes	14	10	0	24
Residential Parking Permit	8	0	3	11
Taxi Drivers	1	0	0	1
Waiting List	23	362	2	387
TOTAL MATCHES	520	828	1,001	2,349

3.7 Work is ongoing to verify the data in relation to these datasets. Key points to date are:

- Data quality remains an issue across the authority. A large number of matches highlighted forenames and surnames in opposite fields. As part of this exercise we will look at ways to assist the Council in improving the quality of its data records.
- Timeliness of records being updated e.g. DWP deceased. All the data is extracted on, or around October, inevitably there will be records which have not been amended for any circumstance changes.
- Referrals have been made to other agencies where there are identified links, for example, where matches have found for student loans. Responses are awaited

TABLE 3: CREDITOR MATCHES	
Payroll to Creditors	18
Duplicate Creditors by: Creditor Name	275
Duplicate Creditors by: Address Details	202
Duplicate Creditors by: Bank Account	139
Duplicate Records by: Reference, Amount and Creditor Reference	195
Duplicate Records by: Amount and Creditor Reference	2,485
VAT Overpaid	251
Duplicate Records by: Name, Invoice Number, Amount but different Creditor Reference	24
Duplicate Records by: Invoice Number, Amount but different Creditor Reference and Name	94
Duplicate Records by: Postcode, Invoice Date and Amount but different Creditor Reference	2
Duplicate Records by: Postcode, Invoice Amount but different Creditor Reference	21
Procurement: Payroll to Companies House (Director)	51
TOTAL MATCHES	3,757

3.8 Having reviewed the creditor matches, the following observations can be made:

- Payroll matches identify instances where an employee and creditor are linked by the same bank account or the same address which could indicate employees with interests in companies with which Peterborough is trading. This could indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to. All matches have been reviewed and no issues identified.
- Duplicate creditors have been identified through a number of matches. Overwhelming, the majority of the matches can be linked to data quality. For example, the company name may have been misspelt or moved address but are linked by the same bank account. Similarly, a number of recurring quarterly payments have been identified, for example, energy payments. From the exercise, two duplicate payments have been identified totally **£1,989-90** which is being recovered.
- 251 instances where VAT may have been overpaid were identified. This was based on the information provided within the NFI invoice history data submission and the output includes the level and scale of overpaid VAT. The VAT amount is compared to a calculated maximum VAT of 20%, the maximum VAT rate in the payment period covered by the NFI exercise. No such errors were established.

- Finally, Payroll to Companies House (Director) matches identify potential undeclared interests that have given a pecuniary advantage. The matches identified employees who appear to be registered directors of companies that Peterborough has traded with and those where the employees address appears to have links to the company directors or the company. All interests have been declared.

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

4...Council Tax

4.1 Single Person Discount (SPD) exemptions

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

4.1.2 While most residents are claiming the discount appropriately, there are likely to be a minority who are attempting to defraud the system. From the National Fraud Initiative, **Table 4** highlights potential anomalies for investigation to verify data held to look to cancel identified errors or fraudulent claims.

TABLE 4: COUNCIL TAX MATCHES	
Council Tax to Electoral Register	1,784
Council Tax to rising 18s	105

4.1.3 Matches identify addresses where the householder is claiming a SPD on the basis that they live alone yet the electoral register suggests that there is more than one person in the household aged 18 or over. The electoral register also includes details of individuals who are approaching their 18th birthday. Unless there is an exemption, for example, a student, then the single person discount would need to be revoked from the date of their birthday.

4.1.4 There is ongoing dialogue / works with Revenues and Benefits to ensure that all cases are verified for accuracy, errors cancelled or fraudulent claims investigated. Where there are data quality issues, for example forename and surname transposed, similar discussions are being held with Electoral Services.

4.2 Council Tax Support

4.2.1 As of 1 April 2013, Council Tax Benefit ceased to exist and was replaced by Council Tax Support schemes. Benefit fraud will always be a risk faced by local authorities owing to the high

volumes of payments and complexities of legislation. There has been a steady decline in the number of investigations over the last three years, due to a number of factors such as better intelligence to stop claims before they are even set up, and this has mirrored a reduction in the size of the team over the same time period. The Council has a dedicated “fraud” hotline. Information is received, recorded and initial sifting takes place. Some information may be malicious and cases are closed while others may have substance and these are referred to the appropriate organisations to investigate. Of the referrals received, following review 148 cases were rejected for investigation or referred for visit.

TABLE 5: COUNCIL TAX INVESTIGATION TYPES		
Contrived Tenancy	Undeclared Income	Living Together
Non-Residency	Working and Claiming	Undeclared Non Dependency
Undeclared Capital		

4.2.2 In accordance with legislation, we are able to offer a financial penalty arising from the offence as an alternative to prosecution and in addition to the overpayment. This equates to 50% of the overpayment. If this is not accepted, the matter will be referred for prosecution. In some cases, it may be appropriate to offer a caution to the individual as an alternative to prosecution. Again, should this not be accepted, the matter will be referred for prosecution. During 2018 / 2019, **£6,998-19** was identified for recovery.

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

4.3 Joint Working with Department for Works and Pensions

4.3.1 From December 2018, a separate initiative has been set up with the DWP whereby intelligence is shared in relation to fraud cases. If there is scope for joint prosecutions for both Council Tax and Housing Benefit fraud then a joint interview is conducted to avoid duplication, only one prosecution or sanction etc. and this is led by the DWP.

4.3.2 While in its infancy, 9 cases have been identified up to 31 March 2019 for joint interview, with a further 4 cases being closed without the need for an investigation.

5...Other Investigations

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

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

5.2 Stage 2 Corporate Complaints

5.2.1 Complaints received against the Council are recorded centrally. Each complaint is expected to be followed up by a Head of Service and the outcomes reported on and issued to the complainant. This could also include a mediation meeting.

5.2.2 If there is still dissatisfaction then the complaint is referred through to the Chief Internal Auditor to undertake an independent review within 5 working days. This assessment will then determine, based on all the information provided, if the process has been completed in full. If it has they will be informed of this and unless further mediation is undertaken, they can take the decision to refer through to the Local Government Ombudsman if necessary. However, if as part of the initial assessment gaps are identified, then a full review will be commissioned which is undertaken by the Investigations Team.

TABLE 6: STAGE 2 CORPORATE COMPLAINT REFERRALS			
	2016 / 2017	2017 / 2018	2018 / 2019
Referrals received	20	17	23

5.2.3 23 cases were received during the year to 31 March 2019 which were all reviewed with 11 cases leading to full investigated by the Team.

5.3 Disciplinary Cases

5.3.1 Cases of alleged disciplinary breaches are conducted by the Investigations Team. All cases are different in their nature, complexity and time needed for these to be completed. 9 such cases were undertaken during the year. Results of these include dismissals, final written warnings, verbal warnings and resignations.

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

5.4 Blue Badge Misuse

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

5.4.2 Changes in eligibility criteria for the Blue Badge scheme comes into effect on 30 August 2019 to include individuals with "hidden disabilities" which could lead to an increase in potential allegations of abuse.

6...Future Proactive Work

6.1 Fraud is a strain on public finances. The Council will continue to investigate and look to recover monies in all instances. To assist in this, work will continue:

- To map out fraud risks across the Council,
- Publicise all prosecutions to look to act as a deterrent;
- Work with Human Resources in relation to managers remaining vigilant; and
- Further data quality initiatives to reduce anomalies.

ANNEX 1: NATIONAL FRAUD SURVEY ANALYSIS 2018

	2016 / 2017		2017 / 2018	
	Volume	Value (£)	Volume	Value (£)
Council Tax (1)				
• Single Person Discount	50,136	19.5m	46,278	15.8m
• Council Tax Reduction Support	6,326	4.8m	8,759	6.1m
• Other	674	1.1m	2,857	4.5m
Housing (2)				
• Right To Buy	1,284	111.6m	1,518	92.0m
• Illegal Sublet	1,829	78.5m	1,051	55.8m
• Other	2,825	73.3m	2,164	68.3m
Disabled Parking (Blue Badge) (3)	5,751	4.3m	14,714	7.3m
Business Rates (4)	661	7.0m	1,373	10.4m
Adult Social Care (5)				
• Personal Budgets	264	2.7m	334	3.2m
• Other	182	2.8m	403	3.5m
Insurance (6)	371	5.1m	281	3.5m
Procurement (7)	197	6.2m	142	5.2m
No recourse to public funds (8)	342	6.9m	378	4.3m
Welfare Assistance (9)	103	0.3m	109	£0.0m
Payroll	248	1.0m	167	1.0m
Expenses	75	0.1m	34	0.1m
Recruitment	46	0.2m	52	0.5m
Pensions	228	0.8m	164	0.6m
Economic / Voluntary sector support (10)	39	1.5m	57	0.8m
Mandate fraud (11)	325	1.7m	257	6.6m
Manipulation of data (12)	57	n/a	23	n/a
Debt (13)	142	0.3m	91	0.4m

1	Council Tax fraud. Council tax fraud is split into three sections. Council tax single person discount (SPD) – where a person claims to live in a single-person household when more than one person lives there. Council tax reduction (CTR) support – where the council tax payer claims incorrectly against household income. Other types of council tax fraud – e.g. claims for exemptions or discounts to which the council tax payer has no entitlement.
2	Housing and Tenancy Fraud. Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, or right to buy. Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount.
3	Disabled Parking (Blue Badge). The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to those with disabilities in order that they can park nearer to their destination. Blue Badge fraud covers abuse of the scheme, including the use of someone else's Blue Badge, or continuing to use or apply for a Blue Badge after a person's death.
4	Business rates fraud. Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate between evasion and avoidance. Business rates fraud covers any fraud associated with the evasion of paying business rates including, but not limited to, falsely claiming relief and exemptions where not entitled.
5	Adult Social Care fraud. Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity. Investigations cover cases where direct payments were not being used to pay for the care of the vulnerable adult or care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.
6	Insurance fraud. This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.
7	Procurement fraud. This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.
8	No recourse to public funds fraud. No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.
9	Welfare Assistance. Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.
10	Economic and voluntary sector (grant fraud). This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.
11	Mandate fraud. Mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier.
12	Manipulation of data fraud. The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.
13	Debt fraud. Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

AUDIT COMMITTEE	AGENDA ITEM No. 9
15 JULY 2019	PUBLIC REPORT

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

INSURANCE SERVICE AND INSURANCE FUND ANNUAL REPORT 2018 / 2019

R E C O M M E N D A T I O N S	
FROM : Steve Crabtree, Chief Internal Auditor	Deadline date : N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive, consider and endorse the attached annual report on the provision of the Insurance Service and the Insurance Fund during 2018 / 2019. 	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following
 - 2.2.1.14: To monitor the effective development and operation of risk management and corporate governance in the Council.
- 2.2 The purpose of this report is to present the work carried out during the past year to provide an effective insurance function which provides cover for all aspects of the Council whilst minimising the cost.

3. TIMESCALE

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

- 4.1 The Insurance Team now form part of the wider Audit, Insurance and Investigations Team and provide the following main services:

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

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

4.2 Insurance

- Arranging the insurances for Aragon Direct and putting in place procedures for claims handling
- Preparing Highways to ensure they meet the requirements of the new Well Managed Highway Infrastructure Code of Practice
- Moving to Sand Martin House, upgrading software and hardware to facilitate new agile working and embedding this within team
- Carrying out claims handling for other authorities
- Review of sums insured, starting with Museum exhibits

4.3 Risk Mitigation

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

- The Insurance Team have been working with the Natural and Historic Environment Manager to reduce the Council's liabilities for such claims, through targeted tree works in higher-risk areas, better recording of tree stock and inspections, a review of the Tree Management Strategy to take into account subsidence risk and meetings with/seminars for the Tree Team, to aid their understanding of the insurance position.
- Highways risk has been reduced as far as is possible: 100% of inspections are being carried out on the highway network and no claims have been paid in 2018. This is a result of excellent hard work on the part of the Inspectors and the close working relationship between Highways and the Insurance Team. Risk mitigation work will not cease, it is important to ensure that this position does not slip.

4.4 Working with schools

- Schools are not obliged to arrange their insurance through the Local Authority and so for the past 20 years the Insurance Team have been offering the bespoke 'Choice' service, which allows schools to choose from a range of insurances they may need, including specialist schemes for school journeys, Governors and legal expenses, as well as the usual buildings, contents, liabilities and motor covers.
- The schools can choose the level of excess they are comfortable with and receive claims handling, insurance advice and risk management support from the Insurance Team.
- Many schools are now converting to Academy status and so can no longer remain as part of the Council's schools policy. The Insurance Team have therefore been working with our insurers to make an offering to schools on a standalone basis that can rival the Risk Protection Agreement, which allows the school to remain with a commercial insurer and also retain the services of the Insurance Team.
- Seven Academies have remained so far and the scheme is being offered to all schools at the point they are looking to convert and also, if they have already

converted, on the approach to their renewal, so they have an option to return to an insurance model.

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

5. CONSULTATION

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

6. ANTICIPATED OUTCOMES OR IMPACT

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

7. REASON FOR THE RECOMMENDATION

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

8. ALTERNATIVE OPTIONS CONSIDERED

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

9. IMPLICATIONS

Financial Implications

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

10. BACKGROUND DOCUMENTS

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

- 10.1 None

11. APPENDICES

- 11.1 Appendix A: Insurance Report 2018 / 2019

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Annual Insurance Report 2018/19

1...INTRODUCTION

1.1 This report seeks to:

- provide an update on insurance activities within Peterborough City Council over the past financial year
- look at claims received over the past financial year
- provide a comparison with claims received in previous years and identify trends and the reasons for them
- set out the proactive risk mitigation work being carried out by the Insurance Team
- forecast likely future risks and the work proposed for the next financial year and beyond

2...CLAIMS REVIEW

2.1 Claims received over 5 Years (Broken Down By Claim Type)

	2014/15	2015/16	2016/17	2017/18	2018/19
Employers Liability	3	5	5	3	3
Motor	15	18	19	12	14
Other	7	5	7	3	1
Property	27	29	25	21	25
Public Liability	134	117	157	153	108
Total	186	174	213	192	151

- Claim numbers are very low for an Authority of this size and have stabilised over the last few years.
- Employers Liability claim numbers remain particularly low. This is likely to be partially due to the outsourcing of the higher-risk manual operations 8 years ago and partially due to the strong commitment to Health & Safety and risk management across the Council.
- Motor claims have also remained consistent and low. Of the 14 claims in 2018/19, 7 were fault and 7 non-fault. The fault accidents were mostly low speed misjudgements when parking or reversing. There is not considered to be any need for driver training at present, but this will be monitored and reviewed in future if the statistics deteriorate significantly.
- Property claim numbers are stable in the 20s. The top two claims causes currently are vandalism and break in/theft.
- Public liability claims figures are very low. As claimants have 3 years in which to pursue personal injury claims, the numbers for 2017/18 and particularly 2018/19 are likely to increase slightly over the next year or two. The two most frequent claims types are Highways and Trees.

2.2 Claims values over past 5 years (Broken Down By Claim Type)

	2014/15	2015/16	2016/17	2017/18	2018/19
Employers Liability	0	35,000.00	21,500.00	31,000.00	15,500.00
Motor	33,700.83	40,629.55	37,595.71	24,518.40	3,638.44
Other	3,281.99	660.99	670.11	308.45	200.00
Property	51,211.04	78,658.15	37,275.63	71,339.80	805,605.70
Public Liability	165,695.54	171,988.90	317,652.77	365,144.91	397,581.16
Total	253,889.40	326,937.59	414,694.22	492,311.56	1,222,525.30

- Employers Liability claim numbers have been very low over the past 5 years and have in the main been successfully defended. There have been no high-value, serious claims in this period.
- The Motor figure for 2018/19 is not representative. Motor claims are handled by insurers rather than the Insurance Team and so the values are only provided by insurers once the claims are completed.
- The large increase in value between 2015/16 and 2016/17 on Public Liability claims relates to one large-value claim. The majority of any settlement paid on this claim will be made by insurers and not from internal funds. The 2017/18 and 2018/19 figures are not representative. Full reserves are maintained on all claims, even those that have been repudiated, until the claims are closed. There are 21 open claims in 2017/18 and 49 in 2018/19. The claims figures will reduce once these claims are closed.

2.3 Public Liability Repudiation Rate

	2014/15	2015/16	2016/17	2017/18	2018/19
PL repudiation rate	82%	92%	89%	86%	94%

- The Highways repudiation rates are 100% for 2018/19, 100% for 2017/18, 98% in 2016/17, 100% in 2015/16 and 92% in 2014/15. These are excellent rates.
- The majority of claims payments now being made relate to direct damage to walls and fences caused by trees/other vegetation and tree-related subsidence to property. Work is being done to reduce this risk: the entirety of the Council's tree stock has been listed and is regularly inspected and maintained.

2.4 Average Public Liability Claim Cost

	2014/15	2015/16	2016/17	2017/18	2018/19
Average PL claim cost	1,236.53	1,469.99	2,023.27	2,386.57	3,681.31

- The claims years 2014/15 and 2015/16 are nearing maturity and show a slight increase in the average claim cost. It is too early to tell with the following three years, as their figures are being skewed by the number of claims still open, which are holding full reserves: 2016/17 has £218,726 of outstanding reserves, 2017/18 has £314,367 and 2018/19 has £391,638. So the average figures will come down as these claims reach conclusion.

3...INSURANCE TEAM WORK

3.1 The Insurance Team now form part of the wider Audit, Insurance and Investigations Team and provide the following main services:

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

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

- PCC's waste collection, grounds maintenance and associated services have transferred to a new wholly-owned trading company, Aragon Direct. The Insurance Team have undertaken an exercise to review the insurance needs of Aragon Direct and put these insurances in place. Claims handling is also being undertaken and procedures have been put in place to facilitate this, including the creation of bespoke claims report forms and procedure notes for operatives. Meetings with key staff at Aragon Direct to build a close working relationship have taken place and are diarised to continue, to make the start up as smooth as possible on the insurance side.
- The new Well Managed Highway Infrastructure Code of Practice came into effect from October 2018. To prepare for this, the Insurance Team have arranged training for the Highway Inspectors, including a mock trial and a Lantra-accredited course to update their skills. Changes to the Highways software system have also been made to allow more flexibility over inspection frequencies, in keeping with the new Code. Insurers undertook an audit of the Highway function and its readiness for the new Code and scored it as 'Excellent'.
- The move to Sand Martin House in August 2018 and the change to agile working required a lot of preparation, including an upgrade of the insurance software to

be cloud-compatible, obtaining laptops and mobile telephones to allow working from non-office locations, a review of all paperwork to streamline this as much as possible to account for the smaller storage allocation at SMH and a full review and update of the insurance archives, which had to be moved. All of this was completed in time and the move went very smoothly and agile working has been fully embraced and embedded, with the ratio of office work to other locations being 60/40% currently.

- Claims handling was undertaken for other authorities, which was positive both for the income generated and for the opportunity to compare our practices against others and share what we feel are examples of good practice, for example our template Highways report form that the Inspectors complete on each claim to provide all the information necessary to reach a decision on liability. We also provided training on running reports for one Authority's Highways Officer, as the system used is the same at both authorities.
- A review of sums insured has commenced, starting with the Museum exhibits, which have not been revalued since 1998. This was completed May/June and the results should be available shortly. This work will continue over the coming year for other Council assets.

3.3 Risk Mitigation. The Insurance Team do not only handle insurance claims made against the Council, this data is also analysed to identify the greatest risks and claims trends. Actions are then taken to reduce these risks. The two main risks faced by Peterborough City Council presently are Highways and tree-related subsidence. The following actions have been taken in connection with these:

- The long dry spell last summer has led to a rise in tree-induced subsidence claims against the Council. The Insurance Team have been working with the Natural and Historic Environment Manager to reduce the Council's liabilities for such claims, through targeted tree works in higher-risk areas, better recording of tree stock and inspections, a review of the Tree Management Strategy to take into account subsidence risk and meetings with/seminars for the Tree Team, to aid their understanding of the insurance position. This strategy has started to pay off, with tree mitigation works being completed early, allowing PCC to defend the majority of claims where there was no foreseeability of damage and limit costs on cases that cannot be defended by preventing damage worsening. For example, the cost of claims in the last 'event year' of 2006 was just over £258k. The reserve figures for the event year of 2018 are currently £181k, which is a reduction of 30% and this should reduce further as repudiated claims are closed.
- Highways risk has been reduced as far as is possible: 100% of inspections are being carried out on the highway network and no claims have been paid in 2018. This is a result of excellent hard work on the part of the Inspectors and the close working relationship between Highways and the Insurance Team. Risk mitigation work will not cease, it is important to ensure that this position does not slip. As set out in section 3.2, Lantra-accredited training has been arranged for the Highways Inspectors to demonstrate their compliance with the new Code of Practice and regular meetings will continue to discuss any issues arising, as well as regular claims figures being provided to show the current position and trends.

3.4 Working with Schools. Schools are not obliged to arrange their insurance through the Local Authority and so for the past 20 years the Insurance Team have been offering the bespoke 'Choice' service, which allows schools to choose from a range of insurances they

may need, including specialist schemes for school journeys, Governors and legal expenses, as well as the usual buildings, contents, liabilities and motor covers.

- Schools can choose the level of excess they are comfortable with and receive claims handling, insurance advice and risk management support from the Insurance Team.
- For example, if there is a claim at a school and the investigation shows that risk assessments are either not in place or are not sufficient, this can demonstrate a potential problem with risk management at the school which could lead to future claims, so the Insurance Team will work with the school and on occasion involve the Council's Health & Safety Team to improve the risk assessments, put in place policies to support risk improvement and provide match funding for risk improvement initiatives.
- Many schools are now converting to Academy status and so can no longer remain as part of the Council's schools policy. The Insurance Team have therefore been working with our insurers to make an offering to schools on a standalone basis that can rival the Risk Protection Agreement, which allows the school to remain with a commercial insurer and also retain the services of the Insurance Team. Seven Academies have remained so far and the scheme is being offered to all schools at the point they are looking to convert and also, if they have already converted, on the approach to their renewal, so they have an option to return to an insurance model.

4...FUTURE WORKSTREAMS

4.1 In addition to the general, ongoing work set out in the previous section, the Insurance Team will be working on the following over the next year:

- The LATCo, Aragon Direct, is now fully operational and the Insurance Team will handle all claims on their behalf, as well as arranging the insurance renewals and advising on risk management issues arising through claims trends. This may create a resources issue, as the mainly manual nature of many of the services may lead to increased Employers Liability claims and there has already been a significant increase in motor claims.
- The Insurance Team has worked with insurers to provide a suitable alternative to the RPA for Academy schools when they have to leave the Council's blanket policy. This is being offered to all converting schools going forward and also to schools who have already become Academies, to offer them the choice to revert to traditional insurance. Early indications on the scheme are positive.
- Claims handling assistance has been provided to other Local Authorities and this will continue to be offered for as long as resources allow.
- Further work will be undertaken with the Natural & Historic Environment Manager to reduce tree-related risks. Specific arboricultural training is also being arranged for the Highways Inspectors in relation to highway trees.
- An exercise will be undertaken to review all Vivacity claims and provide risk management advice where trends are identified.

AUDIT COMMITTEE	AGENDA ITEM No. 10
15 JULY 2019	PUBLIC REPORT

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

REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

RECOMMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. To consider the draft response to the CIPFA Toolkit checklist for Audit Committees, which records that the Committee meets all of the good practice statements; 2. To consider the draft responses to the CIPFA Knowledge and Skills Framework for local authority audit committees; and 3. To agree any actions which the Committee considers appropriate to amend or enhance the Committee's arrangements in light of the completed Knowledge and Skills Framework assessment and the CIPFA Audit Committee Toolkit checklist. 	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

- 2.1 To provide Members with an update on progress in developing the audit plan
- 2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.17

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

3. TIMESCALES

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

4.1 INTRODUCTION

4.1.1 The Accounts and Audit Regulations 2015 state that each local authority shall at least annually, “conduct a review of the effectiveness of its system of internal audit”. The regulations go on to say that the findings of this review should be considered by a committee or members of the relevant body as a whole, as part of the wider consideration of the organisation’s system of internal control. This requirement is reiterated in the Internal Audit Charter which was last approved by the Committee in March 2019. The requirements for an effective internal audit function are set out in Public Sector Internal Audit Standards (last updated in April 2017).

4.1.2 Members previously considered a report in March 2018 which reviewed the Committee’s effectiveness as the Council’s Audit Committee, using the CIPFA “*Toolkit for Local Authority Audit Committees*”. An update of this assessment is provided within the report. The report also contains an assessment against an existing good practice model in respect of the knowledge and skills expected of an effective audit committee to enable it to effectively discharge its duties.

4.2 CIPFA GUIDANCE ON AUDIT COMMITTEES

4.2.1 CIPFA published “*Audit Committees - Practical Guidance for Local Authorities and Police*”. The document sets out CIPFA’s guidance on the function and operation of audit committees, giving their view of best practice, and also includes their “*Position Statement: Audit Committees in Local Authorities and Police Authorities*”. The Position Statement (**Appendix A**) emphasise the importance of audit committees and their role as a key component of governance.

4.2.2 The Guidance states that the purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

4.2.3 The Guidance sets out the CIPFA position statement, then expands on:

- The purpose of Audit Committees;
- The core functions of an Audit Committee;
- Possible wider functions of an Audit Committee;
- Independence and accountability; and
- Membership and effectiveness (including potential causes of difficulty and potential improvement options)

4.2.4 The Guidance specifies the key regulations which can be addressed by the terms of reference of an Audit Committee and provides some suggested Terms of Reference. All of the good practice set out in the CIPFA Position Statement is incorporated within PCC’s Audit Committee Terms of Reference.

4.2.5 CIPFA also produced a toolkit for local authority audit committees, which supports the objectives set out in the Guidance. The toolkit set out the following areas for consideration:

- Establishment, operation and duties of the committee;
- Role and remit;
- Membership, induction and training;

- Meetings;
- Internal control;
- Financial reporting and regulatory matters;
- Internal Audit;
- External Audit;
- Administration;
- Agenda management;
- Papers; and
- Actions arising

- 4.2.6 The toolkit contains an audit committee self-assessment checklist which has been reproduced in **Appendix B**. Officers have completed the checklist, which concludes that the Audit Committee demonstrates that it is meeting good practice. *Members may wish to consider the draft responses given to ensure they accurately reflect their views and agree appropriate actions for those areas they consider should be amended / enhanced.*
- 4.2.7 To further assist Audit Committees, CIPFA also produced a Knowledge and Skills framework for Audit Committee members. A draft assessment has been compiled by officers (**Appendix C**). Core skills are identified in **Appendix D**.
- 4.2.8 Further information and best practice was provided by the Public Sector Audit Appointments Ltd at a Local Audit Quality Forum in June 2019 which was attended by the Audit Committee Chair and the Chief Internal Auditor.
- 4.2.9 From the evidence available, the core functions of the Audit Committee remain sound and meet requirements. With a regular turnover of membership, training needs remain at the forefront and appropriate action plans will be developed to sit alongside the work programme.

5. CONSULTATION

- 5.1 The review has been circulated to Acting Corporate Director of Resources for consideration.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 It can be demonstrated that Audit Committee fulfils its terms of reference and meets best practice governance guidelines within the public sector.

7. REASON FOR THE RECOMMENDATION

- 7.1 To provide Members with an overview of the requirements and best practice for audit committees and allow for challenge.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 None

9. IMPLICATIONS

Financial Implications

- 9.1 The report does not give rise to any additional capital or revenue financial implications.

Legal Implications

- 9.2 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:
- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - Ensures that the financial and operational management of the authority is effective; and
 - Includes effective arrangements for the management of risk.

Regulation 5 requires the Council to ensure it undertakes an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Regulation 6 requires the Council to conduct an annual review of the effectiveness of the system of internal control required by Regulation 3; and to prepare an annual governance statement. The findings of the review of effectiveness must be considered as part of the consideration of the system of internal control referred to in paragraph 4.2 above. The Council has delegated the discharge of this function to the Audit Committee.

Equalities Implications

- 9.3 Not applicable.

10. BACKGROUND DOCUMENTS

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

- 10.1 None.

11. APPENDICES

A: Key Attributes
B: Compliance Self-Assessment
C: Knowledge and Skills Framework
D: Core Skills

CIPFA POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES

Audit Committees are a key component of an authority's governance framework

Their function is to provide an independent and high-level resource to support good governance and strong public financial management

The purpose of an Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes

By overseeing Internal Audit and External Audit it makes an important contribution to ensuring that effective assurance arrangements are in place

The core functions of the Audit Committee are to:

Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it and demonstrate how governance supports the achievement of the authority's objectives.

In relation to the authority's Internal Audit functions:

- Oversee its independence, objectivity, performance and professionalism
- Support the effectiveness of the Internal Audit process
- Promote the effective use of Internal Audit within the assurance framework

Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations

Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.

Consider the reports and recommendations of External Audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.

Support effective relationships between External Audit and Internal Audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.

Review the financial statement, External Auditors opinion and reports to Members, and monitor management action in response to the issues raised by External Audit

Audit Committees can also support their authorities by understanding a wider role in other areas including:

Considering governance, risk or control matters at the request of other committees or statutory officers

Working with local standards committees to support ethical values and reviewing the arrangements to achieve these values

Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice

Providing oversight of other public reports, such as the Annual Report

Although no single model of Audit Committee is prescribed, all should:

Act as the principal non-executive, advisory function supporting those charged with governance

Be independent of both the executive and the scrutiny functions

Have clear rights of access to other committees / functions, corporate boards and other strategic bodies

Be properly accountable to the Council

Meet regularly - at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public

Be able to meet privately and separately with the External Auditor and with the Chief Internal Auditor

Include, as regular attendees, the Chief Financial Officer(s) or appropriate senior and qualified substitute, the Chief Executive, Chief Internal Auditor and the appointed External Auditor. Other attendees may include the Monitoring Officer

These officers should also be able to access the committee, or the chair, as required. The committee should have the right to call any other officers or agencies of the authority as required.

Report regularly on their work and, at least annually, report an assessment of their performance

Good Audit Committees are characterised by:

A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role

A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives

Unbiased attitudes - treating auditors, the executive and management fairly

The ability to challenge the executive and senior management when required

	Issue / Evidence / Suggested Improvement	Yes	No
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APPENDIX B

1...ESTABLISHMENT, OPERATION AND DUTIES			
1.1 ROLE AND REMIT			
1.1.1	Does the Audit Committee have written terms of reference? Terms of Reference (ToR) can be found within: <ul style="list-style-type: none"> • Constitution; • on Council website; and • Audit Committee Handbook Regularly reviewed and is up to date with approval through Council as appropriate when Constitution amendments are made. Last update for Audit Committee was May 2019 to include references for whistleblowing (previously Constitution and Ethics Committee) and to consider reports in relation to the performance of Council companies alongside the Shareholder Cabinet Committee.	✓	
1.1.2	Do the terms of reference cover the core functions of an Audit Committee as identified in CIPFA guidance? Template used for ToR based upon CIPFA best practice. Incorporates arrangements for <ul style="list-style-type: none"> • Internal Audit; • External Audit; • Risk Management; • Governance; and • Fraud issues. Since the last review (March 2018), following review of Constitution, member standards have been removed.	✓	
1.1.3	Are the terms of reference approved by the council and reviewed periodically? Updates to Constitution are all channelled through Council as appropriate (see 1.1.1). Last full update for Audit Committee was May 2019. Main ToR remains as per best practice.	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No																		
1.1.4	<p>Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?</p>	✓																			
	<p>Changes to committee numbers agreed each year at Council when establishing make up of each Committee.</p> <p>11/7/2012 Council agreed for Audit Committee to be exempt from political balance requirements under s.15 LG and Housing Act 1989. Current membership (7).</p> <p>Membership following May 2019 Full Council is</p> <table><tr><td>Party</td><td>Conservative</td><td>Labour</td><td>Lib Dem</td><td>Werrington First</td><td>Green</td></tr><tr><td>Membership</td><td>3</td><td>3</td><td>1</td><td>0</td><td>0</td></tr><tr><td>Reserve</td><td>1</td><td>1</td><td>1</td><td>0</td><td>0</td></tr></table> <p>Committee members are all elected Councillors in line with the Constitution, there are no "independent persons" on the Committee.</p> <p>Training is provided to members on request basis and linked to the agenda items.</p> <p>To tie in with the first meeting each municipal year, this includes an overview of the workings of the Committee for all Members so as to provide initial support for new representatives together with details of the final accounts.</p> <p>Previous training has been provided to cover risk management, RIPA and the differences between internal audit and external audit.</p> <p>Best practice briefings are provided to Members as and when received from professional bodies.</p>	Party	Conservative	Labour	Lib Dem	Werrington First	Green	Membership	3	3	1	0	0	Reserve	1	1	1	0	0		
Party	Conservative	Labour	Lib Dem	Werrington First	Green																
Membership	3	3	1	0	0																
Reserve	1	1	1	0	0																
1.1.5	<p>Can the Audit Committee access other committees and full council as necessary?</p>	✓																			
	<p>Members are also on other Committees in line with their political party proportionate allocation and all are expected to attend Full Council.</p> <p>An Annual report on Audit Committee activity is provided to Full Council for information. (There is an expectation that Chair would discuss at the meeting, but could be an issue if they lose seat in local elections.</p> <p>The latest version was submitted to Audit Committee (March 2019).</p> <p>Issues raised within Audit Committee which are deemed not to be within the remit of the committee are referred through to the appropriate committee.</p> <p>With the creation of the Shareholder Cabinet Sub-Committee, there will be a number of reports / links required going forward.</p>																				
1.1.6	<p>Does the authority's Annual Governance Statement (AGS) include a description of the Audit Committee's establishment and activities?</p>	✓																			
	<p>AGS between 2006 and 2019 produced by Chief Internal Auditor (CIA) and responsibility for it is with Acting Corporate Director of Resources in line with prescribed best practice.</p> <p>The draft is submitted as part of statement of accounts deadlines and independently checked by External Audit to confirm approach and its content.</p> <p>Reference is made within the document to the role of the Audit Committee.</p>																				

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
1.1.7	Does the Audit Committee periodically assess its own effectiveness? Effective review completed by CIA. No separate independent review undertaken, however report to Audit Committee July 2019 provides opportunity for challenge by Members. A separate assessment against the CIPFA Knowledge and Skills Framework is also included. Membership numbers reviewed as part of overall allocation to committees, approved through Council each year.	✓	
1.1.8	Does the Audit Committee make a formal annual report on its work and performance during the year to full council? Annual report is produced each year by Democratic Services (based on a standard template) in March each year. Referral to Full Council following consideration / agreement at Audit Committee.	✓	
1.2	MEMBERSHIP, INDUCTION AND TRAINING		
1.2.1	Has the membership of the committee been formally agreed and a quorum set? Annual membership review each year (May). Full Council approval required (based on political proportionality) Quorum level set at 4.	✓	
1.2.2	Is the chair independent of the executive function? Chair is not on Cabinet, but member of the main party. On creation of the Audit Committee, decision taken that membership should be only elected Members, with no independent representation although this can be reviewed.	✓	
1.2.3	Has the Audit Committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime? Training has been provided to all councillors when needed. This has included final accounts; risk management; role of members on the audit committee; governance arrangements; financial and contract rules; and standards. Chair of Audit Committee and CIA attended Local Authority Quality Forum (Practical Help for Audit Committees) in June 2019. All members are provided with access to the Audit Committee Handbook (awaiting publication on the Councils intranet) and best practice briefings are circulated when received.	✓	
1.2.4	Are new Audit Committee members provided with an appropriate induction? Initial training provided in June each year to capture role of Audit Committee together with an overview of the accounts as will be on the first formal agenda. Standardised work programme set out for the year and training offered around each of those areas to ensure focussed discussions.	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
1.2.5	Have all members' skills and experiences been assessed and training given for identified gaps? Training has been provided to members based around key aspects of the committee agendas, such as: <ul style="list-style-type: none"> • Introduction to governance • Risk management • Final accounts and the governance statement • Treasury Management Democratic Services assess all member training needs.	✓	
1.2.6	Has each member declared his or her business interests? Member interests are recorded on website in accordance with the schemes requirements. During 2018 / 2019 meetings, no declarations have been made before (or during) Audit Committees.	✓	
1.2.7	Are members sufficiently independent of the other key committees of the council? No members on Audit Committee are on Cabinet. Cabinet Member for Finance as a point of principle does attend Audit Committee in an observation capacity, although does contribute to items if required. (Does not have voting rights). All Members are on separate Committees	✓	
1.3	MEETINGS		
1.3.1	Does the Audit Committee meet regularly? Set timetable agreed each year / with prescribed timings for the key reports. For example. <ul style="list-style-type: none"> • July (Final accounts / AGS / Audit Opinion) • September (strategic risks / annual audit letter) • November (audit progress) • February (grant claims / strategic risks / treasury) • March (IA / EA plans) Other activities programmed throughout year cover, fraud, governance, use of RIPA and approvals of write offs exceeding £10,000.	✓	
1.3.2	Do the terms of reference set out the frequency of meetings? Work programme identified each year sets out the key activities and timelines for delivery – but this is not set out within the ToR.	✓	
1.3.3	Does the Committee calendar meet the authority's business needs, governance needs and the financial calendar? Work Programme produced complies with statutory dates for reporting.	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
1.3.4	Are members attending meetings on a regular basis and if not, is appropriate action taken? Annual report sets out level of attendance and are documented on website against each committee agenda. Substitutes are available if needed to ensure quorate and offset apologies. There has been no matters arising from the need for necessary actions if members are not regularly present.	✓	
1.3.5	Are meetings free / open without political influences being displayed? While the composition of the Committee reflects the political composition of the Council, decisions are not taken on political lines. In addition, the committee is exempt from political balance requirements (see 1.1.4)	✓	
1.3.6	Does the s151 officer or deputy attend all meetings? Acting Corporate Director of Resources (s151) present at each meeting.	✓	
1.3.7	Does the Audit Committee have the benefit of attendance of appropriate officers at its meetings? Committee is supported by a permanent clerk from Democratic Services. Acting Corporate Director of Resources and CIA are always in attendance. Other Officers attending are based on agenda items as well as representation from External Audit and Legal Services.	✓	
2...INTERNAL CONTROL			
2.1	Does the Audit Committee consider the findings of the annual review of the effectiveness of the internal audit? Annual report produced each year for review as part of the consideration for the AGS.	✓	
2.2	Does the Audit Committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts? Agenda items are structured so that it is considered before final accounts each year Members have been provided with commentary as to the background and compilation of data for the AGS.	✓	
2.3	Does the Audit Committee consider how meaningful the AGS is? Advice on the reasoning behind the AGS and how to challenge and understand it are provided in the Audit Committee Handbook and with occasional training sessions. All committee reports provide full details / background information in order to make informed decisions in line with corporate templates. External Audit comments in relation to the AGS also referred to the Committee	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
2.4	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period? Reporting on adequacy of controls are within the Internal Audit progress reports to committee and the annual opinion. Previous review of effectiveness of Internal Audit also reported upon. Each report is discussed as appropriate, minuted and agreed.	✓	
2.5	Has the Audit Committee considered how it integrates with other committees that have responsibility for risk management? Committee are responsible for monitoring the effective development and operation of risk management in the Council.	N/a	N/a
2.6	Has the Audit Committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud - Actions to Counter Fraud and Corruption?" Part of Audit Committee remit and previously covered. Guidelines issued by CIPFA in October 2014. Policies are reviewed against these. Latest policies submitted to Audit Committee in March 2018 and continue to meet best practice	✓	
2.7	Does the Audit Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented? There is an annual report produced in relation to investigations / compliance which covers the works of the Investigations team.	✓	
2.8	Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan? Set out in the Audit Charter / Strategy as to how the Audit Plan has been developed. A revised approach has been formalised since 2018 and was included on the agenda in February each year to identify emerging issues. Training has been provided to Members on the role of Internal Audit and how it focusses its works around establishing appropriate mechanisms in place to reduce the risks. The full audit plans are provided annually in the March committee cycle.	✓	
2.9	Does the Audit Committee review the authority's strategic risk register at least annually? Risk register issued to Audit Committee as a high level document, usually every 6 months, subject to review being undertaken by CMT. Risk management being refreshed (as is all Boards) and meaningful dialogue in place with Members to ensure challenge / buy in.	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
2.10	Does the Audit Committee monitor how the authority assesses its risk? Risks are reported to committee and actions taken to mitigate are challenged. Suggestions are made for areas that should be included.	✓	
2.11	Do the Audit Committee's terms of reference include oversight of the risk management process? Yes	✓	
3...FINANCIAL REPORTING AND REGULATORY MATTERS			
3.1	Is the committee's role in the consideration and / or approval of the annual accounts clearly defined? Defined within ToR in line with best practice	✓	
3.2	Does the audit committee consider specifically: The suitability of accounting policies and treatments Set out in final accounts updates / reports and overview given as part of training prior to agenda Major judgements made Commentary is included in the final account statements and are reviewed by members and External Audit. No misstatements have been identified. Large write offs Write offs over £10,000 are a standing item on the Audit Committee agenda. The last write off report was submitted to Audit Committee in February 2019. Changes in accounting treatment Set out in final accounts updates / reports and overview given as part of training prior to agenda The reasonableness of accounting estimates / narrative aspects of reporting Will be more prominent as quicker account closures introduced. External Audit works earlier in year to reduce the potential levels of estimates Accounting reports follow prescribed best practice and are reviewed by Members and External Audit	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
3.3	Is the Audit Committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	✓	
	Covered during the July cycle (subject to accounts been able to be closed)		
3.4	Does the Audit Committee review the management's letter of representation?	✓	
	See 3.3 above		
3.5	Does the Audit Committee annually review the accounting policies of the authority?	✓	
	See 3.2 above		
3.6	Does the Audit Committee gain an understanding of management's procedures for preparing the authority's annual accounts?	✓	
	Annual training is provided to Audit Committee members prior to review of the statement of accounts		
3.7	Does the Audit Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	✓	
	Training is provided on key aspects of the agenda. Information circulars received from CIPFA are incorporated into the Handbook.		
4...INTERNAL AUDIT			
4.1	Does the committee approve, annually the Internal Audit strategic and annual plans including consideration of whether the scope of Internal Audit work addresses the authority's significant risks?	✓	
	Annually, March committee cycle receives: <ul style="list-style-type: none"> • Internal Audit Strategy • Internal Audit Plan • Internal Audit Charter • Internal Audit Code of Ethics 		
4.2	Does Internal Audit have an appropriate reporting line to the Audit Committee?	✓	
	CIA has direct access and freedom to report to all officers / members and particularly to those charged with governance e.g. Chief Executive; Monitoring Officer; s151 Officer; Deputy s151. Meetings are held with Chair of Audit Committee (briefings) when required Monthly meetings are held with Cabinet Member for Finance		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
4.3	Does the Audit Committee receive periodic reports from Internal Audit including an annual report from the Head of Internal Audit? Following agreement of audit plan, there is a half year progress report followed by an annual report and opinion Separate report produced on emerging issues to develop future works.	✓	
4.4	Are follow-up audits by Internal Audit monitored by the Audit Committee and does the committee consider the adequacy of implementation of recommendations? Recorded on progress reports of all audit activities undertaken.	✓	
4.5	Does the Audit Committee hold periodic private discussions with the Head of Internal Audit? Constitution does not allow for private meetings to be held		✓
4.6	Is there appropriate cooperation between the internal / external auditors? Joint working arrangements where appropriate to ensure effective coverage and avoiding duplication. Progress meetings are held.	✓	
4.7	Does the Audit Committee review the adequacy of Internal Audit staffing and other resources? Resource levels are identified within the annual planning process to establish work plans.	✓	
4.8	Has the Audit Committee evaluated whether its Internal Audit service complies with Public Sector Internal Audit Standards? Internal Audit service was externally assessed in 2018 and their report submitted to Audit Committee in February 2019. The service was fully compliant.	✓	
4.9	Are Internal Audit performance measures monitored by committee? Reported as part of the annual audit opinion. However, these will look to be reviewed as part of accreditation process action plan	✓	
4.10	Has the Audit Committee considered the information it wishes to receive from Internal Audit? A standard work programme is in place based on known requirements to meet statutory needs for all aspects which are delivered through the committee.	✓	

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
5...EXTERNAL AUDIT			
5.1	Do the external auditors present and discuss their audit plans and strategy with the Audit Committee (recognising the statutory duties of external audit)?	✓	
	Annual report at same time as Internal Audit		
5.2	Does the Audit Committee hold periodic private discussions with the external auditor?		✓
	See 4.5		
5.3	Does the Audit Committee review the external auditor's annual report to those charged with governance?	✓	
	Annual report on the work programme		
5.4	Does the Audit Committee ensure that officers are monitoring action taken to implement external audit recommendations?	✓	
	Regular progress reports are produced		
5.5	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	✓	
	Only external audit reports are referred to Audit Committee		
5.6	Does the Audit Committee assess the performance of external audit?	✓	
	All reports reviewed in line with the committee work programme. Consultation was in place for the appointment of new auditors through the PSAA contracts.		
5.7	Does the Audit Committee consider / approve the external audit fee?	✓	
	Considered by Cabinet and endorsed by Audit Committee		
6...ADMINISTRATION			
6.1	AGENDA MANAGEMENT		
6.1.1	Does the Audit Committee have a designated secretary from Committee / Member Services?	✓	
	Audit Committee is a formal committee with representation from Democratic Services		
6.1.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?	✓	
	Papers issued in accordance with council requirements		

AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS 2019

	Issue / Evidence / Suggested Improvement	Yes	No
6.1.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis? Work programme established which maps business needs	✓	
6.1.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit? Not a standard agenda item. However, Members are encouraged to provide information at the meeting which can be considered in future by Audit Committee (such as training), or referred to the appropriate committee.	✓	
6.2	PAPERS		
6.2.1	Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective? Standard report format	✓	
6.2.2	Does the Audit Committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented? Standard committee template utilised	✓	
6.3	ACTIONS ARISING		
6.3.1	Are minutes prepared and circulated promptly to the appropriate people? Circulated following meeting and agreed at next	✓	
6.3.2	Is a report on matters arising made and minuted at the Audit Committee's next meeting? Standard item on the agenda which highlights actions made and how they have been resolved	✓	
6.3.3	Do action points indicate who is to perform what and by when? As 6.3.2	✓	

Steve Crabtree
Chief Internal Auditor
June 2019

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AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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APPENDIX C

ORGANISATIONAL KNOWLEDGE		
An overview of the governance structures of the authority and decision-making processes	This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement (AGS), internal and external reports and risk registers.	Member development through committee briefings (ongoing) Audit Committee Handbook (ongoing) Training for all members at start of municipal year <u>Reports:</u> <ul style="list-style-type: none"> AGS: July 2018; July 2019
Knowledge of the organisational objectives and major functions of the authority		Training: <ul style="list-style-type: none"> Statement of Accounts training: June 2019 Annual Governance Statement: June 2019 Training for all members at start of municipal year <u>Reports:</u> <ul style="list-style-type: none"> Statement of Accounts: July 2018, July 2019 AGS: July 2018; July 2019

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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AUDIT COMMITTEE ROLE AND FUNCTIONS		
An understanding of the audit committee's role and place within the governance structures	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others	Audit Committee Handbook (ongoing) Training for all members at start of municipal year
Familiarity with the committee's terms of reference and accountability arrangements		Audit Committee Annual report: March 2019 New member training (including accounts): June 2019
Knowledge of the purpose and role of the audit committee	The committee will plan the assurances it is to receive in order to adequately support the AGS	Annual reports to July meetings include <ul style="list-style-type: none"> • Statement of Accounts • Annual Governance Statement • Annual Audit Opinion • Annual Investigations Report Annual Audit Committee report: March 2019
Governance Knowledge of the six principles of the CIPFA / SOLACE Good Governance Framework and the requirements of the AGS	The committee will review the AGS and consider how the authority is meeting the principles of good governance	AGS report July 2019
Knowledge of the Local Code of Governance	The committee will review the AGS and consider how the authority is meeting the principles of good governance	Local Code of Corporate Governance: July 2018

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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INTERNAL AUDIT		
An awareness of the key principles of the Public Sector Internal Audit Standards	The committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards	March 2019 Committee reports include: <ul style="list-style-type: none"> • Internal Audit Charter • Internal Audit Strategy • Internal Audit Plans
Knowledge of the arrangements for delivering	The committee will review the assurances from internal audit work and will review the risk based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards	Audit updates to committee ½ year progress report Annual Audit Opinion report
	In relying on the work of Internal Audit, the committee will need to be confident that professional standards are being followed	Public Sector Internal Audit Standards (full compliant report): February 2019

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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FINANCIAL MONITORING AND ACCOUNTING		
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them	Reviewing the financial statements prior to publication, asking questions	Statement of Accounts: June 2018; June 2019
Understanding of good financial management principles	Reviewing the External Audit report and opinion on the financial audit Reviewing both Internal and External Audit recommendations relating to financial management and controls.	Audit outcome and management responses to the Annual Audit Letter: July 2018
Knowledge of how the organisation meets the requirement of the role of the chief financial officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government	Committee should consider role of the Chief Financial Officer and how this is met when reviewing the AGS	Annual Governance Statement: June 2019

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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EXTERNAL AUDIT

Knowledge of the role and functions of the external auditor and who currently undertakes this role	The committee should meet with the External Auditor regularly and receive their reports and opinions.	Based on committee timetables Ongoing
Knowledge of the key reports and assurances that external audit will provide	Monitoring External Audit recommendations and maximising benefits from audit process	Based on committee timetables Ongoing
Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken	The committee should monitor the relationship between the External Auditor and the authority and support the delivery of an effective service.	Based on committee timetables Ongoing

RISK MANAGEMENT

Understanding of the principles of risk management, including linkage to good governance and decision making	In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces	Strategic Risk Register analysis reports: November 2018; March 2019
Knowledge of the risk management policy and strategy of the organisation	Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk based audit plans and the explanatory foreword of the accounts	6 monthly strategic risks update: November 2018; March 2019
Understanding of risk governance arrangements, including the role of members and of the audit committee	Typically risk registers will be used to inform the committee The committee should also review reports and action plans to develop the application of risk management practice	6 monthly strategic risks update Annual review of Risk Strategy

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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COUNTER FRAUD

<p>An understanding of the main areas of fraud risk the organisation is exposed to.</p> <p>Knowledge of the principles of good fraud risk management practice</p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy</p>	<p>Committee reports:</p> <ul style="list-style-type: none"> • Annual Audit Opinion July 2019 • Annual Investigations report July 2019 • Fraud Strategy March 2018 • Anti-Fraud policies March 2018
<p>Knowledge of the organisations arrangements for tackling fraud</p>	<p>An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the Committee members in reviewing the assessment</p>	<p>Annual Audit Opinion: June 2018</p>

VALUES OF GOOD GOVERNANCE

<p>Knowledge of the seven principles of public life</p>	<p>The committee members will draw on this knowledge when reviewing governance issues and the AGS</p>	<p>Audit Committee Handbook</p> <p>Member Code of Conduct</p>
<p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</p>	<p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS</p>	<p>Annual Audit Opinion</p> <p>Annual Investigations report</p> <p>Anti-Fraud policies</p>
<p>Knowledge of the whistleblowing arrangements in the authority</p>	<p>Committee member should know to whom concerns should be reported</p>	<p>Whistleblowing policy: March 2018</p>

AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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TREASURY MANAGEMENT

<p>“Effective scrutiny of treasury management” is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are:</p> <ul style="list-style-type: none"> • Regulatory requirements • Treasury risks • The organisations treasury management strategy • The organisations policies and procedures in relation to treasury management 	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny</p>	<p>Policy / Strategy: September 2018; February 2019</p>
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STRATEGIC THINKING AND UNDERSTANDING OF MATERIALITY Able to focus on material issues and overall position, rather than being side-tracked by detail	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also contain more minor errors or control failures. The Committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.
QUESTIONING AND CONSTRUCTIVE CHALLENGE Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding	The Committee will review reports and recommendations to address weaknesses in internal control. The Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
FOCUS ON IMPROVEMENT Ensuring there is a clear plan of action and allocation of responsibility.	The outcome of the Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the Committee should seek assurances that appropriate action has been taken.
ABLE TO BALANCE PRACTICALITY AGAINST THEORY Able to understand the practical implications of recommendations to understand how they might work in practice.	The Committee should seek assurances that planned actions are practical and realistic.
CLEAR COMMUNICATION SKILLS AND FOCUS ON THE NEEDS OF USERS Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The Committee will seek to ensure that external documents such as the AGS and the explanatory foreword to the Accounts are well written for a non-expert audience.
OBJECTIVITY Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.	The Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.
MEETING MANAGEMENT SKILLS Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the Committee Chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

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AUDIT COMMITTEE	AGENDA ITEM No. 11
15 JULY 2019	PUBLIC REPORT

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

BUDGET MONITORING REPORT FINAL OUTTURN 2018/19

R E C O M M E N D A T I O N S	
FROM: Acting Corporate Director of Resources	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note the final outturn position for 2018/19 (subject to finalisation of the statutory statement of accounts) of a £2.119m overspend on the Council's revenue budget. 2. Note the reserves position outlined in section 6 and Appendix C, which includes a contribution from the capacity building reserve of £2.119m, as a result of departmental overspends highlighted in the revenue outturn report in Appendix A and further detail of the People & Communities directorate in Appendix B. 3. Note the outturn spending of £95.9m in the Council's capital programme in 2018/19 outlined in section 7. 4. Note the performance against the prudential indicators outlined in Appendix D. 5. Note the performance on payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix E. 	

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

- 2.1. The report provides the Audit Committee with the outturn position for both the revenue budget and capital programme for 2018/19, subject to any changes required in the finalisation of the Statement of Accounts.
- 2.2. The report also contains performance information on payment of creditors and collection performance for debtors, local taxation and benefit overpayments.
- 2.3. This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.16

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

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	n/a
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4. FINAL OUTTURN 2018/19

Corporate overview

- 4.1. The Council, at its meeting on 7 March 2018 approved a balanced budget for 2018/19 that supported the delivery of key services. The approved budget included £22.2m of savings, £7.4m of demand-related pressures and investment
- 4.2. The budget included the use of £4.2m from the Grant Equalisation (GE) reserve. This was used in line with the purpose of the reserve was initially set up for in 2015/16, which was to mitigate the impact of reduced government grant, protecting as far as possible the delivery of services to our residents, while allowing officers time to develop a sustainable budget.
- 4.3. There were a number of non-repeatable savings included within the 2018/19 budget, such as the use of capital receipts, council tax surplus and the use of the GE reserve, as mentioned in point 4.2. The Council has used non-repeatable options to support the budget for a number of years, with planned use also being incorporated in to the 2019/20 budget. These are outlined in the following table:

Non Repeatable	2017/18 £000	2018/19 £000	2019/20 £000
Capital Receipts	12,738	2,922	10,639
MRP Re-provision	-	3,700	-
Council Tax Surplus	173	1,188	201
Planned Use of Reserves	7,194	4,231	3,084
Total	20,105	12,041	13,924
In year Use of Reserves	-	2,119	-
In year increased Use of Capital Receipts	-	3,298	-
Total	20,105	17,458	13,924

- 4.4. As demonstrated in the table the Council has also used additional, unbudgeted, non-repeatable options within 2018/19 to deliver a balanced position at outturn.
- 4.5. During the year the Corporate Management Team (CMT) have received regular reports on the in-year budget position, including progress updates against savings approved as part of previous budget rounds. Cabinet discuss the financial position regularly, with formal positions reported to the Cabinet meetings throughout the year. Financial plans have also been considered by a cross-party budget working group.
- 4.6. Actions undertaken by the CMT and Cabinet have included:
- Departmental management teams, together with CMT have reviewed the budget position monthly and have taken appropriate action, including plans to address budget issues. These have been reported in Budgetary Control Reports throughout the year;
 - Regular reports to CMT have included a summary of progress with savings proposals, additional pressures and risks;
 - Introduction of a new rolling budget process to aid the delivery of a balanced three year Revenue Budget and Capital Programme from 2019/20 to 2021/22 for the Council.

- Savings and service pressures have been identified as part of a new rolling budget process for 2019/20;
- An officer led Capital Review Group has been meeting on a four weekly basis. This group has the responsibility of reviewing the following and reporting updated information to CMT:
 - Review of the capital programme during the year, deferring projects into future financial years or removing projects that are no longer required. Any reduction in the amount that the council requires to borrow to fund the capital programme has reduced the costs of financing borrowing which has been reflected in the revenue outturn position;
 - Monitoring capital receipts;
 - Scrutinising proposals to capitalise expenditure relieving pressure on the general fund; and
 - Reviewing new capital project proposals to ensure they represent value for money and that the Council only invests in necessary projects.
- Thorough review of the reserves balances including a review of the future planned use of reserves.
- An enhanced Risk Management Board has met regularly throughout the year, led by the Acting Corporate Director of Resources. The purpose of this board is to challenge and supporting risk management across the council and partner organisations, and will report corporate and departmental risks into CMT.

4.7. The January 2019 Budget Control Report was presented to Cabinet on 25 March 2019, reporting a £3.4m overspend for the year. The Council can now report a departmental overspend of £2.1m, which will be funded from the Capacity Building Reserve.

4.8. The final outturn position for 2018/19 is outlined in a summary table in section 5, with additional detailed information in Appendix A.

4.9. Although the Council has drawn down £2.1m from the Capacity Building Reserve to support the 2018/19 position, the final end of year balance of £15m, on this reserve has improved by £2.3m, from £12.7m on 1 April 2018. This is due to the planned contribution of £4.4m from capital financing, as outlined within the MTFS [RE1] and the release of other reserves no longer required, which have been added to the Capacity Building reserve. There has also been increases in the departmental reserves position as a result of a number of specific grants received in advance. Throughout the year the reserves have undergone a thorough review by officers in conjunction with the Section 151 officer, to ensure that the planned use of reserves are:

- In line with the Council's Medium Term Financial Strategy;
- Appropriate levels are available to manage risks;
- Change Programme Funds are invested effectively in to future service transformation to ensure the strategic, operational and financial requirements are met;
- RingFenced Reserves are used in accordance with the predicted or known requirements, in most cases programmes funded by specific grants.

As a result of this a number of reserve commitments were released, freeing up capacity to support future council transformational change and supporting the creation of a balanced and sustainable budget for future years.

4.10. The Council's budget for 2019/20 includes budget reductions of £20.7m and a planned use of £3.1m from the GE reserve. Included within the reductions are a number of items which are one off non-repeatable savings, such as capital receipts and Council tax surplus.

4.11. The budget gap in 2020/21 currently stands at £18.4m rising to £20.1m in 2021/22. CMT and Cabinet have commenced work on a strategy to address this gap and create a sustainable ongoing budget. In 2018/19 Cabinet and Council implemented a new rolling budget process, as

agreed at Council on 7 March 2018. This new process introduces opportunities for savings and efficiencies to be approved with each Tranche of the budget process identifying :

- Savings and efficiencies that have been validated and are ready for approval;
- Savings and efficiency strategies that are being worked on that require the Council to approve resources for detailed plans to be validated and enable timely implementation to be agreed as part of subsequent budget tranches later this financial year.
- Future strategic direction and ideas.

5. Reserves outturn

- 5.1. The Council's overall revenue outturn shows a £2.1m overspend for 2018/19, after departmental contributions to reserves. The table below summarises the revenue outturn position by the directorates during 2018/19.

Revenue outturn 2018/19

Directorate	Budget	Cont. from Reserve	Revised Budget	Actual	Cont. to Reserve	Revised Variance
	£000	£000	£000	£000	£000	£000
Chief Executive	1,580	55	1,635	1,380	0	(255)
Governance	4,585	73	4,658	5,001	0	343
Growth & Regeneration	23,612	2,627	26,239	26,391	531	683
People & Communities	75,743	2,036	77,779	78,926	3,530	4,677
Public Health	(125)	64	(61)	(61)	0	0
Resources	40,590	979	41,569	34,855	4,440	(2,274)
Totals	145,985	5,834	151,819	146,492	8,501	3,174
Financing Adjustment						(1,055)
Revised Overspend						2,119
Drawdown from the Capacity Building Reserve						(2,119)
Final Variance						0

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

- 5.3. The overall position shows a £2.1m overspend, a £1.3m (38.6%) improvement against a January 2019 forecast of a £3.4m overspend. This change is summarised in the following table:

Departmental Variance Summary

Variance Change	£000
January 2019 position	3,444
Chief Executive	(70)
Governance	75
Growth & Regeneration	(1,008)
People & Communities	138
Public Health	-
Resources	(388)
Financing	(72)
Outturn position	2,119

- 5.4. The final overspend is mainly in one area, children's services. This £4.5m demand related pressure was outlined in detail when reported at the Cabinet meeting on 23 July 2018, although there are a number of key areas of overspend to also be aware of:

- Demand within adults services £0.8m;

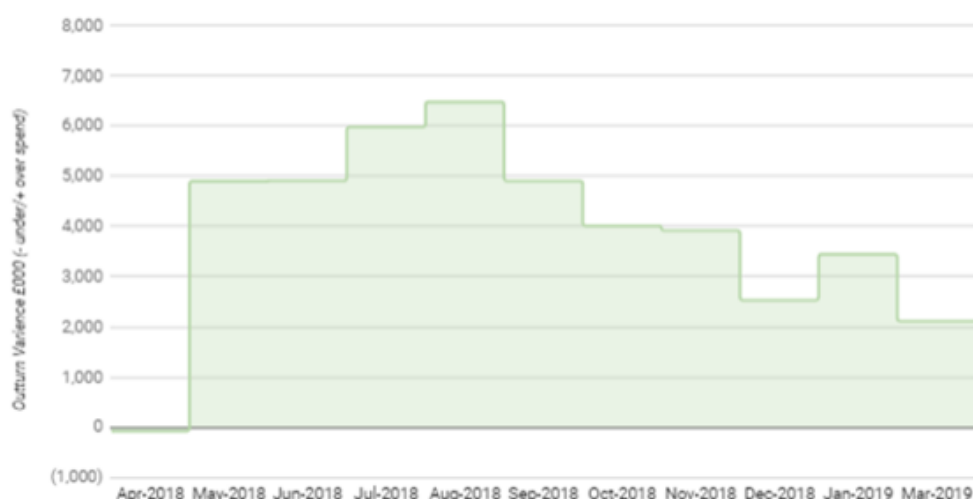
- Peterborough Serco Strategic Partnership -Transformation costs, Business support and un-achievement of 2018/19 saving targets for variable costs £2.3m;
- Amey contract extension prior to mobilisation to Peterborough Ltd £1.3m;
- Underachievement of the income, within Parking Services £0.5m;
- ICT £0.6m;
- Increased volumes within the Coroners service £0.2m.

5.5. The above pressures have been offset by the following key underspends and additional income generated:

- Capital financing £3.7m
- Additional interest income from extending a loan arrangement with Empower Community Management LLP in respect of solar installations £0.9m
- Efficiency rebate on the LED capital project and rebate on the Skanska turnover £0.3m
- Business Rates Levy account Surplus £0.6m

5.6. The following graph outlines the trend of the reported forecast outturn throughout the financial year, illustrating how the plans put in place by CMT and Cabinet has impacted on the final outturn position:

Forecast Month by Month Outturn Variance for 2018/19



- 5.7. Early on in the financial year it was clear that the Council had a significant pressure on children's services. This was the result of an increase in demand for and required mix of placements required. Detail is considered in the report which went to Cabinet on 23 July 2018 (link to the report [here](#)). Future budget adjustments have been made to take account of the pressure expected in future years through this.
- 5.8. In the summer, the overspend peaked as other forecast pressures emerged in relation to undeliverable savings targets within the Peterborough Serco Strategic Partnership area (PSSP) and the additional costs of £0.810m associated with extending the Amey contract, while the plan for transferring the services over to the Local Authority Trading Company, more widely known as Aragon Direct Services were developed. This was reported to Cabinet in July 2018 (link to the report [here](#)), December 2018 (link to the report [here](#)) and February 2019 (link to the report [here](#)).
- 5.9. Over the course of the year the overspend has gradually been reducing due to the efforts of officers, CMT and Cabinet to manage expenditure, a reduction in the cost of capital financing (borrowing costs), additional capital receipts and income received in relation to the extension of Empower loan. The saving from the Empower loan and capital receipts are one off and not expected to repeat in future years. CMT, Cabinet and an officer lead capital review group (CRG) have, and will continue to put the Capital Programme through an additional layer of review and scrutiny, to assess the requirement and rationalise expenditure. A reduction in the capital

financing budget has been factored in to the 2019/20 budget, and this will continue to be monitored closely to achieve further savings.

- 5.10. As part of the provisional local government finance settlement on 13 December 2018 the Minister James Brokenshire announced that there would be a returned Business Rates Levy, due to a surplus on the national Business Rates Levy account. This was distributed to local authorities based on the relative need basis, and meant that Peterborough received additional funding of £0.634m. This was unexpected, and therefore generated a financial benefit for 2018/19.
- 5.11. In January 2019 the forecast outturn increased due to additional pressures on the housing needs service. This was the result of a combination of housing availability, and additional demand for housing along with additional costs for a further extension of the Amey contract, required to meet the actual transfer and go live dates for Aragon Direct Services.

6. Reserves

- 6.1. The Council's reserves are monitored throughout the year as part of the BCR and feed into the budget setting process accordingly. The following table summarises the balance for all reserves at the beginning of 2018/19, against the position at the end of 2018/19, and the forecast position for future years. A more detailed outline of the reserves is outlined in Appendix C.

Table 3: Council Reserves Summary Position

Summary of Reserves	Balance at 31.3.18 £000	Balance at 31.03.19 £000	Estimated Balance at 31.03.20 £000	Estimated Balance at 31.03.21 £000
General Fund Balance	6,000	6,000	6,000	6,000
Change Programme Funds	27,590	26,077	11,915	11,915
Ring-Fenced Reserves	7,309	5,139	5,099	5,019
Total	40,899	37,216	23,014	22,934

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

Departmental Reserves - the amounts set aside by departments during the preparation of the accounts is in accordance with financial guidance to minimise risk exposure to the council in the following financial year. This reserve has increased at year end due to a number of grants which have been received for projects covering multiple years. These include:

- Family Safeguarding Innovation Programme Pilot £2.0m
- Integrated communities £1.8m
- Controlled Migration Fund £0.7m

Future Cities Reserve – the movement on this reserve represents the final, and full drawdown of the Future Cities Grant in 2018/19 awarded to Peterborough in 2013/14.

Capacity Building Reserve - this reserve is held to meet one off costs of service transformation and the delivery of savings within the Medium Term Financial Strategy (MTFS). A number of change programmes have been committed against this reserve including the ICT

strategy, Adults Positive Challenge work and the delivery of savings programmes across the Council.

The reserve has also reduced this year as £2.1m has funded the final 2018/19 position, as outlined in table 1. Despite this the reserve has increased by £2.3m, this is due to a planned contribution of £4.4m from capital receipt as outlined in the MTFS.

Public Health – movements on this reserve represent a net carry forward of unused Public Health grant, in relation to previous years underspends. This balance has reduced in 2018/19 as it was used, as planned (outlined within the 2018/19 MTFS), to support the delivery of public health services through a period of transformation. However less of the reserve has been utilised due to underspends on other services within the Public Health department.

Grant Equalisation – this reserve was created in 2015/16, with the purpose of stabilising the budget position, while the Government funding received by the Council reduces considerably. The £7.2m was used to support the position in 2017/18 and £4.2 in 2018/19, with £3.1m planned to support 2019/20. There are no further commitments against this reserve at this time.

Development Equalisation Reserve - This reserve was established at the end of 2016/17 to manage cash flow in relation to a £1.2m declared distribution from the Peterborough Investment Partnership (PIP), and was used as planned in 2018/19, therefore the reserve has been fully drawn down.

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

7.1. **Capital Budget Outturn Report as at 31 March 2019**

The following provides the final position of Council's Asset Investment Plan and the Treasury activity for the financial year 2018/19. Treasury activity for the Council during 2018/19 has been compliant with the Treasury Management Strategy approved in March 2018. This information compliments the Prudential Indicators performance report as set out in Appendix B.

7.2. **Capital Programme Outturn 2018/19**

- 7.3. The Council's final revised budget for the 2018/19 financial year was £98.3m, which includes £1.7m for Invest to Save (I2S) Schemes. The agreed capital budget as per the Medium Term Financial Plan (MTFS) was £158.7m.

- 7.4. The movement between the MTFS position and the £95.9m actual outturn is a result of an in-depth review of the capital programme by the Capital Review Group (CRG) and Corporate Management Team (CMT) undertaken during 2018/19 to ensure that the capital programme is both affordable and appropriate

- 7.5. A number of other large projects across all directorates have been reprofiled to more accurately reflect the spending over future years and other projects were removed following an enhanced scrutiny process linking to the development of the 2019/20 MTFS.

- 7.6. The Invest to Save projects have been reduced over the next few years due to no planned expenditure but does not impact the Council's budgets as it is for schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings

- 7.7. The work undertaken by CRG has also started to embed the Council's governance arrangements for making asset investment decisions and increase greater project management in the City; but there is still further work to be undertaken to ensure effective borrowing decisions are made, ensure all future schemes in the capital programme provide value for money, and are managed in line with the Council's project management systems.

The following table shows capital budgets as agreed for the 2018/19 MTFS (£158.7m), budgets containing slippage from 2017/18 (£181.3m), and the budget as reported at 31 January 2018 (£98.3m). These budgets are then compared to the final expenditure for each directorate and how this investment is financed (£95.9m). The Actual Outturn includes the cost of the Sand Martin House finance lease (£13.4m) that was not included in the January 2019 budget figures as the figures were not finalised with advisors at this time.

Directorate	MTFS Budget £000	1 April Budget £000	31 Jan. Budget £000	Actual £000
Governance	49	49	-	-
Growth & Regeneration	55,239	63,363	49,494	45,745
People & Communities	58,883	64,692	34,096	29,166
Resources	16,195	1,119	12,947	19,303
Invest to Save	28,350	52,064	1,729	1,641
TOTAL	158,716	181,287	98,266	95,855
Grants & Contributions	40,486	46,335	38,621	38,895
Borrowing for capital programme	117,230	133,952	58,645	48,760
Capital Receipts relating to loans	1,000	1,000	1,000	8,200
TOTAL	158,716	181,287	98,266	95,855

7.8. Listed below are the material value projects that have been slipped into 2019/20 that have contributed to the variance between the revised budget reported at January 2019 and the reported capital programme outturn of £95.9m.

- Loan to Properteer for Hotel at Fletton Quays - £14.2m
- A605 Whittlesey Access – Phase 2 Stanground - £3.7m
- Jack Hunt School Expansion - £3.6m
- Hampton Lakes Primary - £5.0m
- A47/A15 Lincoln Road Junction 18 - £4.6m
- Oakdale Primary 1 FE Expansion - £1.8m
- Woodston Primary Expansion - £2.4m
- Marshfields School Expansion - £1.9m
- Strategic Property Portfolio - £3.7m

7.9. Funding the Capital Programme

In reflection of the Council's Minimum Revenue Provision (MRP) Policy, the Capital Programme is funded via grants and third party contributions, capital receipts and borrowing funds from the external market. The £8.2m of capital receipts used to fund the Capital Programme in 2018/19 relate to the repayment of loans to third parties and therefore ring fenced as per the Councils' MRP Policy.

7.10. Capital receipts generated from the sale of Council assets are now used to repay debt as per the MRP calculation shown in table 7.16.

7.11. It is a statutory duty for the Council to determine and keep under review the level of borrowing it considers to be affordable. The Council's approved Prudential Indicators (affordable, prudent and sustainable limits) are outlined in the approved Treasury Management Strategy. The Council borrows only to fund expenditure for new assets, and not for revenue expenditure. Just over half the expenditure incurred on asset investment will be funded via borrowing.

- 7.12. The Council's total borrowing as at the end of the financial year is £457.6m, and the total interest paid on these loans for the year was £14.0m. The following tables summarise the overall treasury borrowing activity undertaken for the year, and summary details for the Council's debt portfolio.

Borrowings	Less than 1yr	1-2yrs	3-5yrs	6 -10yrs	10+yrs	Total	Ave. Interest Rate	Ave. length of loan
	£000	£000	£000	£000	£000	£000	%	Years
PWLB	-	4,500	12,128	20,715	332,244	369,587	3.5	29
Local Authority	48,000	22,500	-	-	-	70,500	1.5	-
Market Loans	17,500	-	-	-	-	17,500	4.5	27
Total Borrowing	65,500	27,000	12,128	20,715	332,244	457,587	3.17	28
% of total Borrowing	14%	6%	3%	5%	76%			
Borrowing Limit (PI)	40%	40%	80%	80%	100%			

Borrowing Activity for the Year	£000	£000
April 2018 Debt B/fwd		419,587
New Debt in year	60,000	
Repayment in year	(22,000)	
Net increase / (decrease) for the year		38,000
TOTAL		457,587

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

7.14. Capital Receipts

- 7.15. As per the MTFS and the Council's MRP policy, capital receipts generated from the sale of Council assets are used to repay debt and therefore form part of the MRP calculation.

The following table shows the amounts of capital receipts built into the MTFS. The actual capital receipt received in 2018/19 including the sale of Bayard Place which will be used in 2019/20 to repay debt reducing the Capital Financing Requirement (CFR) in 2019/20.

MTFS	BUDGET £000	ACHIEVED £000	(SHORT)/OVER £000
2018/19	2,922	6,313	3,391

- 7.16. The total amount of capital receipts used to repay debt as per the MRP policy in 2018/19 was £11.2m which included the Tesam sale capital receipt received in 2018 (£8,950k).

MRP 2018/19 Calculation £000	Repayment of Debt to Reduce the CFR			
	Capital Receipts £000	Revenue Provision £000	Overprovision £000	TOTAL 2018/19 £000
14,591	(11,189)	(226)	(3,176)	(14,591)

Investments and Loans to Third Parties

- 7.17. The Council aims to achieve the optimum interest on treasury investments commensurate with the proper levels of security and liquidity.
- 7.18. The Council has a small surplus cash balances to cover the Council's treasury function, however, this was kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 7.19. In the current economic climate the Council considered it appropriate to keep investments short term to cover cash-flow fluctuations, and only invest with Barclays (the Council's banking provider) the Debt Management Office and a Money Market Fund.
- 7.20. The Council has made a both a treasury and capital loan to the Council owned Local Authority Trading Company (LATCo) in March 2019 of £940k against the loan facility agreement between the Council and the Peterborough Live (LATCo) of £1,750k.
- 7.21. The Council has also secured loans to third parties to advance the Council's strategic interests. The loans are only made after the Council's formal decision making process has been followed. This includes formal approval by the Acting Corporate Director: Resources.
- 7.22. As part of the formal decision to make the loan, the security for the loan was assessed as to its adequacy in the event of the third party defaulting on repayment and individual loan agreements provided for the recovery of the capital loan in the event of the default.
- 7.23. The Council's secured capital loans to third parties are set out in the following table.

Third Party Details	Loan Amount	Status
Longhurst Housing Association (previously Axiom)	Capital Loan £6.7m	Repaid in 2018/19
ECS Peterborough 1 LLP	Capital Loan £23.2m	Due in 2019/20

- 7.24. At the end of the financial year, the Council's external investments totalled £24.3m. The interest that has been received from all external investment activity including the Council's loans to third parties, early repayment of loans premium and the dividend payment from Eastern Shires Purchasing Organisation (ESPO) has yielded £2,193k.
- 7.25. Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix D along with an update on treasury management activity and other financial performance indicators in Appendix E.

8. CONSULTATION

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

9. ANTICIPATED OUTCOMES OR IMPACT

- 9.1 That the outturn position for 2018/19 is noted.

10. REASON FOR THE RECOMMENDATION

- 10.1 This monitoring report forms part of the 2018/19 closure of accounts and decision making framework culminating in the production of the Statement of Accounts and informs Cabinet of the final position.

11. ALTERNATIVE OPTIONS CONSIDERED

11.1 None required.

12. IMPLICATIONS

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

13. BACKGROUND DOCUMENTS

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

- 13.1
- [MTFS Tranche One- Budget Book](#)- 16/07/2018 Cabinet meeting
 - [MTFS Tranche Two- Budget Book](#)- 03/12/2018 Cabinet meeting
 - [MTFS Tranche Three- Budget Book](#)- 25/02/2019 Cabinet meeting
 - [Budgetary Control Report April 2018](#)- 16/07/2018 cabinet meeting, Item 12
 - [Budgetary Control Report May 2018](#)- 23/07/2018 Cabinet meeting
 - [Budgetary Control Report- July 2018](#)- 24/09/2018 Cabinet meeting, item 11
 - [Budgetary Control Report-August 2018](#)- 15/10/2018 Cabinet meeting, item 4
 - [Budgetary Control Report-September 2018](#)- 19/11/2018 Cabinet meeting, item 11
 - [Budgetary Control Report- October 2018](#)- 17/12/2018 Cabinet meeting, item 7
 - [Budgetary Control Report- November 2018](#)- 04/02/2019 Cabinet meeting, item 15
 - [Budgetary Control Report- December 2018](#)- 25/02/2019 Cabinet meeting, item 9
 - [Budgetary Control Report- January 2019](#)- 25/03/2019 Cabinet meeting, item 2

14. APPENDICES

Appendix A- 2018/19 Revenue Outturn Report

Appendix B- People and Communities further breakdown into the key service areas

Appendix C- Reserves position

Appendix D- Treasury Management Strategy- Prudential indicators

Appendix E- Performance Monitoring Prompt payment of invoices

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APPENDIX A – 2018/19 REVENUE OUTTURN REPORT

Final Departmental position

	Budget 2018/19	Cont. from reserves	Revised Budget 2018/19	Final Actuals 2018/19	Cont. to reserves	Final (Under)/Over Spend 2018/19	Variance 2018/19	January 2019 Variance	Movement from January 2019 to Final Outturn
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Chief Executive	240	0	240	193	0	(47)	(20%)	(29)	(18)
Human Resources	1,340	55	1,395	1,187	0	(208)	(15%)	(156)	(52)
Total Chief Executives	1,580	55	1,635	1,380	0	(255)	(16%)	(185)	(70)
Director of Governance	265	0	265	154	0	(111)	(42%)	(128)	17
Legal Services	1,580	54	1,634	1,938	0	304	19%	246	58
Constitutional Services	2,067	0	2,067	2,056	0	(11)	(1%)	(5)	(6)
Performance & Information	193	19	212	197	0	(15)	(7%)	(1)	(14)
Coroners Service	480	0	480	656	0	176	37%	156	20
Total Governance	4,585	73	4,658	5,001	0	343	7%	268	75
Development and Construction	175	0	175	189	0	14	8%	204	(190)
Director, OP & JV	(2)	95	93	(215)	0	(308)	(331%)	20	(328)
Peterborough Highway Services	9,075	0	9,075	8,741	0	(334)	(4%)	(169)	(165)
Sustainable Growth Strategy	1,468	414	1,882	1,590	33	(259)	(14%)	(142)	(117)
Waste, Cleansing and Open Spaces	11,632	462	12,094	11,991	350	247	2%	384	(137)
Westcombe Engineering	100	0	100	185	0	85	85%	76	9
Corporate Property	1,637	1,599	3,236	3,418	125	307	9%	409	(102)
Resilience & Health & Safety	249	0	249	231	0	(18)	(7%)	(22)	4
City Centre Management	324	37	361	644	0	283	79%	255	28
Marketing & Communications	251	0	251	499	0	248	98%	223	25
Parking Services	(2,118)	0	(2,118)	(1,482)	0	636	(30%)	621	15
Regulatory Services	668	20	688	386	23	(279)	(41%)	(221)	(58)
Service Director Environment & Economy	153	0	153	214	0	61	40%	53	8
Total Growth & Regeneration	23,612	2,627	26,239	26,391	531	683	3%	1,691	(1,008)
Adults	37,865	123	37,988	37,534	85	(369)	(1%)	(651)	282
Commissioning & Commercial Operations	14,155	250	14,405	19,187	0	4,782	33%	4,626	156
Children's & Safeguarding	10,656	20	10,676	10,869	0	193	2%	3	190

	Budget 2018/19	Cont. from reserves	Revised Budget 2018/19	Final Actuals 2018/19	Cont. to reserves	Final (Under)/Over Spend 2018/19	Variance 2018/19	January 2019 Variance	Movement from January 2019 to Final Outturn
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
Director	1,471	0	1,471	1,456	0	(15)	(1%)	9	(24)
Education	2,949	251	3,200	3,037	47	(116)	(4%)	256	(372)
Communities	9,037	426	9,463	6,785	2,880	202	2%	296	(94)
DSG	(390)	966	576	58	518	0	0%	0	0
Total People & Communities	75,743	2,036	77,779	78,926	3,530	4,677	6%	4,539	138
Children 0-5 Health Visitors	3,718	64	3,782	3,906	0	124	3%	(3)	127
Children 5-19 Health Programmes	879	0	879	879	0	0	0%	0	0
Sexual Health	1,831	0	1,831	1,870	0	39	2%	53	(14)
Substance Misuse	2,299	0	2,299	2,299	0	0	0%	0	0
Smoking and Tobacco	317	0	317	321	0	4	1%	(12)	16
Miscellaneous Public Health Services	1,661	0	1,661	1,513	0	(148)	(9%)	(38)	(110)
Public Health Grant	(10,905)	0	(10,905)	(10,908)	0	(3)	0%	0	(3)
Children 5-19 Healthy Schools Programme	65	0	65	53	0	(12)	(19%)	0	(12)
Healthy Peterborough	10	0	10	6	0	(4)	(36%)	0	(4)
Total Public Health	(125)	64	(61)	(61)	0	0	0%	0	0
Director's Office	112	0	112	236	0	124	111%	88	36
Financial Services	3,282	50	3,332	3,179	0	(153)	(5%)	(452)	299
Programme Management Office	139	127	266	246	0	(20)	(7%)	(21)	1
Capital Financing	21,521	0	21,521	13,306	4,437	(3,778)	(18%)	(3,002)	(776)
Corporate Items	4,823	456	5,279	5,019	3	(257)	(5%)	(170)	(87)
Peterborough Serco Strategic Partnership	5,952	32	5,984	8,250	0	2,266	38%	2,143	123
ICT	5,339	314	5,653	6,147	0	494	9%	349	145
Energy	780	0	780	(43)	0	(823)	(106%)	(745)	(78)
Cemeteries, Cremation & Registrars	(1,358)	0	(1,358)	(1,485)	0	(127)	9%	(76)	(51)
Total Resources	40,590	979	41,569	34,855	4,440	(2,274)	(5%)	(1,886)	(388)
Total Expenditure	145,985	5,834	151,819	146,492	8,501	3,174	2%	4,427	(1,253)
Financed by:									
Council Tax	(69,298)	0	(69,298)	(69,298)	0	0	0%	0	0
Council Tax - Adult Social Care precept	(5,328)	0	(5,328)	(5,328)	0	0	0%	0	0

	Budget 2018/19	Cont. from reserves	Revised Budget 2018/19	Final Actuals 2018/19	Cont. to reserves	Final (Under)/Over Spend 2018/19	Variance 2018/19	January 2019 Variance	Movement from January 2019 to Final Outturn
Budget Group	£000	£000	£000	£000	£000	£000	%	£000	£000
NDR Income	(45,792)	0	(45,792)	(45,799)	0	(7)	0%	0	(7)
NDR Levy	216	0	216	272	0	56	26%	0	56
NDR S31 Grants	(3,128)	0	(3,128)	(4,223)	0	(1,095)	35%	(983)	(112)
NDR Tariff	2,370	0	2,370	2,370	0	0	0%	0	0
Revenue Support Grant	(15,056)	0	(15,056)	(15,056)	0	0	0%	0	0
Parish Precept	(586)	0	(586)	(586)	0	0	0%	0	0
New Homes Bonus	(5,152)	0	(5,152)	(5,152)	0	0	0%	0	0
Section 31 Grant	0	0	0	(9)	0	(9)	0%	0	(9)
Contribution (from)/to Grant Equalisation Reserve	(4,231)	0	(4,231)	(4,231)	0	0	0%	0	0
Contribution (from)/to Reserves	0	(5,834)	(5,834)	(5,834)	0	0	0%	0	0
Total Financing	(145,985)	(5,834)	(151,819)	(152,874)	0	(1,055)	1%	(983)	(72)
Net	0	0	0	(6,382)	8,501	2,119	3%	3,444	(1,325)

Explanation of Variances from the January 2019 Position:

Dep	Variance Change	£000
	January 2019 position	3,444
Chief Executive	Improvement in the Chief Executives directorate from further underspends on staffing and supplies and services.	(70)
Governance	Increased legal services costs due to higher than forecast caseloads within the Child Protection Team and use of locums, and other minor changes across the governance department, partially being offset by additional land charges income.	75
Growth & Regeneration	Development and Construction - reduction in employee and supplies and services costs, together with the application of the new accounting standard IFRS 15, which outlines the application of accounting for revenue from contracts with customers.	(190)
Growth & Regeneration	Director, OP & JV – as part of the roadmap efficiency target the Council has received rebate on in relation to the LED capital project and the level of Skanska turnover.	(328)
Growth & Regeneration	Peterborough Highways Services - additional income generated and transport savings	(166)
Growth & Regeneration	Sustainable Growth Strategy - reduction in staffing costs	(116)
Growth & Regeneration	Waste, Cleansing and Open Spaces - final pension rebate figures higher than anticipated, due to the Amey contract extension and additional income generated from the sale of electricity generated from the Energy from Waste facility.	(136)
Growth & Regeneration	Corporate Property - lower than expected rateable value for Sand Martin house, confirmed by the valuation office. Leading to lower than budgeted business rates.	(102)
Growth & Regeneration	Minor changes in position across the Growth and Regeneration	30
Funding	Additional Business Rates Income	(63)
People & Communities	Commissioning and Commercial - Clare Lodge – decreased occupancy and therefore income	163
People & Communities	Adults – Clinical Commissioning Group (CCG) invoice write-offs due to the incorrect raising of invoices	503
People & Communities	Adults Independent Sector Placements - prior year invoice costs and increase in care packages	305
People & Communities	Adults - projects have been delayed to mitigate overspends in other People and Communities budgets.	(651)
People & Communities	Communities - Housing - increase in temporary accommodation costs and less Housing Benefit subsidy income than anticipated	483
People & Communities	Communities - Housing - additional grant income announced March 2019	(340)
People & Communities	Communities - Targeted Youth Support Service (TYSS) underspends	(102)
People & Communities	Communities - Prevention Enforcement Service (PES) underspends	(116)
People & Communities	Education - Commissioned Service saving and staffing underspends	(117)
Resources	Insurance - contribution required to Insurance provision	375
Resources	Capital Financing- additional underspend	(776)
Resources	Peterborough Serco Strategic Partnership - Revenues and Benefits - overpayment income lower than expected and reduction in subsidy.	493
Resources	Peterborough Serco Strategic Partnership - Business Transformation / Strategic Improvement team variable costs	(244)
Resources	Corporate Items - Bad Debt provision requirement for 18/19 greater than budget	231
Resources	Corporate Items - VAT Shelter income greater than budget	(130)

Dep	Variance Change	£000
Resources	Corporate Items – the current year budget for pension strain costs was not required, as pension strain costs incurred by the Council as a result of redundancies in 2018/19, were funded from the Capacity Building Reserve, from the commitment for downsizing.	(213)
Resources	Minor changes in position across the Resources department	(123)
	Outturn position	2,119

Full explanation of the overall variances are highlighted in Section 1-8.

Explanation of Key Departmental Outturn Variances:

1. Chief Executives - £0.255m underspent

Within Human Resources, there are staffing savings of £0.083m and supplies and services savings of £0.125m.

2. Governance - £0.343m overspent

Director of Governance - £0.111m underspent

There is a saving of £0.066m on the Director of Governance post, as a result of sharing the role with Cambridgeshire County Council, and other small savings of £0.045m.

Legal Services - £0.304m overspent

There is an overspend of £0.451m within the legal team largely due to staffing costs as a result of increased workloads relating to Child Protection, General Data Protection Regulation (GDPR), Homelessness and a compensation payment. This was partially offset by additional Land Charges income of £0.147m.

Coroner Service - £0.176m overspent

The final 2017/18 costs were greater than estimated and not fully recognised in that financial year. The overspend in 2018/19 was due to a backlog of referrals, budget pressures from additional staff hired, and a number of complex cases.

This budget pressure is likely to continue into future years and the Council has recognised this by allocating additional budget to this area within Tranche Three of the budget process.

3. Growth and Regeneration - £0.683m overspent

Development and Construction - £0.014m overspent

There is a net outturn position of £0.014m in this area. There is an overspend of £0.199m on temporary staffing costs in Development Control and Planning Enforcement, which includes a £0.085m redundancy payment. This has been offset by reduced expenditure on supplies and services and legal costs and additional income generation.

Director, Opportunity Peterborough & Joint Venture - £0.308m underspent

The underspend is made up of the following, as part of the efficiency roadmap target, where the service, in conjunction with Skanska aims to deliver the same service at a lower cost:

- An efficiency rebate received in respect of the expenditure on the LED street lighting capital project
- A rebate in relation to the overall Skanska turnover as per the agreement within the contract.

Peterborough Highway Services - £0.334m underspent

Street lighting energy costs are budgeted to reduce as the Street Lighting LED Programme replaces the old lighting with more energy efficient units. However, the savings are taking longer to deliver than originally envisaged, and combined with energy price increases, this has led to an overspend of £0.096m.

Additional income of £0.253m from “selling” highways work to developers has been generated. Due to this high workload agency staff have been covering vacant posts and employee costs are overspent by £0.013m.

There is a favourable variance of £0.115m within the Bus Services area, this is from applying Bus Services Operator Grant (BSOG) funding to enhance and develop further existing services and reduced Voluntary Partnership Arrangement (Stagecoach).

Sustainable Growth Strategy - £0.259m underspent

There is a favourable variance on this budget due to the following:

- A saving of £0.090m on employee costs due to vacant posts and reduced hours;
- A saving of £0.047m on consultancy costs as a planning Inspector costs less than anticipated;
- Additional income generation due to staffing recharges and grant received creating a £0.161m surplus;
- Minor variances of £0.039m.

Waste, Cleansing and Open Spaces - £0.247m overspent

Income from electricity sales at the Energy from Waste (EFW) facility is achieving higher levels than budgeted, leading to a favourable variance of £0.674m. This is due to the performance of the plant and the escalating energy prices which offsets the pressure that the council is seeing on the electricity that it buys.

Final earnings for 2017/18 income at the Energy from Waste plant were confirmed and this was higher than expected by £0.177m.

The new Household Recycling Centre opened on 18 February 2019, which is delayed from the original forecast opening. As the new plant costs more to operate this has generated a one off saving of £0.136m in 2018/19. However there are costs of £0.061m relating to the existing site contract extension costs.

The financial negotiations with Amey have now concluded regarding the costs of extending the contract, with services transferred over to Aragon Direct Services on 4 April 2019, and the last of the phased transfer due to complete on 4 May 2019. The additional costs incurred to the 31 March totalled £1.393m, resulting in an overspend on the budget. The Council expects to receive a pension rebate due to lower contribution rates from the Amey contract. This is due to lower contribution rates payable when comparing the contract and actuarial review which results in a £0.613m favourable position offsetting a proportion of the additional costs.

There has been an Insurance Rebate from the EFW Plant of £0.271m. The Council has received this rebate as the insurance costs are reducing to reflect the advancement of the technology, which is reducing the risk profile.

Corporate Property - £0.307m overspent

There are a number of variances within the Corporate Property budget relating to Sand Martin House, these include:

- Income has been lower than originally anticipated. This is due to the nature of the listed buildings and the works required, commercial unit income and office sub-let income having been delayed due to repairs to damage on the ground floor. This reduced the available space in the building during 2018/19, however a lease has now been agreed with the Construction Information Training Board (CITB), which will see them occupy part of the building from Summer 2019. These combined factors result in a £0.362m forecast overspend;
- Saving of £0.132m on Sand Martin House rent as the occupancy date was later than anticipated;
- Saving of £0.128m due to the Rateable Value for Business Rates, being confirmed by the Valuation Office, being lower than anticipated;

Revenue costs associated with the feasibility and abortive works for capital projects amounts to £0.099m. A budget for this will need to be established within the MTFS in future years.

There is a £0.106m overspend relating to the costs associated with procuring temporary accommodation. This action has been taken to reduce the long-term pressures on housing needs budget and to enable the Council to provide suitable accommodation to families who are at risk of or find themselves homelessness.

City Centre Management - £0.283m overspent

Income has been lower than budgeted for the City Market based on current stall occupancy £0.094m, for rent in the Pedestrian Area £0.040m and advertising space £0.011m.

There was a £0.057m adverse variance against the Great Eastern Run budget due to fewer runners and less sponsorship, however there is additional income from events held at the Embankment of £0.010m.

Marketing & Communications - £0.248m overspent

The budget in this area is overspent by £0.248m this is mainly a result of the following:

- Temporary staffing costs of £0.141m;
- Additional cost of £0.045m for the design and print function;
- Reduced sponsorship income of £0.036m.

Parking Services - £0.636m overspent

Income generated is £0.316m lower than the budget for off street car parking, including staff car parking off street fees, permits and season tickets. This arises from a shortfall in expected income based on current parking volumes £0.176m, and the additional multi-storey car park capacity at Fletton Quays £0.140m which is not yet fully utilised by the public, or widely promoted due to the ongoing works around the site.

There is also a £0.320m pressure relating to:

- £0.095m- National Non-Domestic Rates (Business Rates) due to the rateable value of car parks increasing on the revaluation list, issued by the Valuation Office (VOA)
- £0.212- security, cleaning, and Ringo (debit/credit card charges);
- £0.13m- other.

Regulatory Services - £0.279m underspent

Across the service there has been reduced employee costs, due to vacancies, saving £0.201m.

There are other minor variances relating to the staffing and income received for DEFRA services totalling £ 0.078m.

4. People and Communities - £4.677m overspent

Adults -£0.369m underspent

A pressure of £1.558m is reported in relation to Adults Placement costs. This relates to:

- A overspend of £0.750m on residential nursing packages.
- There was a pressure due to writing off £0.503m of Clinical Commissioning Group (CCG) invoices.
- These have been offset by delaying projects and additional savings - £1.859m

Commissioning and Commercial - £4.782m overspent

Permanency Service (TACT) and other - £4.537m overspent

It has been agreed to pay TACT an additional £0.637m in relation to financial year 2017/18. The cost of placements for 2018/19 exceeds budget by £3.9m. This is as a result of increased LAC numbers, the lack of availability of fostering placements (which has resulted in more expensive placements) and higher complexity of need. Responsibility for placements has transferred back to the Council from TACT. Staff have TUPE'd back to the Council and budget will be transferred from the Permanency contract to the PCC Placement budget in 2019/20.

Clare Lodge - £0.218m overspent

A reserve contribution of £0.250m was agreed which offsets some of the overspend arising from the delayed opening of the new High Dependency Unit. Despite this there is a £0.218m adverse position on this budget. This is the result of decreased occupancy and therefore a shortfall in income of £0.812m. The management team have made efforts to control expenditure to mitigate the financial impact of this shortfall and reduced expenditure of staffing, agency and recruitment by £0.594m along with some other smaller savings.

Children's & Safeguarding £0.193m overspent

Children's Social Care - £0.114m overspent

An overspend was incurred against the Children's Social Care budget as a result of overseas recruitment costs and mileage. A financial risk exists around financial assistance and the use of agency staff to cover substantive posts. Other variances £0.079m.

Education £0.115m underspent

Home to School and Children's Social Care Transport - £0.440m overspent

Home to School Transport is overspent by £0.364m. The Passenger Transport Team Manager has been tasked to produce a paper for CMT to explain this overspend and the effect on future year budgets. An adverse variance of £0.021m is reported with regard to Passenger Transport Team staffing. Children Social Care transport is also overspent by £0.096m. Further analysis has been requested to understand what is driving this increase e.g. more children transported, longer average journeys, etc. Other variances £0.040m.

School Improvement Traded Service - £0.146m underspent

A favourable variance of £0.146m is reported against the £1.1m income target, in respect of charges to schools for statutory educational duties carried out by the Council on their behalf. This was incorporated in to the MTFS 2017/18 to off set the impact of £2.2m of Education Services Grant (ESG) reduction. It is unlikely that this favourable variance will be repeated in future years, as more schools transfer to Academy status.

Other - £0.410m underspent

There are a number of variances within this service, outlined as follows:

- PFI Utility costs are underspent by £0.127m, this is as a result of the 2017/18 estimated accrual for utilities which is now not required.
- An adverse variance of £0.079m is reported in relation to the underachievement of income on School Academy conversions. This income target was introduced as a result of charging schools to recover a proportion of the cost the local authority incurred to administer the conversion. As the pace of schools converting has reduced it has meant that meeting the target factored in to the MTFS, has been unachieved. A reduction in business rates was also built in to the budget as a result of the relief academies receive for holding charitable status. As outlined in the funding section, NNDR (business rates) is showing a favourable position.
- A favourable variance of £0.106m is reported in relation to the Attendance Service which is largely in relation to Fixed Penalty Notice charges for School absence, along with a favourable variance of £0.257m in relation to staffing and other smaller underspends.

Communities - £0.202m overspent

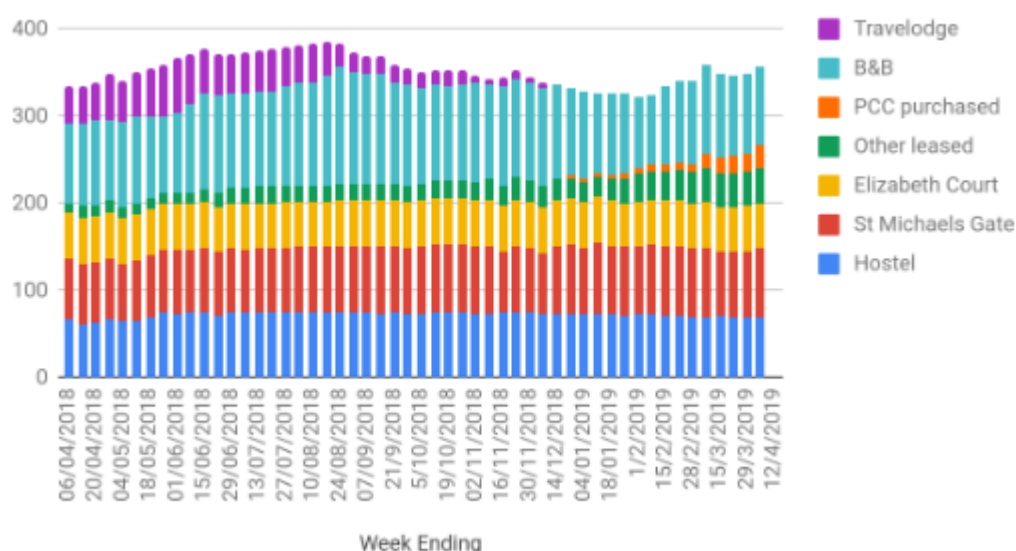
Housing - £0.626m overspent

Temporary accommodation costs have overspent by £1.112m, but have been offset by additional housing grant totalling £0.340m which was confirmed and allocated by Ministry of Housing, Communities & Local Government (MHCLG), in March 2019. This pressure is also being offset by a £0.174m underspend on the staffing budget.

The Council has faced significant demand from homelessness and the need for housing in Peterborough, and this peaked in August when there was 385 households in temporary accommodation. Over the course of the year the housing needs team have supported families to prevent them being in a position where they require housing in addition to reducing the number of families in temporary accommodation to 364.

Plans are in place to ensure there is a supply of housing to meet this need, to avoid putting families in B&B, Travelodges or out of the area. At the beginning of the year (as demonstrated by the purple blocks in Graph 2) there were families in both of these circumstances but through the efforts of the housing needs team, no families are now in that accommodation type. Graph 2 outlines the trend of the number of households in temporary accommodation and the type of accommodation which has been used.

Graph 2: Temporary Accommodation trend analysis 2018/19



Cultural Services - £0.159m overspent

A savings target of £0.250m against the contract with Vivacity will not be achieved, although some of this is being offset by other savings in the department.

St. Georges Hydrotherapy pool is underspent by £0.040m due to lower than expected running costs.

Targeted Youth Support Service (TYSS) - £0.290m underspent

This underspend comprises employee savings of £0.323m due to vacancies being held pending new service implementation. There are other minor savings and pressures within the service which are reducing this staffing underspend.

Prevention Enforcement Service (PES) - £0.234m underspent

The PES underspend is broken down in to the following:

- Employee costs are underspent by £0.155m
- Kingdom costs are underspent £0.148m
- As a result of the staff vacancies the income from Penalty Charge Notices, Fixed Penalty Notice & CCTV is £0.187m below the budget profile. Recruitment to vacant posts is continuing, which should then improve this trend going forward.
- There are also underspends totalling £0.118m in the service from reduced CCTV transmission costs, camera maintenance and other.

Service level variances within People and Communities are further outlined in Appendix B.

5. Public Health- balanced position

Although the position overall at year end is balanced, there are some minor service variances. The children 0-5 health visitors' service was planned to be supported by the Public Health reserve this year while there was a transition to allow the implementation of savings. However as the public health budget overall was underspent this contribution was no longer required. Therefore a pressure of £0.124m is reported within this area. There is an underspend of £0.104m reported in relation to health checks, and a £0.027m saving from sharing a commissioning team with Cambridgeshire County Council.

6. Resources- £2.274m underspent

Directors Office - £0.124m overspent

A Shared services savings target has not been achieved.

Financial Services - £0.153m underspent

This is due to savings generated against the insurance premium budget.

Capital financing - £3.778m underspent

The final underspend for capital financing has been achieved through a combination of factors, which are:

- Borrowing for the 2018/19 capital programme has not been incurred to the timescales originally planned
- Total amount of new borrowing being taken has not been as great as indicated in the 2018/19 MTFS
- Where borrowing has occurred loans have been taken at lower rates than previously forecast due to the continued economic uncertainty being experienced both globally, and nationally from the impact of Brexit decisions
- The council has also benefited from additional income receipts; the ESPO dividend £100k greater than budgeted, early redemption of the Axiom loan fees which was not confirmed until early March of £380k, and additional interest receipts from the Empower loan extensions made throughout the year.
- As reported throughout the year the council has also been able to benefit from the additional loan repayments made through capital receipts as outlined in Tranche 1 of the 2019/20 MTFS.

For further, more detailed information see the Capital section of this report.

Corporate Items - £0.257m underspent

- There has been an underspend of £0.332m on the budget relating to pensions, this is mainly in relation to the pension strain elements of redundancy costs being covered by the downsizing commitment within the Capacity Building Reserve, instead of this budget.
- Additional bad debt provision is required at the end of 2018/19, due to the level of debt (uncollected income) increasing. This has caused a budget pressure of £0.231m
- The VAT shelter agreement with Cross Keys Homes enables VAT to be reclaimed on capital works to housing that was transferred to Cross Keys Homes and the benefit split equally between the Council and the housing association. In 2018/19 this has overachieved the budget, generating an additional benefit of £0.130m.

Peterborough Serco Strategic Partnership (PSSP) - £2.266m overspent

The overspend in this service is from a combination of three key areas. There is £0.990m pressure due to the Annual Delivery Plan (ADP) and business transformation (strategic improvement core cost). All items on the ADP should be linked to funding streams as core funding was reduced to nil in last year's budget. Offsetting this is £0.100m of contract income brought forward, and £0.145m of favourable variances on the costs of changes in the contract. The following savings that were included in the 2018/19 MTFS have not been achieved.

- The £1m Serco variable spend saving. Overall variable spend with Serco has not yet reduced, due to ongoing programmes of work. Whilst budgets are in place for these works, these are mainly one off, and it has not been possible to make the planned ongoing budget reduction of £1m.
- The Serco Business support saving of £0.100m.

ICT - £0.494m overspent

Savings that were expected to be generated through the implementation of a technology platform across Social Care (PeopleToo) have not been achieved as planned, creating a £0.137m pressure. The budgeted return on loans to partners to deliver this project has also not materialised as planned creating a £0.131m pressure through loss of interest receipt.

Savings targets in relation to Digital Roadmap project, including guaranteed resale income and also savings through decommissioning ICT legacy systems and departmental efficiencies have not been fully achieved, causing a £0.792m pressure.

There has been an overspend against the core contract budget in 2018/19, due to one-off costs associated with new change controls being implemented £0.219m. However, there has been a £0.741m rebate received in year within the core contract budget, following a prior year change control notice reconciliation.

Savings off £0.100m were achieved against the corporate computer software budget and other overspends £0.056m have occurred.

Energy - £0.823m underspent

The Council has received additional interest income of £0.894m from extending a loan arrangement with Empower Community Management LLP in respect of solar installations.

Cemeteries, Cremation & Registrars - £0.127m underspent

Bereavement income was £0.119m greater than the budget, with other underspends of £0.08m

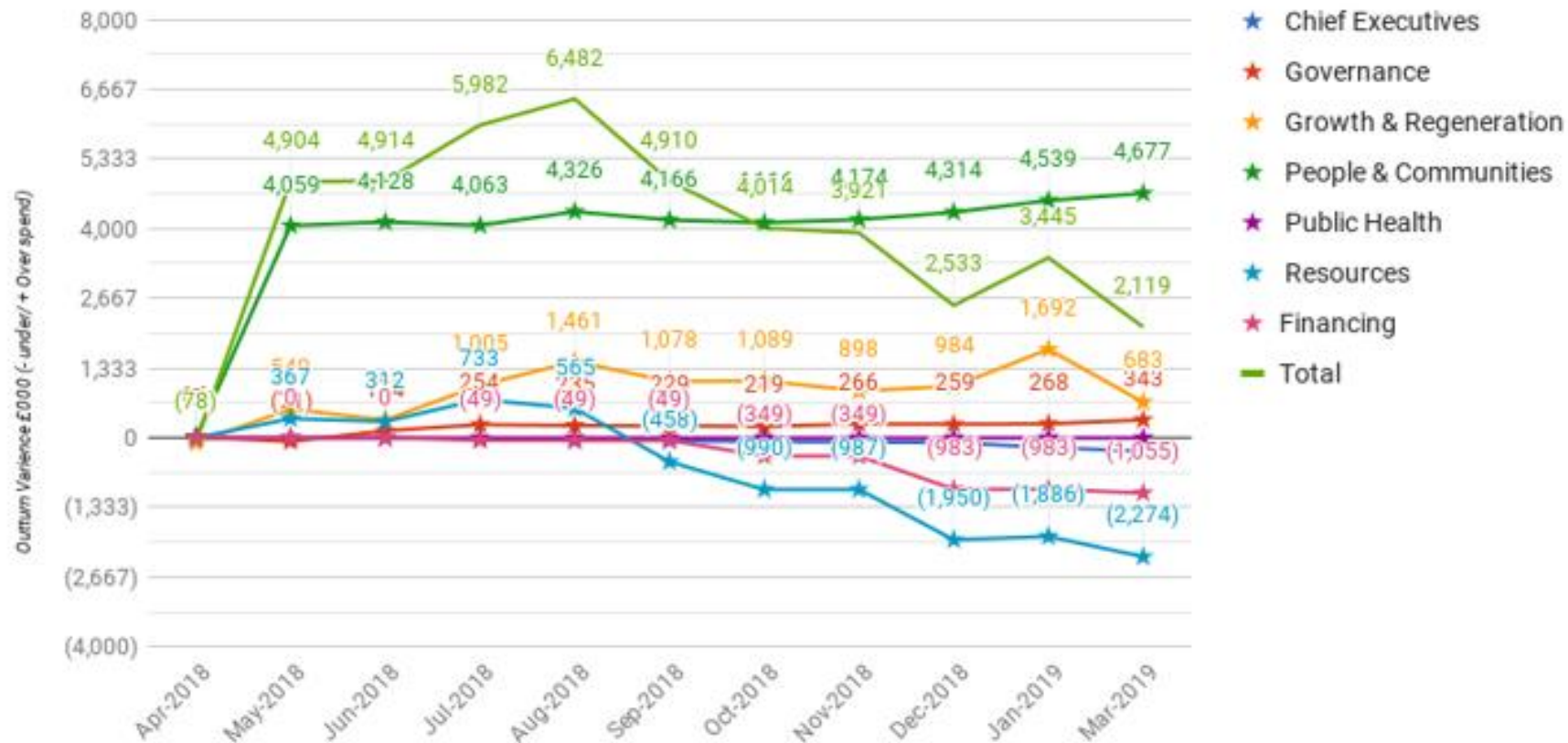
7. Financing- £1.055m underspent

The additional income from business rates during 2018/19 amounting to just over £1m arises from a number of key areas, these are outlined in the following:

- The first results from a redistribution of overpaid levies from previous years amounting to £180m at a national level of which £0.634m was received by Peterborough, the redistribution was based on an assessment of need;
- The second key element is an additional £0.248m of section 31 grant covering the two years to 2018/19 in respect of the changes made by the government from 1st April 2017 to small business rate thresholds. It has arisen due to the diligence of a member of the finance department who identified an error in the initial calculation by MHCLG, the impact of this is to provide an additional £0.124m per annum for the council on an ongoing basis which is estimated to be in excess of £50m per annum nationally as this adjustment affects all authorities;

- Finally there has been a further increase in section 31 grants for small business rate relief and the business rate multiplier cap arising from increased volumes which amounts to some £0.160m net of additional levies.

8. The Departmental Position Reported Throughout 2018/19.



The graph demonstrates the fluctuation of the departmental forecast outturn position reported throughout the year, and how this has improved. The most noticeable changes are the surplus being generated within Resources, largely due to capital financing costs and income from the Empower loan, with the People and Communities directorate remaining fairly static at £4m, which was from a pressure on the children's placement (TACT) budget. More detail on the individual departmental variances is outlined in sections 1-7 of Appendix A, and an overview of the overall Council position is outlined in section 5, of the main report.

Appendix B – People & Communities further breakdown in to the key service areas

	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Final Actuals 2018/19	Cont. to reserve	Final under/ov er spend 2018/19	Variance 2018/19	January 2019 Variance	Moveme nt from January 2019 to Final Outturn
Adults:	£000	£000	£000	£000	£000	£000	%	£000	£000
Independent Sector Placements	31,981		31,981	33,539		1,558	5%	750	808
Adult Social Care Teams	7,652	99	7,751	7,779		28	0%	30	(2)
Block Contracts	6,351	24	6,375	6,366		(9)	0%	(127)	118
Financing	(9,607)		(9,607)	(11,467)		(1,860)	19%	(1,226)	(634)
Home Service Delivery Model	1,488		1,488	1,317	85	(86)	-6%	(78)	(8)
Total Adults	37,865	123	37,988	37,534	85	(369)	-1%	(651)	282
Commissioning & Commercial Operations:									
Permanency Service	8,747		8,747	13,284		4,537	52%	4,537	0
Clare Lodge	(1,170)	250	(920)	(702)		218	-24%	55	163
Commissioning & Commercial Operations - Other	6,578		6,578	6,605		27	0%	34	(7)
Total Commissioning & Commercial Operations	14,155	250	14,405	19,187	0	4,782	33%	4,626	156
Children's & Safeguarding:									
Children's Social Care	6,675		6,675	6,789		114	2%	2	112
Children's - Other	3,981	20	4,001	4,080		79	2%	1	78
Total Children's & Safeguarding	10,656	20	10,676	10,869	0	193	2%	3	190
Director:									
Director	1,475		1,475	1,457		(18)	-1%	9	(27)
Department Savings target	(4)		(4)	(1)		3	-75%	0	3
Total Director	1,471	0	1,471	1,456	0	(15)	-1%	9	(24)
Education:									
Home To School & Children's Social Care Transport	4,001		4,001	4,441		440	11%	491	(51)
School Improvement Traded Service	(779)		(779)	(925)		(146)	19%	0	(146)
Education - Other	(273)	251	(22)	(479)	47	(410)	1864%	(235)	(175)
Total Education	2,949	251	3,200	3,037	47	(116)	-4%	256	(372)
Communities:									
Housing	2,541	50	2,591	3,127	90	626	24%	486	140
Cultural Services	2,636	22	2,658	2,817		159	6%	152	7
Targeted Youth Support Service (TYSS)	1,629		1,629	1,339		(290)	-18%	(188)	(102)
Prevention Enforcement Service (PES)	586	11	597	363		(234)	-39%	(118)	(116)
Communities - Other	1,645	343	1,988	(861)	2,790	(59)	-3%	(36)	(23)
Total Communities	9,037	426	9,463	6,785	2,880	202	2%	296	(94)
Dedicated Schools Grant	(390)	966	576	58	518	0	0%	0	0
Total People and Communities	75,743	2,036	77,779	78,926	3,530	4,677	6%	4,539	138

Appendix C: Council Reserves Position

	2018/19	2018/19	2018/19	2018/19	2018/19	2019/20	2020/21
Summary of Reserves	Balance C/Fwd 1.4.18	Cont from Reserve in 2018.19	Cont to Reserve in 2018.19	Movement between Reserves	Balance at 31.03.19 £000	Estimated Balance at 31.03.20 £000	Estimated Balance at 31.03.21 £000
General Fund Balance	6,000	0	0	0	6,000	6,000	6,000
Available Reserves							
Capacity Building Reserve	12,714	(4,597)	4,735	2,121	14,973	9,638	9,638
Grant Equalisation Reserve	8,445	(4,231)	0	0	4,214	1,130	1,130
Development Equalisation Reserve	1,233	(1,233)	0	0	0	0	0
Departmental Reserves	5,198	(787)	3,079	(600)	6,890	1,147	1,147
	27,590	(10,848)	7,814	1,521	26,077	11,915	11,915
Ring-Fenced Reserves							
Insurance Reserve	4,936	(50)	0	(1,488)	3,398	3,398	3,398
Schools Capital Expenditure Reserve	1,208	(855)	162	(33)	482	482	482
Parish Council Burial Ground Reserve	51	0	3	0	54	54	54
Hackney Carriage Reserve	203	0	23	0	226	226	226
Lease Consolidation Reserve	243	(127)	499	0	615	575	495
Future Cities Reserve	240	(240)	0	0	0	0	0
Public Health Reserve	428	(64)	0	0	364	364	364
	7,309	(1,336)	687	(1,521)	5,139	5,099	5,019
Total Available and Ring-Fenced Reserves and General Fund Balance	40,899	(12,184)	8,501	0	37,216	23,014	22,934

Appendix D - Treasury Management Strategy – Prudential Indicators – Outturn 2018/2019

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

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

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

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

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

The updated 2018/19 Prudential Indicators are shown below and the Council's performance to date against them. All performance is within the limits.

1. Indicator 1: Capital Expenditure

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

Capital Expenditure	2018/19 Indicator £m	2018/19 Actual £m
Capital Expenditure	101.3	94.2
Invest to Save	19.8	1.7
Total	121.1	95.9

The outturn is lower than the MTFS indicator due to a number of large projects across all directorates have being reprofiled to more accurately reflect the spending over future years and other projects were removed following an enhanced scrutiny process linking to the development of the 2019/20 MTFS. The Invest to Save projects have been reduced over the next few years due to no planned expenditure but does not impact the Council's budgets as it is for schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.

2. Indicator 2: Capital Financing Requirement (CFR)

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

Capital Financing Requirement	2018/19 Indicator £m	2018/19 Actual £m
CFR b/fwd	540.1	540.1
Underlying Need to Borrow	64.7	35.6
Underlying Need to Borrow - Invest to Save	1.5	1.7
Total CFR C/fwd	606.3	577.4

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

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

The final position for this indicator, 3.9% is a result of the capital receipts being used to repay the principal being greater than originally budgeted due to 'saving' proposals identified in the 2019/20 MTFS being applied earlier as reflected in the updated MRP policy.

Ratio of net financing costs to net revenue stream	2018/19 Indicator	2018/19 Actual
Total Ratio	6.4%	3.9%

4. Indicator 4: Proportion of Gross Debt to the Capital Financing Requirement (CFR)

This indicator shows the proportion of the Council's external borrowings (Gross Debt) against the CFR. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

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

Proportion of Gross Debt to the CFR	2018/19 Indicator £m	2018/19 Actual £m
CFR	606.3	577.4
Gross Debt (inc PFI & Leases)	522.7	507.2
% of Gross Debt to CFR	86.2%	87.8%

5. Indicator 5: The Operational Boundary

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

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

Operational Boundary	2018/19 Indicator £m	2018/19 Actual £m
Borrowing	573.1	457.6
Other Liabilities (PFI & Leases)	52.6	49.6
Total Operational Boundary	625.7	507.2

6. Indicator 6: The Authorised Limit

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

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

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

Authorised Limit	2017/18 Indicator £m	2017/18 Actual £m
Borrowing	723.4	457.6
Other Liabilities (PFI & Leases)	52.6	49.6
Total Authorised Limit	776.0	507.2

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

7. Indicator 7: Fixed Interest rate exposure

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

Upper limit for fixed rate exposure	2018/19 Indicator £m	2018/19 Actual £m
Upper Limit	761.0	457.6
% of fixed interest rate exposure	100%	100%

8. Indicator 8: Variable interest rate exposure

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

Upper limit for variable rate exposure	2018/19 Indicator £m	2018/19 Actual £m
Upper Limit	190.3	0.0
% of variable interest rate exposure	25%	0%

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

9. Indicator 9: Maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The borrowing that the Council has actually taken is £457.6m (shown in the indicator below).

Period	Upper Limit Indicator	Actual Borrowing	Actual Borrowing £m
Under 12 months*	40%	14%	65.5
1 – 2 years	40%	6%	27.0
2 – 5 years	80%	3%	12.1
5 – 10 years	80%	5%	20.7
Over 10 years	100%	72%	332.3
Total Borrowing			457.6

* The borrowing for under 12 months includes £17.5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 23-35 years' time, they are classed as loans repayable within the financial year due to LOBO's having a call-in date every six months.

10. Indicator 10: Total Investments for periods longer than 364 days

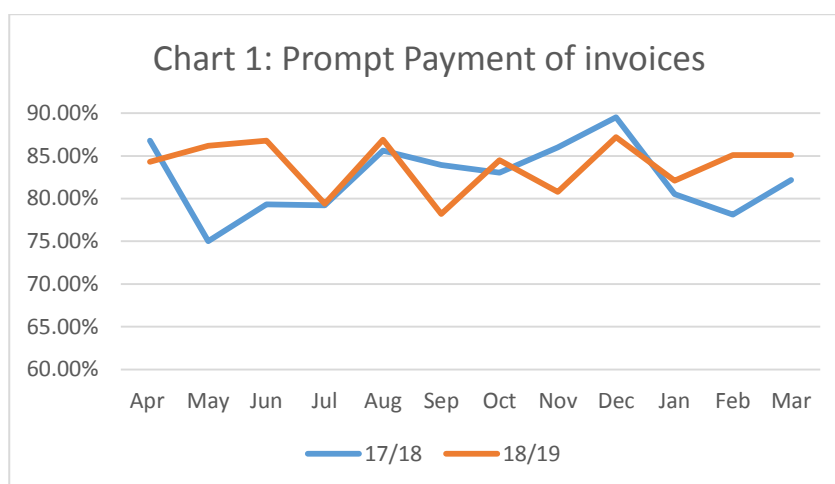
Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

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

	2018/19 Indicator £m	2018/19 Actual £m
Principal sums invested >364 days	0.0	0.0

Appendix E – Performance Monitoring Prompt Payment of Invoices (Invoices paid within 30 Days)

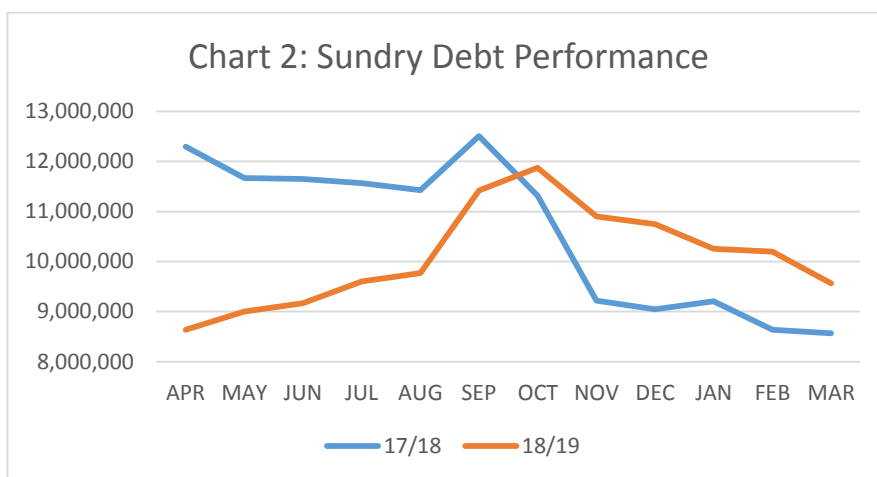
- 1.1. The cumulative position on prompt payment of invoices as at 31 March 2019 was 83.9% which is 1.4% above the previous year's performance of 82.5%. The performance for 2018/19 is shown alongside the equivalent 2017/18 figures in chart 1.
- 1.2. Within the last financial year the Agresso system has been developed to drive improved compliance to the Council's 'no PO, no pay' policy. At the same time, closer alignment to the procurement system has been achieved which will further support the on-boarding process for suppliers.



- 1.3. In 2018/19 a total of 66,406 invoices were paid, of which 55,785 were paid within 30 days. The total value of payments made was £331.3m of which:
- £328.6m was by BACS
 - £2.0m by cheque (763 payments)
 - £0.757m by CHAPS
- (99.4% of the total payments were made electronically (BACS and CHAPS), which equates to 98.3% of invoices being paid electronically).

2. Sundry Debt Performance

- 2.1. The total outstanding sundry debt in excess of 6 months old (as at 31 March 2019) was £9.6m in total and is set out in Chart 2 (alongside the comparative figures for 2017/18). Of this £9.6m figure, a total of £6.0m, or 63%, was in respect of the NHS/CCG debt (these latter figures are up by £1.1m, or 6% from the previous year).

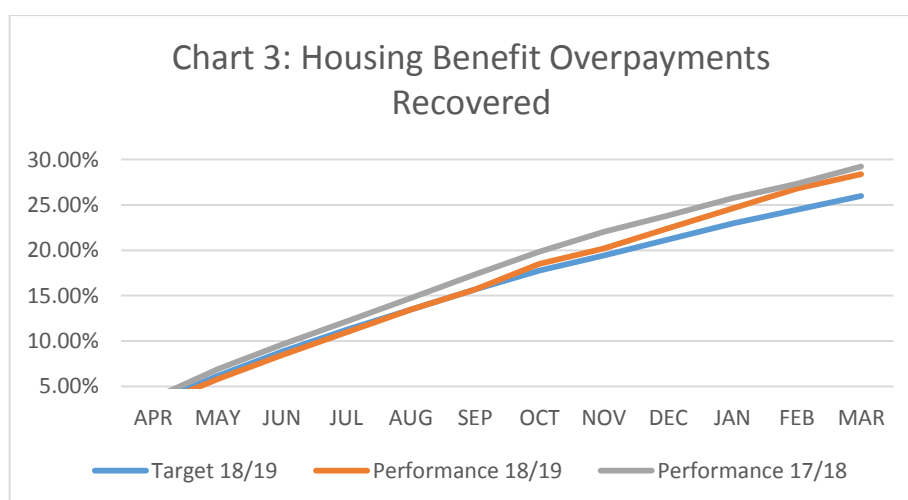


2.2. The top 20 debts owed to the Council at 31 March 2019, and which were more than 30 days old, totalled £14.5m of which £9.5m were for the NHS/CCG. A review of the end-to-end sundry debt recovery process is ongoing. One of the key outcomes of this will be the introduction of more control at the billing stage to improve accuracy and ensure evidence is in place to support latter stage recovery action (should it be required). Closer working between Serco's Accounts Receivable team, and council directorates continues to be positively developed.

2.3. In 2018/19 a total of £68.5m was raised, whilst £56.2m was collected (across all years). The difference between the two being £6.6m, which was not yet due, credit notes of £4.58m and write-offs of £0.8m. The two 'aged debt' projects continue to go well. At the end of 2018/19, a total of £0.325m had been collected across the two initiatives.

3. Housing Benefit Overpayments

3.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2018/19 (and the 2017/18 figures).



3.2. Housing benefit overpayment collection as at the 31 March 2019 was 28.38% which is above the target of 26.0% but 0.87% lower than the figure for March 2018 (29.25%). The amount of debt carried forward from 2017/18 was just over £8m (£1m higher than 2016/17) and the amount of newly identified debt was £1.8m lower. As a result the age profile of the debt was much older.

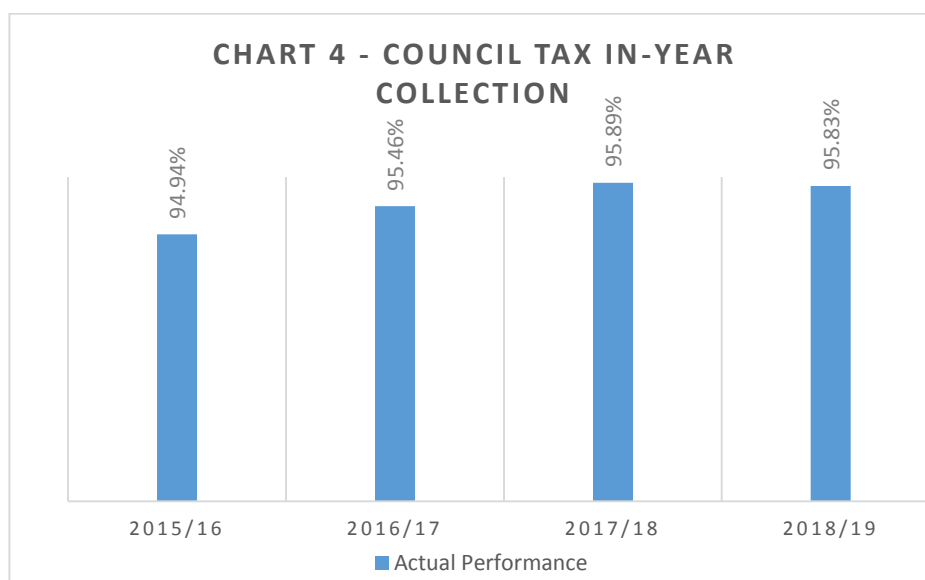
3.3. Overall overpayments are reducing for a number of reasons, the main ones being that:

- a) Benefits processing is significantly more up to date than it has been historically, leading to fewer overpayments caused by delays in processing;
- b) Recent data matching of earnings with DWP and HMRC has led to claims being more promptly updated when changes occur; and
- c) Universal credit is reducing the caseload of Housing Benefit claims. The reduction in identification of new debt is of overall benefit to the council, but does mean the achievement of the KPI becomes increasingly difficult.

3.4. Further resource has been assigned to the oldest debt in 2018/19. An additional £0.345m has been collected as a result, and this will continue into 2019/20.

4. Council Tax and Non Domestic Rates Collection

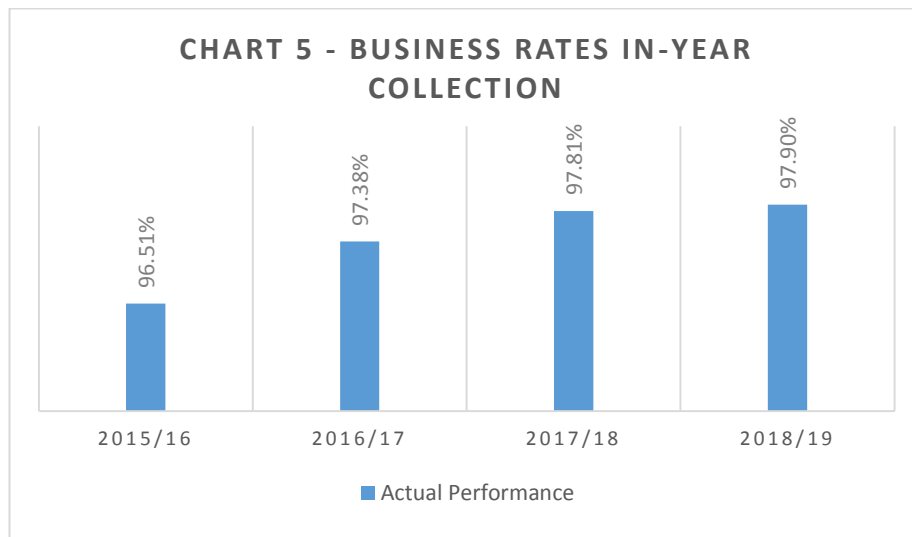
4.1. Chart 4 shows the performance for the collection of Council Tax over the last four years. In-year council tax collection at 31 March 2019 was 95.83%, which is 0.06% less than the amount collected by this stage in 2017/18.



4.2. The amount of Council Tax arrears collected by the 31 March 2019 was 15.76%, achieved against a target of 14.31%. The arrears performance has benefited from the continuation of stringent recovery action during 2018, including the utilisation of enforcement agents where appropriate.

4.3. Administration of the Council Tax Support scheme continues to be challenging, affecting overall council tax collection rates. The continued roll out of Universal Credit is further adversely affecting collection due to the multiple changes incurred throughout the year, delaying recovery of the remaining debt. Changes have been made to the scheme in 2019/20 to reduce expenditure (forecast to be approximately £0.300m), although this will increase pressure on recovery. A further review is planned during 2019 for 2020/21 and beyond, to modernise the scheme, reduce administration costs and simplify the scheme for claimants.

4.4. Chart 5 shows the performance for the collection of Non Domestic Rates over the last 4 years. To date, the in-year collection of Non Domestic Rates as at 31 March 2019 was 97.9%, which is 0.1% above the target set and an increase of 0.09% compared with 2017/18.



- 4.5. Temporary additional resources employed in the business rates team in addition to targeted work on the debt lists and the continuing recovery action through enforcement agents, supported the achievement of the collection target. Business rates collection continues to remain challenging due to increasing use of avoidance tactics.
- 4.6. During 2018/19 the business rates team also implemented the three new discretionary schemes announced in the Spring Budget which benefited small business, public houses and those rate payers most impacted by the 2017 revaluation.
- 4.7. In terms of Non Domestic rates arrears, the amount achieved was 33.53% during 2018/19 against a target of 30.00%.
- 4.8. In total, as a result of all four targets for Council Tax and Non Domestic Rates being exceeded, income received into the respective collection funds has been £600k higher than anticipated.

AUDIT COMMITTEE	AGENDA ITEM No. 12
15 July 2019	PUBLIC REPORT

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

USE OF CONSULTANTS – UPDATE REPORT

R E C O M M E N D A T I O N S	
FROM : Corporate Director Resources	Deadline date : N/A
<p>1. That Audit Committee consider the update report on the use of Consultants for the financial year 2018/19.</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, the subsequent endorsement of their recommendations by Cabinet, and the agreement of Audit Committee to undertake an on-going monitoring role.

2. PURPOSE AND REASON FOR REPORT

- 2.1 Sustainable Growth Scrutiny Committee recommended that the on-going monitoring role at Member level is undertaken by Audit Committee. Audit Committee considered their approach to this role at their meeting of 26 March 2012. This report is in line with the approach agreed and subsequent updates, and is in accordance with the Committees' Terms of Reference:

- 2.2.1.11 To review any issue referred to it by the Chief Executive or a Director, or any Council body; and
- 2.2.1.15 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

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

- 4.1 In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants. A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.
- 4.2 The report from the Consultancy Review Group was issued in March 2011. Scrutiny also recommended that on-going monitoring of the use of consultants should fall to Audit Committee. Audit Committee considered this role at their meeting of 26 March 2012.
- 4.3 A further report, outlining the information requested, was discussed at the meeting of 5 November 2012. Further updates have been considered at the meetings of 4 February 2013, 4 November 2013, 3 November 2014, 9 November 2015 and 21 November 2016. Reports on 19 November 2018 and 11 February 2019 continued the regular reporting to Audit Committee.

4.4 **Use of consultants**

The definition of consultancy is based upon standard procurement classification. As such it covers a wide range of companies and services. Expenditure is included here if the company meets the standard classification, irrespective of exactly what services have been provided.

4.5 The spend for the last nine full years, plus in current year to date is shown below.

	Total £m
2009-10	8.5
2010-11	6.4
2011-12	5.4
2012-13	4.3
2013-14	4.5
2014-15	3.1
2015-16	2.5
2016-17	3.0
2017-18	2.4
2018-19	2.7

4.6 The spend in the first 9 months of 2018-19 reported to audit committee on 11 February 2019 was 1.6m, suggesting 2.1m might be anticipated for the whole of 2018-19, continuing a reducing trend. However the full year figure of £2.7m shows an increase of £0.3m on 2017/18, with £0.6m more being spent in the final quarter than the trend. This increase is mainly attributed to 3 suppliers, Reed, Serco and 4OC, and includes work on Adult Social Care and People & Communities savings programme, Latco mobilisation and the Homeless reduction project.

4.7 The policy agreed by Cabinet and Audit Committee to manage use of consultants, including the need for a business case to be produced, remains in place. The Corporate Management Team has continued to keep spend under review as part of the budget monitoring process.

4.8 A list of companies used for the period 1 April 2018 to 31 March 2019 is included in Appendix 1, indicating the breadth of these companies and services that are included in the standard classification and in the analysis in this report.

Agency

4.9 The Council also employs Agency staff through a number of Contracts. The spend for the past 3 financial years on Agency has been:

- 2016/17 - £6.3m
- 2017/18 - £6.5m
- 2018/19 - £8.8m

4.10 The agency spend referred to above is the net cost to the Council's general fund. The total 18/19 gross spend including schools and other areas (e.g. where costs have been incurred on behalf of the combined authority and re-imbursed) is around £12m.

5. CONSULTATION

5.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012. Subsequent discussions at the meetings referred to have refined the information they wish to monitor.

6 ANTICIPATED OUTCOMES

6.1 That Audit Committee consider the update report on the use of consultants.

7 REASONS FOR RECOMMENDATIONS

- 7.1 The recommendations are in line with the recommendations of Scrutiny, and the view of Audit Committee in undertaking this role.

8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012.

9 IMPLICATIONS

- 9.1 Where appropriate, the policy outlines implications for areas such as Legal, Human Resources, Procurement and Finance.
- 9.2 This report does not have implications for specific wards.

10 BACKGROUND DOCUMENTS

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

- Consultancy Review Report, March 2011;
- Report to Sustainable Growth Scrutiny Committee, 8 November 2011;
- Report to Sustainable Growth Scrutiny Committee, 6 March 2012; and
- Reports to Cabinet and Audit Committee 26 March 2012.
- Report to Audit Committee of 5 November 2012
- Report to Audit Committee of 4 February 2013
- Report to Audit Committee of 4 November 2013
- Report to Audit Committee of 3 November 2014 and supplementary report to Audit Committee of 2 February 2015
- Report to Audit Committee of 9 November 2015
- Report to Audit Committee of 22 November 2016
- Report to Audit Committee of 19 November 2018
- Report to Audit Committee of 11 February 2019

11 APPENDICES

- Appendix 1 - list of companies used during the period 1 April 2018 and 31 March 2019 with summary

2018/19

Appendix 1 - List of companies with Summary

2018/19		
Supplier Name	Initiative	Amount
4OC Ltd	Project Support - savings programme & LATCo set up	603,333
Airey Consultancy Services Ltd	Council Tax reduction scheme	6,600
AXA PPP Healthcare OHS Ltd	Occupational Health Advice	4,760
Barker Storey Matthews	Property Advice - Town Hall / University	11,414
Bevan Brittan LLP	LATCO development advice	6,023
Cambridgeshire County Council	CCC Staff costs - shared Services (ICT)	36,144
Capacity Matters Ltd	(Advice to commissioning team)	1,490
CapacityGrid	Empty Homes review	34,924
Carter Jonas LLP	Development Control advice	5,750
CEB Global Limited	Finance Improvement & delivery of MTFS savings agenda	30,958
Civica UK Limited	ICT Consultancy	1,025
Corazon Health Limited	Occupational Health Advice	240
Cranford Solutions Ltd	ICT support - interim	73,000
Deloitte LLP	Financial Assessment advice	12,000
Eastern Shires Purchasing Organisation	Environmental Services purchasing support	7,974

Fiona Spinks	GDPR work	32,197
G V A Grimley	Property valuation advice	3,300
Gerald Eve LLP	Finance project advice	12,500
Grant Thornton UK LLP	LATCO development advice	15,098
Heales Health Services Ltd	Occupational Health Advice	12,162
Hegarty LLP	Advice - The Manor	250
Inform CPI Ltd	ICT Consultancy	44,804
J C Associates	Complaints support	4,943
Kealey-HR	HR Support / LATCO advice	42,949
Lind Associates	SEN (Ian Palmer consultancy)	72,407
Lisa Bunyan	Integrated communities programme management	12,044
Mark Stephen Land Management	Development Control Advice	750
Mills & Reeve	Finance Advice	3,489
North Kesteven District Council	Planning & Housing Policy Support	47,000
NPS Peterborough Ltd	Bridge Street Shops Project / Roof mounted Solar PV Project / Property Project Delivery	136,008
Penna Plc	LATCO; Vivacity support; Interim Development Director	378,606
PKF Littlejohn LLP	Procurement Advice	33,170
Prior Associates (Soham) Ltd	Resilience & Risk advice	675
PS3 Safeguarding Limited	PCSB work	1,000

PSI(UK)Ltd	SEND consultancy (Liz Malcolm)	17,050
Reed Specialist Recruitment Limited	Fletton Quays project / PMO / Homeless 50 Project / ASC Resource plan	481,056
RINA Consulting Ltd	Energy advice	14,850
RJW Associates Ltd	PCSB work	24,700
Sales Nova Limited	LATCO mobilisation support	79,287
Serco Ltd	Project Management and Support	263,724
The Planning Inspectorate	Examination of Local Plan	61,413
WESTCO TRADING LIMITED	Communications Support (Stuart Tarbuck)	98,550
2018/19 Total		2,729,615

AUDIT COMMITTEE	AGENDA ITEM No. 15
15 JULY 2019	PUBLIC REPORT

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296334

FEEDBACK REPORT

RECOMMENDATIONS
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> Note the Feedback Report and work completed since the last meeting

1. ORIGIN OF REPORT

- 1.1 This is a standard report to Audit Committee which forms part of its agreed work programme.

2. PURPOSE AND REASON FOR REPORT

- 2.1 This standard report provides feedback on items considered or questions asked at previous meetings of the Committee. It also provides an update on any specific matters which are of interest to the Committee or where Committee have asked to be kept informed of progress.

3. IMPLICATIONS

Financial Implications

- 3.1 There are none.

Legal Implications

- 3.2 There are none.

Equalities Implications

- 3.3 There are none.

4. APPENDICES

- 4.1 Appendix A - Feedback report

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AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2018 - APRIL 2019

AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	ACTION RAISED	SIGN OFF DATE
Annual Audit Committee report	Acting Corporate Director Resources and Democratic Services to look into training options for the forthcoming municipal year.	Pete Carpenter/Dan Kalley	Training session held 20 June 2019		Before next meeting

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AUDIT COMMITTEE	AGENDA ITEM No. 16
15 JULY 2019	PUBLIC REPORT

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councilor Seaton, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2019/20

R E C O M M E N D A T I O N S
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> Notes and agrees the Work Programme for the municipal year 2019/20.

1. ORIGIN OF REPORT

- 1.1 This is a standard report to the Audit Committee which forms part of its agreed work programme. This report provides details of the Draft Work Programme for the following municipal year.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Work Programme is based on previous year's agendas. The programme can be refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.
- 2.2 Training for members on specific aspects of the Audit Committee agenda are available throughout the year and will be arranged on request and will take place on a separate day to that of the committee meeting.

3. IMPLICATIONS

Financial Implications

- 3.1 There are none

Legal Implications

- 3.2 There are none

Equalities Implications

- 3.3 There are none

4. APPENDICES

- 4.1 Appendix A - Work Programme 2019/20

APPENDIX A

DATE: 15 JULY 2019			
		Section / Lead	Description
	Annual Governance Statement	Finance Kirsty Nutton	To consider and endorse the development of the Annual Governance Statement as included in the accounts.
	Internal Audit: Annual Audit Opinion	Internal Audit Steve Crabtree	To receive, consider and endorse the annual Internal Audit Opinion for the year ended 31 March 2019.
	Investigations Team Annual Report 2018 / 2019	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 2019.
	Insurance: Annual Report 2018 / 2019	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the delivery of Insurance Services for the year ended 31 March 2019.
	Capital and Treasury Outturn 2018 / 2019	Finance Pete Carpenter	To receive, consider and endorse the Capital and Treasury outturn 2018/2019
	Audit of Statement of Accounts To Those Charged with Governance (ISA260) including Annual Governance Statement	Finance Pete Carpenter / EY	To receive the final Statement of Accounts for the year ended 31 March 2019 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	Fees report	Finance Pete Carpenter	To approve the fees for the Municipal year 2019/2020
	Audit Committee Effectiveness	Internal Audit Steve Crabtree	To receive and consider the self assessment of the effectiveness of the Audit Committee
	INFORMATION AND OTHER ITEMS		

	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Pete Carpenter / Chris Yates	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Draft Work Programme 2019 / 2020	Democratic Services Dan Kalley	

DATE: 16 SEPTEMBER 2019

		Section / Lead	Description
	Treasury Management	Finance Pete Carpenter	To receive an update on the policy and effectiveness of treasury management
	Risk Management: Strategic Risks	Governance Simon Machen	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Use of Consultants	Finance Pete Carpenter	To receive an update on the use of Consultants
	Update of Treasury Management Strategy 2019/20	Finance Pete Carpenter	
	External Audit: Annual Audit Letter	EY	To receive and approve the External Annual Audit Letter identified as part of their audit works
	Move to Microsoft from Google	Finance Pete Carpenter	
	Information Governance and Cyber Security	Governance Ben Stevenson	To receive details on Information Governance arrangements across the Council
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required. To also include the outcome of a recent Surveillance Commission Inspection.

	Approved Write-Offs Exceeding £10,000 - None	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2019 / 2020	Democratic Services Dan Kalley	

DATE: 18 NOVEMBER 2019

		Section / Lead	Description
	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Mayors Costs	Finance Pete Carpenter	To receive a report on costs associated with the Mayor's office
	Asset Investment Strategy	Finance Pete Carpenter	
	EY Audit Plan	EY	
	Working with Cambridgeshire CC and cost savings	Finance Pete Carpenter	
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2019 / 2020	Democratic Services Dan Kalley	

DATE: 27 JANUARY 2020

		Section / Lead	Description
	Grants Certification report	EY and Finance	To receive a report on Grants Certification
	External Audit - Assessment of Internal Audit	Internal Audit Steve Crabtree	To receive a report in relation to the assessment by external auditors on internal audit procedures.
	Internal Audit: Approach to Audit Planning	Internal Audit Steve Crabtree	To receive a report on the approach to Audit Planning
	Use of Consultants	Financ/HR Pete Carpenter	To receive an update on the use of consultants and agency staff
	Risk Management: Strategic Risks	Governance Pete Carpenter	To receive an update on the strategic risks for the Council
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.

	Approved Write-Offs Exceeding £10,000	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2019 / 2020	Democratic Services Dan Kalley	

DATE: 23 MARCH 2020

		Section / Lead	Description
	Draft Annual Audit Committee Report	Democratic Services Dan Kalley	To receive the Draft Annual Audit Committee Report prior to submission to Council
	Internal Audit: Draft Internal Audit Plan 2020 / 2021	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2020 / 2021
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	

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