

## AUDIT COMMITTEE

THURSDAY 29 JULY 2021  
5.00 PM

Sand Martin House, Bittern Way, Peterborough, PE2 8TY, meeting will be livestreamed here: [Peterborough City Council Youtube Page](#)

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

### AGENDA

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- |     |  |           |
|-----|--|-----------|
| 1.  | Apologies for Absence  |           |
| 2.  | Declarations of Interest   |           |
|     | At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services. |           |
| 3.  | Minutes of the Meeting Held on   |           |
|     | 3.1 22 March 2021  | 3 - 8     |
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| 4.  | Verbal Update from Ernst & Young (EY)  | 13 - 18   |
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**11. Budget Monitoring Report Final Outturn 2020/21**

**267 - 312**

**INFORMATION AND OTHER ITEMS**

**12. Use of Regulation of Investigatory Powers Act 2000 (RIPA)**

To note that there have been no updates on RIPA since the last meeting.

**13. Approved Write-Offs Exceeding £10,000**

To note that there have been no write offs since the last meeting on 22 March 2021.

**14. Work Programme**

**313 - 318**

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<http://democracy.peterborough.gov.uk/ecSDDisplay.aspx?NAME=Protocol%20on%20the%20use%20of%20Recording&ID=690&RPID=2625610&sch=doc&cat=13385&path=13385>

**Committee Members:**

Councillors: D Over (Chairman), A Shaheed, Joseph, Ali, Farooq, Haseeb and Sainsbury (Vice Chairman)

Substitutes: Councillors: Burbage, Iqbal, Jones and Bond

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



**MINUTES OF THE AUDIT COMMITTEE MEETING  
HELD AT 5:00PM, ON  
MONDAY, 22 MARCH 2021  
VIA ZOOM CONFERENCE**

Present: Councillors Over (Chairman), Coles, Jones, Joseph, Shaheed and Warren.

Officers in

Attendance: Peter Carpenter, Corporate Director of Resources  
Dan Kalley, Senior Democratic Services Officer  
Steve Crabtree, Chief Internal Auditor  
Fiona McMillan, Director of Law & Governance and Monitoring Officer  
Ben Stevenson, Head of Information Governance/Data Protection Officer

Also in

Attendance:

**47. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Fower.

**48. DECLARATIONS OF INTEREST**

There were no declarations of interest received.

**49. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON:**

**25 JANUARY 2021**

The minutes of the meeting held on 25 January 2021 were agreed as a true and accurate record.

**24 FEBRUARY 2021**

The minutes of the meeting held on 24 February 2021 were agreed as a true and accurate record.

**50. ANNUAL AUDIT COMMITTEE REPORT**

The Audit Committee received a report in relation to the Annual Audit Committee report.

The purpose of the report was for the Committee to receive a timeline of the work of the Committee over the previous 12 months, which was then to be presented to Full Council in June.

The Senior Democratic Services Officer introduced the report and outlined that this report would be presented to Full Council in June or July 2021. Members were informed that due to the pandemic all meetings had been held virtually this year, but that all functions of the Committee continued as normal.

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

- The terms of reference of the Committee were kept under review and this should be done on an annual basis to ensure that they were relevant. At the current time the terms of reference held up well to the work that was required of the Audit Committee. It was suggested that these terms of reference would be brought back to committee at its first meeting of the new municipal year.

The Audit Committee considered and **RESOLVED** (unanimously) to approve the draft Annual Audit Committee Report for submission to Council as shown in Appendix 1.

## **51. INTERNAL AUDIT PLAN 2021 / 2022**

The Audit Committee received a report in relation to the internal audit plan 2021/22.

The Chief Internal Auditor introduced the report and commented that the report outlined proposed Internal Audit activities for the next financial year. This would enable Internal Audit to provide a level of assurance to both the committee and Peterborough City Council that there were sufficient controls and governance in place across the organisation.

Work would be targeted at those areas that had a high impact on the Council both financially and reputationally. The approach to the work of Internal Audit was set out in the appendices. Members were directed to the Internal Audit Charter and set out the approach by Internal Audit to deliver the work over the coming year. Although similar to previous years it had been amended to reflect greater collaboration and working with other organisations, in particular Cambridgeshire County Council. Internal Audit was last externally assessed against professional standards in 2018 and at that time was deemed fully compliant. A joint working protocol had been drawn up with Cambridgeshire County Council due to the increased number of shared services. There were opportunities to develop further with sharing training and possibly resources in the future. It was important to note that each Council would still have their own individual audit plan.

With regards to Appendix B, the Code of Ethics, this set out the way Internal Audit worked to ensure it followed high ethical codes when carrying out its duties. Members were directed to the remaining appendices which set out the



overarching Internal Audit Strategy and Plans for the team. There was still a vacancy within the team as well as an officer seconded to the Coordination Hub and the use of agency staff had been explored to try and backfill. Members were advised that the Audit Plan in Appendix D, which set out the specific audits to be covered, although relevant at the current time could be reprioritised up or down depending on change in risk or new issues that may arise during the year. The highest risks to the Council at the current time was still its financial resilience, as well as all associated Covid work.

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

- A lot of work was still being undertaken at home and predominately focused on Covid areas. For example, the team were looking at issues in relation to the payment of business grants. The team has assisted areas of the Council as they have changed approaches and moved into a more agile workforce. The pandemic had not caused the Internal Audit team any issues with carrying out their role.
- A protocol had been agreed with Cambridgeshire County Council, this considered the risks identified at both Councils and to avoid duplication. To avoid this, regular meetings would be held across both teams at each council to ensure work was co-ordinated.

The Audit Committee considered the report on the Internal Audit Plan 2021/22 and **RESOLVED** (unanimously) to:

1. Consider and agree to the Internal Audit Charter for 2021 / 2022 (Appendix A);
2. Consider and agree to the Internal Audit Code of Ethics 2021 / 2022 (Appendix B); and
3. Consider and approve the Internal Audit Strategy and Plans for 2021 / 2022 (Appendix C, D)

## **52. INVESTIGATING ALLEGATIONS OF FRAUD**

The Audit Committee received a report into investigating allegations of fraud.

The purpose of the report was to update the committee on the Council's investigations into fraud.

The Chief Internal Auditor explained that all services across the Council needed to be vigilant against fraud. The policies provided for Members focussed on fraud investigation in relation to Council Tax and Business Rates, Blue Badges and Parking Permits. The policy reflected the current difficulty in pursuing prosecutions in light of the pandemic and the courts being closed. In terms of overpayments there was still a process in place to inform people that they were duty bound to repay any monies owed. In addition, a £70 surcharge was added to these accounts where money was owed to the Council, replacing the previous 50% of the fraud element.

Members were directed to the National Fraud Initiative which was carried out every two years. In the report under 4.3.9 the total needed to state 3,329 and not 71 - an error from download.

There had been a number of business grants paid out over the past year and in terms of these the Council was now in the third phase of these. The data in front of members related to the first two grants. The records were being checked against information held at Companies House and with bank account records to ensure the businesses were valid and not closed.

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

- With regards to benchmarking against other authorities in terms of fraud a national summary was produced on a yearly basis. This was broken down into levels of fraud by Council sector, for example Unitary, Borough, County etc. It did not go down any further in terms of looking at Peterborough against Cambridgeshire and its various authorities.
- The information in the national fraud data showed where the greatest risks were for a Unitary authority.
- The issuing of a fixed £70 enforcement notice was a quicker and more effective way to legislate than having to carry out full investigations, especially in the current circumstances.
- In terms of cost to investigate fraud there were teams within the Council who carried out this work, however there were still costs involved to deliver the investigation.
- There would usually be a payment process in place to recover the overpayments from any individuals.
- Processes to check and investigate fraud were important to the Council as there was an annual turnover of over £450 million.
- It was important that the Council kept up to date with processes to recover money, especially once the pandemic began to recede.

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

1. The proposed changes made to ensure efficient delivery of fraud investigations;
2. Works to date in relation to meeting the requirements of the National Fraud Initiative; and
3. Outcomes from national studies and future proposals.

### **53. USE OF REGULATION OF INVESTIGATION POWERS ACT 2000 (RIPA)**

The Committee received a report into a review of the Council's use of Regulation of Investigatory Powers Act 2000 (RIPA).

The Data Protection Officer introduced the report and stated that the report outlined some of the covert work the Council may wish to undertake using the RIPA powers. The powers have not been used since late 2017. This was mainly due to there being other means by which to conduct investigations, that were

more efficient than carrying out covert operations. There were some strict controls in place for using RIPA, including the need to get the use of RIPA signed off by a local magistrate. The Council was inspected virtually this year by the surveillance commissioner. The inspector highlighted that the Council had a good selection of training materials in relation to the use of RIPA. A policy was due to be brought back to Audit Committee next year at the first meeting.

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

- The social media aspect of investigating was likely to help with locating where there might be issues, but it was more an area for trading standards.
- The Council had tried covert surveillance in terms of fly-tipping, however more overt tactics stating that CCTV was in use had been more successful than using RIPA.
- The Council did not get involved with investigating drug dealing offences as this was a matter for the Police, although the Police were able to access the Council's CCTV if required.

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

1. The outcome of the inspection of Peterborough City Council by the Investigatory Powers Commissioner's Office (IPCO)
2. The use of powers within the Regulation of Investigatory Powers Act (RIPA)

#### **54. APPROVED WRITE-OFFS EXCEEDING £10,000**

The Audit Committee noted that there had been no approved write-offs exceeding £10,000 since the last meeting.

#### **55. WORK PROGRAMME**

The Audit Committee received a report in relation to the work programme for 2020/2021.

The report was introduced by the Senior Democratic Services Officer who advised that the format followed a similar process to previous years and further items could be added to the programme at the Members discretion.

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

Chairman  
Virtual Meeting  
5:00 – 5.53pm





**MINUTES OF THE AUDIT COMMITTEE MEETING  
HELD AT 4:30PM, ON  
MONDAY, 21 JUNE 2021  
SAND MARTIN HOUSE, PETERBOROUGH**

Present: Councillors Over (Chairman), Sainsbury, S Farooq, I Ali, Haseeb, Joseph, Shaheed and Warren.

Officers in

Attendance: Peter Carpenter, Corporate Director of Resources  
Dan Kalley, Senior Democratic Services Officer

Also in

Attendance: Councillor Coles, Cabinet Member for Finance  
Neil Harris, Associate Partner, Ernst and Young (EY)

**1. APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest received.

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

The Audit Committee received a report in relation to the Audit of Statement of Accounts to those charged with Governance (ISA260).

The Associate Partner EY stated the additional information that was published drew to a close the audit of Peterborough City Councils Statement of Accounts for the year 2019/20. The report also contained the external auditor's conclusion on the Council's value for money arrangements.

The Associate Partner EY thanked officers of the Council for their co-operation in helping the external auditors prepare their final report. The reason behind not issuing a final outcome on the financial position of the Council's finances was due to the consideration of the financial arrangements with Empower Community Management LLP and whether this gave rise to any adjusting post balance sheet events.

Members of the Committee were informed that the external auditors were now in a position to give their audit opinion which was unqualified opinion on the

Council's financial statements. This was due to the financial statements representing a fair and true view of the Council's financial position as at 31 March 2020. External auditors stated that the Council did report that there were material uncertainties associated with the continuity of providing services looking forward 12 months from the date of these accounts. The Council recognised the serious financial challenges that it faced. The Council recognised the additional capitalisation directives as determined by the Ministry for Housing, Communities and Local Government (MHCLG), however this still gave rise to material uncertainty on continuity of service provision.

In terms of the final statutory report the external auditors were recommending a qualified audit opinion on the Council's arrangements for value for money in its use of resources. It was recognised that while the Council responded appropriately to its deteriorating financial position and made representation to MHCLG on this basis, the external auditors still had significant concerns over the Council's future sustainability.

With regards to the loan to Empower this was regarded as a short term debt by the Council. The external auditors challenged the Council over the classification of the loan as it was their opinion that a short term debt was less than 12 months. During the course of the external auditor it became clearer that the Council was taking decisions to refinance the arrangement with Empower to an extent that it led to a long term financing arrangements. The external auditors at the end of March 2021 were not minded to challenge at that point that the loan would be recoverable over a longer term financial arrangement.

Following a default payment by Empower for a loan payment, officers and external auditors revisited the arrangements for recovering the loan before a memorandum was signed off between the Council and Empower. There had been a lot of work carried out by Deloitte acting as advisors to the Council and a credit assessment had been carried out to assess the saleability of the loan and the impairment that could result from this arrangement. This work also looked at whether the arrangements could be bought back in house or continue to be outsourced with Empower. External auditors were of the view that the discount cash flow model was appropriate in this circumstance, recognising an accounting adjustment in the financial statements.

Recommendations had been made by the external auditors with regards to the management of the Empower loan going forward and lessons learned from the process to date. If the loan was brought in house an up to date valuation of the loan needed to take place.

The external auditors had highlighted that there were some weaknesses in the governance and decision making notices around the Empower loan arrangements. It was the external auditor's opinion that entering into an aggressive strategy with the loan arrangements did place the Council at risk.

On the Council's financial sustainability, the external auditors had undertaken further work to stress test the Council's financial position. The base level financial position was broadly in line with the work carried out by specialists and should give members confidence that the figures set out were correct and accurate. It was highlighted that there could be a large gap in the budget under

a further or heavier recession as a result of the pandemic. The assumptions made by the external auditors was to be reviewed for the financial year 2021/22.

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

- External auditors were of the view that there was not much difference between interest of 2.1% or 2.5% in terms of accounting. It was the view that this disclosure had been dealt with appropriately.
- Looking at the balance sheet data as at 31 March 2020, the external auditors had taken the view that the loan to Empower was classed as a long term debtor. However when looking at the data for the 31 March 2021 year-end, there was a further questions on whether the terms and conditions had changed. One of the recommendations from the external auditors was that if the loan was to be brought in house it would need to have a valuation of the asset.
- It was believed that the base case for the medium term financial strategy was accurate and had been clear of the risks to the Council to both the external auditors and MHCLG.
- In terms of the different financial resilience scenarios the external auditors had taken information from publicly available data sources to produce likely outcomes for the Council.
- There were some significant impacts on the Councils ability to make the necessary savings. These were still needed to be delivered, however it was not known yet when the Council would be in a position to action the identified savings.
- The £2.6 million impairment as outlined was a capital sum and had been placed against the Minimum Revenue Provision over the life of the loan. There was a £175,000 cost over the next 15 years to even out the impairment.
- In terms of other Council's Peterborough took seriously their financial responsibilities and reporting financial management processes. It was important to note that the external auditors were expressing concern over the Council's financial standing. Peterborough City Council was a serious concern for the external auditors, however it was important to note that the Council had been open and honest about its financial situation.

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

1. Receive and approve the "Audit Results Report - (ISA260) for the year ended 31 March 2020" from Ernst & Young (EY), the Council's external auditors.
2. note the amendment made for the inclusion of the 'Post Balance Sheet Event'
3. Receive and approve the 2019/20 Management Representation Letter.
4. Receive and approve the audited Statement of Accounts 2019/20.
5. delegate to the Chairman to approve further changes if needed.

Chairman  
4:30 – 5.10pm





<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 4
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

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

## VERBAL UPDATE ERNST & YOUNG (EY)

R E C O M M E N D A T I O N S	
<b>FROM:</b> Peter Carpenter - Corporate Director Resources	<b>Deadline date:</b> 29 July 2021
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Receive an update from Ernst Young LLP (EY) as at 29 July 2021 for the following; <ul style="list-style-type: none"> <li>• Current position with scheduling audits,</li> <li>• Proposed timetable for Peterborough City Council audit</li> <li>• The areas of external audit focus</li> <li>• Reference to the recent Public Accounts Committee Report on the timeliness of local auditor reporting on local government.</li> </ul> </li> </ol>	

### 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 external auditors will be providing a verbal update to the Audit Committee on:

- the current position with scheduling audits,
- proposed timetable for Peterborough City Council's audit,
- the areas EY external audit focus

The Public Accounts Committee issued a report in to [Timeliness of local auditor reporting on local government in England \(parliament.uk\)](https://www.parliament.uk/publications/2020/10/10), which is recommended for Audit Committee members to read.

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

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

### 3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	n/a
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### 4.0 **APPENDICES**

4.1 Appendix A – Letter from EY regarding PSAA 2020/21

Addressed to Chief Financial Officers and Audit Committee Chairs for  
PSAA audited bodies (Local Government, Police and Crime  
Commissioners, Chief Constables, Fire and Rescue Authorities)

1 June 2021

Ref: JD/NH

Direct line:

Sent by email

Email: [jdawson1@uk.ey.com](mailto:jdawson1@uk.ey.com)

Dear Chief Financial Officer and Audit Committee Chair

## **Scheduling high-quality 2020/2021 local public audits**

In February 2020, I wrote to you to address the concerns we all share regarding the sustainability of financial reporting and auditing in England. Since then, we have collectively had to respond to all the unprecedented challenges that have arisen following the coronavirus pandemic (Covid-19). Thank you for the way you and your officers have responded to these difficult circumstances in the public interest and supported my teams with our audits.

Over the past six months, the Sir Tony Redmond review, Ministry of Housing, Communities and Local Government (MHCLG) response and recent consultations on 2020/2021 reporting timetables have sought to put in place measures to address the much needed stability of the local public audit market.

The National Audit Office's (NAO) recent report on the timeliness of local auditor reporting in England explored the factors that have led to the increasing delays to the delivery of audited financial statements. We contributed to this review and recognise most of the NAOs findings. In particular we agree with the NAOs comments that the Covid-19 pandemic has had a significant impact on the delivery of the 2019-2020 audits, the financial position of audited bodies and exacerbated problems which already existed within the local audit landscape.

I want to set out the principles which will guide the scheduling of our 2020/2021 external audits and how we will work with you as and when Covid-19 restrictions are eased. This will support conversations your Audit Partner will be having with you as we plan and deliver your 2020/21 external audit.

### **Context guiding our scheduling of 2020/21 external audits**

On the 31<sup>st</sup> March 2021, MHCLGs amendments to the 2021 Accounts and Audit Regulations came into force. This sets an expectation that you have up to the 1<sup>st</sup> August 2021 to publish draft financial statements, and the target date for the publication of audited accounts is 30 September 2021.

We have said in response to MHCLG's consultation on the reporting timetable that we do not believe this is realistic or sustainable for the following reasons:

- The continuing impact of Covid-19 restrictions on the financial reporting and audit cycle across the corporate and public sectors. Our UK Head of Audit wrote to your peers for our corporate audits on 27<sup>th</sup> January 2021 setting out the impact on reporting timetables, reinforcing guidance issued from the Financial Conduct Authority and the Financial Reporting Council (FRC). This letter is appended for your information.
- Impact of later completion for remaining 2018/2019 and 2019/2020 local public audits, and the delay that has resulted in starting 2020/2021 audits. Practically, this means significantly more audit work will be required in the final stage of our audits in August and September 2021 than is usual, especially as little interim procedures have been performed by 31<sup>st</sup> March.
- We expect and do understand why some of you will take the opportunity of getting ready to produce draft accounts by the 1<sup>st</sup> August. However, doing so leaves auditors only two months to complete the audit, including the month of August when we anticipate with the lifting of Covid-19 restrictions, your officers and our staff may plan to take annual leave.
- One of the many issues recognised by the Redmond review is that there are insufficient numbers of skilled and specialist local auditors to deliver local audit within such a shortened timeframe. The implication of the reporting timetable is to require auditors to move at an even faster pace to catch up, which does not safeguard audit quality and our professional standards. We are also concerned that this timetable could do irreparable damage to the attractiveness of the local audit profession.
- Additional work required by finance teams and auditors to respond to the increasing complexity of decision making, including commercialisation and group accounting. Covid-19 has exacerbated this and led to greater levels of estimation, uncertainty and risk in financial reporting and financial sustainability. This will continue to require additional procedures for your teams and ours, including the use of specialists and navigating professional practice consultations.
- Other jurisdictions such as Audit Scotland are proposing to revise the 2020/2021 local authority reporting timetable to the 30<sup>th</sup> November 2021 in recognition of these circumstances.

### **Delivering our 2020/2021 external audits**

We have said to MHCLG, NAO and Public Sector Audit Appointments Limited (PSAA) that our approach will continue to be to plan and perform our audits to safeguard our highest standards of quality. The FRC are currently inspecting a sample of our 2019/2020 audits but have recognised the good quality of our local public audits last year.

We believe a high-quality audit is even more important in these challenging and unprecedented times and will not compromise or reduce our expectations. We will provide our audit opinion when we are satisfied that we have performed sufficient quality work to support our judgements, rather than by a certain and potentially unrealistic date. This means we will be scheduling a number of 2020/2021 external audits for completion after the 30<sup>th</sup> September 2021.

I am aware some but not all of you will have already had discussions with your Audit Partner on provisional timetables. I do encourage you and the Audit Partner to collectively consider all the challenges that have arisen since Covid-19 restrictions and make an informed joint assessment on a realistic and achievable timetable that ensures the quality of financial reporting and audit is not compromised. This assessment should consider the finance and audit team constraints and the complexity of the financial reporting and audit process.

Each of our regional office leads is finalising their delivery plan for the 2020/21 external audits. The proposed timing of your external audit is being determined using a consistent set of principles to ensure we have a fair and equitable basis for scheduling audits before the 30<sup>th</sup> September 2021 and those afterwards. These principles include the plans to conclude overdue 2018/19 and 2019/20 external audits, our assessment of your preparedness for audit, expectation on level of audit errors and findings, the degree of risk and complexity including any significant changes since the prior year and maximising our availability of qualified and experienced audit staff and specialists.

### **Ways of working**

I am aware that you will be having ongoing dialogue with MHCLG on how the easing of Covid-19 restrictions will impact on your operations and ways of working, now and in the future.

Generally, we have found that our technology (EY Canvas, EY Canvas portal and Microsoft Teams) has been successful and resilient, supporting high-quality audits. This has led to more flexibility and agility on the way in which remote audits are conducted. We intend to follow these working practices again with you and your teams for the 2020/2021 audits, and therefore I am not expecting full-time on-site audit presence. These principles will also support how we work with you on our move to an increasingly digital and data-driven audit in the future.

In addition, your Audit Partner and Engagement Manager have been more productive and flexible by their ability to attend more meetings virtually, eliminating significant travel time and contributing to our net carbon targets. I am not expecting our more senior staff to be attending meetings with management and Audit Committees in person in every case when restrictions are eased.

I do recognise though that there may be circumstances which mean we do need to be flexible and proportionate. I have asked your Audit Partner and Engagement Manager to discuss with you and your finance team and arrive at a shared understanding on the planned working arrangements and approach this year. This is particularly important to support discussions with new members of Audit Committees post the May 2021 local elections.

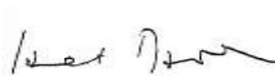
### Next steps

I am keen that we have a collective and combined focus to work together and navigate the challenging months ahead and, importantly, to agree the proposed timing of your 2020/21 external audit and how we work with you this year.

We are continuing to work with MHCLG, CIPFA/LASAAC, ICAEW, NAO and PSAA to share our point-of-view on those areas that are critical to stabilise the local public audit system and improve the sustainability of financial reporting and audit in England, and I provided evidence to the Public Accounts Committee last month on those issues. We will be responding to further consultations from MHCLG and others on the implementation of the Redmond recommendations. We will also be considering the implications for financial reporting and local public audit following the recent Department for Business, Energy & Industrial Strategy consultation on reforms to corporate governance and the audit profession. Your Audit Partner will be able to discuss our point of view with you and at your future Audit Committee meetings.

In the meantime, if you have any questions on this letter, please do not hesitate to contact me using the details provided.

Yours faithfully,



Janet Dawson  
UK Government and Public-Sector Assurance Leader  
Ernst & Young LLP

<b>AUDIT COMMITTEE</b>	AGENDA ITEM NO: 5
<b>29 July 2021</b>	<b>PUBLIC REPORT</b>

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

## DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM</b> : Corporate Director: Resources	<b>Deadline date</b> : 30 July 2021; statutory deadline for CFO to approve Accounts
1. For members to review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 30 July 2021	

### 1. ORIGIN OF REPORT

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

### 2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which facilitate the production of accounts in a standardised and consistent format across all industries, public and private sectors, providing greater transparency to all stakeholders.
- 2.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2020/21 Code of Practice (the Code) and are followed in the preparation of the 2020/21 Statement of Accounts.
- 2.3. The 2020/2 Statement of Accounts is the first set of accounts to meet the requirements and timeline for approval as contained in The Accounts and Audit (Coronavirus) Amendments Regulations 2020.\*<sup>1</sup>
- 2.4. Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit Committee.
- 2.5. This is in accordance with the Committees Terms of Reference – 2.2.1.18 to review the annual statement of accounts, specifically, to consider whether appropriate accounting

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

policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- 2.6. The Accounts must be signed and certified by 30 November 2021 by the Council's Section 151 officer / Chief Finance Officer (Corporate Director Resources), in accordance with the Accounts and Audit (Coronavirus) Amendments Regulations 2020.
- 2.7. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2021.
- 2.8. The Audit Committee is required to approve the Accounts no later than 30 November 2021 following, and in the knowledge of, the audit findings.
- 2.9. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.
- 2.10. To provide an update on the circulation of the detailed Audit Plan which will be prepared to inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged. It has been discussed and agreed jointly by Council representatives and External Audit (EY) which was noted in the Audit Committee in March 2021.

### 3. **TIMESCALE**

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

- 4.1. The 2020/21 draft Statement of Accounts is shown in Appendix 1.
- 4.2. The presentation of the draft Statement of Accounts provides Audit Committee the opportunity to review the accounts and ask relevant questions so that they are better informed before being asked to formally approve the audited accounts at the November Audit Committee meeting.
- 4.3. The Ministry of Housing, Communities and Local Government (MHCLG) have made changes to the Accounts and Audit Regulations 2015 due to Coronavirus. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2020/21 and the publication date for audited accounts will move from 31 July to 30 November 2021 for all local authority bodies.
- 4.4. To give the Council more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, local authorities must commence the public inspection period **on or before** the first working day of September 2021. This means that accounts that must be confirmed by the responsible finance officer (CFO) must be published by 31 August 2021. The Council has published the dates of the public inspection period on the Council's Website.
- 4.5. Whilst under regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for Members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification.



4.6. The key contents of the various sections are as follows:

- *Narrative Report* - provides a fair, balanced and understandable guide (previously known as the Explanatory Foreword);
- *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts;
- *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council;
- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2021;
- *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 2020/21;
- *Notes to the Financial Statements* - the various statements are supported by technical Notes and by the *Statement of Accounting Policies*;
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates;
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council; and
- *Group Accounts* – shows the transactions of Aragon Direct Services: and
- *Annual Governance Statement* – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts, published by 30 November 2021, following its approval.

### **Comprehensive Income and Expenditure Statement**

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

### **Balance Sheet at 31 March 2021**

4.8. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at 31 March 2021 with the comparative figures for 31 March 2020. The Balance Sheet shows the assets and liabilities of the Council which are matched by the reserves held by the Council. The following paragraphs give a high level indication of the reason for movements between years.

4.9. Current assets have increased by £34.2m, the majority of this movement is the increase in Short Term Debtors (money owed to the Council) by 28.5m relating to the

deficit on the Collection Fund and an increase in Cash and Cash Equivalents of £7.7m.

- 4.10. Long Term Liabilities have decreased by £101.1m. This has resulted from an increase in the Pensions Liability of £100.2m. This is due to the combination of a lower discount rate assumption and a significantly higher CPI assumption. In isolation, this will result in a significant loss on the Employer's balance sheet as at the Accounting Date, shown in the 'Changes in financial assumptions' within the Balance Sheet of the Results Schedule. For a typical employer, this could be of the order of 25% of obligations.

### **Reserves and Balances**

- 4.11. As reported to Council in March 2021, the Corporate Director Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. The closing balance for the General Fund for 2020/21 is £6.0m which is consistent with Medium Term Financial Strategy (MTFS).
- 4.12. Reserves are split into two categories; unusable and useable reserves. Unusable reserves are those reserves that absorb the timing differences arising from different accounting arrangements eg Pensions Fund reserve. Useable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. However, the Council is restricted in the use of some of the useable reserves such as school balances that can only be spent by schools and capital grants unapplied account which can only be used to finance the Capital Programme.
- 4.13. The total reserves have moved by £96.3m. The largest movement is in Unusable Reserves which contains both the Pensions Reserve and the Collection Fund Adjustment Account.
- 4.14. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. As a result this reserve matches the pension liability as detailed in 4.8 and thus this reserve has increased by the same £100.2m.
- 4.15. Collection Fund Adjustment Account, which has increased by £28.6m, reflects the deficit on the Council's Collection Fund due to the impact of the COVID-19 Pandemic on National Non Domestic Rates. The Council have received Section 31 Grants which are shown in the Earmarked Reserve which will offset the deficit in 2021/22.
- 4.16. Earmarked Reserves are detailed in Note 16 and show the movements during the year and the balances at 31 March 2021. The movement of £32.6m in the Earmarked Reserves relates to the Section 31 Grant received in year to offset the Collection Fund deficit in 2021/22. The Outturn report provides further detail of the movements in 2020/21, see other agenda item for this report.

### **Schools**

- 4.17. Details on Schools Balances are shown in Note 15 to the Statements in the Accounts. This shows that there was a net increase in School Balances during 2020/21 of £1.6m from £3.2m to £4.7m.

### **Next Steps - Approval, Signing, Inspection and Audit**

- 4.18. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 include the following for the approval and publication of the annual accounts:
- the responsible financial officer must certify the presentation of the annual accounts no later than the 31 August 2021;
  - the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members no later than 30 November 2021 and
  - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.
- 4.19. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 also requires all Councils to have a common 30 day public inspection period which normally includes the first 10 working days in September 2021. The aim of this is to ensure greater transparency and give stakeholders sufficient notice of the period in which they can inspect the accounts. Due to Covid-19 the Council's period of public inspection, for the Council's accounts and supporting documentation, will run from the 2 August 2021 to 14 September 2021.
- 4.20. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2020/21. This will be considered at the Audit Committee meeting in November 2021.

## **5. CONSULTATION**

No external consultation, other than with the Council's External Auditors, EY, is taking place. However, the accounts are open to public inspection, see point 4.194.19.

## **6. ANTICIPATED OUTCOMES**

As set out in the report.

## **7. REASONS FOR RECOMMENDATIONS**

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

## **8. ALTERNATIVE OPTIONS CONSIDERED**

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

## **9. IMPLICATIONS**

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

## **10. BACKGROUND DOCUMENTS**

- Budgetary Monitoring Report Final Outturn 2020/21

- Council March 2020: Medium Term Financial Strategy
- The Accounts and Audit Regulations (England) 2015, Statutory Instrument
- The Accounts and Audit (Coronavirus) Amendments Regulations 2020

## **11. APPENDICES**

- Appendix A – Draft Statement of Accounts 2020/21

# Statement of Accounts 2020/21

PETERBOROUGH  
25  
CITY COUNCIL





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# Peterborough City Council

## Statement of Accounts 2020/21

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# Narrative Report

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## 1. The Statement of Accounts

The Statement of Accounts brings together the major financial statements for the financial year 2020/21. 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 2021
- Cash Flow Statement – Inflows and outflows of cash or cash equivalents. The flows are revenue and capital transactions with third parties

- Notes to the Financial Accounts – The Statements are supported by technical notes
- The Collection Fund and Notes – Shows the transactions of the separate fund used for the collection of Council Tax and Non-Domestic Rates (NNDR) and its distribution to local government bodies and the government
- Statement of Accounting Policies – Outlines the significant accounting policies adopted by the Council
- Group Accounts - Sets out the income and expenditure for the year and financial position at the balance sheet date of the Council and any companies or other organisations, which the Council either controls or significantly influences.

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

- The Local Government Act 2003
- Accounts and Audit Regulations 2015
- Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

## 2. Our City

Peterborough is one of the UK's fastest growing and successful New Towns. In 2020 the city's population was estimated at 202,259, a 13% increase since 2009, with projected population forecast to reach 214,847,688 by 2025.



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



Alongside this growth in population the local economy is buoyant, with over 7,500 registered businesses including the headquarters of companies such as CITB, British Sugar and Whirlpool. In 2020 Peterborough accounted for one third of all new business start-ups in Cambridgeshire and was the second highest in the East of England.

Peterborough spans over 343km<sup>2</sup>, covering 22 electoral wards. It is home to the Nene Park country park, amongst a host of other green open spaces, some of which hold Green Flag Awards making them some of the best open spaces in the country.



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



The City is positioned next to the A1(M), A47 and A11, and the East Coast mainline which is a 39-minute train ride to London. This attractive location provides easy transportation links to London and the North.

In the past year a total of 1,145 new homes were completed with an average of 1,100 new homes per year for the last five year. House prices in Peterborough now average at £243,079.



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

## 3. Our Council Services

The Council provides a breadth of services to the community and businesses. It employs 1,178 members of staff and holds key contracts with Serco, Milestone, and Aragon Direct Services who provide services on the Council's behalf.

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

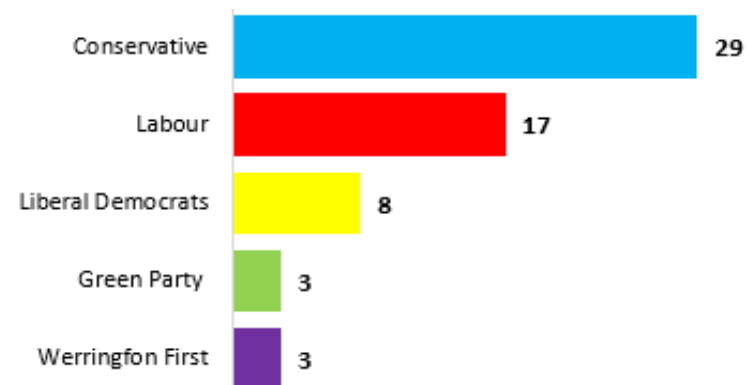
Although the Council has faced challenges in recent years, it has continued to provide vital services, demonstrated by these key achievements from the past 12 months include:

- Looked after 363 children in care, and supported a further 192 children through adoption and residency placements, providing them with more stability and permanency.
- Supported 257 homeless households in temporary accommodation, and a further 142 rough sleepers requiring accommodation due to the impact of Covid-19.
- Supported 2,203 adults to remain independent in their own home, 2,443 adults with long term care packages and 553 adults with shorter term reablement care.
- Registered the birth of 4,082 babies.
- 83.9% of the Schools in the City were rated good or outstanding by Ofsted.
- Cleared up 10,290 fly-tips.
- Collected 19,000 tonnes of recycling.
- 2,603 potholes were repaired and 26.2 miles of roads were resurfaced.
- Maintained 562 miles of roads, 719 miles of footways, 279 miles of cycle ways, 366 structures, 24,000 street lights and 114 set of traffic signals.

- The Council was rated 1<sup>st</sup> out of 109 other UK highways authorities for 'overall satisfaction' as part of the National Highways and Transport Survey.

#### 4. Council Democracy

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



The Council's Constitution<sup>1</sup> sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people. The Council annually selects a Mayor to perform a civic role, promote the city and chair Council meetings. The Council appoints a Leader of the Council who appoints Cabinet Members, each with responsibility for a specific portfolio of services. The role of Cabinet is for:

- Providing leadership.

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

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

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

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

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

During 2020/21, as a result of the Covid-19 pandemic, these meetings were held virtually, with members of the public able to view the meetings live via YouTube. This change in approach ensured the safety of officers and Councillors and adherence to the social distancing requirements.

## 5. Peterborough's Vision and Strategic Priorities

The Council's vision is to improve the quality of life of all its people and communities, and ensures that all communities benefit from growth and the opportunities it brings, to create a truly sustainable Peterborough.

The Council's priorities to deliver this vision are:

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

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

At the time of writing this report the Council has published a new Corporate Strategy 2021/2025 which Cabinet has endorsed. This is expected to be adopted by Council following a period of consultation and will replace the strategic priorities noted above.

## 6. Managing Organisational Performance

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

Budget managers receive detailed budgetary control information each month. A monthly budgetary control report (BCR) is reviewed by each Departmental Management Team, the Corporate Management Team (CMT), and has been considered by Cabinet on a regular basis throughout 2020/21. During 2020/21 the BCR was enhanced to further promote engagement and understanding, and facilitate strong scrutiny of the Council's financial performance. In addition, monthly financial performance reporting was completed to focus on the financial implications of the Covid-19 pandemic.

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

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

With the added layer of financial complexity brought by the Covid-19 pandemic the financial controls were further enhanced to ensure the costs being incurred, as a result of implementing government policy or guidance, had received approval from the relevant director. A tracking tool was established to meet these additional needs, which also allowed weekly financial reporting to CMT and Cabinet and the completion of monthly financial

management reports to Ministry of Housing, Communities and Local Government (MHCLG).

A Rapid Implementation Team (RIT) is in place to ensure saving plans are delivered, and new savings proposals are developed. Progress is reported to each Budget CMT meeting.

In April 2021 a smaller Executive CMT group was established, in recognition of the financial challenges facing the Council and the pace needed to develop savings proposals. This group strengthens the current officer led financial governance structure and provides an additional escalation route in order to approve work or resolve issues which may otherwise delay progress.

Budget CMT are dedicated to overseeing the delivery of the budget setting process, including reviewing pressures and new saving proposals and ensuring effective financial performance in areas such as debt, capital programme and the revenue budget, in addition to the management of financial risks to Council's budget.

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

The Council operates a risk management approach which is linked to the Council's budget monitoring process. Further details on the Council's risk management arrangements are contained within the Annual Governance Statement which is included as an annex to this document.

An officer led Capital Review Group met on regular basis throughout 2020/21. This group has the responsibility of reviewing all aspects of the Council's capital programme. This

year the group has been primarily focused on reducing the capital programme to a value which reflected only necessary and essential activity, reducing the ongoing cost of borrowing for the Council. The group successfully managed to reduce the 2020/21 Capital Budget to £83.0m from £158.6m in April 2020.

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

Other key performance indicators (KPIs) include the Council's payment and debt collection performance and are contained in the outturn report to Cabinet and Audit Committee. The following are a sample of the 2020/21 KPI's reported:

- Prompt payment of invoices to suppliers – 86.2% (80.8% 2019/20) of invoices are paid promptly (within 30 days).
- Collection of debtor balances – a total of £69.7m (£66.5m 2019/20) of invoices was raised with a total of £64.4m (£64.7m 2019/20) collected, across all sundry debt.
- The collection of council tax and business rates – Council tax collection rate for was 95.16% (95.81% 2019/20) and the business rates collection rate was 81.83% (97.89% 2019/20).

## 7. Revenue Position

### *National context*

Before the Covid-19 pandemic in March 2020, local government faced challenges as a result of growing demand for services, an increase in the complexity of care and support required and a reduction in funding.

The sector had been anticipating the implementation of major structural changes within the funding system, to reflect changes in relative need, resources and the continuing pressures, such as those most noticeable within Adults and Children's Social Care budgets.

As a result of the scale of the changes required, and the impact of the Covid-19 pandemic, the Fairer Funding Review (FFR) and associated Business Rates system changes have been postponed into future years. This extends the period of financial uncertainty into the future.

Nationally, Covid-19 has had a significant impact on council finances. The latest Covid-19 financial management information analysis published by MHCLG, identified additional pressures and lost income of £11.9bn. This included:

- £6.9bn of cost pressures including Adult Social Care, Homelessness, supporting residents that were shielding and lost savings opportunities.
- £2.3bn income losses in respect of Business Rates and Council Tax.
- £2.8bn lost 'Sales Fees and Charges' and commercial income.

Government has supported local authorities and provided funding which has been:

- Targeted at the additional activities to be carried out.



- Targeted at areas of financial loss from social restrictions. such as the Sales Fees and Charges scheme or the Tax Income Guarantee Scheme.
- Un-ringfenced Covid-19 Response fund, to support the additional day-to-day cost or responding to the pandemic.

Specific Covid-19 related grants are outlined in further detail in the Going Concern Note 45, page 78.

For Local Authorities, including Peterborough, financial support is required to ensure a balanced budget in 2020/21 and 2021/22. In February MHCLG confirmed conditional Exceptional Financial Support (EFS) for the Council along with eight other authorities.

#### **Local context**

The Council has been operating in challenging financial circumstances for several years, as a result of rising demand for its services, increased costs and reductions in funding from central government. Additionally the Council has been exposed to greater levels of risk due to its low reserves balances. The Covid-19 pandemic has had a significant impact on the Council's finances in 2020/21 and is expected to continue in the longer-term as a result of the rising demand for adults and children's social care services, difficulty delivering savings plans and loss of income.

The following table shows how directorates performed against budget in 2020/21 with further detail and explanation contained in the Outturn Report<sup>2</sup> as presented to Cabinet on 21 June 2021 and Audit Committee on 29 July 2021.

<b>Net Revenue Expenditure</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Cont to Reserve £000</b>	<b>Variance £000</b>
Chief Executives	1,303	1,220	-	(83)
Governance	4,322	3,925	-	(397)
Place & Economy	21,716	22,639	109	1,032
People & Communities	72,940	80,611	1,690	9,361
Public Health	(372)	(494)	122	-
Resources	19,254	19,643	607	996
Customer & Digital Services	7,764	6,629	-	(1,135)
Business Improvement	623	692	-	69
Capital Financing	29,187	24,789	-	(4,398)
<b>Total Expenditure</b>	<b>156,737</b>	<b>159,654</b>	<b>2,528</b>	<b>5,445</b>
C-19 Response Fund	-	(18,665)	-	(18,665)
C-19 – SFC* & LTIGS	-	(6,015)	-	(6,015)
Financing	156,737	(177,728)	21,108	117
<b>Net Expenditure</b>	<b>156,123</b>	<b>(42,754)</b>	<b>23,636</b>	<b>(19,118)</b>
Contribution to C-19 Funding Reserve (see Note 16)				12,481
Contribution to C-19 Tax Income Reserve (see Note 16)				2,302
<b>Transfer to Capacity Building Reserve</b>				<b>(3,975)</b>

\* SFC – Sales, Fees and Charges income  
# LTIGS – Local Tax Income Guarantee Scheme

The final revenue outturn for 2020/21 is a £4.0m underspend. This position includes a contribution to reserves.

Movements on reserve balances are incorporated within the transfer to and from reserves within Earmarked General Fund Reserves in the Movement in Reserves Statement (MIRS), Note

<sup>2</sup> <https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4599&Ver=4>  
(Agenda Item 7)

16, page 51. This Note provides detail as to the purpose of each of the earmarked reserves.

### **Reserve Balances**

The Council held General Fund and Earmarked reserves balances of £66.1m at 31 March 2021, however only £14.1m remains uncommitted, un-ringfenced and available for use for transformational investment or for any unforeseen incidents, such as a major child protection issue or other risks.

The largest contribution to reserves relates to £20.2m of Business Rates (NNDR) Section 31 grants and £15.1m funding committed to meet future expected costs as a result of Covid-19. These reserves are forecast to be fully utilised, and in the case of the Business Rates section 31 grant the full use of this reserve has been built in to the 2021/22 budget to mitigate the financial impact of the Collection Fund deficit, see The Collection Fund, page 87.

As at 31 March 2021, the balance on the General Fund is £6.0m. This was reduced to £5.1m in 2019/20, due to a timing difference in respect of Section 31 grant income associated with business rates with the general fund used to mitigate the variance in income receipt. As planned within the MTFs this has now been fully replenished.

Schools balances totalled £4.7m at 31 March 2021, compared with £3.2m at 31 March 2020. This increase reflects a reduction in schools expenditure as a result of school closures and social distancing restrictions resulting from Covid-19. The Council has a mechanism for reviewing the level of reserves balances for schools and allows up to 8% of their delegated budget share to be held.

The Capacity Building Reserve increased by £2.0m, which included a contribution from the final outturn position of £4.0m, offset by funded transformational expenditure such as the work

streams contained in the ICT Strategy, Adults Positive Challenge programme and Housing Needs Team. The reserve will be used to ensure that the delivery of strategic, operational and financial requirements can be met for future budget purposes.

Departmental reserves balances have increased from £5.0m to £5.4m through an increase in the Peterborough City College reserve and a combination of specific grants which have been received for projects covering multiple years. The reserves include balances in respect of:

- Family Safeguarding Innovation Programme Pilot £1.3m.
- Integration Area Programme (Integrated communities) £1.1m.
- Controlled Migration Fund £0.4m.
- Peterborough City College £1.8m.

### **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 2020/21 under proper accounting practices (see page 21).
- The Expenditure and Funding Analysis (EFA) shows net revenue expenditure for 2020/21 as it impacts on the General Fund balance and the statutory adjustments between accounting and funding bases required to reconcile to the net expenditure shown in the CIES (see Note 14, page 41).



Both of these formats include comparative figures for 2019/20. The statements use the Council's management structure for reporting net expenditure.

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

## 8. Capital and Treasury Position

The following table shows capital budgets as agreed for the 2020/21 MTFS of £146.4m including the Invest to Save Budgets of £50.8m. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £158.6m. The final revised budget, as reported within the Budgetary Control Report, as at 31 January 2021 was £83.0m. This compares to the final expenditure and how this investment is to be financed of £56.8m.

Capital Expenditure	2020/21 MTFS Budget £000	Revised Budget Apr 2020 £000	Revised Budget Jan 2021 £000	Actual £000
Customer & Digital Services	4,920	5,169	4,481	1,593
People & Communities	23,214	26,424	18,809	15,439
Place & Economy	29,275	40,401	33,008	27,917
Resources	36,927	39,778	12,010	8,025
Capitalisation Direction	1,217	1,217	1,217	763
<b>Total</b>	<b>95,553</b>	<b>112,989</b>	<b>69,525</b>	<b>53,737</b>
<b>Financed by:</b>				
Grants & Contributions	26,778	32,707	30,716	29,455
Capital Receipts	-	-	-	-
Borrowing	68,775	80,282	38,809	24,282
<b>Total</b>	<b>95,553</b>	<b>112,989</b>	<b>69,525</b>	<b>53,737</b>
Invest to Save (100% funded from borrowing)	50,800	45,602	13,470	3,026

The revenue cost of financing the Council's borrowing totalled £16.2m in the year ending 31 March 2021, compared to £16.4m in the year ending 31 March 2020 (see Note 28, page 62).

Major projects which progressed during 2020/21 and included in the expenditure figures in the previous table are:

- Schools (including the new Manor Drive and Hampton Lakes schools and the expansion of Marshfields school) - £15.0m
- Highways - £20.8m
- The Vine: New Library and Cultural Hub- £4.0m
- Fletton Quays Hotel Loan- £3.0m
- Purchase of 88 Lincoln Road to convert into residential flats as 'next steps accommodation' to house former rough sleepers - £2.0m

Capital expenditure has been financed by grants, third party contributions, and borrowing. Further information on capital financing can be found in the Borrowing and Investments section below and Notes 10 and 25, pages 35 and 57.

The Council has invested in housing, education and regeneration within the City. The Council has over the past three years enabled the City to exceed its local plan target with an additional 203 new homes (17.7% above target). Other examples of regeneration across the city include:

- In September 2020 the Council and Hawksworth Securities PLC entered an agreement to begin acquiring land at North Westgate, bringing momentum to £150m redevelopment plans for the city. The scheme will provide new homes, office premises, a hotel, and supporting retail, restaurant, café and leisure uses, set within extensive new public spaces and landscaping.

- The Council has been successful in a bid for £22.9m of the New Towns fund investment. Plans include making the city more sustainable, by encouraging low carbon living through cutting emissions, being kinder to the environment and will help residents to maintain healthy and active lifestyles with the development of a new Activity Centre and improvements to pedestrian areas and walkways to encourage outdoor activity. As part of these plans the Council has purchased the former TK Maxx and New Look buildings for £4.0m to create a community hub in Bridge Street. The new hub, 'The Vine', will accommodate many services such as a new library, a learning resource centre, gallery, a community café, meetings rooms and support for the voluntary sector.
- Construction of the city's new university has begun. The project is being led by the Cambridgeshire & Peterborough Combined Authority, in collaboration with Peterborough City Council and Anglia Ruskin University (ARU) as the academic partner. £31.0m has been invested into the employment-focused university, which is on track to open in 2022 and will boost the skills, training and employment prospects of people in Peterborough and the surrounding region and increase the number of skilled workers available to local businesses. ARU Peterborough is set to open in September 2022 with 2,000 students, with numbers projected to rise to 5,000 by 2025 and 12,500 by 2030.
- The Council was successful in securing £1.3m of Next Steps Accommodation Programme funding, which will be used to fund interim and long term housing provision. The Council has already taken action with the purchase of 88 Lincoln Road, which will be used to provide 22 units. In addition the Council is in the process of establishing a Housing Revenue Account

(HRA) which will enable it to provide more permanent housing and mitigate instances of homeless families and rough sleepers within Peterborough.

### **Borrowing and Investments**

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

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

The following table shows that at 31 March 2021 the Council had net borrowings including cash and outstanding interest of £451.4m (£467.9m in 2019/20).

2019/20		2020/21
£m		£m
103.0	Short Term Borrowing	99.5
374.6	Long Term Borrowing	370.0
(9.7)	Investments	(18.1)
<b>467.9</b>	<b>Net Borrowing</b>	<b>451.4</b>

The Council's cash flow position is monitored on a daily basis to ensure sufficient funding is available to meet its obligations and to maximise return on surplus balances. Although the Capital Programme required borrowing of £24.3m, actual gross borrowing decreased by £8.1m (net £16.5m decrease) during the year due to use of internal balances, to reduce the cost of borrowing in the short term.

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

## 9. Changes to Service Delivery and Operations

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

In September 2020 the managed IT contract with Serco came to an end. The Council decided to bring the ICT service in-house, with all staff being TUPED over to the Council. There are a number of shared senior management roles with Cambridgeshire, with a view to working towards a full shared ICT service. The vision for future ICT and Digital services, as articulated in the ICT Strategy, is for staff to have access to ICT that supports joint working and enables secure, easy and robust sharing and collaboration through digital tools. This will be delivered on a cost-effective basis, with the minimum level of duplicate costs for equipment and system licences.

In April 2021 Dr Liz Robin, the Director of Public Health for Cambridgeshire and Peterborough announced her retirement. Her replacement Jyoti Atri, became the new Director of Public Health, on 1 July.

In June 2020 the Council commenced the re-organisation of its Leisure and Cultural services. The Council's provider, Vivacity, served notice of termination as a force majeure arising from the impact of Covid-19 affecting its ability to continue to deliver the contracted services. In August 2020 the Council approved a decision to transfer the services to Aragon Direct Services, and

City College Peterborough, with the successful transfer completing on 30 September 2020.

The response to Covid-19 has been the Council's key priority throughout 2020/21, and has involved officers responding at pace to new operations and services, whether that be promptly administering grant payments to businesses, setting up a co-ordination hub to support the community, or working closely with the NHS to contain the spread of the virus. Over this period the Council's workforce has demonstrated how adaptable it is to new roles, for those that were redeployed, and different working practices for most who have worked become fully agile, working from home all year.

## 10. Risks, Challenges and Mitigating Action

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

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

- **Demand Led Services** - the Council provides services where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness services. These services have faced a sharp rise in demand throughout 2020/21, with further latent demand and longer term impacts expected. These services remain under regular review and are a vital component of the Council Covid-19 recovery plan.

- **Financial Resilience** – there is the risk that Council has insufficient reserve balances to withstand further budget pressures from reduced grant funding, increased cost of service delivery, non-delivery of savings or an emergency situation. The CMT and the RIT are progressing a work programme of financial actions and reviews to support the development of a financially sustainable position, while discussions with the government regarding financial support continue.
- **Savings Delivery** – one of the key aspects of achieving a balanced and sustainable budget is the delivery of savings plans. Covid-19 has impaired plans, with amendments being factored into the MTFS. Despite this the Council is committed to the delivery of current and future plans. These are monitored by the RIT and reported to CMT and Cabinet accordingly.
- **Business Rates, Council Tax and other fees and charges** - the Council relies on income generated from council tax, business rates and other income streams such as parking, planning. There is a risk that collection rates could decline, or growth assumptions built in to the budget are too ambitious. Provisions are set aside to take account of the risk from business rates appeals and bad debt, and both are closely monitored on a monthly basis. Further risk has been placed on the Council's income streams as a result of the economy, resulting from the lockdown restrictions due to Covid-19. The Council has reviewed its bad debt provisions and increased them accordingly to mitigate the future financial risk of non-collection.
- **Local Government future funding models** – uncertainty remains regarding the future funding model for all Councils.

This uncertainty creates a challenge when assessing available resources the Council has to be able to deliver services, and inform the plans for the medium term financial strategy. The Council will continue to monitor developments from central government and input into consultations.

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

As a result of the Covid-19 pandemic the impact of the risks identified have increased with the Council being part of the key sector responding to the crisis. Although the Council has received additional funding the financial implications are expected to exceed this in the longer term. The Council incorporated an additional £8.1m of Adults and Children's Social Care costs within the 2020/21 MTFS, however within the May 2021 BCR, the resulting pressure is already in exceeding this, causing further strain on the Council's budget.

## 11. Strategy for Future Sustainability

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

the impact from the Covid-19 pandemic has had such a pervasive impact on the Council's finances.

Since 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial examination and in 2019 it implemented an enhanced series of expenditure controls.

The Council undertook an intensive period of investigative and service review work in the early 2020, to close the opening 2021/22 £14.2m budget gap. At the commencement of lockdown £11.9m of savings opportunities had been identified with full validation process and more detailed business case development to be undertaken. However, as a direct result of responding the C-19 pandemic these opportunities were impaired to £3.6m.

The Council reported an additional £30.2m of expenditure and loss of income in 2020/21 in response to the Covid-19 pandemic. Whilst additional government funding has been received for these new pressures, it is expected that there will be long term impacts for which future longer-term funding is still unknown. Estimate for the longer-term impact of Covid-19 have been factored in to the 2021/22 budget with pressures such as the rising costs of Adult Social Care, Local Tax losses and the non-delivery of existing MTFS saving plans.

The Council's MTFS for 2021/22 was balanced by the identification of £34.5m of budget reductions, such as the review of the Council Tax and NNDR income base assumptions and review of the cost of borrowing. However the approved balanced budget was reliant on the use of shorter term options including:

- £8.9m one off funding to support C-19 related activity.
- £2.4m of capital receipts to repay debt.

- £13.7m of conditional EFS in the form of capitalisation direction confirmed in February from MHCLG.

These have provided the Council with short-term security to meet the pressures from Covid-19 and the rising costs of Adult Social Care in 2021/22 only.

The EFS is in the form of an agreement in principle to a capitalisation direction, which is conditional on a series of scrutiny actions from MHCLG for 2021/22. As the offer is conditional a material uncertainty remains over the availability of funding for 2021/22, with the Council also needing to identify budget reductions totalling at least £28.9m by 2023/24 to set a balanced budget.

A summary of the budget changes agreed at Council on 3 March 2021 and the financial challenge which remains is outlined in the following table:

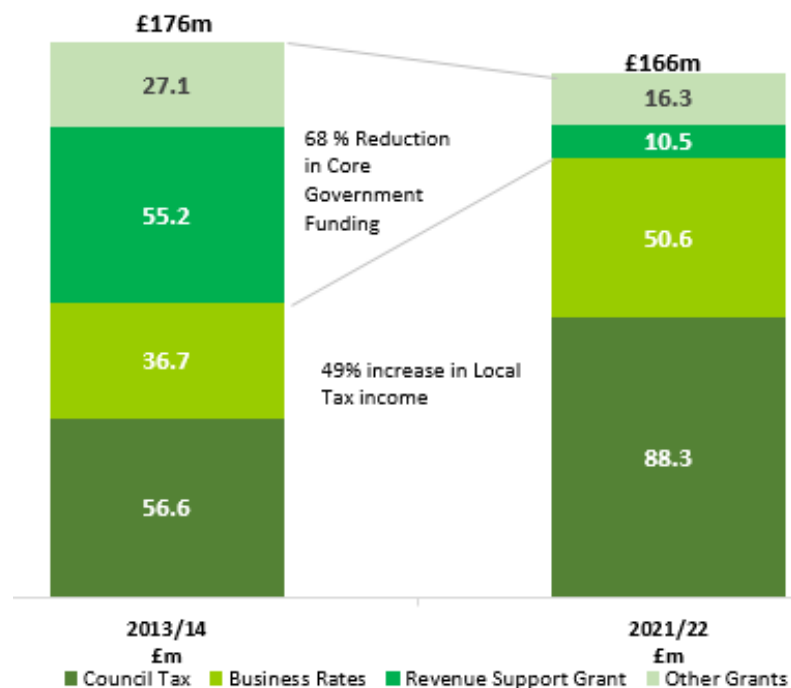
<b>Summary Budget Position</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Budget Gap</b>	<b>14,245</b>	<b>14,808</b>	<b>14,609</b>
Budget Pressure & Service Demand	13,595	16,042	18,562
Non- Delivery of Savings Plans	5,731	5,731	5,731
Collection Fund Losses: Council Tax & NNDR	938	1,247	1,247
<b>Total</b>	<b>20,264</b>	<b>23,020</b>	<b>25,540</b>
<b>Budget Position before savings &amp; additional income</b>	<b>34,509</b>	<b>37,828</b>	<b>40,149</b>
Funding Changes	(13,676)	(5,050)	(6,433)
Savings and Income	(7,099)	(5,985)	(4,806)
Exceptional Financial Support	(13,734)	-	-
<b>Total</b>	<b>(34,509)</b>	<b>(11,035)</b>	<b>(11,239)</b>
<b>Final Budget Gap</b>	<b>-</b>	<b>26,793</b>	<b>28,910</b>



A copy of the Council's MTFs for 2021/22 to 2023/24 is located on the Council's website<sup>3</sup>.

The following diagram illustrates the components of the Council's income resources for 2021/22, and how these compare against the Council's income levels from 2013/14.

The Council approved an increase to council tax by 4.99% in 2021/22, this includes a general increase of 1.99% and an Adult Social Care precept of 3.0%. This was one of the measures announced as part of the Spending Review 2020 and confirmed



within the referendum limits included in the Local Government provisional finance settlement in December 2020. The Council has a greater reliance on Council Tax funding compared to 9 years ago. In 2013/14 £55.5m of Council Tax income was generated, this has increased by 48.2% to £88.3m. However, the Council's flexibility to raise Council Tax is restricted by the referendum principles put in place by the Government.

Revenue Support Grant (RSG), was increased by 0.5%, to £10.5m in 2021/22. Despite this increase, the Council's RSG has seen a reduction of 81% since 2013/14 when the grant was £55.0m, and now forms a small proportion of the Council's core funding.

Business rates income base has grown significantly over recent years, and has continued to grow even over the Covid-19 pandemic. The City has seen great economic and business growth, which is reflected in the creation of new businesses. The Council has benefited from £1.6m of additional income in 2020/21 as a result of a successful Business Rates pool application with the other Cambridgeshire Local Authorities. The pool considers the business rates levy owed by each of the authorities, pooling them together, which produces a lower percentage levy calculation for the councils included in the pool. The pooling arrangements have continued in 2021/22, with a £2.0m benefit currently expected for the Council.

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

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

relating to the future of the scheme was held in Spring 2021, from which an outcome is expected later this year.

## 12. The Impact of Covid-19

The 23 March 2021 marks a year since the Prime Minister announced the first national UK lockdown in order to halt the growth of the Covid-19, to protect the NHS and ultimately save lives. Since this time the Council has navigated through unprecedented times, facing uncertainty and overcoming new and difficult challenges, both operationally and financially.

### Operations

The Councils response to the pandemic and the recovery of services has included the following:

- Worked collaboratively with the NHS to ensure that where it is appropriate to do so, people are moved out of hospital and that as many people as possible were supported within the community to avoid hospital admissions
- Working closely with providers and mitigating the potential impact and risks to the delivery of key services, particularly the sustainability of Adult Social Care services
- Ensuring children are supported by working with schools to support vulnerable children and those children of key workers, and ensuring those disadvantaged children have access to online resources and school's lessons from home, by purchasing additional ICT equipment
- The establishment of a Coordination Hub, in partnership with Cambridgeshire County Council to provide residents, that were vulnerable or shielding, access to food, medicine and other essential support as illustrated in the following diagram:



- The provision of accommodation for rough sleepers to ensure they could safely self-isolate
- Ensuring front line services and care workers had Personal Protective Equipment (PPE) to enable safe working and to minimise transmission and spread of the virus
- Carrying out proactive and intervention activities to minimise the spread of the virus and ensure Containment of the Outbreak. This included targeted testing for hard-to-reach groups, enhanced communications and marketing, targeted support for schools and education settings, and additional resource to ensure compliance with restrictions.

The Council is continuing to provide additional services required in response Covid-19 pandemic and wider recovery, as the communities needs continue and the governments recovery road map progresses. The government have provided further grant funding in 2021/22 to support the continuation of these activities such as the Containment Outbreak Fund and Infection Control.

### **Financial Position**

The Council reviews and reports on the financial impact of Covid-19 internally on a regular basis and reports on the position within the Councils Budgetary Control Report to Cabinet on a monthly basis. The Council, along with all other local authorities, submits a monthly Covid-19 financial impact return to MHCLG, with a total of 14 submissions being made since the start of the pandemic.

Without the additional government grants, the pressures arising as a result of Covid-19 would have will have fully utilised the Councils available reserves balances. Although the final outturn position in 2020/21 was a £4.0m underspend, the pandemic has resulted in longer-term implications for the future year's budgets, some of which are unquantified due to the significant levels of uncertainty. Examples of the impact Covid-19 has had on the Council's financial situation, include:

- A Council Tax deficit of £0.7m as a result of people being unable to pay at this time, and an increase in households receiving council tax support.
- A Business Rates deficit of £11.5m as a result of businesses being unable to pay the rates at this time because of the impact on the business operations. The Council is actively recovering these outstanding balances, and is closely monitoring the position.

- An additional £11.7m of costs as a result of providing Adult Social Care services differently during the pandemic.
- An additional £1.9m of Children's Social Care costs, with a rising trend emerging in services designed to protect children.
- An additional cost of £2.0m to provide accommodation for all rough sleepers, in order to isolate safely as directed within government national policy.
- An inability to deliver £5.7m of existing MTFS savings plans that the Council expected to achieve this financial year, because of the need to respond to the demands of the C-19 pandemic. This creates additional budget pressures in the current and future financial years.
- A loss of income totalling £5.8m (including £2.2m of parking income resulting from reduced footfall). MHCLG have provided a scheme to compensate Councils in part for the loss of Sales Fees and Charges Income, this is included within the final position.

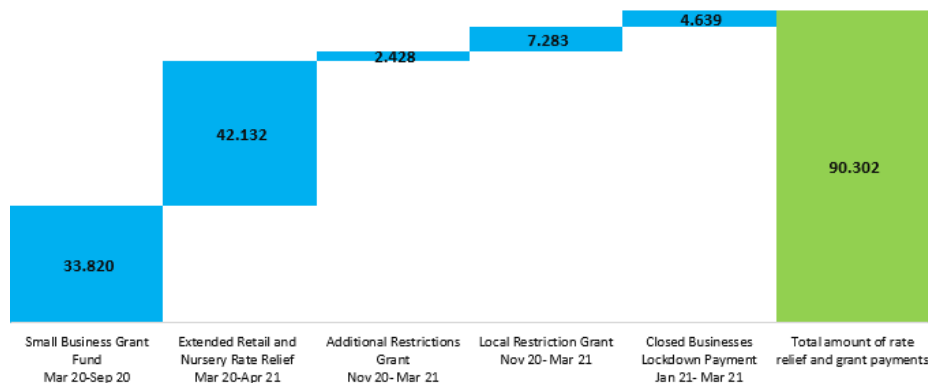
The Council has administered over £90.0m of Business support grants and reliefs during 2020/21 including:

- £42.1m of Extended Rate relief and Nursery Discount to 1,300 businesses and 34 nurseries.
- £4.6m Closed Business Lockdown Payment announced by the chancellor following lockdown 3.0 in January 2021.
- £33.8m Business Grant Fund (SBGF) awarded under different schemes to 2,764 local businesses.



- £9.7m Local Restrictions and Additional Restrictions Grants, including administering mandatory and discretionary schemes.

Breakdown of rate relief and business grants Administered in 2020/21(£m)



As noted the Council has received funding for distribution or use to support the Covid-19 response and recovery. The terms and conditions of such grants has required judgement as to whether the Council was acting as agent or principal. Most grants have been considered principal as they the use of the grant was for Council services or general funding and these have been reported within the CIES. In 2020/21 the Council has received £58.4m of grant funding where the Council acted as an agent for the government and administered grant funding to businesses, individuals or care providers and these are excluded from the CIES.

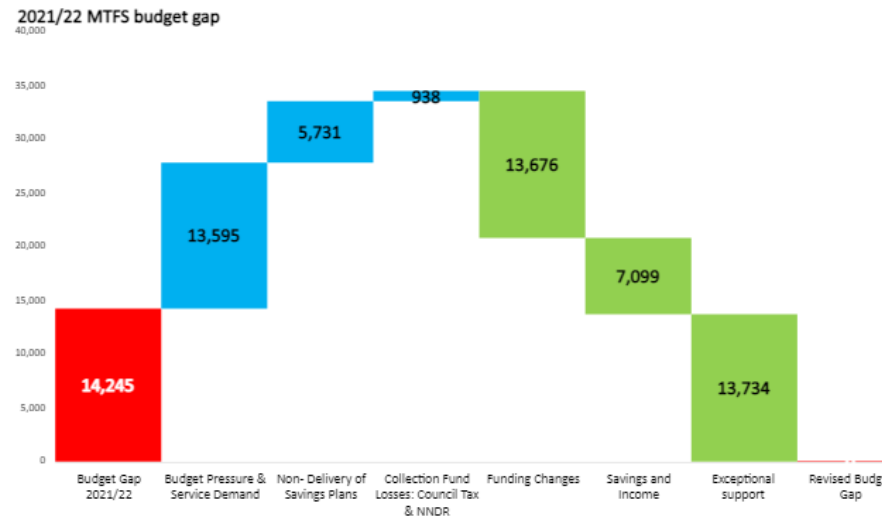
### 13. Conclusion

The Council remains in a challenging financial position, which has been exacerbated by the Covid-19 pandemic. The MTFS highlights future budget gaps of £26.8m in 2022/23 rising to £28.9m in 2023/24. The Council will continue to be proactive in making decisions on how it can best deliver services within its financial envelope, however the unpredictability as a result of the Covid-19 has made financial and operational planning and forecasting problematic.

The financial challenge means the Council will be reliant on additional funding from central government to continue with the current level of service provision and become financial sustainable in the future. In Summer the Council will work with MHCLG as they undergo an assurance review in relation to EFS, which at present is conditional. The Council and MHCLG will look to develop a delivery model that secures financial sustainability.

The Council continues to provide vital services to the residents of Peterborough, against the challenges of reduced funding and growing service demand, including those additional services to support the communities' additional needs as a result of the Covid-19 pandemic

The Council approved the revenue and capital budget requirement for 2021/22 as part of its MTFS, with the following chart summarising the changes within the budget.



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

I am extremely grateful to all the finance and operational staff across the Council for the support and enthusiasm which they have brought to the many and challenging tasks they have faced during 2020/21 and still continue to face. The willingness to go above and beyond has never been more apparent than during the 2020/21 year, staff have adapted quickly and professionally to a new approach to role, redeployed to ensure the continuation of

services or provide community response to the pandemic. I would also like to extend my gratitude to the individual volunteers and organisations that have worked closely with the Council to support the residents and businesses of Peterborough through these unprecedented times.

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



Peter Carpenter,  
Director of Corporate Resources

# Independent Auditors' Report to the Members of Peterborough City Council

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To be added following conclusion of audit – November 2021

# Statement of Responsibilities

## The Council's Responsibilities

The Council is required to:

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

## Chairman's Certificate

I certify the Statement of Accounts for the year ended 31 March 2021.

Signed on behalf of Peterborough City Council:

Chairperson of meeting  
approving the accounts:

*To be signed following audit  
opinion*

\_\_\_\_\_  
Cllr David Over

Date: \_\_\_\_\_

## 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 21 to 111 present a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Director of Corporate  
Resources:

Date: \_\_\_\_\_

\_\_\_\_\_  
Peter Carpenter

\_\_\_\_\_  
July 2021

## Comprehensive Income and Expenditure Statement (CIES)

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

may be different from the accounting cost. The taxation position is shown in both the Income and the Expenditure and Funding Analysis Note 14 and the Movement in Reserves Statement Note 16.

2019/20			Comprehensive Income & Expenditure Statement (CIES)			2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes (From Page 25)	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
1,168	(15)	1,153	Business Improvement		741	-	741	
2,590	(824)	1,766	Chief Executives		1,876	(561)	1,315	
8,711	(959)	7,752	Customer & Digital Services		8,597	(1,809)	6,788	
6,846	(2,118)	4,728	Governance	4	4,960	(792)	4,168	
286,485	(184,205)	102,280	People & Communities	1, 2, 6	277,103	(183,967)	93,136	
55,298	(16,973)	38,325	Place & Economy		61,136	(20,115)	41,021	
11,289	(11,000)	289	Public Health	6	12,257	(12,717)	( 460)	
84,864	(58,653)	26,211	Resources	3	76,694	(62,384)	14,310	
<b>457,251</b>	<b>(274,747)</b>	<b>182,504</b>	<b>Cost of Services</b>		<b>443,364</b>	<b>(282,345)</b>	<b>161,019</b>	
8,750	(1,991)	6,759	Other Operating Income & Expenditure	9	14,671	(7,449)	7,222	
38,819	(6,186)	32,633	Financing & Investment Income & Expenditure	10	34,113	(6,801)	27,312	
2,828	(178,801)	(175,973)	Taxation & Non-Specific Grant Income & Expenditure	11	2,726	(193,083)	(190,357)	
<b>507,648</b>	<b>(461,725)</b>	<b>45,923</b>	<b>(Surplus) / Deficit on Provision of Services</b>	14	<b>494,874</b>	<b>(489,678)</b>	<b>5,196</b>	
		(20,055)	(Surplus) / Deficit on Revaluation of Non-Current Assets	15,17			(4,270)	
		(126,988)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	7			95,408	
		<b>(147,043)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>91,138</b>	
		<b>(101,120)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>96,334</b>	

## Movement in Reserves Statement (MiRS)

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

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

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

The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 15, page 44.

Movement in Reserves during 2019/20 and 2020/21	Note	General Fund Balance	Schools' Balances	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	15	(6,000)	(3,374)	(31,217)	(7,663)	(1,110)	(49,364)	302,266	252,902
Total Comprehensive Income & Expenditure		45,708	215	-	-	-	45,923	(147,043)	(101,120)
Adjustments between accounting basis & funding basis under regulations		(41,067)	-	-	7,633	152	(33,252)	(33,252)	-
Net Increase / Decrease before Transfers to Earmarked Reserves		4,641	215	-	7,663	152	12,671	(113,791)	(101,120)
Transfers to / (from) Earmarked Reserves		(3,753)	-	3,753	-	-	-	-	-
(Increase) / Decrease in 2019/20		888	215	3,753	7,663	152	12,671	(113,791)	(101,120)
Restated Balance at 31 March 2020 Carried Forward		(5,112)	(3,159)	(27,464)	-	(958)	(36,693)	188,475	151,782
<b>Balance at 1 April 2020</b>		<b>(5,112)</b>	<b>(3,159)</b>	<b>(27,464)</b>	<b>-</b>	<b>(958)</b>	<b>(36,693)</b>	<b>188,475</b>	<b>151,782</b>
Total Comprehensive Income & Expenditure		6,758	(1,562)	-	-	-	5,196	91,138	96,334
Adjustments between accounting basis & funding basis under regulations		(40,293)	-	-	-	(2,527)	(42,820)	42,820	-
Net Increase before Transfers to Earmarked Reserves		(33,535)	(1,562)	-	-	(2,527)	(37,624)	133,958	96,334
Transfers to / (from) Earmarked Reserves		32,647	-	(32,647)	-	-	-	-	-
<b>(Increase) / Decrease in 2020/21</b>		<b>( 888)</b>	<b>(1,562)</b>	<b>(32,647)</b>	<b>-</b>	<b>(2,527)</b>	<b>(37,624)</b>	<b>133,958</b>	<b>96,334</b>
<b>Balance at 31 March 2021 Carried Forward</b>		<b>(6,000)</b>	<b>(4,721)</b>	<b>(60,111)</b>	<b>-</b>	<b>(3,485)</b>	<b>(74,317)</b>	<b>322,433</b>	<b>248,116</b>

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

31 March 2020	Balance Sheet	Notes	31 March 2021
£000			£000
567,068	Property, Plant & Equipment	17	567,388
23,551	Investment Property	18	25,620
8,405	Intangible Assets	19	5,971
-	Long term Investment	28	1,870
22,909	Long term Debtors	28, 29	24,651
<b>621,933</b>	<b>Long Term Assets</b>		<b>625,500</b>
3	Short Term Investments	28, 30	-
461	Inventories	31	466
60,039	Short Term Debtors	33	88,531
10,437	Cash & Cash Equivalents	39	18,184
2,015	Assets Held for Sale	20	-
<b>72,955</b>	<b>Current Assets</b>		<b>107,181</b>
(106,457)	Short Term Borrowing	28	(98,423)
(69,163)	Short Term Creditors	32	(110,968)
(10,174)	Provisions	34	(9,445)
<b>(185,794)</b>	<b>Current Liabilities</b>		<b>(218,836)</b>
(221,488)	Long Term Creditors (Pension Liability)	7	(321,679)
(356)	Provisions	34	(456)
(374,587)	Long Term Borrowing	28	(374,587)
(44,807)	Other Long Term Liabilities	28,29	(43,619)
(19,638)	Capital Grants Receipts in Advance	35	(21,620)
<b>(660,876)</b>	<b>Long Term Liabilities</b>		<b>(761,961)</b>
<b>(151,782)</b>	<b>Net (Liabilities) / Assets</b>		<b>(248,116)</b>
(36,693)	Usable Reserves	15	(74,317)
188,475	Unusable Reserves	15	322,433
<b>151,782</b>	<b>Total Reserves</b>		<b>248,116</b>

Peter Carpenter – Director of Corporate Resources

July 2021

## 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.

2019/20 £000	<b>Cash Flow Statement</b>	Notes	2019/20 £000
45,923	Net (Surplus) / Deficit on the Provision of Services		5,196
(76,959)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(70,674)
(4,276)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		3,885
(35,312)	<b>Net Cash Flows from Operating Activities</b>		<b>(61,593)</b>
60,536	Investing Activities	37	38,722
(20,393)	Financing Activities	38	15,124
4,831	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>		<b>(7,747)</b>
15,268	Cash & Cash Equivalents at the Beginning of the Reporting Period		10,437
(4,831)	Increase / (Decrease) in Cash and Cash Equivalents		7,747
10,437	<b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>	39	<b>18,184</b>



# Notes to the Accounts

## 1 Dedicated Schools Grant (DSG)

Details of the deployment of DSG receivable for 2020/21 and for the previous financial year are as follows:

<b>Schools Budget Funded by Dedicated Schools Grant 2020/21</b>	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2020/21 before Academy and high needs recoupment			(223,518)
Academy and high needs figure recouped for 2020/21			134,042
Total DSG after Academy and high needs recoupment for 2020/21			(89,476)
Brought forward from 2019/20			(3,398)
Carry forward to 2021/22 agreed in advance			-
Agreed initial budgeted distribution in 2020/21	(41,194)	(51,680)	(92,874)
In year adjustments	277	-	277
Final budgeted distribution for 2020/21	(40,917)	(51,680)	(92,597)
Less actual central expenditure	37,654	-	37,654
Less actual ISB deployed to schools	-	51,680	51,680
<b>Carry Forward to 2021/22</b>	<b>(3,263)</b>	<b>-</b>	<b>(3,263)</b>
<b>Total amount carried forward</b>			<b>(3,263)</b>

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 2021. 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 2019/20</i>	<i>Central Expenditure £000</i>	<i>ISB £000</i>	<i>Total £000</i>
<i>Final DSG for 2019/20 before Academy and high needs recoupment</i>			<i>(210,940)</i>
<i>Academy and high needs figure recouped for 2019/20</i>			<i>120,076</i>
<i>Total DSG after Academy and high needs recoupment for 2019/20</i>			<i>(90,864)</i>
<i>Brought forward from 2018/19</i>			<i>(2,973)</i>
<i>Carry forward to 2020/21 agreed in advance</i>			<i>-</i>
<i>Agreed initial budgeted distribution in 2019/20</i>	<i>(40,923)</i>	<i>(52,914)</i>	<i>(93,837)</i>
<i>In year adjustments</i>	<i>234</i>	<i>-</i>	<i>234</i>
<i>Final budgeted distribution for 2019/20</i>	<i>(40,689)</i>	<i>(52,914)</i>	<i>(93,603)</i>
<i>Less actual central expenditure</i>	<i>37,290</i>	<i>-</i>	<i>37,290</i>
<i>Less actual ISB deployed to schools</i>	<i>-</i>	<i>52,914</i>	<i>52,914</i>
<b><i>Carry Forward to 2020/21</i></b>	<b><i>(3,399)</i></b>	<b><i>-</i></b>	<b><i>(3,399)</i></b>
<b><i>Total amount carried forward</i></b>			<b><i>(3,399)</i></b>

## 2 Pooled Funds

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

### Better Care Fund (BCF)

The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care. It is a requirement of the BCF that the CCG and the Council establish a pooled fund for this purpose. The annual S75 agreement with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG) sets out contribution levels and performance measurements. The BCF value for 2020/21 was £14.9m (2019/20 £14.2m) of which £7.6m 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 £2.0m directly received capital funding and £5.4m retained by CPCCG.

### Learning Disability Services

The Council has a S75 agreement with CPCCG for the commissioning and provision of specialist health related learning disability services. The annual agreement for 2020/21 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 (2019/20 £0.9m).

### Integrated Community Equipment Services (ICES)

The annual agreement for 2020/21 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 (2019/20 £0.4m) to this pooled partnership is shown in the People & Communities line in the CIES.

### Mental Health Services

The Council has a S75 agreement with CPFT which provides for the cost of staff and associated overheads providing mental

health services. The Council's contribution to this pooled partnership of £1.5m (2019/20 £1.5m) is shown in the People & Communities line in the CIES.

### 3 External Audit Costs

The Council has incurred the following cost on the audit of the Statement of Accounts provided by the Council's external auditors, Ernst and Young LLP (EY).

2019/20* £000	External Audit Costs	2020/21 £000
213	Fees payable with regard to external audit services carried out by the appointed auditor	174
-	Other services provided by the appointed auditor	-
<b>213</b>	<b>Total</b>	<b>174</b>

\* 2019/20 figures have been restated to reflect the final payment previously stated at £161k

The increase in fees for 2019/20 is contained in the EY 'Audit Results Report' which was considered at Audit Committee on 16 November 2020. On page 41 of this report it details that the increase in fee is based on the following factors:

- the lowering of the audit materiality from the prior year and the resulting impact on audit testing across the primary financial statements and supporting notes
- the need to scope and audit the group accounts for the first time
- the need to audit significant and heightened risk as presented in the report
- the need to engage in EY Real Estate to review the valuation of Depreciated Replacement Cost assets

- the need to engage EYs advisory experts to support its assessment of the Council's future plans to address concerns on its future financial resilience

The 2019/20 restatement reflects the additional audit fees of £25k incurred in relation to:

- the need to engage in EY Real Estate to review the RICs guidance to valuers which considered the uncertain impact to asset valuations following Covid-19
- the audit adjustments identified in the EY report
- the impact of the McCloud consultation on the pension liability
- the impact of Covid-19 on EY's audit procedures and the Council's going concern assessment

#### 4 Member's Allowances

The level of member allowances is recommended by an independent panel. The Council is required by law to ask an independent panel to review its members' allowances on an annual basis. The table shows amounts paid to members which is less this year due the reduced number of members.

2019/20 £000	Member's Allowances	2020/21 £000
869	Allowances	856
-	Expenses	-
<b>869</b>	<b>Total</b>	<b>856</b>

#### 5 Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £0.2m (2019/20 £2.6m). These costs include voluntary and compulsory redundancy costs, pension strain and other departure costs.

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

Restated 2019/20* £000	Termination Benefits	2020/21 £000
141	Business Improvement and Development	-
376	Chief Executive	-
198	Customer & Digital Services	-
76	Governance	-
665	People & Communities	148
143	People & Communities (Schools)	67
518	Place & Economy	6
37	Public Health	-
253	Resources	-
<b>2,407</b>	<b>Total</b>	<b>221</b>

\* restated to reflect one employee being redeployed to a new role and the extension of two employees leave dates (increasing the exit package), to provide additional capacity for the Council's C-19 response.

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

Termination and Exit Packages							
Compulsory No.	Voluntary No	Total No.	Bands	Compulsory £000	Voluntary £000	Total £000	Pension Strain inc. in total*
-	22	22	£0 - £19,999	-	141	141	2
-	3	3	£20,000 - £39,999	-	80	80	-
-	-	-	£40,000 - £59,999	-	-	-	-
-	-	-	£60,000 - £79,999	-	-	-	-
-	-	-	£80,000 - £99,999	-	-	-	-
-	-	-	£100,000 - £150,000 +	-	-	-	-
-	<b>25</b>	<b>25</b>	<b>Total</b>	-	<b>221</b>	<b>221</b>	<b>2</b>
<i>Termination and Exit Packages 2019/20</i>							
1	33	34	£0 - £19,999	3	239	242	-
-	43	43	£20,000 - £99,999	-	1,883	1,883	478
-	2	2	£100,000 - £150,000 +	-	282	282	198
1	<b>78</b>	<b>79</b>	<b>Total</b>	<b>3</b>	<b>2,404</b>	<b>2,407</b>	<b>676</b>

\* 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 2020/21 the Council paid £8.0m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.7%. The figures for 2019/20 were £5.0m and 16.5% of pensionable pay from April to August 2019 and 23.7% from September 2019.

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 2020/21 the Council paid £108k to NHS Pensions in respect of employee's retirement benefits, representing 22.4% of pensionable pay. The figures for 2019/20 were £89k and 14.4%.

## **7 Defined Benefit Pension Schemes**

### **Participation in pension schemes**

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

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

### **Transactions Relating to Post-Employment Benefits**

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

The following table outlines the transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2019/20 £000	<b>Comprehensive Income &amp; Expenditure Statement</b>	2020/21 £000
	Cost of Services:	
-	2019/20 Pension Adjustments	132
-	2019/20 Interest Income Adjustment	6
25,170	Current service cost	18,304
112	Past service cost	104
(2,930)	Effect of settlements	(5,488)
	Financing & Investment Income & Expenditure	
(11,678)	Interest Income on Scheme Assets	(10,609)
19,750	Interest Cost on Defined Benefit Obligation	15,731
<b>30,424</b>	<b>Total post-employment benefit charged to the Deficit on the Provision of Services</b>	<b>18,180</b>
	Other employment benefit charged to the CIES	
-	2019/20 Pension Adjustments	2,551
35,450	Return on plan assets (excluding the amount included in the net interest expense)	(97,658)
(16,886)	Actuarial gains and losses arising on changes in demographic assumptions	10,973
(64,313)	Actuarial gains and losses arising on changes in financial assumptions	187,216
(81,170)	Other Experience	(7,288)
(69)	Adjustment to actuarial estimate contribution	386
(126,988)	Total Remeasurements Recognised in CIES	95,408
<b>(96,564)</b>	<b>Total post-employment benefit charged to the CIES</b>	<b>113,588</b>
	<b>Movement in Reserves Statement</b>	
96,564	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(113,588)
	Actual amount charged against the General Fund Balance for pensions in the year:	
13,983	Employer's contributions payable to scheme	13,397
<b>110,547</b>	<b>Total Movement in Reserves Statement</b>	<b>(100,191)</b>

31 March 2020 £000	<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	31 March 2021 £000
460,698	Fair Value of Employer Assets	577,168
(662,350)	Present Value of Funded Liabilities	(877,921)
(19,836)	Present Value of Unfunded Liabilities	(20,926)
<b>(221,488)</b>	<b>Total net liability</b>	<b>(321,679)</b>

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 15, page 49. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

31 March 2020 £000	<b>Reconciliation of the Fair Value of the Scheme Assets</b>	31 March 2021 £000
487,223	Opening fair value of Scheme Assets	460,698
-	2019/20 Adjustment to Fair Value of the Scheme Assets	(2,560)
11,678	Interest Income	10,609
(35,450)	Return on plan assets, excluding the amount included in the net interest expense	97,658
(1,840)	Effect of Settlements	(3,743)
13,983	Contributions from Employer	13,395
69	Adjustment for Actuarial estimated Employer Contributions	386
3,539	Contributions from Employees	3,460
-	Effect of Business Combinations and Disposals	15,393
(18,504)	Benefits Paid	(18,128)
<b>460,698</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>577,168</b>



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 2020	Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation)	31 March 2021
£000		£000
819,258	Opening Liability at 1 April	682,186
-	2019/20 Adjustment to Present Value of the Scheme Liabilities	127
25,170	Current Service Cost	18,304
19,750	Interest Cost	15,731
3,539	Contributions from Scheme Participants	3,460
-	Effect of Business Combinations and Disposals	15,393
(64,313)	Actuarial gains/losses arising from changes in financial assumptions	187,216
-	Actuarial gains/losses arising from changes in demographic assumptions	10,973
(81,170)	Other experience	(7,288)
(4,770)	Liabilities Extinguished on Settlements	(9,231)
112	Past Service Costs including curtailments	104
(18,504)	Benefits Paid	(18,128)
<b>682,186</b>	<b>Closing Liability at 31 March</b>	<b>898,847</b>

In line with the Accounting Standard, the 'Actuarial gains/losses arising from changes in financial assumptions in the table above is identified separately in the Pensions Note as at the Accounting Date, the real discount rate (discount rate net of inflation) has fallen compared to the previous year's Accounting Date. This is due to the combination of a lower discount rate assumption and a significantly higher CPI assumption. In isolation, this will result in a significant loss on the Employer's balance sheet as at the Accounting Date, shown in the 'Changes in financial assumptions' within the Balance Sheet of the Results Schedule. For a typical employer, this could be of the order of 25% of obligations.

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

31 March 2020	Local Government Pension Scheme Assets comprised	31 March 2021
£000		£000
20,537	Debt Securities – Government Bonds	25,765
31,427	Real Estate	35,507
32,849	Private Equity	43,479
-	Derivatives	(2,377)
	Investment Funds and Unit Trusts	
302,928	Equities	346,666
31,522	Bonds	66,973
35,511	Infrastructure	52,248
70	Other	-
<b>370,031</b>	<b>Sub-total Investment Funds and Unit Trusts</b>	<b>568,261</b>
<b>5,854</b>	<b>Cash and Cash Equivalents</b>	<b>8,907</b>
<b>460,698</b>	<b>Total Assets</b>	<b>577,168</b>

#### Basis for estimating assets and liabilities

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

The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, the independent actuaries to the Cambridgeshire County Council Pension Fund. The assessment was based on the latest full valuation of the scheme as at the 31 March 2019.

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

31 March 2020	<b>Mortality Assumptions</b>	31 March 2021
	Longevity at 65 for Current Pensioners:	
22.0	Men (years)	22.2
24.0	Women (years)	24.4
	Longevity at 65 for Future Pensioners:	
22.7	Men (years)	23.2
25.5	Women (years)	26.2
	<b>Financial Assumptions</b>	
2.7%	Rate of inflation	2.7%
1.9%	Rate of increase in pensions	2.9%
2.4%	Rate of increase in salaries	3.4%
2.3%	Rate for discounting scheme liabilities	2.0%
25.0%	Take-up of option to convert annual pension into retirement lump sum-pre April 2008 service	25.0%
64.0%	Take-up of option to convert annual pension into retirement lump sum-post April 2008 service	64.0%

The valuations take into account the implications of the McCloud judgement regarding public sector pensions. In 2015 the government introduced reforms to public sector pensions which revised the pension terms. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination and therefore the

changes have now been accounted for in 2020/21 Actuarial Report.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The impact of those assumptions are shown in Note 44.

### **Impact on the Council's Cash Flows**

The Council's contribution to the fund is independently determined by the fund actuary. The actuary undertook the triennial valuation of the fund during 2019, and their recommendations have been implemented from April 2020. The actuary has recommended a combination of a stable employer contribution percentage at 17.4% along with a cash lump sum into the fund of £1.9m for the current and following two years. The Council anticipates to pay £11.1m expected contributions to the scheme in 2021/22 in addition to the lump sum cash payment. This helps maintain contributions as payrolls decline. These contributions are provided for in the Council's Medium Term Financial Strategy (MTFS). Future contributions will depend on demographic factors, investment returns, and changes in the legislation which governs the scheme. The actuary will be carrying out the next triennial valuation of the fund during 2022 the results of which will be implemented in 2023/24 financial year.



## 8 Officers' Remuneration

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

The disclosure is based on gross pay rather than taxable pay i.e. before employee contributions to pension funds. The bands include those employees who have received remuneration and lump sum payments during the year, but not any associated pension strain. This makes comparison between years difficult, but data showing the termination and exit packages is detailed in Note 5.

The Council shares a number of posts with Cambridgeshire County Council (CCC), see Note 12. Where the Council holds the employment contract for these staff they are treated as Peterborough City Council employees for the purposes of this note and costs are shown in full. Where CCC holds the employment contract they are disclosed by way of explanation text in this note.

The Council has a Pay Policy Statement approved by Council for each financial year setting out the policies relating to the remuneration of its chief officer, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. The Pay Policy Statement for 2020/21 was approved on 4 March 2020.

2019/20 No. of Employees			Remuneration Band	2020/21 No. of Employees		
Non Schls	Schls	Total		Non Schls	Schls	Total
6	34	80	£50,000 - £54,999	45	42	87
23	13	36	£55,000 - £59,999	36	25	61
15	14	29	£60,000 - £64,999	6	8	14
10	9	19	£65,000 - £69,999	8	3	11
3	12	15	£70,000 - £74,999	6	4	10
10	2	12	£75,000 - £79,999	6	5	11
4	2	6	£80,000 - £84,999	2	3	5
3	3	6	£85,000 - £89,999	5	6	11
2	2	4	£90,000 - £94,999	3	3	6
-	1	1	£95,000 - £99,999	3	1	4
1	4	5	£100,000 - £104,999	-	-	-
2	-	2	£105,000 - £109,999	1	3	4
-	1	1	£110,000 - £114,999	1	-	1
1	-	1	£120,000 - £124,999	-	-	-
2	-	2	£125,000 - £129,999	1	-	1
-	1	1	£130,000 - £134,999	2	1	3
-	-	-	£140,000 - £144,999	1	1	2
1	-	1	£145,000 - £149,999	-	-	-
-	1	1	£150,000 - £154,999	-	-	-
-	-	-	£170,000 - £174,999	-	-	-
1	-	1	£175,000 - £179,999	1	-	1
-	-	-	£195,000 - £199,999	-	-	-
-	-	-	£220,000 - £224,999	-	-	-
<b>124</b>	<b>99</b>	<b>223</b>	<b>Total</b>	<b>128</b>	<b>105</b>	<b>233</b>

## 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 2020/21.

Post Holder	Year	PCC Salary Cost <sup>1</sup>	Election duties <sup>2</sup>	Total Remuneration (exc. Pension contributions)	Pension Contributions (employers) <sup>3</sup>	Total Remuneration (inc. Pension contributions)	Actual Final Cost to PCC <sup>1</sup>
Chief Executive G Beasley <i>see Note A</i>	2020/21	£86,798	-	£173,596	£29,560	£203,156	£113,850
	2019/20	£85,798	£6,900	£178,497	£29,013	£207,509	£107,205
Corporate Director: People & Communities W Ogle-Welbourn <i>see Note A</i>	2020/21	£76,949	-	£153,898	-	£153,898	£87,975
	2019/20	£74,027	£1,710	£149,764	-	£149,764	£75,737
Corporate Director: Resources	2020/21	£129,893	-	£129,893	£22,601	£149,764	£149,764
	2019/20	£123,966	£1,960	£125,926	£21,570	£147,496	£147,496
Assistant Director of HR and Development <i>see Note B</i>	2020/21	£86,304	-	£86,304	£15,013	£101,316	£101,316
	2019/20	£82,649	£3,372	£86,021	£14,381	£100,402	£100,402

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. The actual final cost to PCC is shown in the final column following recharges to Cambridgeshire County Council.

2. 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, Director of Governance, Executive Director of Place &

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

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

The following table shows 50% of the costs of the Directors who are employed and shared with CCC which are subsequently recharged.

Post Holder	Year	Total PCC Recharged Costs
Director of Public Health	2020/21	£33,000*
	2019/20	£63,459
Director of Governance	2020/21	£68,445
	2019/20	£66,763
Executive Director of Place & Economy	2020/21	£103,204
	2019/20	£79,617**
Director of Customer & Digital Services	2020/21	£78,669
	2019/20	£75,382
Director of Business Improvement & Development	2020/21	£88,052
	2019/20	£82,314

\*The DPH salary % split changed from 50% to 24% in 2020/21

\*\* 2019/20 Part year salary

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

2019/20	Other Operating Income & Expenditure	2020/21
£000		£000
672	Parish Council Precepts	698
648	Drainage & Flood Levies	680
3,631	Integrated Transport Authority Levy (Note 12)	3,850
2,976	Net (Gains) / Losses on Disposal of Non-Current Assets	2,544
(1,168)	Gains on Former Right To Buy Assets	(550)
<b>6,759</b>	<b>Total</b>	<b>7,222</b>

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

2019/20	Financing & Investment Income & Expenditure	2020/21
£000		£000
18,495	Interest Payable & Similar Charges (Note 28)	18,198
(1,498)	Interest Receivable & Similar Income (Note 28)	(1,553)
(478)	Other Investment Income	(2,161)
8,072	Pension Interest Cost & Expected Return on Pension Assets (Note 7)*	5,128
(1,236)	(Gains) / Losses on Trading Operations	(109)
237	(Gains) / Losses in Fair Value of Investment Properties (Note 18)	173
4,020	Impairment and Derecognition of Current Assets and Long Term Debtors	1,944
5,022	De-recognition of Subsidiary Assets	5,692
<b>32,634</b>	<b>Total</b>	<b>27,312</b>

\*Includes 2019/20 Pension Adjustment

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

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

2019/20 £000	Taxation & Non-Specific Grant Income	2020/21 £000
	<b>Taxation Income</b>	
(78,415)	Council Tax Income	(82,683)
-	Business Rates Pool	(1,586)
404	NDR Levy Payment	263
2,424	NDR Tariff Payment	2,463
(48,188)	NDR Income	(24,611)
<u>(75,587)</u>	<b>Total Taxation Income</b>	<b>(106,154)</b>
	<b>Non-Specific Government Grants</b>	
(10,246)	Revenue Support Grant	(10,413)
(4,713)	New Homes Bonus	(4,701)
(4,927)	Section 31 Grant (NNDR reliefs and other	(25,180)
-	Sales Fees and Charges Compensation (C-19)	(3,713)
-	Tax Income Guarantee Compensation (C-19)	(2,302)
(5,338)	Covid-19 Response Fund	(13,333)
<u>(19,886)</u>	<b>Total Non-Specific Government Grants</b>	<b>(59,642)</b>
(26,974)	Capital Grants & Contributions (Note 25)	(24,561)
<u>(53,526)</u>	<b>Total Income</b>	<b>(190,357)</b>

## 12 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows the readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. The disclosures do not include transactions with related parties that the Council has no

discretion over such as council tax and rates payments, the award of benefits and Nursery Education Funding payments whose terms apply commonly across the local population and for which the related party would have a duty or entitlement if the relationship did not exist.

### Central Government

The UK Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the table of Expenditure and Income Analysed by Nature in Note 14.

### Members

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

Of the 60 Councillors 3 declarations of related party interests were not received by 25 June 2021.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2020/21 is shown in Note 4.

Members have been consulted over potential related parties and three Councillors are board members or trustees of companies or charities that have related party transactions with the Council in the last financial year, which although not material to the Council are considered material to the organisation providing the services. These are normal business transactions and the

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

- Cllr W Fitzgerald is noted as a person with significant control of CAP – Radio Production and Media Buying Services Ltd which the Council paid £51k for COVID-19 related services during 2020/21.
- Cllr G Casey is a Trustee of Family Voice Peterborough which the Council paid £79k for services during 2020/21.
- Cllr M Cereste is a Director of Tower Properties (Peterborough) Ltd to which the Council paid £36k for the lease of residential properties in 2020/21
- Cllr M Farooq received £28k from the Council for the lease of residential properties in 2020/21.
- Cllr I Walsh received £8k from the Council for the lease of a residential property in 2020/21.
- Cllr J Goodwin was a partner of Worldwide Training Partnership which the Council paid £23k for services during 2020/21.

Members and officers are appointed by the council as representatives to its group companies and to various local and national bodies where related party transactions routinely arise. The complete List of Outside Bodies is in the Council area of the Council's website (<http://democracy.peterborough.gov.uk/mgListOutsideBodiesByCategory.aspx?bcr=1>) and is also available for public inspection at the Town Hall by request. The only significant transactions that have taken place with these bodies during 2020/21 which are not disclosed elsewhere are with Vivacity and City Culture Peterborough.

## Vivacity

Vivacity was an independent, not-for-profit organisation with charitable status which since 1 May 2010 until 30 September 2020 managed many of Peterborough's culture and leisure facilities on behalf of the Council through a Funding and Management Agreement (FMA). During 2020/21 the Council spent £1.2m on services with Vivacity (2019/20 £2.6m) and received £837k from Vivacity for services (2019/20 £1.3m). Vivacity served notice of termination of the FMA on 18 June 2020 as regulations under the Coronavirus Act 2020 constituted a force majeure which prevented performance of the FMA services for more than 90 days.

## City Culture Peterborough Ltd

City Culture Peterborough Ltd was established on 24 August 2020 and was established to bring together the cultural services provided by Peterborough Museum & Art Gallery, the Key Theatre, Libraries & Archives, and Flag Fen Archaeology Park. It operates services on behalf of the Council through a Service Level Agreement. During 2020/21 the Council paid £1.0m for services provided by City Culture Peterborough Ltd.

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

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

- Legal services to Rutland County Council and Fenland District Council
- Regulatory services to Rutland County Council
- Planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council

- Neighbourhood planning service to North Kesteven District Council and East Cambridgeshire District Council
- CCTV services to Fenland District Council from January 2020

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 2020/21 the Council paid £14.0m to CCC (2019/20 £8.1m) and received £5.9m from CCC (2019/20 £3.1m).

### **Cambridgeshire and Peterborough Combined Authority**

Cambridgeshire and Peterborough Combined Authority (CPCA) came into existence 3 March 2017 and from 1 April 2018 it incorporated a new Business Board which took on the functions of the Local Enterprise Partnership. The CPCA is the Local Transport Authority and regulations came into force in October 2018 enabling the CPCA to levy the Council for the cost of delivering transport functions. During 2020/21 the services were delivered through both Cambridgeshire County and Peterborough City Councils and the levy charged was equal to the budgeted cost for these services. The Council has been

providing Legal and Finance Systems services to support CPCA. During 2020/21 the Council received £1.1m from CPCA for services provided, costs incurred and grants (£3.2m 2019/20) and received grants in advance of £376k (nil in 2019/20).

### **Entities Controlled or Significantly Influenced by the Council**

The Council is the sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood: for the preservation and exhibition of specimens of natural history, geology, archaeology, social history and the fine arts and as a centre for promoting artistic and general knowledge, and providing access to collections for the purpose of knowledge, education, research and learning. From 1 May 2010 to 30 September 2020 the delivery and operation of cultural services, including Peterborough Museum and Art Gallery, were transferred to Vivacity but from 1 October 2020 the cultural services and management of the Charity were transferred to City Culture Peterborough Ltd. However, the Council remains sole Trustee for the Peterborough Museum and Art Gallery Charity.

The Mayor of Peterborough's Charity Fund is registered with the Charity Commission as an unincorporated association. The charity has a long established tradition involving the Mayor and Mayor's charity committee in organising and participating in a wide range of fundraising events during the Mayoral year. The proceeds are gifted to a charity or charities of the Mayor's choice. In 2020/21 due to the restrictions in place there was no fund raising activity (2019/20 £7k was raised).

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



### 13 Interest in Companies and Partnerships

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

#### **Opportunity Peterborough Limited**

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

The net assets of the company are £196k (2019/20 £253k) and it made a loss in year of £57k (2019/20 profit of £52k). The Council made a funding contribution to the company of £140k (2019/20 £140k).

#### **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 2021 there have been no transactions through the company.

#### **Peterborough Investment Partnership LLP (PIP)**

Peterborough Investment Partnership LLP is a limited liability partnership and the members are Peterborough City Council and Peterborough Partnership PCC Ltd. The Partnership is 50:50 controlled by the Council and Peterborough Partnership PCC Ltd and was incorporated on 24 December 2014. The Partnership

exists to secure regeneration of key city centre sites with capital market investors.

The net assets of the Partnership at 31 March 2021 are £1.3m (£1.2m in 2019/20) and the Partnership made a net profit in year of £98k (net loss in 2019/20 of £269k). During 2020/21 the Council paid £25k for services (2019/20 £0) from the Partnership and received £94k in 2020/21 for services (2019/20 £339k).

#### **Empower Community Interest Company (CIC)**

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

The net assets of the company are estimated at £9k (2019/20 £11k) and it made an estimated loss in year of £2k (2019/20 loss of £2k).

#### **NPS Peterborough Ltd**

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

The net assets of the company are £546k (2019/20 £420k) and it made a profit in year of £163k (2019/20 profit of £198k). During the year the Council spent £2.2m on services with the company (2019/20 £2.3m) and received £255k for services (2019/20 £214k).

### **Medesham Homes LLP**

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

The net assets of the partnership are £483k (2019/20 £160k) and it made a profit of £323k (2019/20 profit of £64k). During 2020/21 the Council made a capital grant of £400k to Medesham Homes LLP for the provision of homes for affordable rent (2019/20 £7.7m) and received £16k for services, (2019/20 received £420k for the purchase of property).

### **Medesham Limited**

Medesham Limited was incorporated with the purpose of holding interests in corporate entities; in relation to or as subsidiaries of Medesham Homes LLP. CKH Developments Ltd holds one B

share of £1 and Peterborough City Council holds one A share of £1 with both shares ranking equally.

### **Peterborough HE Property Company Ltd**

Peterborough HE Property Company Ltd is an associated company of Peterborough City Council. The company was incorporated on the 19 June 2020 and the Council received £1.9m Ordinary B shares on the 23 December 2020. The company has a board of four directors, of which the Council has one representative director who was appointed on the 23 December 2020. The Company is set up to act as a developer of a new university campus and once completed will lease the completed property to ARU Peterborough.

The net assets of the company are £26.4m and it made a net loss in the year of £314k.

### **Peterborough Limited**

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

Peterborough Ltd has been consolidated into the Group Accounts of the Council, please see page 107 for further details.



## 14 Expenditure and Funding Analysis and Subjective Analyses

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

Expenditure Chargeable to the General Fund	2019/20*	Net Expenditure in the CIES	Expenditure and Funding Analysis (EFA)	Notes (From Page 25)	2020/21	Net Expenditure in the CIES
	Adjustments between the Funding and Accounting Basis (Note 15)				Expenditure Chargeable to the General Fund	
£000	£000	£000			£000	£000
1,071	82	1,153	Business Improvement		691	741
1,584	182	1,766	Chief Executives		1,220	1,315
7,784	(32)	7,752	Customer & Digital Services		6,629	6,788
4,393	335	4,728	Governance	4	3,926	4,168
78,777	23,488	102,265	People & Communities	1, 2, 6	79,229	93,136
18,500	19,825	38,325	Place & Economy		22,639	41,021
241	48	289	Public Health	6	(495)	(460)
44,948	(18,737)	26,211	Resources	3	44,489	14,303
157,298	25,191	182,489	<b>Cost of Services</b>		<b>158,328</b>	<b>161,012</b>
(150,211)	13,645	(136,566)	Other Income & Expenditure	9, 10, 11	(193,424)	(155,816)
7,087	38,836	45,923	<b>(Surplus) / Deficit on Provision of Services</b>		<b>(35,096)</b>	<b>5,196</b>
(40,591)			Opening General Fund Balance	15	(35,734)	
7,087			Less/Plus (Surplus) or Deficit on General Fund Balance in Year		(35,096)	
<b>(33,504)</b>			<b>Closing General Fund Balance*</b>	15	<b>(70,830)</b>	

\* Restated for post balance sheet event relating to an impairment of a former short term loan

Adjustments for Capital Purposes <sup>1</sup>	2019/20			Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes <sup>1</sup>	2020/21		
	Net change for the Pensions Adjustments <sup>2</sup>	Other Differences <sup>3</sup>	Total Adjustments			Net change for the Pensions Adjustments <sup>2</sup>	Other Differences <sup>3</sup>	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
-	82	-	82	Business Improvement	-	44	6	50
-	183	(1)	182	Chief Executives	-	87	8	95
(140)	123	(15)	( 32)	Customer & Digital Services	-	123	36	159
-	332	3	335	Governance	-	192	50	242
13,297	9,050	1,141	23,488	People & Communities	10,025	4,696	(814)	13,907
19,006	704	115	19,825	Place & Economy	18,864	455	(937)	18,382
-	47	1	48	Public Health	-	32	3	35
12,843	(2,154)	(29,426)	(18,737)	Resources	3,410	(5,974)	(27,621)	(30,185)
45,006	8,367	(28,182)	25,191	<b>Cost of Services</b>	<b>32,299</b>	<b>( 345)</b>	<b>(29,269)</b>	<b>2,685</b>
(21,025)	8,076	26,594	13,645	Other income and expenditure from the EFA	(24,168)	5,128	56,648	37,608
23,981	16,443	(1,588)	38,836	<b>Difference between General Fund (Surplus) or Deficit and CIES (Surplus) or Deficit on the Provision of Services</b>	<b>8,131</b>	<b>4,783</b>	<b>27,379</b>	<b>40,293</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

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

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts
- The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- A number of items which are reported against services in the management accounts but are shown as Other Income and Expenditure in the CIES are adjusted including the Net Gain / (Losses) on Disposal of Non-Current Assets, De-recognition of Subsidiary Assets, Interest Payments and Traded Services.

Revenues from External Customers £000	2019/20		Segmental analysis of certain Items of Income and Expenditure shown net in the EFA		2020/21	
	Interest Revenue £000	Interest Expense £000			Revenues from External Customers £000	Interest Revenue £000
(15)	-	-	Business Improvement		-	-
(294)	-	-	Chief Executives		(250)	-
(849)	-	14	Customer & Digital Services		(1,806)	-
(952)	-	-	Governance		(710)	-
(50,093)	(11)	327	People & Communities		(49,490)	(4)
(14,459)	9	1	Place & Economy		(12,243)	5
(380)	-	-	Public Health		(727)	-
(13,622)	(1,496)	18,153	Resources		(12,296)	(1,554)
<b>(80,664)</b>	<b>(1,498)</b>	<b>18,495</b>	<b>Total in Cost of Services</b>		<b>(77,522)</b>	<b>(1,553)</b>
						<b>17,878</b>
						<b>18,197</b>

2019/20*	Expenditure & Income Analysed by Nature	2020/21
£000	<b>Expenditure</b>	<b>£000</b>
126,489	Employee Expenses	107,495
12,866	Employee Expenses (Voluntary Aided and Foundation Schools) <sup>1</sup>	12,303
313,730	Other Service Expenses	322,444
30,880	Depreciation, Amortisation & Impairment	29,035
18,495	Interest Payments (Note 10)	18,197
237	Loss in Fair Value of Investment Properties	173
4,951	Precepts & Levies (Note 9)	5,228
<b>507,648</b>	<b>Total Expenditure</b>	<b>494,875</b>
	<b>Income</b>	
(81,306)	Fees, Charges & Other Service Income	(77,522)
(1,991)	Capital Receipts (Note 15)	(7,449)
-	Gain in Fair Value of Investment Properties	-
(1,976)	Interest & Investment Income (Note 28)	(3,713)
(78,415)	Income from Council Tax (Note 11)	(82,683)
(48,188)	NDR Income (Note 11)	(26,197)
(249,849)	Government Grants & Other Contributions	(292,115)
<b>(461,725)</b>	<b>Total Income</b>	<b>(489,679)</b>
<b>45,923</b>	<b>Deficit / (Surplus) on the Provision of Services</b>	<b>5,196</b>

<sup>1</sup>Following 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.

\* 2019/20 restated

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

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

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

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

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

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
<b>Adjustments involving the Capital Adjustment Account:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Reversal of items debited or credited to the CIES:</u>				
Depreciation & impairment of non-current assets	(25,377)	-	-	25,377
Revaluation losses on Property Plant and Equipment	(4,733)	-	-	4,733
Movements in the fair value of Investment Properties	(173)	-	-	173
Amortisation of intangible assets	(3,658)	-	-	3,658
Capital grants and contributions	29,313	-	-	(29,313)
Revenue expenditure funded from capital under statute	(10,719)	-	-	10,719
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(13,560)	-	-	13,560
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment	10,628	-	-	(10,628)
Capital expenditure charged against the General Fund	30	-	-	( 30)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants & contributions unapplied from the CIES	2,694	-	(2,694)	-
Capital grants reclassification	(25)	-	25	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	142	( 142)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES	6,284	(6,284)	-	-
Capital Receipts used for the repayment of loans	-	6,284	-	(6,284)
Contribution from the reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer to deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Account	1,165	-	-	(1,165)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	11	-	-	(11)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(18,180)	-	-	18,180
Employer's pensions contributions & direct payments to pensioners payable in the year	13,397	-	-	(13,397)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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	(1,290)	-	-	1,290
Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(25,520)	-	-	25,520
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>				
Adjustments for short-term compensated absences	(580)	-	-	580
<b>Total Adjustments</b>	<b>(40,293)</b>	<b>-</b>	<b>(2,527)</b>	<b>42,820</b>

<i>Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20</i>	<i>Usable Reserves</i>			<i>Movement</i>
	<i>General Fund Balance</i>	<i>Capital Receipts Reserve</i>	<i>Capital Grants Unapplied</i>	<i>in Unusable Reserves</i>
<i>Adjustments involving the Capital Adjustment Account:</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i><u>Reversal of items debited or credited to the CIES:</u></i>				
<i>Depreciation &amp; impairment of non-current assets</i>	(26,786)	-	-	26,786
<i>Revaluation losses on Property Plant and Equipment</i>	(2,983)	-	-	2,983
<i>Movements in the fair value of Investment Properties</i>	(237)	-	-	237
<i>Amortisation of intangible assets</i>	(3,278)	-	-	3,278
<i>Capital grants and contributions</i>	35,453	-	-	(35,453)
<i>Revenue expenditure funded from capital under statute</i>	(24,529)	-	-	24,529
<i>Impairment of Financial Assets (Loans)</i>	(2,645)	-	-	2,645
<i>Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES</i>	(9,737)	-	-	9,737
<i><u>Insertion of items not debited or credited to the CIES:</u></i>				
<i>Statutory provision for the financing of capital investment</i>	5,918	-	-	(5,918)
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>				
<i>Capital grants &amp; contributions unapplied from the CIES</i>	620	-	(620)	-
<i>Application of grants to capital financing transferred to the Capital Adjustment Account</i>	-	-	772	( 772)
<i>Adjustments involving the Capital Receipts Reserve:</i>				
<i>Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the CIES</i>	1,991	(1,991)	-	-
<i>Redemption of Financial Assets (Loans)</i>	-	-	-	-
<i>Use of the reserve to finance capital expenditure</i>	-	-	-	-
<i>Capital Receipts used for the repayment of loans</i>	-	10,874	-	(10,874)
<i>Contribution from the reserve to finance the payments to the Government capital receipts pool.</i>	-	-	-	-
<i>Transfer from Deferred Capital Receipts Reserve upon receipt of cash</i>	-	(1,220)	-	1,220
<i>Adjustments involving the Deferred Capital Receipts Reserve</i>				
<i>Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES</i>	-	-	-	-
<i>Adjustments involving the Financial Instruments Adjustment Account:</i>				
<i>Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.</i>	10	-	-	(10)
<i>Adjustments involving the Pensions Reserve:</i>				
<i>Reversal of items relating to retirement benefits debited or credited to the CIES</i>	(30,424)	-	-	30,424
<i>Employer's pensions contributions &amp; direct payments to pensioners payable in the year</i>	13,983	-	-	(13,983)
<i>Adjustments involving the Collection Fund Adjustment Account:</i>				
<i>Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements</i>	166	-	-	( 166)
<i>Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements</i>	1,956	-	-	(1,956)
<i>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</i>				
<i>Adjustments for short-term compensated absences</i>	(544)	-	-	544
<b>Total Adjustments</b>	<b>(41,066)</b>	<b>7,663</b>	<b>152</b>	<b>33,251</b>



- **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 2019 £000	Movement £000	31 March 2020 £000	<b>Summary of Usable and Unusable Reserves</b>	1 April 2020 £000	Movement £000	31 March 2021 £000
			<b>Usable Reserves</b>			
(6,000)	888	(5,112)	General Fund Balance	(5,112)	(888)	(6,000)
(3,374)	215	(3,159)	School's Balances	(3,159)	(1,562)	(4,721)
(31,217)	3,753	(27,464)	Specific Earmarked Reserves (Note 16)	(27,464)	(32,647)	(60,111)
(7,663)	7,663	-	Capital Receipts Reserve	-	-	-
(1,110)	152	(958)	Capital Grants Unapplied Account	(958)	(2,527)	(3,485)
<b>(49,364)</b>	<b>12,671</b>	<b>(36,693)</b>	<b>Total Usable Reserves</b>	<b>(36,693)</b>	<b>(37,624)</b>	<b>(74,317)</b>
			<b>Unusable Reserves</b>			
(132,737)	(12,829)	(145,566)	Revaluation Reserve	(145,566)	4,873	(140,693)
101,915	9,955	111,870	Capital Adjustment Account	111,870	2,680	114,550
(1,227)	1,220	(7)	Deferred Capital Receipts Reserve	(7)	(1,165)	(1,172)
435	(10)	425	Financial Instruments Adjustment Account	425	(11)	414
332,035	(110,547)	221,488	Pension Reserve	221,488	100,191	321,679
(527)	(2,122)	(2,649)	Collection Fund Adjustment Account	(2,649)	26,810	24,161
2,372	542	2,914	Accumulating Compensated Absences Adjustment Account	2,914	580	3,494
<b>302,266</b>	<b>(113,791)</b>	<b>188,475</b>	<b>Total Unusable Reserves</b>	<b>188,475</b>	<b>133,958</b>	<b>322,433</b>
<b>252,902</b>	<b>(101,120)</b>	<b>151,782</b>	<b>Total Usable and Unusable Reserves</b>	<b>151,782</b>	<b>96,334</b>	<b>248,116</b>

- **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).

2019/20 £000	<b>Revaluation Reserve:</b>	2020/21 £000
(132,737)	Balance at start of year	(145,566)
(43,005)	Upward revaluation of assets	(13,626)
22,952	Downward revaluation of assets & impairment losses not charged to the (Surplus) / Deficit on the Provision of services	9,356
2,283	Difference between fair value depreciation & historical cost depreciation	2,687
4,941	Release of revaluation gains on disposal	6,456
<u>(145,566)</u>	Balance at end of the year	<u>(140,693)</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.

2019/20 £000	<b>Capital Adjustment Account:</b>	2020/21 £000
101,915	Balance at start of year	111,870
26,786	Charges for depreciation & Impairment	25,377
2,984	Revaluation (gains) / losses on Property, Plant & Equipment	4,733
237	Movement in fair market value of Investment Properties	173
3,278	Amortisation of Intangible Assets	3,658
(35,453)	Capital Grants & Contributions that have been applied to Capital Financing	(29,313)
(772)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(142)
18,965	Revenue Expenditure Funded from Capital under Statue (REFCUS)	9,956
5,564	Capital Direction	763
9,737	Amounts of non-current assets written off on disposal or sales as part of the Gains / Losses on Disposal in the CIES	13,560
2,645	Impairment of Empower Loan	-
-	Capital expenditure charged against the General Fund	(30)
(10,874)	Use of Capital Receipts to Repay Loans	(6,284)
(5,918)	Revenue Provision for the Repayment of Loans	(10,628)
(2,283)	Depreciation & Impairment written down to Revaluation Reserve	(2,687)
(4,941)	Transfer of Revaluation Reserve on disposal	(6,456)
<u>111,870</u>	Balance at end of the year	<u>114,550</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.

2019/20 £000	<b>Deferred Capital Receipts Reserve:</b>	2020/21 £000
(1,227)	Balance at start of year	(7)
-	Transfer of Deferred Sale Proceeds Credited as part of the (Gains) / Losses on Disposals to the Comprehensive Income and Expenditure Statement	(1,165)
1,220	Transfer to the Capital Receipts Reserve upon receipt of cash	-
<u>(7)</u>	Balance at end of the year	<u>(1,172)</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.

2019/20 £000	<b>Financial Instruments Adjustment Account:</b>	2020/21 £000
435	Balance at start of year	425
(10)	Interest Paid on Short Term Loans	(11)
<u>425</u>	Balance at end of the year	<u>414</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.

2019/20 £000	<b>Pensions Reserve:</b>	2020/21 £000
332,035	Balance at start of year	221,488
(126,988)	Actuarial gains / losses on pension assets & liabilities (Note 7)	95,408
30,424	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)	18,180
(13,983)	Employer's Pension Contributions & Direct Payments to Pensioners Payable in Year (Note 7)	(13,397)
<u>221,488</u>	Balance at end of the Year	<u>321,679</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 86.

<i>2019/20</i> £000	<b>Collection Fund Adjustment Account:</b>	<b>2020/21</b> £000
(527)	Balance at start of year	(2,649)
(166)	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	1,290
(1,956)	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	25,520
<u>(2,649)</u>	Balance at end of the Year	<u>24,161</u>

- **Accumulating Compensated Absences Adjustment Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

<i>2019/20</i> £000	<b>Accumulating Compensated Absences Adjustment Account:</b>	<b>2020/21</b> £000
2,372	Balance at start of year	2,914
542	Amount by which officer remunerations charged to the CIES on an accruals basis is different from the remuneration chargeable in year	580
<u>2,914</u>	Balance at end of the Year	<u>3,494</u>

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

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

General Fund Earmarked Reserves	31 March 2020 £000	Transfers Out £000	Transfers In £000	Movement between Reserves £000	31 March 2021 £000	Purpose of the Earmarked Reserve
Departmental Reserves	5,077	(1,620)	1,927	(5)	5,379	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use.
Insurance	3,073	(144)	386	-	3,315	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	752	(181)	86	-	658	School revenue reserves put aside for funding future school capital schemes.
Capacity Building	12,992	(1,936)	3,975	5	15,036	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	9	-	122	-	131	The Public Health Grant received by the Council is ring-fenced for use on public health services only. This reserve is for any amounts of grant not spent in year due to timing difference in service delivery.
C-19 Funding Reserve	5,332	(5,332)	12,841	-	12,841	To be used to fund C-19 pressures across all services in 2021/22.
C-19 Tax Income Reserve	-	-	22,521	-	22,521	Grant income expected through the Tax Income Guarantee Scheme of £2.3m. This will be used to mitigate future tax income losses as a result of the pandemic. Includes £20.2m of section 31 grants to compensate for the loss of Business Rates Income experienced as retail relief, provided to business, as financial support to over the pandemic.
Other	229	(6)	7	-	229	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.
<b>Total Reserves</b>	<b>27,464</b>	<b>(9,219)</b>	<b>41,865</b>	<b>-</b>	<b>60,110</b>	

## 17 Property, Plant and Equipment

Property, Plant & Equipment (PPE) – 2020/21	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
<b>At 1 April 2020 Gross Book Value</b>	370,579	36,227	326,374	961	683	1,135	7,738	743,697
Additions	5,360	1,865	20,753	21	-	2	9,580	37,581
Revaluation increase / (decrease) recognised in the Revaluation Reserve	3,008	-	-	-	-	-	-	3,008
Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services	(5,236)	-	-	-	-	-	-	(5,236)
Derecognition - Disposals	(10,351)	-	-	-	-	-	-	(10,351)
Derecognition – Other	-	-	-	-	-	-	(7)	(7)
Reclassified Assets	(2,014)	-	-	-	-	-	-	(2,014)
Assets Under Construction Completed In Year	8,554	-	-	-	-	-	(8,616)	(62)
<b>At 31 March 2021</b>	<b>369,900</b>	<b>38,092</b>	<b>347,127</b>	<b>982</b>	<b>683</b>	<b>1,137</b>	<b>8,695</b>	<b>766,616</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 01 April 2020</b>	(14,279)	(16,985)	(145,201)	(60)	-	(104)	-	(176,629)
Depreciation Charge	(7,087)	(5,004)	(13,990)	-	-	-	-	(26,081)
Depreciation written out to the Revaluation Reserve	1,991	-	-	-	-	-	-	1,991
Depreciation written out to the (Surplus) / Deficit on Provision of Services	544	-	-	-	-	-	-	544
Impairment (losses) /reversals recognised in the Revaluation Reserve	(631)	-	-	-	-	-	-	(631)
Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services	844	(119)	-	(21)	-	-	-	704
Derecognition - Disposals	874	-	-	-	-	-	-	874
<b>At 31 March 2021</b>	<b>(17,744)</b>	<b>(22,108)</b>	<b>(159,191)</b>	<b>(81)</b>	<b>-</b>	<b>(104)</b>	<b>-</b>	<b>(199,228)</b>
<b>Net Book Value - At 31 March 2021</b>	<b>352,156</b>	<b>15,984</b>	<b>187,936</b>	<b>901</b>	<b>683</b>	<b>1,033</b>	<b>8,695</b>	<b>567,388</b>
<i>Net Book Value - At 31 March 2020</i>	<i>356,300</i>	<i>19,242</i>	<i>181,173</i>	<i>901</i>	<i>683</i>	<i>1,031</i>	<i>7,738</i>	<i>567,068</i>

Comparative Movements in 2019/20

<i>Property, Plant &amp; Equipment (PPE) – 2019/20</i>	<i>Other Land &amp; Buildings</i>	<i>Vehicles, Plant &amp; 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 2019 Gross Book Value</i>	361,672	42,318	309,446	901	683	1,135	2,058	718,213
<i>Additions</i>	9,609	2,250	17,286	60	-	-	7,135	36,340
<i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i>	15,011	-	-	-	-	-	-	15,011
<i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i>	(7,254)	-	-	-	-	-	-	(7,254)
<i>Derecognition - Disposals</i>	(8,788)	(8,341)	(358)	-	-	-	-	(17,487)
<i>Reclassified Assets</i>	(1,100)	-	-	-	-	-	-	(1,100)
<i>Assets Under Construction Completed In Year</i>	1,429	-	-	-	-	-	(1,455)	(26)
<i>At 31 March 2020</i>	370,579	36,227	326,374	961	683	1,135	7,738	743,697
<i>Accumulated Depreciation and Impairment</i>								
<i>At 01 April 2019</i>	(17,389)	(19,993)	(131,786)	-	-	(104)	-	(169,272)
<i>Depreciation Charge</i>	(6,799)	(5,014)	(13,558)	-	-	-	-	(25,371)
<i>Depreciation written out to the Revaluation Reserve</i>	6,035	-	-	-	-	-	-	6,035
<i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i>	4,271	-	-	-	-	-	-	4,271
<i>Impairment (losses) /reversals recognised in the Revaluation Reserve</i>	(991)	-	-	-	-	-	-	(991)
<i>Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services</i>	(168)	(301)	-	(60)	-	-	-	(529)
<i>Derecognition - Disposals</i>	762	8,323	143	-	-	-	-	9,228
<i>At 31 March 2020</i>	(14,279)	(16,985)	(145,201)	(60)	-	(104)	-	(176,629)
<i>Net Book Value - At 31 March 2020</i>	356,300	19,242	181,173	901	683	1,031	7,738	567,068
<i>Net Book Value - At 31 March 2019</i>	344,283	22,325	177,660	901	683	1,031	2,058	548,941

## 18 Investment Properties

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

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

2019/20 £000	Investment Properties	2020/21 £000
25,676	Balance at start of year	23,551
99	Subsequent Expenditure (Note 25)	4,174
26	Assets Under Construction Completed in Year	62
(1,127)	Disposals	(4,559)
(237)	Revaluations (Note 10)	(173)
(886)	Impairment	-
-	(To) / From Property, Plant and Equipment	2,565
<b>23,551</b>	<b>Balance at end of the Year</b>	<b>25,620</b>

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

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

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

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

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

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

## 19 Intangible Assets

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

31 March 2020	Intangible Assets	Remaining Amortisation Period Years	31 March 2021
£000			£000
1,834	Lot 1 Viridor Contract	25	1,761
573	Sand Martin House ICT	1	287
<b>2,048</b>	<b>Total</b>		<b>2,048</b>

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 2020	<b>Intangible Assets</b>	31 March 2021
£000	Balance at 1 April:	£000
22,581	Gross Carrying Amounts	25,120
(13,437)	Accumulated Amortisation	(16,715)
9,144	<b>Net Carrying Amount at Start of the Year</b>	<b>8,405</b>
	Additions	
2,539	Purchases (Note 25)	1,224
(3,278)	Amortisation for the period	(3,658)
8,405	<b>Net Carrying Amount at the End of Year</b>	<b>5,971</b>
25,120	Gross Carrying Amounts	26,344
(16,715)	Accumulated Amortisation	(20,373)
8,405	<b>Net Carrying Amount at the End of Year</b>	<b>5,971</b>

## 20 Assets Held for Sale

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

2019/20 £000	<b>Assets Held for Sale - Current Assets</b>	2020/21 £000
1,217	Balance at 1 April:	2,015
13	Revaluation Gains	-
-	Revaluation increase/(decrease) recognised in the Revaluation Reserve	(98)
(13)	Revaluation increase/(decrease) recognised in the (Surplus) / Deficit on Provision of Services	(41)
1,100	Property, Plant and Equipment Declassified as Held for Sale	(551)
(350)	Assets Sold	(1,394)
	<b>Other movements:</b>	
48	Additions (Note 25)	69
2,015	<b>Balance at end of the Year</b>	<b>-</b>



## 22 Capital Commitments

As at 31 March 2021 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 £36.7m, are part of the approved capital programme within the MTFS. The major commitments are:

Description of Contract/ Capital Scheme	Value of contract £000	Value outstanding at 31/3/21 £000
Nene Bridge Bearings	2,040	1,484
Whittlesey Rd Access Phase 2	1,786	842
A1260 Nene Parkway Improvement	445	420
Junction 15 & 18 Construction Works	712	430
Green Wheel Improvements	177	167
More Cycling - PCN	275	149
Road and Bridges Lighting	287	121
Demolition and construction of replacement double storey dwelling at Willow Barn Farm	291	130
Replacement roller shutter doors to Units 1-32 Alfric Square	135	135
Refurbishment of the Town Hall North	3,918	39
Refurbishment of existing tenanted chalets at Paston Travellers site	213	213
Refurbishment works at Westcombe Engineering	167	167
St John Henry Newman RC Primary School Construction	632	155
Manor Drive Schools Project	25,184	2,195
Expansion of Marshfields School	486	243
<b>Total</b>	<b>36,748</b>	<b>6,890</b>

## 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 2020/21 were carried out by NPS Peterborough Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In addition to the rolling four year programme each year NPS Peterborough Ltd also assess the whole of the Council's property portfolio to consider if there would be any valuation changes as a result of the current economic climate at the time. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for condition of the asset.

The significant assumptions applied in estimating the current values are:

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



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

The Council revalued £73.4m of Land and Buildings in 2020/21 and £303.0m in 2019/20 which is approximately 20% of the Council overall Gross Book Value of the assets held in Land and Buildings.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has and continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are starting to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

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

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

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

Revaluation Reserve See Note 15	Other Land & Buildings	Vehicles, Plant & Equipment	Assets Held for Sale*	Total
	£000	£000	£000	£000
Valued at current value as at:				
31 March 2021	(4,971)		98	(4,873)
31 March 2020	12,829	-	-	12,829
31 March 2019	(18,775)	(5)	(779)	(19,559)
31 March 2018	8,015	(4)	79	8,090
31 March 2017 & Prior Years	141,919	11	2,276	144,206
<b>Total Valuation</b>	<b>139,017</b>	<b>2</b>	<b>1,674</b>	<b>140,693</b>

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

During 2020/21 £0.7m (2019/20 £2.3m) of impairment losses have been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. This relates to capital expenditure that has been spent on improving the Council’s assets which has not significantly increased the value of each individual building.

## 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.

2019/20 £000		2020/21 £000
577,427	<b>Opening Capital Financing Requirement</b>	<b>588,429</b>
29,205	Property, Plant and Equipment (Note 17)	28,001
7,135	Assets Under Construction (AUC) (Note 17)	9,580
99	Investment Properties (Note 18)	4,174
2,539	Intangible Assets (Note 19)	1,224
48	Assets Held For Sale (Note 20)	69
19,355	Revenue Expenditure Funded from Capital under Statute (REFCUS)	9,949
(312)	Prior Year REFCUS Grant Return and Abortive Costs	7
5,564	Capitalisation Direction	763
386	Loans to Third Parties	3,004
	<b>Sources of Finance</b>	
(36,225)	Capital Grants & Contributions	(29,455)
(5,918)	Sums set aside from revenue (inc.direct revenue financing & Minimum Revenue Provision (MRP))	(10,628)
(10,874)	Repayment of Loan debt from Capital Receipts	(6,284)
-	Capital Receipts – repayment of Loan	-
<u>588,429</u>	<b>Closing Capital Financing Requirement</b>	<u>598,833</u>
	<b>Explanation of movements in year</b>	
27,728	Increase in underlying need to borrow:	27,288
378	Assets acquired under finance leases	21
(312)	Prior Year REFCUS Grant Return and Abortive Costs	7
	Decrease in underlying need to borrow:	
(5,918)	MRP	(10,628)
(10,874)	Capital Receipts used to repay MRP	(6,284)
<u>11,002</u>	<b>Increase in Capital Financing Requirement</b>	<u>10,404</u>

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 2020/21 this expenditure is £9.9m compared with £19.4m in 2019/20. REFCUS expenditure of £6.5m relates to Academies (25 schools have now transferred to Academies since the transfer programme began) and Free Schools. Academies and Free Schools are the responsibility of government and as such do not form part of the Council's asset base, and therefore expenditure is treated as 'REFCUS'.

2019/20 £000	Reconciliation of Grant Funding Applied to Capital Financing	2020/21 £000
26,974	Grants Received in year (Note 11)	24,561
-	POIS used to fund MRP	-
(620)	Grants Received in year not applied in year	(2,669)
772	Grants Applied from Capital Grants Unapplied Account	142
	<b>Grants used to Fund Revenue Expenditure Funded from Capital under Statute:</b>	
9,099	In Year	7,421
<u>36,225</u>	<b>Total Grants &amp; Contributions applied</b>	<u>29,455</u>

2019/20 £000	Body of Grant Funding Applied	2020/21 £000
2,298	Ministry of Housing, Communities & Local Government	5,501
90	Department for Transport	419
17,231	Department of Education	9,402
72	Department of Health	-
-	Homes England	625
9,656	Cambridgeshire & Peterborough Combined Authority	11,749
<b>27,696</b>	<b>Total Grants Applied</b>	<b>27,696</b>
4,581	Section 106 Contributions	624
2,297	Third Party Contributions	1,135
<b>1,759</b>	<b>Total Contributions applied</b>	<b>1,759</b>
<b>29,455</b>	<b>Total Grants &amp; Contributions applied</b>	<b>29,455</b>

## 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 £14.7m (2019/20 £15.5m).

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 2021 (excluding any estimation of inflation and availability/performance deductions) are shown in the following table:

Repayment of:	Finance Lease Liability	Interest	Service Charges	Total
	£000	£000	£000	£000
<b>Payable:</b>				
In 2021/22	942	1,862	5,765	8,569
Within two to five years	4,544	6,822	23,895	35,261
Within six to ten years	9,011	7,662	29,805	46,478
Within 11 to 15 years	11,312	3,678	34,486	49,476
Within 16 to 18 years	3,080	(456)	11,818	14,442
<b>Total</b>	<b>28,889</b>	<b>19,568</b>	<b>105,769</b>	<b>154,226</b>

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 2020 £000		31 March 2021 £000
(30,786)	Balance brought forward	(29,863)
923	Lease liability redemption in the year	974
<b>(29,863)</b>	<b>Value of Total Liability carried forward</b>	<b>(28,889)</b>
(974)	Short Term Liability	(942)
(28,889)	Long Term Liability	(27,947)
<b>(29,863)</b>	<b>Value of Total Liability carried forward</b>	<b>(28,889)</b>

## 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 2020 £000	Council as Lessee - Finance Leases	31 March 2021 £000
14,994	Other Land & Buildings	15,486
421	Vehicles, Plant Furniture & Equipment	344
<b>15,415</b>	<b>Total</b>	<b>15,830</b>

The Council has two long finance leases on Investment Properties, 36 Academy finances leases and a finance lease for Council offices and car park.

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

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

31 March 2020 £000	Finance Lease Liabilities (net present value of minimum lease payments)	31 March 2021 £000
286	Current	257
15,798	Non-current	15,556
42,279	Finance costs payable in future years*	40,512
<b>58,363</b>	<b>Minimum lease payments</b>	<b>56,325</b>

\* Non-Peppercorn leases range from one to 85 years

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

31 March 2020			31 March 2021	
Min. Lease Payment	Finance Lease Liabilities	Minimum lease payments	Min. Lease Payment	Finance Lease Liabilities
£000	£000		£000	£000
2,054	286	Not later than one year	1,994	257
7,836	1,068	Later than one year & not later than five years	7,725	1,073
48,473	14,730	Later than five years *	46,606	14,483
<b>58,363</b>	<b>16,084</b>	<b>Total</b>	<b>56,325</b>	<b>15,813</b>

\* Non-Peppercorn leases range from one to 85 years

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

Of the investment properties held under these finance leases, the Council has sub-let individual units as well as two retail units and the second floor of the Council offices at Sand Martin House which are classified as operating leases.

At 31 March 2021 the minimum payments expected to be received under these two property finance leases was £293k (£221k (restated) in 2019/20).

### 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 2020		31 March 2021
£000	<b>Council as Lessee - Operating Leases</b>	<b>£000</b>
1,604	Not later than one year	1,761
5,620	Later than one year & not later than five years	5,536
13,014	Later than five years	12,076
<u>20,238</u>	<b>Total</b>	<u>19,373</u>

The amount charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases is shown in the table below:

31 March 2020		31 March 2021
£000	<b>Council as Lessee - Operating Leases</b>	<b>£000</b>
1,741	Minimum lease payments	1,927
-	Contingent rents	-
(385)	Sublease payment receivable	(586)
<u>1,356</u>	<b>Total</b>	<u>1,341</u>

### Council as Lessor - Finance Leases

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

### Council as Lessor – Operating Leases

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

- For the provision of community services, such as sports facilities and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses
- To generate an income from property owned as investment property
- To provide lower service costs eg Viridor – Energy for Waste

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

31 March 2020		31 March 2021
£000	<b>Council as Lessor - Operating Leases</b>	<b>£000</b>
3,501	Not later than one year	3,833
15,527	Later than one year & not later than five years	17,055
46,259	Later than five years*	45,317
<u>65,287</u>	<b>Total</b>	<u>66,205</u>

\* Above operating leases range from five to 125 years

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

## 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:

2019/20 £000		2020/21 £000
	<b>Financial Assets</b>	
(1,498)	Interest Income	(1,553)
(478)	Other Investment Income	(2,161)
<u>(1,976)</u>	<b>Total for Financial Assets (Note 10)</b>	<u>(3,714)</u>
	<b>Financial Liabilities</b>	
2,071	Interest Payable Relating to PFI	1,994
16,424	Interest Payable on Borrowings	16,204
<u>18,495</u>	<b>Total for Financial Liabilities (Note 10)</b>	<u>18,198</u>
<u>16,519</u>	<b>Net expenditure for the year</b>	<u>14,484</u>

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

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

March 2020 Long Term £000	March 2020 Current £000	Financial Instruments Balances	March 2021 Long Term £000	March 2021 Current £000
		<b>Assets at Amortised Cost:</b>		
-	3	Investments	-	-
-	-	Investment in Shares (HE Company)	1,870	-
-	10,437	Cash and Bank	-	18,184
-	-	Hilton Hotel Loan	3,075	-
20,400	-	Debtors – ECS Peterborough 1 LLP	20,400	-
2,509	14,409	Debtors - Loans and receivables	1,177	10,027
<u>20,400</u>	<u>10,440</u>	<b>Total</b>	<u>26,522</u>	<u>18,184</u>
		<b>Liabilities at Amortised Cost</b>		
(374,587)	(103,000)	Borrowings - Financial liabilities at amortised cost	(374,587)	(95,000)
-	(3,457)	Accrued Interest associated with Borrowing	-	(3,423)
(120)	-	Long term Creditors	(109)	-
(29,863)	-	Long term PFI	(28,889)	-
(14,824)	-	Long term finance lease liabilities	(14,621)	-
-	(4,151)	Creditor - Financial liabilities at amortised cost	-	(3,536)
<u>(419,394)</u>	<u>(110,608)</u>	<b>Total</b>	<u>(418,206)</u>	<u>(101,959)</u>

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



## 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 2021 have been used for loans from the PWLB;
- the prevailing rate of a similar instrument with a published market rate has been used as the discount factor for other loans receivable and payable;
- no early repayment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

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

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

2019/20		Financial Liabilities	2020/21	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
(369,587)	(445,846)	PWLB debt	(369,587)	(478,852)
(5,000)	(4,964)	Non-PWLB debt	(5,000)	(5,035)
(103,000)	(109,533)	Short term borrowing *	(95,000)	(103,218)
		Accrued Interest associated with Borrowing	(3,423)	(3,423)
(3,457)	(3,457)	Short term creditors	(2,344)	(2,344)
(2,891)	(2,891)	Short term finance lease liability	(1,192)	(1,192)
(1,260)	(1,260)	Long term creditors	(110)	(110)
(120)	(120)	Long term PFI & finance lease liabilities	(43,510)	(59,448)
(44,687)	(56,750)			
<b>(530,002)</b>	<b>(624,821)</b>	<b>Total</b>	<b>(520,166)</b>	<b>(653,622)</b>

\* 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 £478.9m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with



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

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

2019/20		Financial Assets	2020/21	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
3	3	Short Term Investments	-	-
-	-	Investment in HE Company Shares	1,870	1,870
-	-	Hilton Hotel Loan	3,075	3,075
20,400	20,400	ECS Peterborough 1 LLP Loan	20,400	20,400
2,509	2,509	Other Long Term Loans & Receivables	1,176	1,176
10,437	10,437	Total Cash and Cash Equivalent	18,184	18,184
14,409	14,409	Trade Debtors	10,027	10,027
<b>47,758</b>	<b>47,758</b>	<b>Total</b>	<b>54,732</b>	<b>54,732</b>

### Covid-19 Implications on Fair Value

The Code establishes that when measuring fair value an authority is required to take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the 31 March 2021. This importantly establishes two issues:

- that the fair value measurement is at the measurement date (and not a future date) and
- that the measurement must reflect the market participant's views and assumptions about the pricing of an asset or a liability at that date.

Fair value measurements for financial instruments and investment properties held by local authorities will need to be reviewed against the conditions and assumptions at the measurement date. This will be difficult because of the volatility of the market at the measurement date and the potential for there to be a lack of reliable observable inputs.

### 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 2020/21 Annual Investment Policy sets out the credit criteria below although the Council actually minimised the risk further by only investing with the Debt Management Office, its banking provider (Barclays) and the CCLA money market fund.

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

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

- All the counterparties used are licensed to accept deposits in the United Kingdom and are regulated by the Financial Conduct Authority.
- Creditworthiness advice and market intelligence is received from treasury advisors, Link Asset Services.
- The long term debt as at 31 March 2021 includes £20.4m relating to the outstanding balance on a loan granted to ECS Peterborough 1 LLP (ECSP1). This value has been calculated by Deloitte at £20.4m, who express no opinion on the suitability of the discount rate selected by the Council using the same underlying financial model as that used for assessing the Fair Value of ECSP1. The loan to ECSP1 falls within the definition of Capital Expenditure under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 section 25. The requirement under this regulation necessitates the loan be classed as capital expenditure for the purposes of its accounting treatment. As part of the Council's Minimum Revenue Provision policy, which forms part of the yearly approval of the Medium-Term Financial Strategy by Council.,
- The Council has a Facility Agreement with Propiteer Hotels Ltd (Transfer from Fletton Quays Hotel Ltd) of £15m to provide funding for the construction of a Hotel at Fletton Quays, East Station Road. The drawdown against the Facility Agreement would attract an interest of 5.13% per annum to be paid on maturity which has been agreed for a term of 24 months from the first drawdown. The total drawdown including interest is £3.1m.

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

The Council had a total of £18.1m invested with the Debt Management Office (DMO), UK banks and CCLA at 31 March 2021. 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 2021. 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 87.0p to 87.1p whilst the Heritable Bank (HB) recovery rate is expected to be 99.33p to 100p in the £. The total dividends received as at 31 March 2021 are £1.9m for KSF and £1.0m for HB (2019/20 £1.9m, £1.0m). Further dividends are expected in 2021/22.

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:

2019/20	Age of Trade Debt	2020/21
£000		£000
8,887	Less than three months	6,338
436	Three to six months	247
1,023	Six months to one year	1,068
4,063	More than one year	2,038
<b>14,409</b>	<b>Total</b>	<b>9,691</b>

### 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:

2019/20	Maturity analysis of financial liabilities	2020/21
£000		£000
(110,608)	Less than one year *	(106,458)
(10,902)	Between one and two years	(13,424)
(30,280)	Between two and five years	(23,703)
(378,212)	Between five and fifty years	(376,579)
<b>(530,002)</b>	<b>Total</b>	<b>(520,164)</b>

\* 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 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease from the Fair Value of Fixed Rate Borrowing Liabilities shown in Note 27 by £86.0m, 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 has taken shareholdings in its subsidiary companies Peterborough Ltd and Blue Sky Peterborough Ltd and in its Joint Venture companies Medesham Ltd, Empower Peterborough

Community Interest Company and NPS Peterborough Ltd. It also received £1.9m shares in its associated company Peterborough HE Property Company Ltd in consideration for land transferred in December 2020. This company was established to develop and then lease the campus for the new university being developed in Peterborough. For further details see Note 13.

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

### Foreign Exchange Risk

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

## 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 2020	Inventories	31 March 2021
£000		£000
397	Westcombe Industries Stock	360
64	Other Stock Balances*	106
<b>461</b>	<b>Total</b>	<b>466</b>

\*Includes Stock transferred from the closure of Vivacity

## 32 Creditors

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

31 March 2020	Creditors	31 March 2021
£000		£000
(1,857)	Council Tax Overpaid	(1,164)
(1,401)	Council Tax Prepaid	(1,423)
(2,470)	NDR Overpaid	(6,124)
(635)	NDR Prepaid	(2,836)
(8,176)	NDR Preceptors	-
-	NDR Section 31 Grants	(19,821)
-	COVID-19 Grants	(11,012)
(13,395)	Deposits / Receipts in Advance	(19,082)
(2,916)	Accrual Accumulated Absences (Note 15)	(3,496)
(1,260)	Short Term Finance Lease Liabilities (Note 27)	(1,192)
(37,053)	General Creditors	(44,818)
<b>(69,163)</b>	<b>Total Creditors</b>	<b>(110,968)</b>

During 2020/21, the Council received approximately £44.7m in Section 31 (S31) grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year. This shows a significant increase in available reserves which are earmarked to fund the 2021/22 Collection Fund deficit. Note 15 page 44.

### 33 Debtors

Amounts owed to the Council but not yet received at the year-end are as follows. Further details about the impact of C-19 on debtor balances can be found in Note 43.

31 March 2020 £000	<b>Debtors</b> (Each item is net of impairment)	31 March 2021 £000
9,623	Cambridgeshire & Peterborough CCG	3,111
2,674	Cambridgeshire & Peterborough Combined Authority	1,302
2,967	Capital Funding Contributions	1,208
5,719	Central Government Departments	32,937
9,127	Council Tax Arrears	9,971
1,477	Cross Keys Homes	972
1,247	Housing Benefit Overpayments	736
1,609	NNDR Arrears	8,973
1,012	Other NHS Organisations	284
7,956	Payments in Advance	6,503
2,529	Commercial Property Rent Arrears	44
14,099	General Debtors	22,490
<b>60,039</b>	<b>Total Debtors</b>	<b>88,531</b>

The debtors balance with Central Government Departments of £32.9m includes £17.3m in relation to the governments share of the business rates deficit on the Collection Fund.



### 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 2020	Additional Provision	Payment from Provision	Released back to CIES	Transfer between long term & short term	31 March 2021
	£000	£000	£000	£000	£000	£000
<b>Short Term Provisions</b>						
<u>Insurance Claims</u> – this represents the current balance set aside to meet the expected total cost of uninsured losses arising from public liability, employer’s liability and property damage. The amount and timing of these payments are uncertain.	(1,304)	-	-	-	111	(1,193)
<u>Voluntary Redundancy Provision</u> – redundancy related payments, regarding decisions made in 2019/20 with the remaining being paid in 2021/22	(1,028)	(4)	813	149	-	(70)
<u>CAY Pensions Costs</u> – Pre 1980 Pension Contributions obligation for 2019/20 paid in 2020/21	(560)	-	560	-	-	-
<u>Disputed Invoices</u> – payments in dispute with the Cambridgeshire and Peterborough CCG	-	(640)	-	-	-	(640)
<u>Non Domestic Rate Appeals Provision</u> – this reflects the value of Rateable Value (RV) appeals submitted by businesses to the Valuation Office Agency (VOA) to seek a retrospective or/and future reduction in their NNDR bills.	(7,282)	(2,124)	1,772	92	-	(7,542)
<b>Total Short Term Provisions</b>	<b>(10,174)</b>	<b>(2,768)</b>	<b>3,145</b>	<b>241</b>	<b>111</b>	<b>(9,445)</b>
<b>Long Term Provisions</b>						
<u>Insurance Claims</u> – see above comments	(356)	(144)	155	-	(111)	(456)
<b>Total Short and Long Term Provisions</b>	<b>(10,530)</b>	<b>(2,912)</b>	<b>3,300</b>	<b>241</b>	<b>-</b>	<b>(9,901)</b>

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### 35 Capital Grants Receipts In Advance

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

31 March 2020	Capital Grants Receipts in Advance	31 March 2021
£000		£000
(1,334)	Department of Education	(1,068)
(419)	Department for Transport	-
(2,222)	Cambridgeshire & Peterborough Combined Authority	(1,834)
(545)	Homes and Communities Agency (HCA)	(545)
(181)	Disabled Facilities Grant	(1,033)
	Department for Communities and Local Government	(795)
(19)	Other Third Party Contributions	(179)
(203)	Community Infrastructure Levy (CIL)	(553)
(14,715)	Section 106 Contributions	(15,613)
<u>(21,620)</u>	<b>Total Capital Grants Receipts in Advance</b>	<b>(21,620)</b>

### 36 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20* Restated	Cash Flow Statement – Operating Activities	2020/21
£000		£000
(1,506)	Interest Received	(1,558)
18,548	Interest Paid	18,187

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

### 37 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2019/20 £000	Cash Flow Statement – Investing Activities	2020/21 £000
41,617	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	38,116
19,756	Other Payments for Investing Activities	6,344
(822)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(5,734)
(15)	Proceeds from Short and Long Term Investments	(4)
<u>60,536</u>	<b>Net cash flows from investing activities</b>	<b>38,722</b>

### 38 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2019/20 £000	Cash Flow Statement – Financing Activities	2020/21 £000
(37,500)	Cash Receipts of Short & Long Term Borrowing	8,000
18,739	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and On-Balance Sheet PFI Contracts	1,267
(1,632)	Other Payments for Financing Activities	5,857
<u>(20,393)</u>	<b>Net cash flows from financing activities</b>	<b>15,124</b>

### 39 Cash Flow Statement – Cash and Cash Equivalents

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

2019/20	Cash Flow Statement – Cash and Cash Equivalents	2020/21
£000		£000
9,700	Short Term Cash Investments	18,125
38	Petty Cash & Imprest	38
699	Bank Current Accounts	21
<b>10,437</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>18,184</b>

### 40 Trust Funds

The Council administers six trust funds for the benefit of children in specific schools or in care. The total value invested as at 31 March 2021 was £17,106 (£16,716 at 31 March 2020). 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 £17,677 at 31 March 2021 (£17,633 at 31 March 2020) all invested internally.

The Council has the role of Corporate Appointee for Clients' monies where it is responsible for managing the financial affairs of 277 adults and older people (252 at 31 March 2020). The total client funds at 31 March 2021 was £3.3m (£2.7m at 31 March 2020).

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

Culture Peterborough Ltd in 2020 from Vivacity. However the Council remains sole Trustee, see Note 12.

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

### 41 Contingent Liabilities

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

- There are a number of issues relating to decisions taken by the Council that might result in claims being made against the Council. At this stage, there is no certainty that costs will be awarded against the Council and, therefore, nothing has been included in the Accounts for any of these issues.
- The Council has a disposal programme which may include sale of assets that could be subject to a claw back agreement. This would mean that a proportion of the sale proceeds would require payment to the interested party. For example land transferred to the Council which the Homes and Communities Agency (formerly known as the Housing Corporation) has an interest in.
- The Council has experienced a high volume of National Non Domestic Rates (NNDR) Material Change in Circumstance (MCC) appeals during 2020/21. This is a result of businesses appealing to the Valuation Office Agency (VOA) for a reduction in their Rateable Value, due to the impact C-19 has had on the operational capabilities to their business. This

increase in MCC appeals has impacted local authorities nationally, and in March 2021 the Government announced it would legislate 'to rule out Covid-19 related MCC appeals'. Instead it is to provide a £1.5bn discretionary scheme, to support businesses. At the time of publication the legislation has not passed, the discretionary scheme has not been confirmed, and the appeals remain on the VOA system. Until such a time when the legislation is passed the Council is exposed to a potential financial liability arising from these appeals.

- Under a 1987 Bond Issue North Housing Association Ltd (now Home Group) raised finance to carry out development in a number of local authority areas. The Peterborough Development Corporation entered into an agreement with North Housing Association Ltd to carry out development in the Peterborough area. This agreement was subsequently novated to Peterborough City Council. The Local Authorities agreed to indemnify bond holders against a fixed percentage of indebtedness under the bonds issued, against which North Housing Association Ltd gave a counter indemnity to the Local Authorities of the same amount. Peterborough City Council's share of the indemnity is 11.72% of the Issue which equates to £9.9m as at September 2020.

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

The standards which have been introduced by the 2020/21 Code and will be effective from 1 April 2021 are as follows:

- Amendments to IFRS 3 Business Combinations. This amendment clarifies the measurement of the fair value of joint operations when they become controlled. It will not have any impact on the financial statements as the Council

did not take control of a joint operation in the financial year 2020/21.

- Amendments to IAS 23 Borrowing Costs. This relates to the specification for calculation for borrowing costs which can be capitalised when a "weighted average" borrowing cost is used. It is not the Council's policy to capitalise borrowing costs, therefore this amendment will have no impact on the financial statements.

#### **43 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, set out from page 88, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are:

- During 2010/11 the government invited all schools in England to become Academies and encouraged parents to set up their own 'free schools'. Within the Peterborough area some schools have Academy status, with a further four transferring status during 2020/21. A Department for Education priority remains encourage all remaining maintained schools to convert to Academy status. This is not a legislative requirement and they can remain under local authority control except where Ofsted consider them to be inadequate. Academies do not fall within the remit of the Local Education Authority. When a school attains Academy status, the Council is required to remove assets linked to the school from the Balance Sheet as a disposal at nil consideration, rather than impairment. The Council also no longer consolidates the income and expenditure of that school into the Comprehensive Income and Expenditure Statement. See the following table for analysis of the type of schools in Peterborough and its surrounding area.

Type and number of Schools	Community	Controlled	Aided	Academies	Total
Nursery	1	-	-	-	1
Primary Schools	13	4	5	36	58
Secondary Schools	1	-	1	9	11
All through Schools	-	-	-	3	3
Special Schools	3	-	-	2	5
<b>Total</b>	<b>18</b>	<b>4</b>	<b>6</b>	<b>50</b>	<b>78</b>

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 2021 of £0.9m) 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 2021. 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 56.
- The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment. Further information can be found in Note 18, page 54.
- The Council has applied its judgement in the classification of lease arrangements. Such arrangements are either classified as operational or finance leases following analysis of the transaction and judgement as to whether the arrangement transfers substantially all the risks and rewards incidental to ownership. Where a lease arrangement has been re-assessed the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Further information on lease arrangements in place can be found in Note 27, pages 59.

- The Council has eleven arrangements which it has considered against the Group Accounting criteria. The Council has not included ten of these arrangements within the Group Accounts Statement as due to the nature of their activities and small size, both individually and considered in total, the consolidation of the figures would be immaterial and would not add any additional value to the reader of the accounts that a note would not provide. As these are held for service delivery purposes rather than as investments the Council accounts for them at cost rather than as at fair value as allowed by the Code. Further information on Peterborough Museum and Art Gallery and The Mayor of Peterborough's Charity Fund can be found in Note 12. Further information on Opportunity Peterborough Limited, Blue Sky Peterborough Limited, Peterborough Investment Partnership LLP, Empower Peterborough Community Interest Company, Medesham Homes LLP, Medesham Limited, NPS, Peterborough HE Property Company Ltd and Peterborough Ltd can be found in Note 13 and Group Accounts.
- COVID-19 - On the 31 March 2020 there were unprecedented circumstances in place due to the physical and economic impact of COVID-19 within the UK and the rest of the world. Local authorities and their essential workforce have worked hard to protect the most vulnerable within our communities. It is positive that Government has recognised councils' efforts in the response period by providing additional funding, including unringfenced funding totalling £4.6 billion; specific funding to support their work on a range issues; £6 billion in cash flow measures; and a new scheme to compensate for income losses from a proportion of sales, fees and charges

to councils but significant challenges remain. It is vital that the Government addresses in full the financial challenges facing councils as a result of COVID-19. Due to the risk of uncertainty going into the future the accounts have been prepared using the information available to determine the impact of COVID-19. An example of this is the Bad Debt Provision where the Council increased the provision percentages of older debt to account for this unknown risk.

#### **44 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are shown in the following table.



Item	Uncertainties	Effect if Actual results Differ from Assumptions
Property, Plant and Equipment	<p>Depreciation and amortisation is provided for Property, Plant and Equipment and Intangible assets respectively. This enables the assets to be written down to their residual value over their estimated useful lives and show an appropriate cost of the use of the asset in the Comprehensive Income and Expenditure Statement. Management judgement is used to determine the useful economic lives of the Plant and Equipment and the Council's valuers for lives of Property.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £223k for every year that useful life is reduced, which equates to a 3.28% increase in this year's depreciation charge.</p>
Property, Plant and Equipment	<p>Property, Plant and Equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Each year the Council's valuers complete an impairment assessment. The recoverable amount is then estimated having regard to the application of the concept of materiality.</p>	<p>If an asset is impaired the carrying value of the asset is reduced.</p> <p>It is estimated that a 1% fall in market value would reduce the Council's Property, Plant and Equipment / Investment Properties balance by £290k, which is 0.05% of the Council's total asset base.</p> <p>4.81% of the Council's asset base is valued at market value, so the impact of a change in market value is limited.</p>
Property, Plant and Equipment	<p>The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The depreciation policy followed by the Council can be seen in the Statement of Accounting Policies.</p> <p>Operational assets are valued on the basis of Value in Existing Use or on a Depreciated Replacement Cost (DRC) basis for assets which are considered to be of a specialist nature because there is inadequate market evidence of value in existing use for these types of assets.</p> <p>Surplus Assets are valued on the basis of Fair Value (IFRS13).</p> <p>Asset values are reviewed periodically to ensure the value is not materially misstated, with approximately 20% of assets valued as at 31 March 2021. The remaining assets were reviewed to ensure values were materially accurate. Covid-19 continues to affect economies and real estate markets globally. At the valuation date property markets are starting to function again, with transaction</p>	<p>If the assets are not maintained to the expected condition the value and the asset life would be reduced. It is estimated that if a 5% fall in maintenance and repairs on the Council's buildings would reduce the by £14.9m which is 2.87% of the Councils overall asset base.</p>

Item	Uncertainties	Effect if Actual results Differ from Assumptions
	<p>volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>The valuations are not reported as being subject to 'material valuation uncertainty' as per the RICS Red Book Global, other than for the retail and office sector, where there is still an absence of relevant/sufficient market evidence on which to base judgements. These valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation –Global Standards. Consequently, in respect of these valuations less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.</p>	<p>It is estimated that retail accounts for 1.5% and office 0.5% of the Councils total asset base, and as retail assets are part of the Council's Investment Properties and therefore revalued annually, the impact of a change in value is likely to be minimal.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Cambridgeshire County Council Pension Fund actuaries.</p> <p>The sensitivity analysis has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.</p>	<p>The effects on net pension's liability of changes in individual assumptions can be measured. For instance,</p> <ul style="list-style-type: none"> <li>• a 0.5% decrease in discount rate assumption would result in an increase in pension liability of 10% or £91.8m</li> <li>• a 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £6.1m</li> <li>• a 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £84.0m</li> <li>• a 1 year increase in member life expectancy would result in an increase in pension liability of approximately 3-5%</li> </ul>
Arrears	<p>At 31 March 2021 the Council had a balance of £22.5m for sundry debtors. A review of balances suggested that an impairment of doubtful debts, based on age profile, of 17% or £1.7m was appropriate.</p>	<p>If collection rates were to deteriorate and sundry debt increased by 10% with the same age debt profile, additional impairment of £169k would be required.</p> <p>If 10% of the debt portfolio was one year older, additional impairment of £210k would be required.</p>
Business Rates	<p>The Business Rates Retention Scheme was introduced on 1 April 2013, meaning the Council is liable for its proportionate (49%) share of successful business rate appeals.</p>	<p>There are different classes of business, each of which have had historically different success rates of appeal.</p>



Item	Uncertainties	Effect if Actual results Differ from Assumptions
	<p>A provision has been recognised for an estimated amount that may be repaid as a result of successful appeals. There are two calculations that make up the estimate. The estimate for appeals against rating valuations from the 2010 list, which applies to bills up to 2016/17. This has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and an analysis of successful appeals to date. The second estimate relates to the rating valuations from the 2017 list, which applies to bills from 2017/18 onwards. When the VOA published the 2017 list, they also implemented a new appeals process formally known as 'Check, Challenge, Appeal' (CCA). The implementation of a new process has meant that there has been a period of insufficient data to enable the Council to apply a similar approach to the previous list. Instead the Council's provision has been calculated incorporating a national methodology recommended by MHCLG. Which following further analysis has been amended to reflect a localised position, more applicable to the Council.</p> <p>In recent years as more 2017 list appeals data has become available the Council has reviewed the suitability of the provision in comparison to the CCA's submitted, in addition to cross referencing this to industry experts, Analyse Local advice.</p>	<p>If all appeals against the 2010 list valuations lead to an additional 1% reduction in the rateable value to the estimated amount then the provision would need to be increased by £0.4. This equates to an 13% increase in the estimated provision held in the Council's Balance Sheet.</p> <p>If the appeals against the 2017 List valuations lead to a 1% greater reduction in total rates due then the provision would need to be increased by £1.7m. This equates to a 38% increase in the estimated provision held in the Council's Balance Sheet.</p>

#### 45 Going Concern

##### Basis of Preparation

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

dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with

the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

### **Material uncertainties associated with continuing the current level of service provision**

Although the Council has the basis to prepare its financial statements as a going concern, given the scale of the Council's financial position and ongoing risks to its future viability, as set out in the Narrative Report on pages 1 - 18 and below, there are material uncertainties on maintaining current levels of service provision in the next 12 months and beyond.

The Council's material uncertainties on service provision are linked to its funding streams, rather than from cashflow shortfalls.

Conditional Exceptional Financial Support (EFS) has been confirmed by Ministry of Housing Communities and Local Government (MHCLG) for 2021/22 in the form of capitalisation direction. Whilst some budget risk remains for the delivery of cost savings and efficiencies, these are mitigated through oversight of scheme delivery by the Rapid Implementation Team (RIT). Budget risk remains from the impact caused through any further lockdown restrictions, though such future events have been mitigated through the national vaccine programme. The risk inherent in the delivery of savings and efficiencies proposals, along with the conditional nature of the capitalisation direction, creates some uncertainty in the going concern period.

There are material uncertainties on the current levels of service provision as set out in Phase Two of the Medium Term Financial Strategy (MTFS) which estimates a budget gap of £26.8m for 2022/23 rising to £28.9m in 2023/24. Without additional funding from Government for the future years there remains a risk that the Council may not be able to set a balanced budget for the 2022/23 financial year. Based on the information available at the time of publishing this document these uncertainties cast doubt over the Council's ability to continue operating the level of services currently provided beyond the next 12 months.

### **Funding and viability - basis for material uncertainty with operating the current level of service provision**

#### ***Impact of Covid-19 on 2020/21 financial year***

As outlined in section 12 of the Narrative Report, the impact of Covid-19 has had substantial implications for the Council's finances. In 2020/21 the Council has incurred additional costs relating to Covid-19, impairment of saving plans and lost income, totalling £30.2m.

The response to the pandemic has required:

- additional expenditure to ensure the Council could continue to deliver its statutory responsibilities, especially in Adult Social Care
- additional responsibilities such as Test and Trace, containment outbreak management and establishment of the Coordination Hub to provide additional services to the vulnerable and shielding residents

- income has been lost as a result of the social restrictions on public and business activity put in place since mid-March 2020
- a recognition of the significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in funding from Council Tax and Business Rates

As at the end of March 2021 Government has provided £54.6m of funding through additional Covid-19 grants during 2020/21, and additional grants for use in 2021/22, see following table.

Un-ringfenced Grants		Ringfenced Grants	
COVID-19 Funding 1	£5.3m	Infection Control	£5.9m
COVID-19 Funding 2	£5.6m	Test & Trace	£1.0m
COVID-19 Funding 3	£2.0m	Emergency Active Travel	£1.0m
COVID-19 Funding 4	£5.7m	Rough Sleeper	£0.5m
COVID-19 Funding 5	£6.3m	Other – various grants	£2.8m
Local Council Tax Support	£1.6m	Leisure	£1.0m
Council Tax Hardship Fund	£1.7m	Winter Grant Scheme	£1.0m
New Burdens	£0.3m	Workforce Capacity Fund	£0.4m
SFC Income Compensation scheme	£3.7m	Adult Social Care Rapid Testing Fund	£0.4m
Tax Income Compensation scheme	£2.3m	Containment Outbreak Management Fund	£6.5m
<b>Total</b>	<b>£34.5m</b>	<b>Total</b>	<b>£20.1m</b>

The un-ringfenced grants are to fund the additional ongoing Covid-19 pressures, with the ringfenced funding for the additional responsibilities being undertaken as part of the national response. Further funding support from Government with regards to the Income Compensation Scheme for Sales, Fees and Charges (SFC), and an alternative provision for

recognising the deficits in the Collection Fund for Council Tax and Business Rate collection have also been provided and are shown in previous table.

Grant funding received in advance of Covid-19 expenditure will be held in reserves, or on the balance sheet as a receipt in advance, and will be used to fund Covid-19 specific expenditure that is incurred in 2021/22.

Throughout 2020/21 the Council has reviewed and reported the financial impact of Covid-19 internally on a weekly basis and reported to Cabinet on a monthly basis. The Council, along with most other local authorities, has submitted 14 monthly Covid-19 financial monitoring returns to MHCLG and will continue to do so into 2021/22.

In June 2020 the Council was reporting a forecast pressure of £14.8m, which exceeded the level of available reserves balances. With expectation of the reserves balances for some months reaching a minimum level or being fully extinguished, and the following close monitoring of the monthly assessments and projections, in the summer of 2020 the Chief Finance Officer (CFO) initiated detailed discussions with the MHCLG to discuss the Council's future financial position.

Following on from these discussions on 1 October 2020 the Council formally wrote to MHCLG as advised through the modified guidance issued by CIPFA, that Councils under budgetary pressure due to Covid-19 have the time and space to explore alternatives to freezing spending when budgets do not balance, as per section 114 of the Local Government Finance Act 1988. Both organisations have worked closely to find alternative solutions for both the 2020/21 and resultant 2021/22 financial years as the Council supports its community through

the pandemic. On the 10 February 2021 government conditionally confirmed that the Council could apply a capitalisation direction of £4.8m in 2020/21 and £20.0m in 2021/22.

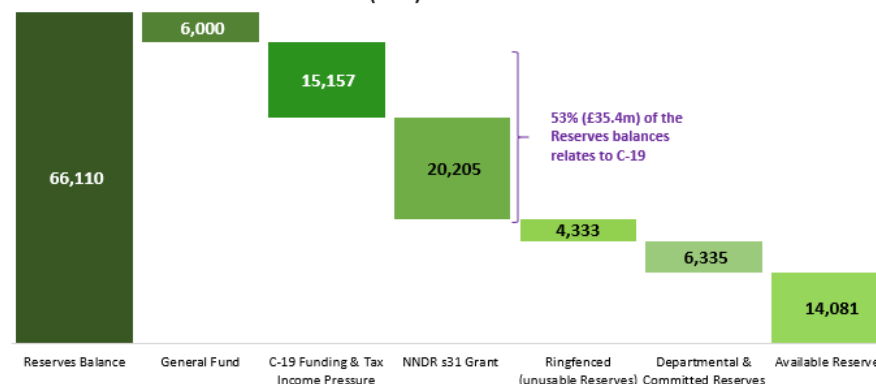
The Councils final outturn position for 2020/21 was an underspend of £4.0m. Although earlier in the year the Council forecast a more financially challenging position, additional government grant funding was awarded throughout the year, and the further lockdown measures resulted in a delay in the expected rise in Children’s and Adults Social Care demand.

The outturn position takes account of the additional Covid-19 expenditure, grant funding and a contribution of £15.2m to Covid-19 funding and tax income reserves. These reserves have been established to mitigate additional longer-term implications for the future year’s budgets and latent service demand expected in 2021/22.

At 31 March 2021 the Council held General Fund and Earmarked Reserves balances of £66.1m, with only £14.1m remaining uncommitted, un-ringfenced and available to use for transformational investment, unforeseen incidents, or future risks. The Council continues to operate with low levels of resilience. This is illustrated in the following chart.

The reserves also include £20.2m in relation to the Business Rates section 31 grants, which will be used in 2021/22 to mitigate the budgetary impact of the Collection Fund deficit. This corresponding Collection Fund position is demonstrated in the following chart.

Reserves Balance Breakdown- 31 March 2021 (£000)



Although the Council’s reserves and current assets appear improved the overall balance sheet position has deteriorated and now encompasses greater level of risk. The following points summarise the key changes:

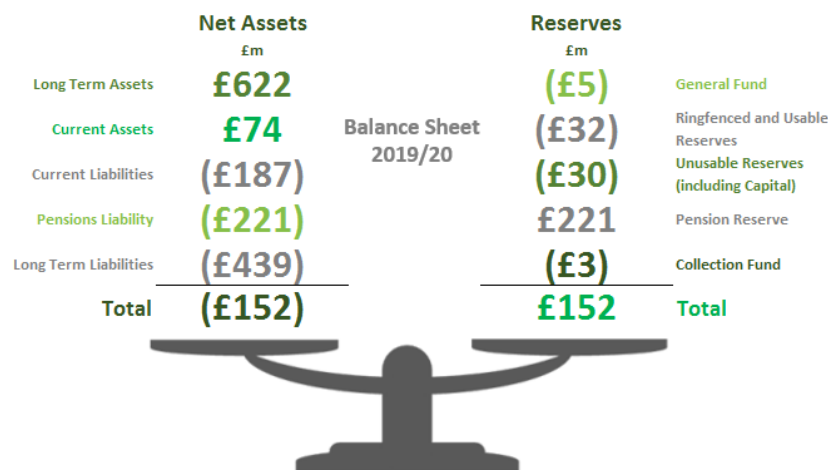
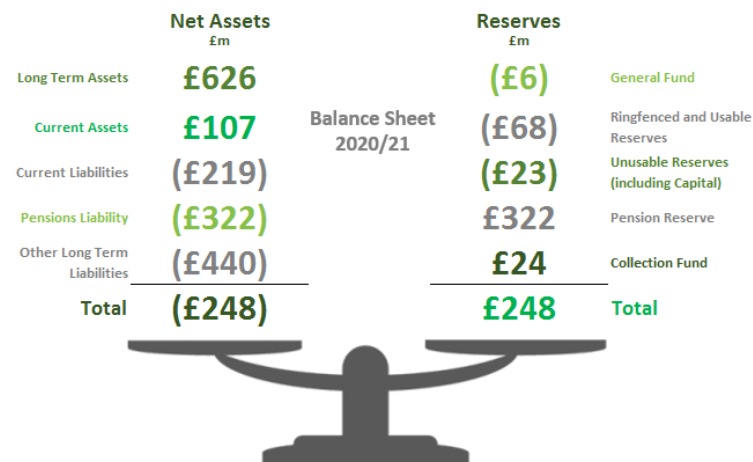
*Current assets increase 46% which reflects:*

- A 74% increase in the value of cash and cash equivalents held, which reflects the additional Covid-19 funding received in advance of use.
- The accounting treatment for the Collection Fund balances in respect of the precepting authorities and central government, increasing the value of short term debtors.
- Increase in the value of outstanding Business Rates, Council Tax and sundry debtors increasing the value of short term debtors.

*Current liabilities increase 18% in which includes:*

- The terms and conditions attached to the additional Covid-19 grant funding, increasing the value of short term creditors.

The following diagrams summarises the change in Councils Balance Sheet position at 31 March 2021, in comparison to 31 March 2020:



### Impact of Covid-19 on 2021/22 and future years

On 3 March 2021, the Council approved a balanced budget for 2021/22 as outlined within the 2021/22-2023/24 MTFS. The MTFS recognises that the impact of Covid-19 has created additional service pressures for the 2021/22 and future financial years. Pressures currently incorporated within the MTFS include:

- Council tax collection fund deficit of £1.2m as a result of people being unable to pay at this time, and an increase in households receiving council tax support.
- Business rates collection fund deficit £2.3m as a result of businesses being unable to pay their rates at this time because of the impact on their operational activities.
- Additional £6.1m to meet the rising demand for Adult Social Care services.
- Additional £2.0m to meet the rising demand for Children’s Social Care services.
- Inability to achieve £5.7m of the savings that the Council expected to in the previous year which creates a pressure in future financial years.

With the use of £2.4m of Capital receipts, £8.9m one-off Covid-19 funding and the £13.7m of EFS, provided by MHCLG, the Council was able to set a balanced budget for 2021/22. However, funding gaps remain in 2022/23 of £26.8m and in 2023/24 of £28.9m with limited recourse to useable reserves. The following table summarises the estimated funding gap over the MTFS.

<b>Phases One &amp; Two MTFS</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget gap from 2020/21 MTFS	14,245	14,808	14,609
Budget pressure & service demand	13,595	16,042	18,562
Non-delivery of savings plans	5,731	5,731	5,731
Collection Fund losses	938	1,247	1,247
Funding changes	(13,676)	(5,050)	(6,433)
Savings & income	(7,099)	(5,985)	(4,806)
Exceptional Financial Support	(13,734)	-	-
<b>Revised Budget Gap</b>	<b>-</b>	<b>26,793</b>	<b>28,910</b>

At the time of setting the MTFS the Council incorporated budget assumptions based on the best information available, however it was noted these estimates contained risks due to the significant uncertainty within the Council operating environment. The Council still remains exposed to uncertainties, which could have a further adverse impact on the budget position. Such uncertainties include:

- Further Increase in demand for council services, signs of this are already apparent within the Councils May 2021 Budgetary Control Report, for example the rising presentations of homeless families and rough sleepers requiring temporary accommodation.
- Market sustainability of key service providers.
- The inability to forecast with any certainty the future profile of recovery for income generators such as car parking.
- Uncertainty with how to profile business rate income given the reducing government support, and associated closures of businesses due to Covid-19 restrictions.
- Uncertainty with the increase to Local Council Tax Support scheme with any future recession.

- Continued uncertainty from the overall impact in funding of the local government sector from central government.
- Unknown financial and demand impact from any future national or local Covid-19 related lockdown, although this risk should now be reduced with the successful progress of the vaccination rollout programme.
- Unknown indirect impacts from any future global recession with no previous experience to base it on.
- Limited resources to implement any recovery or transformational change.

As a result of the Councils Financial position outlined above, and the limited recourse to reserves, the Council has been unable to address its underlying funding shortfall through budget savings alone and has been in detailed discussions with MHCLG throughout the EFS process, of which the support is conditional on working with MHCLG to develop a delivery model that secures financial sustainability.

#### **Impact of Covid-19 on cash flow - borrowings**

<b>As at 31 March:</b>	<b>2020</b>	<b>2021</b>	<b>Estimated 2022</b>	<b>Estimated 2023</b>
Borrowings (Note 28)	£526.1m	£518.4m	£619.4m	£630.9m
Capital Financing Requirement (Note 25)	£588.4m	£598.8m	£682.2m	£694.4m
<b>'Under borrowed' position</b>	<b>£62.3m</b>	<b>£80.4m</b>	<b>£62.8m</b>	<b>£63.5m</b>
Ability to borrow 'in advance of need' limit	£647.5m	£680.8m	£750.2m	£793.7m

The previous table shows the total indebtedness and borrowing limit estimates for the Council up to March 2023. As per legislation, the Council can only borrow to fund capital



expenditure, and for short-term cash flow variations. Therefore, factors which the Council takes into consideration for cash flow projections include:

- the Capital Financing Requirement (CFR) - this a measure of the capital expenditure incurred historically by the Council that has yet to be financed.
- the ability for the Council to borrow for its capital programme 'in advance of need' in order to take advantage of favourable interest rates that might be available now for future capital expenditure. This activity is reflected in the 'Operational Boundary and Authorised Limit' performance measure, with further information about these aspects found in the Treasury Management Strategy, included in the 2021/22 – 2023/24 Medium Term Financial Strategy.

The 'under borrowed' position, or internal borrowing position, shown in the previous table is consistent with the Council's Treasury strategy to minimise interest costs, or cost of carry, by using the strength of the Council's balance sheet ie reserve cash balances, creditor payment timings, and Collection Fund tax collection. It means that the Council has £80.4m before its actual borrowing amount equals its CFR, as Councils can only borrow to fund capital. This provides the 'headroom' on the amount of borrowing permissible to fund all Council operating activities.

The Council's debt maturity profile facilitates the strategy to take new borrowing as short term in terms of the risk management of maturing debt. Short term debt is preferably taken from Local Authorities as those short-term rates are more competitive than the equivalent Public Works Loan Board (PWLB) rates, and supports the sector as a whole. Should the availability of Local Authority borrowing reduce, then the Council will access

borrowing from the PWLB at a term length relevant to its interest rate, existing maturity profile and the assets being funded.

#### *Impact of Covid-19 on cash flow - investments*

Investment returns remained low during 2020/21 and little increase is expected over the MTFS period. The risk within the economic forecast means that a cautious approach in the Council's treasury operations will be maintained, such that any investments will be made for cash flow purposes only and on a short-term basis eg a grant received in advance of expenditure. Therefore, investment activity is kept to a minimum.

#### *Impact of Covid-19 on cash flow – property, plant & equipment*

There is a material uncertainty over the availability of funding which may cast doubt over the Council's ability to continue to operate at the current level of services, including the planned capital maintenance programme. If non-essential elements are not funded, or if changes in services provided are required, there could be possible impairment of carrying values as at 31 March 2021, which is not reflected in these financial statements.

#### **Material uncertainties conclusion**

The Council has received an offer of exceptional support in the form of an agreement in principle to a capitalisation direction that is conditional on a series of scrutiny actions from MHCLG for 2021/22. As the offer is conditional a material uncertainty remains over the availability of funding for 2021/22. As with all budget's, uncertainty remains with regards to the delivery of savings and efficiencies, and pressures may arise from currently unknown risks such as the impact caused through any further lockdown restrictions, although with the national vaccine programme this risk has reduced. The capitalisation direction



increases the Council's financial resilience to be able to mitigate such unknown budget risks.

There remains a material uncertainty over the availability of funding for the following years of 2022/23 and 2023/24, which may cast significant doubt over the Council's ability to continue to operate at the current level of services, including the planned capital maintenance programme.

#### **46 Authorisation of the Accounts**

The Director of Corporate Resources authorises these accounts to be issued by the 31 July 2021.

# The Collection Fund and Notes

31 March 2020	Collection Fund Statement	Notes	31 March 2021		Total
£000			Business Rates £000	Council Tax £000	£000
	<b>Income</b>				
(96,774)	Council Tax Receivable		-	(109,333)	(109,333)
(100,310)	Business Rates Receivable	3	(59,079)	-	(59,079)
	<b>Contribution to Previous Year's Deficit:</b>				
506	Peterborough City Council	4	2,342	-	2,342
10	Cambridgeshire & Peterborough Fire Authority		48	-	48
516	Central Government		2,389	-	2,389
(196,052)	<b>Total Income</b>		(54,300)	(109,333)	(163,633)
	<b>Expenditure</b>				
	<b>Precepts:</b>				
78,048	Peterborough City Council	4	-	83,310	83,310
4,071	Cambridgeshire & Peterborough Fire Authority		-	4,260	4,260
12,815	Cambridgeshire Police Authority		-	13,748	13,748
94,934	<b>Total Precepts</b>		-	101,318	101,318
	<b>Business Rates Share:</b>				
45,383	Peterborough City Council	4	47,440	-	47,440
926	Cambridgeshire & Peterborough Fire Authority		968	-	968
46,309	Central Government		48,408	-	48,408
92,618	<b>Total Business Rates Shares</b>		96,816	-	96,816
	<b>Charges to Collection Fund:</b>				
2,737	Increase / (Decrease) in Bad Debt Provision		6,699	1,377	8,076
(293)	Increase / (Decrease) in Provision for Appeals		530	-	530
271	Cost of Collection		269	-	269
1,001	Transitional Payment Protection		1,716	-	1,716
343	Renewable Energy Disregard	4	349	-	349
4,059	<b>Total Charges to Collection Fund</b>		9,563	1,377	10,940
	<b>Contribution to Previous Year's Estimated Surplus:</b>				
201	Peterborough City Council	4	-	663	663
11	Cambridgeshire & Peterborough Fire Authority		-	35	35
31	Cambridgeshire Police Authority		-	109	109
243	<b>Total Contribution to Previous Year's Estimated Surplus</b>		-	807	807
(4,198)	<b>(Surplus) / Deficit Arising During the Year</b>		<b>52,079</b>	<b>(5,831)</b>	<b>46,248</b>
	<b>Collection Fund Balance</b>				
(786)	(Surplus) / Deficit Brought Forward 1 April		(4,360)	(625)	(4,985)
(4,198)	(Surplus) / Deficit Arising During the Year		52,079	1,570	53,649
(4,984)	<b>(Surplus) / Deficit Carried Forward 31 March</b>		<b>47,719</b>	<b>945</b>	<b>48,664</b>
	<b>Allocated to:</b>				
(2,649)	Peterborough City Council		23,382	777	24,159
(71)	Cambridgeshire & Peterborough Fire Authority		477	40	517
(84)	Cambridgeshire Police Authority		-	128	128
(2,180)	Central Government		23,860	-	23,860
(4,984)	<b>Total</b>		<b>47,719</b>	<b>945</b>	<b>48,664</b>

## 1. Collection Fund Overview

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

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

## 2. Calculation of Council Tax Base

Council Tax Band	Ratio to Band D	No. of Dwellings	Band D Equivalent
A	6/9	35,357	23,571
B	7/9	21,853	16,997
C	8/9	14,494	12,884
D	9/9	8,368	8,368
E	11/9	4,521	5,526
F	13/9	1,942	2,805
G	15/9	982	1,637
H	18/9	73	146
Total		87,590	71,934

The Band D equivalent shown above is calculated by applying the relevant 'ratio to band D' to the number of dwellings but is before any adjustments for statutory discounts, exemption etc.; and the Council Tax Support Scheme and non-payment which are at the discretion of each council. The Council Tax base used for Council Tax setting purposes after taking account of these adjustments was 59,093 (57,555 for 2019/20).

## 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 2020/21 the total non-domestic rateable value at the year-end is £238.0m (£237.6m in 2019/20). The national multipliers for 2020/21 were 49.9p for qualifying Small Businesses, with the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

## 4. Council Precept

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

2019/20	Council Precept	NDR	Council Tax	2020/21 Total
£000		£000	£000	£000
(123,431)	Precept / Share	(47,440)	(83,310)	(130,750)
(344)	Estimated Renewable Energy Disregard (RED)	(350)	-	(350)
1	Difference between actual & estimated RED	(1)	-	(1)
(707)	Share of Prior Year Estimated Deficit / (Surplus)	(2,342)	(663)	(3,005)
527	Reverse actual share prior year Deficit / (Surplus)	2,136	514	2,650
(2,649)	Share of Deficit / (Surplus)	23,382	777	24,159
(126,603)	<b>Total (Note 11)</b>	<b>(24,615)</b>	<b>(82,682)</b>	<b>(107,297)</b>

# Statement of Accounting Policies

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## General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end 31 March 2021. 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 2020/21, supported by International Financial Reporting Standards (IFRS).

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

## Accruals of Income and Expenditure

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

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

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

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

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

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

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

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

## Cash and Cash Equivalents

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

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

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

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

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

Changes in accounting policies are only made:

- when required by proper accounting practices

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

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

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

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

### **Charges to Revenue for Non-Current Assets**

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

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

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

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

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

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

### **Council Tax and Business Rates**

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

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

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

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

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

### **Accounting for Council Tax and Business Rates**

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

The Balance Sheet includes the Council's share of the year-end balances of council tax and business rates. These are arrears,

impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

### Termination Benefits

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

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

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

### Post-employment Benefits

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

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

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

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

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

### The Local Government Pension Scheme

The Scheme is accounted for as a defined benefits scheme.

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

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

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

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

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

The net pension's liability is the difference between fund liabilities and assets. The change in the net pension's liability is analysed between service cost and re-measurements.

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

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

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

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

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

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

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

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

#### **Events after the Balance Sheet Date**

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

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

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



## Financial Liabilities

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

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

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

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

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

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

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

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

## Financial Assets

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

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

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

### Financial Assets Measured at Amortised Cost

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

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

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

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

### **Expected Credit Loss Model**

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

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

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

### **Financial Assets Measured at Fair Value through Profit or Loss**

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

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

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

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

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

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

### **Instruments Entered Into Before 1 April 2006**

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

### **Government Grants and Contributions**

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

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

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

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

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

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

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

### **Intangible Assets**

Non-monetary assets that do not have physical substance are intangible assets. The assets are controlled by the Council as a result of past events (e.g. software licences). Non-monetary assets are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where:

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can

be determined by reference to an active market. This is the case with the Mayor's car licence plate.

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Interests in Companies and Other Entities**

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

### **Investment Properties**

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

- used to deliver services
- used to produce goods

- held for sale.

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

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

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

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

### **Leases**

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

Leases may 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.

Assets that are demolished will be revalued to Nil unless it is material and revalued in the following year.

#### Decreases in value

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



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

### Impairment

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

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

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

### Disposal and Decommissioning

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

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

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

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

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

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

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

### **Depreciation**

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

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

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

### **Basis of Depreciation**

**Depreciation** is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by a Valuer

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

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

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

#### **Private Finance Initiative (PFI) and Similar Contracts**

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

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

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

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

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

#### **Provisions**

Provisions are made:

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

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

Provisions are charged as an expense to the appropriate service line in the CIES. Provisions are charged in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### **Contingent Liabilities**

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

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

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

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

### **Reserves**

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

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

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

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

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

### **Schools**

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

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

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

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

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

#### **Value Added Tax (VAT)**

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

# Group Accounts

## Introduction

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

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

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

The following pages include:

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

## Basis of identification of the Group Boundary

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

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

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

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

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

**Peterborough Ltd – Trading as Aragon Direct Services (ADS) and from 1 October 2020 also trading as Vivacity.**

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

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

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

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

On 1 October 2020 Peterborough Ltd took over the management of the Council's leisure facilities and operates those services on behalf of the Council through a Service Level Agreement. The leisure facilities are operated under the Vivacity brand, which was taken over by the Council from Vivacity Trust when the Funding and Management Agreement with the Council was terminated.

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

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

The summary results of Peterborough Ltd to the year ended 31 March 2021 are shown in the table below.

2019/20 £000	<b>Peterborough Limited</b>	2020/21 £000
	<i>Statement of Financial Position</i>	
2,877	Current Assets	3,390
-	Non-Current Assets	-
(1,599)	Current Liabilities	(2,488)
(1,750)	Non-Current Liabilities	(925)
<u>(472)</u>	<b>Net Assets for the Accounting Period</b>	<b>(23)</b>
	<i>Statement of Comprehensive Loss</i>	
14,349	Revenue	18,844
(13,607)	Cost of Sales	(18,324)
(355)	(Loss)/Profit Before Tax	520
<u>(355)</u>	(Loss)/Profit After Tax	<u>520</u>



## Group Comprehensive Income and Expenditure Statement (CIES)

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

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

2019/20			2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>						
1,168	(15)	1,153	Business Improvement	741	0	741
2,590	(823)	1,767	Chief Executives	1,876	(561)	1,315
8,711	(901)	7,810	Customer & Digital Services	8,588	(1,802)	6,786
6,816	(2,103)	4,713	Governance	4,960	(779)	4,181
285,347	(184,203)	101,144	People & Communities	276,055	(183,965)	92,090
43,614	(15,306)	28,308	Place & Economy	47,643	(19,755)	27,888
11,289	(11,000)	289	Public Health	12,252	(12,717)	(465)
84,139	(58,650)	25,489	Resources	74,791	(62,386)	12,405
13,424	(1,593)	11,831	Peterborough Limited	18,730	(2,093)	16,637
<b>457,098</b>	<b>(274,594)</b>	<b>182,504</b>	<b>Cost of Services</b>	<b>445,636</b>	<b>(284,058)</b>	<b>161,578</b>
8,750	(1,991)	6,759	Other Operating Income & Expenditure	14,671	(7,449)	7,222
38,819	(6,186)	32,633	Financing & Investment Income & Expenditure	34,034	(6,546)	27,488
2,828	(178,801)	(175,973)	Taxation & Non-Specific Grant Income & Expenditure	2,726	(193,083)	(190,357)
<b>507,495</b>	<b>(461,572)</b>	<b>45,923</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>497,067</b>	<b>(491,136)</b>	<b>5,931</b>
		(20,055)	(Surplus) / Deficit on Revaluation of Non-Current Assets			(4,270)
		(126,988)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			95,408
		(147,043)	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>91,138</b>
		(101,120)	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>97,069</b>

## Group Movement in Reserves Statement (MiRS)

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

The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

<b>Movement in Reserves during 2019/20 and 2020/21</b>	<b>Council's Usable Reserves</b>	<b>Subsidiary Usable Reserves</b>	<b>Total Group Usable Reserves</b>	<b>Council's Unusable Reserves</b>	<b>Subsidiary Unusable Reserves</b>	<b>Total Group Unusable Reserves</b>	<b>Total Group Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Balance at 1 April 2019</i>							
<i>Total Comprehensive Income &amp; Expenditure</i>	43,277	355	43,632	(147,571)	-	(147,571)	(103,939)
<i>Adjustments between Group accounts and Council accounts*</i>	(11,522)	11,522	-	-	-	-	-
<i>Total Comprehensive Income &amp; Expenditure</i>	31,755	11,877	43,632	(147,571)	-	(147,571)	(103,939)
<i>Adjustments between accounting basis &amp; funding basis under regulations</i>	(32,658)	-	(32,658)	32,658	-	32,658	-
<i>(Increase) / Decrease in 2019/20</i>	(903)	11,877	10,974	(114,913)	-	(114,913)	(103,939)
<i>Balance at 31 March 2020</i>	(50,159)	11,886	(38,273)	187,353	-	187,353	149,080
<b>Balance at 1 April 2020</b>							
Total Comprehensive Income & Expenditure	5,196	(926)	4,270	94,787	-	94,787	99,057
Adjustments between Group accounts and Council accounts*	(15,468)	15,470	2	-	-	-	2
Net Increase before Transfers	(10,272)	14,544	4,272	94,787	-	94,787	99,059
Adjustments between accounting basis & funding basis under regulations	(40,293)	-	(40,293)	40,293	-	40,293	-
<b>(Increase) / Decrease in 2020/21</b>	(50,565)	14,544	(36,021)	135,080	-	135,080	99,059
<b>Balance at 31 March 2021</b>	<b>(100,724)</b>	<b>26,430</b>	<b>(74,294)</b>	<b>322,433</b>	<b>-</b>	<b>322,433</b>	<b>248,139</b>

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

## Group Balance Sheet

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

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

31 March 2020 £000	<b>Balance Sheet</b>	Notes	31 March 2021 £000
567,068	Property, Plant & Equipment		567,415
23,551	Investment Property		25,620
8,405	Intangible Assets		5,971
-	Long Term Investment		1,870
21,159	Long term Debtors		23,726
<b>620,183</b>	<b>Long Term Assets</b>		<b>624,602</b>
3	Short Term Investments		-
683	Inventories	1	703
60,885	Short Term Debtors	2	89,472
11,730	Cash & Cash Equivalents	5	20,370
-	Current Intangible Asset		-
2,015	Assets Held for Sale		-
<b>75,316</b>	<b>Current Assets</b>		<b>110,545</b>
(106,457)	Short Term Borrowing		(98,423)
(70,246)	Short Term Creditors		(113,457)
(10,174)	Provisions		(9,445)
<b>(186,877)</b>	<b>Current Liabilities</b>		<b>(221,325)</b>
(221,488)	Long Term Creditors (Pension Liability)		(321,679)
(356)	Provisions		(456)
(374,587)	Long Term Borrowing		(374,587)
(44,807)	Other Long Term Liabilities		(43,619)
(19,638)	Capital Grants Receipts in Advance		(21,620)
<b>(660,876)</b>	<b>Long Term Liabilities</b>		<b>(761,961)</b>
<b>(152,254)</b>	<b>Net (Liabilities) / Assets</b>		<b>(248,139)</b>
(36,221)	Usable Reserves		(74,294)
188,475	Unusable Reserves		322,433
<b>152,254</b>	<b>Total Reserves</b>		<b>248,139</b>

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows between operating, investing and financing activities. Investing activities represent the extent to

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

2019/20 £000	<b>Cash Flow Statement</b>	Notes	2020/21 £000
46,278	Net (Surplus) / Deficit on the Provision of Services		5,196
(77,051)	Adjust net (Surplus) / Deficit on the Provision of Services for Non Cash Movements		(72,143)
(4,275)	Adjust for Items Included in the Net (Surplus) / Deficit on the Provision of Services that are Investing & Financing Activities		4,435
(35,048)	<b>Net Cash Flows from Operating Activities</b>		<b>(62,512)</b>
59,726	Investing Activities	4	38,748
(20,393)	Financing Activities		15,124
4,285	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>		<b>(8,640)</b>
16,015	Cash & Cash Equivalents at the Beginning of the Reporting Period		11,730
(4,285)	Increase / (Decrease) in Cash and Cash Equivalents		8,640
11,730	<b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>	5	<b>20,370</b>

# Notes to the Accounts

## 1. Group - Inventories

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

31 March 2020	Inventories	31 March 2021
£000		£000
397	Westcombe Industries Stock	360
222	Peterborough Limited Stock	237
64	Other Stock Balances	106
<b>683</b>	<b>Total</b>	<b>703</b>

## 2. Group - Debtors

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

31 March 2020	Debtors (Each item is net of impairment)	31 March 2021
£000		£000
9,228	Cambridgeshire & Peterborough CCG	3,111
2,674	Cambridgeshire & Peterborough Combined Authority	1,302
1,284	Capital Funding Contributions	1,208
5,719	Central Government Departments	32,937
9,127	Council Tax Arrears	9,971
1,477	Cross Keys Homes	972
1,247	Housing Benefit Overpayments	736
1,609	NDR Arrears	8,973
1,594	Other NHS Organisations	284
7,956	Payments in Advance	6,503
2,108	Commercial Property Rent Arrears	44
899	Peterborough Limited Debtors	992
15,968	General Debtors	22,438
<b>60,890</b>	<b>Total Debtors</b>	<b>89,471</b>

### 3. Group - Creditors

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

31 March 2020	Creditors	31 March 2021
£000		£000
(1,857)	Council Tax Overpaid	(1,164)
(1,401)	Council Tax Prepaid	(1,423)
(2,470)	NDR Overpaid	(6,124)
(635)	NDR Prepaid	(2,836)
(8,176)	NDR Preceptors	-
-	NDR Section 31 Grants	(19,821)
-	Covid-19 Grants	(11,177)
(13,395)	Deposits / Receipts in Advance	(19,082)
(2,916)	Accrual Accumulated Absences	(3,496)
(1,260)	Short Term Finance Lease Liabilities	(1,192)
(1,546)	Peterborough Limited Creditors	(2,538)
(36,590)	General Creditors	(44,511)
<b>(70,246)</b>	<b>Total Creditors</b>	<b>(113,364)</b>

### 4. Group - Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2019/20	Cash Flow Statement – Investing Activities	2020/21
£000		£000
41,617	Purchase of Property, Plant & Equipment, Investment Property & Intangible Assets	38,142
18,946	Other Payments for Investing Activities	6,344
(822)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property	(5,734)
(15)	Proceeds from Short and Long Term Investments	(4)
<b>59,726</b>	<b>Net cash flows from investing activities</b>	<b>38,748</b>

### 5. Group - Cash Flow Statement – Cash and Cash Equivalents

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

2019/20	Cash Flow Statement – Cash and Cash Equivalents	2020/21
£000		£000
9,700	Short Term Cash Investments	18,125
38	Petty Cash & Imprest	38
1,992	Bank Current Accounts	2,207
<b>11,730</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>20,370</b>

### Accounting Policies

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

## Glossary

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*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

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BCF	Better Care Fund	EFS	Exceptional Financial Support
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
EFA	Expenditure and Funding Analysis	REFCUS	Revenue Expenditure Funded from Capital under Statute
		RIT	Rapid Implementation Team
		RR	Revaluation Reserve



# Index of Notes to the Core Financial Statements

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# Annual Governance Statement – 2020/21



# Annual Governance Statement

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## Scope of Responsibility

### Summary

Signed:  
Gillian Beasley, Chief Executive

Signed:  
Councillor Leader of the Council

Date:

2021( Date:

2021(

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<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

Report of:	Pete Carpenter, Corporate Director of Resources Fiona McMillan, Director of Law and Governance	
Cabinet Member responsible:	Councillor Andy Coles, Cabinet Member for Finance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

**ANNUAL GOVERNANCE STATEMENT 2020 / 2021**

R E C O M M E N D A T I O N S	
<b>FROM :</b>  Joint report from Director of Law and Governance and Corporate Director of Resources	<b>Deadline date : –</b>
<p>Committee is asked to:</p> <ol style="list-style-type: none"> <li>1. Note the arrangements for compiling, reporting on and signing the Annual Governance Statement;</li> <li>2. Review and comment on the Annual Governance Statement including any areas which should be amended; and</li> <li>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.</li> </ol>	

**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 by Peterborough to manage its affairs.

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

- 2.2.1.16: To oversee the production of the authority's Annual Governance Statement and to recommend its adoption; and
- 2.2.1.17: To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

### 3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	–
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### 4. **BACKGROUND**

- 4.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2020 / 2021 reporting year. Set out in the **Appendix A** is the Draft AGS. Prior actions requiring attention which have been resolved are set out for information in **Appendix B**.
- 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.

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

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

### 6. **SUPPORTING EVIDENCE**

- 6.1 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the City Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.
- 6.2 Internal Audit: Annual Internal Audit Opinion 2020 / 2021
- 6.2.1 The annual report from Internal Audit is elsewhere on this agenda. Key issues which have been highlighted in the report requiring attention relate to audits completed which had limited assurance, these being:
- Procurement Card Management system;
  - IT Asset Management;
  - Teachers Pensions – Premature Retirement
- 6.2.2 There are action plans to address issues identified. Subject to these being completed appropriately, the Annual Audit Opinion provides a **reasonable** assurance on the overall standard of effective of the internal control framework. In addition, there is an effective Internal Audit in place when measured against the defined criteria as listed above which is in full compliance with the Public Sector Internal Audit Standards.

### 6.3 External Audit

- 6.3.1 Throughout the year, Ernst and Young (EY) have undertaken works reviewing the activities of the Council. EY provides an Annual Audit Letter giving an overall evaluation of the Council.
- 6.3.2 At the Committee meeting on 16 November 2020, the draft Audit Results report in line with Code of Practice and International Standard of Auditing ISA 260. There was an expectation for completion of all outstanding matters in line with national guidelines of 30 November 2020. No concerns were expressed regarding completing the outstanding items under the control of the Council and EY.
- 6.3.3 Further works were commissioned in relation to loans made to ECS Peterborough Limited and this was reported to Audit Committee on 25 January 2021.
- 6.3.4 A special meeting of the Audit Committee was held on 21 June to agree to the sign of the accounts and receive the certificate that works were completed in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice. In conclusion, from a Peterborough City Council perspective, the Annual Audit Letter gives assurance in respect of 2019 / 2020 Financial Accounts and confirms an effective system of internal control.

### 6.4 Internal Control and Governance Self-Assessment

- 6.4.1 Internal Audit issued each Directorate with the Internal Control and Governance Self-Assessment in March 2021 and this assessment provides a considered overview of the controls in place in order to come to an opinion on the governance arrangements and internal control environment within their service. The questionnaire was amended to include an emphasis on a number of areas which are shared with the County. The areas covered within the assessment were:

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

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

### 6.5 Risk Management

- 6.5.1 Risk management encompasses a number of areas such as projects, performance and partnerships. In addition, there is a corporate risk register which incorporates significant

issues which could have a major impact on the strategic delivery of the Council's objectives. Risk Management is overseen through a separate Risk Management Board which has representatives of all Directorates as well as specific risk specialists such as the Insurance Manager and the Chief Internal Auditor. Meeting approximately every 6 weeks, it is chaired by the Corporate Director of Resources. Risks at a Directorate level are discussed and those considered strategic escalated through to Corporate Management Team in line with the risk appetite. A report is also submitted to Audit Committee setting out these. Similarly once a year the Risk Management Policy and Strategy is refreshed.

- 6.5.2 Key financial risks for the Council are also regularly referred across all Departments as part of the monthly monitoring arrangements for the budget enabling actions to be taken to mitigate these. Similarly, the Medium Term Financial Strategy also provides details of the various risks impacting on the balanced budget. This enables Council to understand the decisions required to agree the budget.

## 6.6 Corporate Governance

- 6.6.1 Regular updates on governance arrangements are reported through Corporate 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 Audit Committee.

## 6.7 Financial Controls

- 6.7.1 The Council has implemented improved arrangements for managing its finances and the delivery of and realisation of savings. This is coordinated through the Rapid Improvement Team. Regular updates on progress are fed through to the Chief Executive as well as to Resources so that can be appropriately reported within budget monitoring returns. These ultimately appear as a regular item on Cabinet agendas. Similarly, financial risks identified in 6.5.2 above are also referred through the budget monitoring arrangements.

## 7. **CONSULTATION**

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

## 8 **ANTICIPATED OUTCOMES OR IMPACT**

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

## 9. **REASONS FOR RECOMMENDATIONS**

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

## 10 **ALTERNATIVE OPTIONS CONSIDERED**

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

## 11 **IMPLICATIONS**

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.

## **BACKGROUND DOCUMENTS**

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

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

## **APPENDICES**

Appendix A: Draft Annual Governance Statement

Appendix B: Previous Significant Issues Resolved

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# **Annual Governance Statement**

## **2020/2021**



# Annual Governance Statement

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## Scope of Responsibility

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

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

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

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

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2016). The principles being that the Chief Financial Officer (Corporate Director of 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 2021 / 2022 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 2021 and up to the date of approval of the statement of accounts.

### **The Governance Framework**

The Council is a unitary authority which was set up in 1998. Its strategic vision and corporate priorities are set out in the Peterborough Sustainable Community Strategy 2008–2021. An updated Corporate Strategy 2021-2025 was endorsed by Cabinet in March 2021 for consultation. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

### **Key Elements of the Governance Framework**

The key elements of the Council's governance framework are detailed against each principle in the CIPFA / SOLACE Framework – Delivering Good Governance in Local Government (2016) as follows:

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

- The Council established a Constitution and Ethics Committee in May 2018 to oversee the Member and Officer codes of conduct, the operation of the constitution and the Member Officer protocol. In its first three years of operation it has amended and updated the Member Code of Conduct and associated complaint procedures, overseen the drafting and issuing of a Social Media Code for members, updated the Member Officer protocol, introduced a procedure for the operation of a Shadow Cabinet, updated Council Standing Orders, Civic Protocol, Petitions Scheme and Officer Employment Rules. It has also considered the recommendations and best practice identified in the report by the Committee on Standards in Public Life on Local Government Standards and compared against the council's current procedures.
- In order to ensure Members and Officers behave with integrity to lead its culture of acting in the public interest there are appropriate processes in place to avoid conflicts of interest and gifts and hospitality. Regular monitoring has identified no concerns. The Policy is updated at the Constitution and Ethics Committee.
- Staff behaviour is governed by the Officer Code of Conduct.
- Third party challenge to the Council's operations is through a publicised complaints procedure. Complaints are responded to the Heads of Service within each department before central escalation if not resolved.
- Confidential concerns can be raised through the Council's Whistleblowing Policy with a number of officers identified as first points of contact.
- A Counter Fraud Strategy has been established to deliver raised awareness of fraudulent activities and to provide proactive solutions to minimise the risks of fraud. Our policies have been reworked to reflect this and refreshed annually.
- 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 show 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 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 / 2019 the service was externally reviewed and demonstrated full compliance with these 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.
- As part of respecting the law, the Council was inspected by the Investigatory Powers Commissioner's Office in February 2021. Positive feedback was from the inspection setting out how the Council complied with Codes of Practice. Minor amendments are required to our Policy and this was reported to Audit Committee in March 2021.

***Principle B: Ensuring openness and comprehensive stakeholder engagement***

- The Council has established clear vision and values linked to its strategic objectives. An updated draft Corporate Strategy was published in March 2021 for consultation.
- Council meetings are open subject to Coronavirus Act (2020) regulations to every citizen, are sound recorded and made available online, for example on Facebook.
- The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, principles of openness and accountability. The council has adapted its approach by assessing which decisions could be delayed and re-scheduled and which decisions need to be made at pace to deal with the pandemic. Virtual meetings were instigated to ensure transparency and good governance prevailed and allowed access to the public and press.
- Community liaison schemes are in place to discuss major developments which will impact on the community, for example, works in relation to the Business Improvement District.
- The Council is a constituent Council of the Cambridgeshire and Peterborough Combined Authority which is responsible for a number of new powers devolved from central government.
- The Council works in partnership with Cambridgeshire County Council and a number of services are shared.
- In order to demonstrate its openness, the Council also publishes its Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.



- Budget considerations of the final budget took place at Full Council on 3 March 2021. The Council Tax increase for the year was 4.99%, the maximum allowed by regulations (1.99% General Increase and 3.00% Adult Social Care). Phase 1 was considered by Cabinet on 30 November 2020.

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

- Risk management is integral to the governance arrangements and the risk register is considered by the Audit Committee and the Corporate Management Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Effective risk management is monitored through the Risk Management Board to ensure consistent treatment and action across all Directorates. Supplementary registers were established during the year to cover for Covid-19 risks and these have been incorporated into each department.
- The Medium Term Financial Strategy sets out how services are delivered within the Council's financial resources, including how the Council is delivering innovative solutions to provide environmental and economic benefits to the citizens of Peterborough.
- In July 2019, the Council agreed there was a Climate Emergency and reports now have to contain, where relevant, a carbon Impact Assessment. An annual Climate Action Day has been set up, the second took place on 4 March 2021.
- Significant changes to services are supported by an Equality Impact Assessment.

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

- Decisions are based on rigorous and transparent scrutiny and a relationship of trust between Members and Officers.
- In order to achieve long term financial targets the Council has set a budget for the year 2021 / 2022 supported by an appropriate Robustness Statement setting out an assessment of risk which sets out future savings required by the Council. Separate financial support has been provided by MHCLG following ongoing dialogue throughout 2020.
- 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, operated a dedicated Health Scrutiny Committee in 2020/21. This as combined with Adults from 2021/22.
- 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. As part of these meetings performance is discussed. The performance review process has been reviewed and new “Conversations” established. This is due to go live in 2021.
- A Leadership Programme is under construction for all managers and is due to deliver appropriate training and raise awareness across the Council of its processes, policies and services. Deferred due to the ongoing pandemic, it is due to go live in summer 2021.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff and the Council is also seeking to achieve this through its contractual arrangements.
- To ensure independent reviews of its systems, the Council operates an Internal Audit service (which in 2018/19 passed its 5 yearly assessment to assure compliance with Public Sector Internal Audit Standards), complying with best practice. Findings are reported to the Audit Committee. The Committee has the opportunity to call officers to account for weaknesses identified and how actions are being mitigated to address these weaknesses.
- Key partners who provide essential Council services are subject to independent oversight by Committees.
- The Cabinet Shareholder Committee provides oversight and scrutiny of entities the Council has an interest in, for example Peterborough Ltd.
- A protocol for the delivery of joint work with Cambridgeshire County Council was approved by Cabinet in September 2018 to ensure that as this increases over time there is the associated governance around its management and delivery. Key officers involved in joint working are required to complete s113 agreements.
- The Constitution is reviewed on at least an annual basis, with quarterly reports on potential changes going to the Council’s Constitution and Ethics Committee and then on to full Council for a final decision.

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

- The Councils Risk Management Framework has been set out under Principle C. This ensures there is continuous monitoring and reporting of risk.
- New Members are inducted prior to the Annual Meeting. Separate training is provided for specific Committee needs.
- All Cabinet meetings consider key matters including those on risk and performance and these are detailed in the Forward Plan.

- The Annual Budget is supported by commentary detailing its deliverability and is supported by an appropriate reserves policy. The final accounts are prepared in accordance with professional standards and subject to External Audit.
- Information governance and compliance with the various policies, for example General Data Protection Regulation are regularly monitored through mandatory training.

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

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

**Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and also by comments made by the external auditors and other review agencies and inspectorates. During 2020 / 2021, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was a sound governance framework from which those charged with governance could gain reasonable assurance.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk registers, with the allocation of audit resources controlled through an annual risk- based operational plan, which is agreed by Audit Committee. In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. These reviews identified improvements to governance arrangements and internal control, namely:

- Improving governance for the delivery of major projects, including making greater use of POWA;
- Put robust processes in place for succession planning;
- Improving on the levels of performance reporting across the Council; and

- Regular testing of disaster recovery plans and learning lessons from those.

As a result of the Covid-19 pandemic the Council quickly put in place:

- An emergency operations structure incorporating a Gold decision-making structure and Coordination Hub. The Gold decision making structure initially was meeting daily, which then moved to bi-weekly meetings as the Council moved further into the pandemic period;
- Movement of staff and resources to cover new pandemic delivery priorities;
- Arrangements to track the financial implications of the pandemic on the Council's resources; and
- Arrangements for the democratic decision making in line with the Council's Constitution and emergency legislation including remote decision making.

The Council already had in place enhanced control processes that were implemented in 2019/20. These were adapted to the requirements of C-19 including reallocating Internal Audit resource from the initial Audit Plan to the review of processes and procedures put in place due to the pandemic. Processes described above ensured that the Council could properly report on the effect of C-19 for Peterborough and ensure that the Council maximised Grants both for itself and businesses during this period.

An External Audit of the accounts year ended 31 March 2020 undertaken by Ernst and Young was reported to the Audit Committee during the year. Issues identified during the review of the accounts, the impact of the pandemic and financial stability of the Council resulted in additional testing to be undertaken. Updates have been provided to senior managers as this has progressed and the Accounts were formally signed off by Audit Committee on 21<sup>st</sup> June 2021.

### **Significant Governance Issues**

The Annual Governance Statement identifies governance issues and risks for the Council to address. *(Tables below set out the governance issues which were previously reported and the progress in addressing them. A number of previous actions have been deleted and referred to Audit Committee in July 2021).*

2018/2019	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
19.05	<p><b>BUSINESS CONTINUITY</b></p> <p>Lead: Corporate Director of Resources</p>	<p>To ensure that the work undertaken in 2018/19 is completed and updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.</p> <p><u>Proposal:</u></p> <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. Conduct a yearly full business continuity test during 2019/20.</p>	<p>Council officers have been successfully working remotely since March 2020 due to C-19.</p> <p>This has actively been used to coordinate responses in relation to Covid-19. Regular reviews are undertaken to ensure that remains valid.</p> <p><b>REMAINS VALID – LINK WITH DISASTER RECOVERY</b></p> <p>There has been no disaster recovery testing in the last 12 months and this increases the residual risks against the Council. It will be activated in 2021.</p>

2019/2020	Area of Assurance	Assurance Gap / Proposal to Mitigate	Progress / Residual Status
20.01	<p><b>BALANCED BUDGET</b></p> <p>Lead: Corporate Director of Resources</p>	<p>The Council has set a balanced budget for 2020/21. This is based on a number of transformation projects being delivered. This includes HR business model; Improved financial control; Finance Business Partner model; Increase in automation; Increase in shared services; and Reduction in staffing levels</p> <p><u>Proposal</u></p> <p>While the various projects are managed there is the risk that if not implemented on time that savings will not be achieved. In the worst case scenario this could lead to the need to issue an s114 letter.</p> <ul style="list-style-type: none"> <li>• Conduct a set of reviews during spring 2020 in order for the Council to come as close as possible in the July 2020 Council meeting to approving and implementing the 2021/22 budget as per the Robustness Statement in the 2020/21 MTFS.</li> <li>• Put in place monthly monitoring process that ensures that all 2020/21 and future years savings proposals are ragged against delivery and ensure these are reported to Joint Management Team and then Cabinet.</li> <li>• Set out mitigation steps where delivery cannot be met.</li> <li>• Link overall Council Viability to item 20.02 and 20.03.</li> </ul> <p>The “Going Concern” Note 44 sets out the Council’s position at November 2020 and the “material uncertainty” on maintaining current service levels that the External Auditors highlight as a significant risk due to the Council’s existing financial position and the financial effects of COVID-19.</p>	<p>Reviews took place in January to March 2020 which identified possible savings options of £12m of the total £14m 2021/22 deficit. These were then impaired down to £3m due to C-19.</p> <p>Significant budget gap identified for future years £21/22 onwards due to the nature of C-19 and the Councils underlying financial position.</p> <p>Regular communications were held with MHCLG in relation to the budget. An independent review was undertaken which confirmed the extent of the funding required to enable to balance the budget. Auditors have commented on the transparency of the Council’s position.</p> <p>This was acknowledged and appropriate funding was granted by MHCLG to close the gap. Nevertheless, future year budget gaps remain and these will need to be assessed and a continued</p> <p>MHCLG financial and Governance review due on site at the Council in July 2021 to validate overall financial support and a path to sustainability in future years.</p> <p>The increasing need for and cost of demand led services such as social care, temporary accommodation and no recourse to public funds creates significant pressures on budgets. These pressures are anticipated to continue for 2021-22 and beyond and will continue to need close monitoring and robust management action.</p> <p>The government have delayed the review of relative needs and resource and the 75% business rates retention will no longer be implemented in 2021-22 to allow councils to focus on meeting the immediate public health challenge posed by the pandemic. However, there is still a risk due to the uncertainty of the government funding of local government which creates a challenge in terms of budget setting and medium term financial planning.</p>

20.02	<p><b>COVID-19</b></p> <p>Lead: Corporate Director of Resources</p>	<p>Since mid-March 2020, the Council has diverted its resources to focus on providing active support across Peterborough and the surround as part of its reaction to tackle Covid-19.</p> <p>Linked to 20.01 above, there is a risk that costs incurred outweigh the levels of funds received from Central Government.</p> <p>Emergency procedures put in place need to be reviewed to ensure that effective governance is in place to protect Council / users etc.</p> <p><u>Proposal</u></p> <ul style="list-style-type: none"> <li>• Robust risk management processes followed to ensure effective monitoring of key risks whether relating to response to Covid-19 or return to business as usual</li> <li>• Ensure processes are in place to estimate, document and then report on COVID-19 expenditure items.</li> <li>• Assess 2020/21 budget and income streams for non-deliverable items and link to overall 2020/21 Financial monitoring and the 2021/22 MTFS requirements</li> <li>• Set up formal reporting structures to Joint Management Team, Cabinet Government and the LGA to set out the Council position.</li> <li>• Set up a lobbying strategy to ensure best results for the Council</li> <li>• Have a robust recovery plan to ensure that moves back to “normality” have been properly evaluated to minimise cost/lake advantage of changes to service delivery to deliver a revised product to the public</li> </ul>	<p>The council has adhered and responded at pace to government guidance in response to the pandemic. Priorities changed to focus on the need to distribute emergency funding to vulnerable residents and businesses and to support essential services. BAU changed to accommodate this, but key processes and functions have been maintained.</p> <p>An ongoing assessment of the impact of the coronavirus pandemic on council services and council systems continued throughout the year in line with good financial governance. This was reported to MHCLG monthly.</p> <p>The 2021/22 MTFS reflects the impact of the pandemic.</p> <p>The council will look to ensure that the additional spending and loss of income (particularly from council tax and business rates) are fully recovered from central government. The council has maintained a log of all spending commitments and income losses relating to the pandemic to enable full accountability.</p> <p>Financial stress on major service contracts such as leisure and construction, a fall in commercial property income and a delay to capital programme works has been assessed in the medium and longer term. One impact has resulted in the leisure contract returning to the Council.</p> <p>Ongoing discussions have been held with MHCLG which has seen additional funds provided in order to balance the budget.</p> <p>See 20.01 for links to MHCLG Reviews.</p>
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20.03	<p><b>COUNCIL STRUCTURE</b></p> <p>Lead: Joint Management Team</p>	<p>Linked to 20.01 and 20.02 the current situation has identified that the Council can operate (albeit is it effective) outside of its main hub. There is a need to review the current arrangements to ensure that they meet future needs / pressures.</p> <p><u>Proposal</u></p> <ul style="list-style-type: none"> <li>• Review all services presently halted for critical assessment of if they continue in the future – Opportunity.</li> <li>• Evaluate with Government potential length of the COVID-19 emergency and what “business as usual” will mean at the other end</li> <li>• Have in place recovery and re-implementation strategies for key services</li> </ul>	<p>The Council has worked in an agile nature for the whole of 2020/21 and will continue to do so until Government advice changes.</p> <p>Team Charters have been updated to reflect expected working patterns post C-19.</p> <p>Recovery Board discusses new way of working cross Council for escalation to JMT and Members for approval.</p> <p>MTFS includes assumptions of how the Council will work in the future, including estimates of ongoing demand for services.</p> <p>Also see commentary in 20.01 / 20.02.</p>
20.04	<p><b>LEVELS OF DEBT</b></p> <p>Lead: Corporate Director of Resources</p>	<p>Given the Country is now heading into a possible recession, and the fact that the Council is very reliant on external income, how will it ensure debt levels do not spiral out of control</p> <p><u>Proposal</u></p> <ul style="list-style-type: none"> <li>• Ensure that key debtors are communicated with regularly (at least monthly)</li> <li>• Ensure enhanced debt monitoring is in place for COVID-19 recovery period</li> </ul>	<p>Debts continue to be monitored and a report has been taken to Audit Committee for approval of write offs over £10,000. All paths to recover of these debts have been exhausted.</p> <p>Negotiations have been underway, due to be completed by the end of June 2021, with the CCG on the treatment of existing debt and approval pathways for ongoing debt.</p> <p>Internal Audit have been commissioned in May 2021 to look into the debt recovery process. This will be reported on in June 2021 and will also form part of the evidence for the MHCLG / Peer reviews covering the financial resilience of the Council.</p> <p>Note, that there is a new Government initiative in 2021/22 that allows debtors more time to pay outstanding sums which will need to be administered.</p> <p>As per the 2020/21 outturn report, outstanding sundry debt is £5m less than the 2019/20 position.</p>

20.05	<p><b>LOSS OF KEY STAFF</b> Lead: All Directors</p>	<p>COVID-19 will be a severe test on Council resources. The Council needs to ensure it retains key staff</p> <p><u>Proposal</u></p> <ul style="list-style-type: none"> <li>• Ensure that processes are fully documented</li> <li>• Ensure that appropriate succession planning arrangements have been identified</li> <li>• Identify activities which are overly reliant on one individual</li> </ul>	<p>Succession planning identified as an issue from Directors Self Assessments – no evidence that this has been progressed across organisation.</p> <p>Noted that during C-19, more staff transferred from Agency to permanent positions due to safety of tenure.</p> <p>Risk remains, especially post C-19 where staff have realised that in many jobs they can work from anywhere.</p> <p>(To remain as an issue to be addressed)</p>
20.06	<p><b>COUNCIL CONTROLS 2019/20</b> Lead: Chief Internal Auditor</p>	<p>There were three Internal Audits of Limited Assurance in 2019/20 which required rectification plans:</p> <ul style="list-style-type: none"> <li>• The Procurement Card System</li> <li>• Energy Management</li> <li>• Transition of Amey contract to Peterborough Limited</li> </ul> <p>There were no Internal Audits rated as “No Assurance”</p> <p><u>Proposal:</u></p> <p>Ensure recommendations are implemented. Ensure assurance levels of these Audits move to at least Reasonable Assurance</p>	<p>Improvements have been established for 3 of the audits identified.</p> <p>The Procurement Card system remains as Limited Assurance. A further follow up will be undertaken.</p>

The following governance issues have been identified in the year to be addressed:

2020/2021	Area of Assurance	Gap	Proposal
21.01	<p><b>SOCIAL CARE INTEGRATION</b></p> <p>Leads:</p> <ul style="list-style-type: none"> <li>Corporate Director People and Communities</li> <li>Corporate Director Resources</li> </ul>	<p>Health partners are looking to establish an integrated care solution system arrangements with the Council. This will require appropriate strategies and planning by all parties, especially the management of ring-fenced resources, the political dynamic for budget setting and spend.</p>	<p>Ensure Coverage at all critical meetings</p> <p>Ensure Council Governance processes understood and adhered to by Health Partners</p> <p>Ensure periodic updates to JMT and Cabinet so sighted on progress and potential risks, liabilities and opportunities.</p>
21.02	<p><b>ONGOING BUDGET POSITION</b></p> <p>Leads:</p> <ul style="list-style-type: none"> <li>Corporate Director Resources</li> <li>All Corporate Directors</li> </ul>	<p>In its 2019/20 Audit Results Report signed off by Audit Committee on the 21st June the Councils External Auditors have given the council a <b>Qualified Opinion</b> for its Value for Money opinion, based on its financial position.</p> <p>The financial position and work being done with MHCLG is set out in 20.01 but this magnifies the significance of those conversations.</p>	<p>Ensure that MHCLG and LGA reviews are completed</p> <p>Address quickly the recommendations of the MHCLG review, once received, as this will impact future funding for the Council.</p>
21.03	<p><b>INFORMATION GOVERNANCE</b></p> <p>Leads:</p> <ul style="list-style-type: none"> <li>Director of Customer &amp; Digital Services</li> <li>Director of Law &amp; Governance and Monitoring Officer</li> </ul>	<p>The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continues to require careful management.</p> <p>The continuing need to improve services and enhance customer access to those services means that integration, optimisation and security of the use of data held and managed by council departments continues to be of paramount importance.</p>	<p>Monthly updates to JMT on these issues and how treats are being mitigated</p>
21.04	<p><b>CLIMATE CHANGE</b></p> <p>Lead:</p> <p>Executive Director, Place &amp; Economy</p> <ul style="list-style-type: none"> <li>All Directors</li> </ul>	<p>The implementation of the council's climate change strategy, to allow the council to adapt to the impact of climate change.</p>	<p>Clearly costed and agreed medium long-term plans, for implementation of the strategy as we move over the next 5 years up to 2026.</p>

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21.05	<p><b>PROJECT MANAGEMENT</b></p> <p>Lead:</p> <ul style="list-style-type: none"> <li>Director of Customer &amp; Digitals</li> <li>All Director</li> </ul>	<p>The Council is making use of project management software to provide an effective solution to consistent practice being followed for key delivery. There is mixed take up across the organisation and increases the risk of project failure.</p>	<p>Clear project plan for moving project monitoring in all services onto POWA</p>
21.06	<p><b>LOAN FINANCING (EMPOWER)</b></p> <p>Lead:</p> <ul style="list-style-type: none"> <li>Corporate Director Resources</li> </ul>	<p>The external Auditors in their 2019/20 Audit Results Report have a recommendation that the Council:</p> <p>Reviews any similar finance arrangements (the Empower Arrangement) to ensure that there is not a risk of exposure to further financial loss.</p> <p>Reviews the appropriateness of its Minimum Revenue Provision policy for capital loans in light of these events.</p> <p>Should it decide to bring the solar panel assets and asset management arrangements in-house, obtains an up-to-date valuation of the assets as soon as practicable in order that the Authority can determine whether there are any additional indicators of impairment and the basis on which the solar panel assets are recognised for financial reporting and asset management purposes.</p>	<p>That the Council undertake this review and report on progress (as the valuations might take more time) to the next available Audit Committee.</p>
21.07	<p><b>PERFORMANCE REPORTING</b></p> <p>Leads:</p> <ul style="list-style-type: none"> <li>Director of Business Improvement and Development</li> <li>All Corporate Directors</li> </ul>	<p>Directors self-assessment questioned whether this was as developed as well as could be expected. Need to have a way of regularly reporting on performance (not just financial which has been fully reviewed and working well)</p>	<p>Define what departments regard as their key performance information</p> <p>Set out a reporting framework so that this information is reported alongside other information like financial information to key stakeholders.</p>
21.08	<p><b>BUSINESS RATES DEBT LEVELS</b></p> <p>Lead:</p> <ul style="list-style-type: none"> <li>Corporate Director Resources</li> </ul>	<p>This includes Business Rates and Council Tax Collection, which due to C-19 were below previous years collection levels. Business Rates, in particular, were £11.5m lower than expectation in 2020/21 due to the Council not starting formal chasing of outstand debt until Quarter 4.</p>	<p>Ensure that for Business Rates, ongoing weekly reviews are undertaken to ensure the £11.5m 2020/21 deficit is recovered and that 2021/22 collection rates are closely monitored.</p>

21.09	<p><b>COUNCIL CONTROLS 2020/21</b></p> <p>Lead: Chief Internal Auditor</p>	<p>There were three Internal Audits of Limited Assurance in 2020/21 which required rectification plans:</p> <ul style="list-style-type: none"> <li>• Procurement Cards</li> <li>• Teacher Pensions (Premature Retirement Payments)</li> <li>• IT Asset Management</li> </ul> <p>There were no Internal Audits rated as “No Assurance”</p>	<p>Ensure recommendations are implemented.</p> <p>Ensure assurance levels of these Audits move to at least Reasonable Assurance</p>
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### Summary

The Council has in place strong governance arrangements which we are confident will protect its interests and provide necessary assurances to our citizens and stakeholders. These have been adapted during the C-19 Pandemic. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. 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:

Gillian Beasley, Chief Executive

Date:

Signed:

Councillor Wayne Fitzgerald, Leader of the Council

Date:

**Annual Governance Statement: Previous Significant Issues Resolved**

The Annual Governance Statement identifies governance issues and risks for the Council to address. (Tables below set out the governance issues which were previously reported and the progress in addressing them which have been considered to be resolved).

2016/2017	Reference: 17.04
Area of Assurance	<b>SCHOOL ATTAINMENT</b> Lead: Corporate Director: People and Communities
Assurance Gap / Proposal to Mitigate	Damage to reputation through poor performance in published league tables compared to the national average.  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.
Progress / Residual Status	Ongoing monitoring of standards and attainment are monitored through the Children and Education Scrutiny Committee.  <b>Sufficient progress for this to be closed.</b>

2016/2017	Reference: 17.11
Area of Assurance	<b>SCHOOL STATUTORY TESTING</b> Lead: Corporate Director, Resources
Assurance Gap / Proposal to Mitigate	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.  As part of its work protocols, Internal Audit are following up on the issues identified which will be reported through to the appropriate channels.
Progress / Residual Status	Testing arrangements are now under the remit of Peterborough Limited and regular monitoring is in place through oversight of all property matters through coordination by the Property Manager.  <b>Previous IA review identified gaps which processes have been implemented to address.</b>



2017/2018	Reference: 18.01
Area of Assurance	<b>FINANCIAL MANAGEMENT</b> Lead: Corporate Director of Resources
Assurance Gap / Proposal to Mitigate	The budget for the Council is underpinned by a number of transformation projects and savings targets.  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.
Progress / Residual Status	Ongoing monitoring is in place to ensure that early indicators pick up on any budget pressures so that action can be taken, where applicable, to address this or look for alternative areas which could be used to reduce the deficit.  Financial restrictions were put in place to curtail expenditure except in essential areas in July 2019 to bring budgets under control. This included a review of consultancy and agency spending on a weekly basis and all expenditure over £10,000 requiring a business case and then the approval of the S151 Officer.  2019/20 budgets were re-baselined in September 2019 to ensure all stakeholders understood the makeup of the Councils Structural budget deficit and in the second half of the year addressed these issues.  As part of the 2020/21 MTFS process, a financial improvement programme was introduced and implemented. A review of progress, including the detail listed above, was reported to Audit Committee in July 2020.  <b>Is an ongoing improvement, now forms part of 20.01 and so this can be closed.</b>

2017/2018	Reference: 18.04
Area of Assurance	<b>CORPORATE FRAUD</b> Lead: Chief Internal Auditor
Assurance Gap / Proposal to Mitigate	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.
Progress / Residual Status	<b>Forms part of Leadership Training. (Delete this and incorporate into 2021 issues)</b>

<b>2017/2018</b>	<b>Reference: 18.08</b>
Area of Assurance	<b>EQUALITY AND DIVERSITY</b> Lead: Director of Law and Governance
Assurance Gap / Proposal to Mitigate	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
Progress / Residual Status	2017 Equality and Diversity Policy was reviewed in May 2018 and no changes were required at that point.  In the budget process, all proposals that have an equalities impact have an Equalities Impact Assessment carried out and published for the consultation process.  <b>Delete – Equality and Diversity Leadership Forum in place</b>

<b>2018/2019</b>	<b>Reference: 19.01</b>
Area of Assurance	<b>BUDGET RESILIENCE</b> Lead: Corporate Director Resources
Assurance Gap / Proposal to Mitigate	As per the 2019/20 MTFS, the council has an ongoing budget deficit of circa £20m which needs to be delivered for the council to achieve a sustainable ongoing budget.  Over the past 2 years this gap has been closed by the use of one off resources which is not a sustainable strategy.  In order for the council not to move into financial difficulties, savings and efficiency proposals must be agreed in time for full delivery in 2020/21.  <u>Proposal:</u>  Savings, efficiency and commercial proposals to balance the 2020/21 budget need to be in place and agreed in Tranche 1 of the 2020/21 budget process to ensure delivery (as set out in the 2019/20 Stewardship Statement).  To ensure this is delivered a concentrated budget option process will be followed during the summer of 2019 to ensure Members have options that can be scrutinised and agreed to deliver a balanced budget in 2020/21 and moves the Council to sustainability in the medium term
Progress / Residual Status	Tranche 1 and Tranche 2 proposals were referred through Cabinet and wider consultation allowing for a balanced budget being approved in March 2020, Ongoing delivery of savings will be monitored throughout the year.  The Council engaged with external consultants as part of the budget process during the year to validate its approach and also identify best practice from other Local Government providers for implementation as part of the 2020/21 MTFS.  The final budget still had a number of One-off savings in Tranche 2 but the underlying deficit figure for 2021/22 of £14.5m was £10m less than in previous years for year 2 of the MTFS.  The 2020/21 budget was also supported by a Capitalisation Direction from the Department of Housing, Communities and Local Government. This will allow the council the time and resources to move to a sustainable position in 2020/21 and ongoing budgets.  <b>Delete as now encompassed within 20.01</b>

2018/2019	Reference: 19.02
Area of Assurance	<p><b>PARTNERSHIPS AND PROCURMENT ARRANGEMENTS</b></p> <p>Lead: Corporate Director of Resources</p>
Assurance Gap / Proposal to Mitigate	<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"> <li>• 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.</li> <li>• Extension of the Empower loan.</li> <li>• 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.</li> </ul> <p><u>Proposal:</u></p> <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 correct contract specification and market warming; minimisation of cost - to fit with Council's financial remit; and correct solutions for the Council's service strategies</p>
Progress / Residual Status	<p>A Procurement Board was set up in early 2020 but only met once due to the COVID-19 Emergency. Procurement, finance and Legal Services across both PCC and CCC have worked together to produce updated procurement processes due to COVID-19 which were launched in late April 2020.</p> <p>The Shareholder Committee started to meet in 2019/20 and almost fulfilled a full review of the Councils companies before meetings were suspended due to COVID-19.</p> <p>The work of this Committee include scrutiny of the newly formed LatCo Peterborough Limited, the Peterborough Investment Partnership, Medesham Homes, Opportunity Peterborough, Norse Property Services, Vivacity, and Empower CIC.</p> <p>All expenditure over £10,000 after July 2019 required a business case and approval given the Council's financial position. This linked contract work to budgets and then through to monitoring and also included agency and consultancy expenditure.</p> <p><b>Delete - completed</b></p>

2018/2019	Reference: 19.03
Area of Assurance	<p><b>BUDGET MONITORING</b></p> <p>Lead: Corporate Director of Resources</p>
Assurance Gap / Proposal to Mitigate	<p>Financial monitoring goes to every CMT and every Cabinet. It does not contain any performance information. For correct decision making both finance and performance must be included in the same report at the correct level of detail.</p> <p><u>Proposal</u></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>
Progress / Residual Status	<p>Although we did not see the direct linkage between finance and performance data in Committee Reports work has progressed in this area via the financial improvement programme which has included:</p> <ul style="list-style-type: none"> <li>• A weekly review of agency spending and requirements at an individual level</li> <li>• A lockdown on the issue and renewal of Business Support and Transformation resource through the Serco and other contracts to ensure it was necessary and used for delivery of core Council requirements;</li> <li>• As part of the 2020/21 MTFs, the analysis of approved and potential savings and cost avoidance options included comparative data relating to other Councils and providers.</li> </ul> <p>This now needs to move forward with performance and finance at the appropriate level be joined together where appropriate in overall performance reports.</p> <p><b>Delete – improvement demonstrated</b></p>

2018/2019	Reference: 19.04
Area of Assurance	<p><b>HEALTH AND SAFETY</b></p> <p>Lead: Director of Place and Economy</p>
Assurance Gap / Proposal to Mitigate	<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"> <li>• A H&amp;S Health Check undertaken by 4OC</li> <li>• A Fire Safety audit undertaken by 4OC</li> <li>• An Internal Audit review of Health &amp; Safety</li> </ul> <p>There is a requirement for the delivery of the outputs from these audits to ensure the council's Health and Safety arrangements fully reflect the new working arrangements that Council now work within.</p> <p><u>Proposal:</u></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"> <li>• Principal Responsible Person responsibilities</li> <li>• Health &amp; Safety policy updates (including KPI's and reporting policy).</li> <li>• Fire Strategy</li> <li>• Estate compliance (of all issues)</li> <li>• Training and compliance</li> <li>• Auditing and risk assessment</li> </ul> <p>These will be reviewed via the re-constituted Health and Safety Board</p>
Progress / Residual Status	<p>Significant progress has been made in improving compliance with H &amp; S policies and embedding them across the Council.</p> <p>New policies have been established.</p> <p>Appropriate risk assessments are in place for all buildings and compliance checks have been performed to verify standards are met and being maintained.</p> <p><b>Delete - complete</b></p>

2018/2019	Reference 19.06
Area of Assurance	<p><b>CYBER SECURITY</b></p> <p>Lead: Director of Resources</p>
Assurance Gap / Proposal to Mitigate	<p>To ensure that the work undertaken in 2018/19 is updated on an ongoing process to ensure that the Council can operate and deliver to customers in times of crisis.</p> <p><u>Proposal</u></p> <p>Review to ensure all Members and Officers have undertaken training. The council will seek to achieve Cyber Essentials accreditation in 2020/2021. Review to ensure all council data is in a format that is "Safe"</p>
Progress / Residual Status	<p>Regular reviews undertaken across the estate to ensure are now compliant. Security standard checklist has been utilised by both CCC / PCC to benchmark arrangements and used to develop and implement actions to address,</p> <p>An external email warning banner has been introduced to help officers identify any external phishing threats</p> <p>Regular updates are issued to all users on potential and actual threats.</p> <p>Multi Factor Authentication is place which has prevented a number of phishing attempts.</p> <p>Members have all received training. There will be a refresher training module and new training modules on cyber security for both officers and Members.</p> <p><b>PROGRESS MADE – DELETE AS ENCOMPASSED WITHIN 21.01 AS PART OF GOVERNANCE</b></p>

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<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 7
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

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

**ANNUAL INTERNAL AUDIT OPINION 2020 / 2021**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> Peter Carpenter, Director of Corporate Resources	<b>Deadline date:</b> N/A
<p>The Audit Committee is asked to:</p> <ol style="list-style-type: none"> <li>1. Receive, consider, provide challenge to and endorse the attached Chief Internal Auditor's annual report for the year ended 31 March 2021.</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to the Audit Committee and provides details of the performance of Internal Audit during 2020 / 2021 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 2020 / 2021.

**3. TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	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 2020 to March 2021 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 2020 / 2021. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified. Where systems have fallen below expected standards, details of these have been identified within the report as an executive summary. Furthermore, ongoing internal performance indicators are monitored and their level of achievement, or otherwise, are included for information purposes.

- 4.3 The report highlights three key areas particularly relevant to the preparation of the Annual Governance Statement, which are:
- Cyber Security & Disaster Recovery
  - Fraud Risks
  - IT Asset Management

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

- 4.4 The overall conclusion based on our work is that Peterborough City Council has a sound governance framework from which those charged with Governance can gain **reasonable assurance**. Internal Audit has made a number of recommendations to further improve the systems of control and the organisation is actively working to make improvements in these areas. The pandemic has impacted on the capacity of the Internal Audit team, reducing the quantity and coverage of audit reviews. However, consultancy work in relation to changes to business as usual systems and new initiatives has enabled sufficient coverage of the key risks in 2020 / 21 to provide assurance. However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

## 5. CONSULTATION

- 5.1 Summary committee reports are produced and discussed periodically through Audit Committee for information and challenge. All audit reports are issued to the appropriate Head(s) of Service for action, Executive Directors, Chief Executive, Leader of the Council and the Chair of Audit Committee in accordance with the agreed Audit Charter (last approved by Audit Committee March 2021).

The Annual Audit Opinion is issued to our External Auditors as part of their programme of works to review and close the accounts.

The Annual Audit Opinion has been circulated to Corporate Management Team.

## 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 2020 / 21 (Audit Committee – July 2020)  
Internal Audit mid-year Progress Report 2020 / 21 (Audit Committee – November 2020)  
Internal Audit Reports

## **11. APPENDICES**

11.1 A – Head of Internal Audit Annual Opinion

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**ANNUAL AUDIT OPINION  
2020 / 2021**



**ANNUAL REPORT**

Introduction

Arriving at an Opinion

Opinion 2020 / 2021

Basis of Annual Opinion

Resourcing and Performance

Assurance Levels and Recommendations

Appendix B    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 Corporate Director of 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 2020 / 2021. 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. In an ever-changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council, and this has been particularly important this year. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. Our approach gives precedence to areas assessed as high risk, although we aim to provide coverage over a wide range of activities, as listed below, to ensure our opinion is comprehensive.

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

## Impact of Covid-19

Following the outbreak of the Covid-19 pandemic in late March 2020, Internal Audit introduced a strategy setting out our priorities and how we would contribute to the Council response. Work on the 2020 / 21 plan was suspended; however we prioritised external fee-paying work and time bound internal work (such as grant certifications) while waiting for information on volunteering opportunities. We also contacted senior management directly offering our skills to areas of the Council that needed backfilling due to the emergency response, resulting in provision of support to the Education Finance team.

The original Annual Audit plan for 2020 / 21 was produced in line with the normal Audit Committee timetable and was to be presented at the March meeting. However, this meeting was cancelled, as we know, due to the lockdown requirements. A revised plan was eventually submitted to the July meeting, convened under the new legislation allowing for remotely held committee meetings.

Due to the timing of the revised plan, we were able to build in what we already knew about the impact of the pandemic on both the Internal Audit team and the council as a whole. During the initial months of the pandemic, we researched and documented the numerous changes to working practices that supported staff to be able to work from home and enabled the Council to provide additional services. We used this to inform our risk assessment and re-prioritised our plans accordingly. Directors and their management teams were also contacted for their input. The plan provided a high degree of focus on activities that have been initiated in response to the pandemic, as well as business as usual processes that have changed.

We were also able to account for the initial reduction in resources as team members volunteered to provide support to the Covid-19 Co-ordination Hub. However, one of the volunteer roles was extended beyond the expected three month term and has now become a long term secondment until March 2022. This, along with a Senior Auditor post becoming vacant during the year, has reduced our capacity considerably.

In response to this, and also due to the need to respond quickly to numerous changes and new initiatives, Internal Audit has been pro-active and offered consultancy advice where we would normally conduct full audit reviews. Consultancy work does not offer the same degree of assurance because it relies on a theoretical knowledge of the system under review, and does not obtain evidence to support an evaluation of how the system is working in practice. However, we consider this to be an appropriate response to the situation and enabled us to provide greater coverage than we otherwise would have been able to. Therefore, we have considered our consultancy work when formulating the Annual Audit Opinion.

Our work has also been impacted by the need to allow management to prioritise their emergency response. This has led in some cases to a longer time span to complete audits, or to obtain responses to recommendations, but all significant work has been completed within the year.

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## 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 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 a formal audit report with an opinion – such as consultancy work, grant reviews and involvement in working groups. However the certification of grant work should indicate that at the point of approval, information being submitted to external organisation meets required criteria.

The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

RECOMMENDATION GRADES	
Grade	Description
CRITICAL	Fundamental control weakness that jeopardises the complete operation of the service. <b>TO BE IMPLEMENTED IMMEDIATELY.</b>
HIGH	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. <b>To be implemented as a matter of priority.</b>
MEDIUM	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. <b>To be implemented at the first opportunity.</b>
LOW	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. <b>To be implemented as soon as reasonably practical.</b>



**OPINION 2020 / 2021**

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 2020 / 2021 internal audit plan;
- Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
- Considered any significant actions not accepted by management and the consequent risks;
- Assessed the status of actions identified as not implemented as part of Internal Audit follow up reviews and subsequent progress tracking;
- Considered the effects of significant changes in the Councils objectives or systems and the requirement for Internal Audit involvement;
- Reviewed and considered matters arising from reports to Council committees; and
- Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

I am required to provide an opinion on Governance, Risk Management and Internal Control. Internal Audit's coverage of Risk Management has not changed significantly from previous years. However, the pandemic has impacted on the quantity and coverage of internal audit reviews of governance and internal controls due to reduced capacity. However, it is considered that sufficient work has been completed during the year, including consultancy work, and that this was focused on the important risk areas, notably the changes to business as usual systems and new initiatives and activities. Our Internal Audit Plans for 2021/22 provide ongoing coverage for activities affected by the pandemic.

Following consideration of the above I am able to provide the following Opinion for 2020 / 2021:

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

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

Chief Internal Auditor  
July 2021

**BASIS OF ANNUAL OPINION**

The audit work that was completed for the year to 31 March 2021 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 87% of the systems that were given an opinion achieved an assurance level of reasonable or higher (2018-19: 72% and 2019-20: 80%).

<b>AUDIT ASSURANCE</b>						
<b>Assurance Levels</b>	<b>Numbers</b>			<b>%</b>		
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Substantial	1	2	0	5	10	0
Reasonable	12	14	13	67	70	87
Limited	5	4	2	28	20	13
No	0	0	0	0	0	0
	<b>18</b>	<b>20</b>	<b>15</b>	<b>100</b>	<b>100</b>	<b>100</b>
Certified	10	13	10			
Consultancy	17	22	22			
	<b>27</b>	<b>35</b>	<b>32</b>			

<b>RECOMMENDATIONS MADE</b>			
	<b>Numbers</b>		
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Low	17	27	11
Medium	43	44	28
High	18	40	9
Critical	0	0	0
	<b>78</b>	<b>111</b>	<b>48</b>

In addition to the audits detailed in the above table, further audit work was carried out which feeds into the overall opinion, including 7 governance reports.

At the year-end 4 audit reviews and 2 pieces of consultancy work were in progress and audit opinions relating to these will be reported during 2021-22 as part of the agreed performance reporting timetable to the Audit Committee.

**Scope Limitations and Impairments**

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

In line with the PSIAS, we have a process for team members to declare any interests that may impact on the impartiality of our work. I can confirm that all declarations have been made as necessary, and no conflicts have occurred during 2020-21 that have impaired the work carried out.

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

### Implementation of Recommendations

We followed up Energy Management, Health and Safety, Shareholder's Committee, Norfolk Property Services and the Aragon Transition Project. In total, 31% of agreed actions have been implemented, 49% were in progress and 20% were either no longer relevant or not implemented at the time of the review. It should be noted that the original Health and Safety audit resulted in a large number of recommendations and, along with the recommendations made by an external consultant, actions have been incorporated into a three-year plan. As such we would not expect to see them all being implemented at this stage. It is also the case that the emergency response to the pandemic has taken the focus away from implementing some of the recommendations. Where important recommendations have not yet been actioned, we will continue to track progress.

	Critical	High	Medium	Low	Total	%
Recommendations Agreed	0	31	48	7	86	
Implemented	0	12	10	5	27	31
Partial / In progress	0	12	29	1	42	49
Alternative actions taken	0	0	1	0	1	1
No longer relevant / not implemented	0	7	8	1	16	19

### Corporate Governance

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

The Risk Management Board is chaired by the 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 (approximately every six weeks) and recorded on POWA, our project management system. Issues that are assessed with a high level of risk are escalated to the Strategic Risk Register and reported to Audit Committee. Internal Audit led on Fraud Risks and the development of the COVID-19 risk register. This was monitored and updated on a regular basis as risks emerged during the pandemic. It has now been incorporated into departmental risk registers.

Internal Audit have been involved in the Information Management Strategic Board meetings, with particular focus on cyber security issues and progress of the IT strategy during the return of IT management from Serco to the Council.

### **Anti-fraud Culture**

Internal Audit also includes the investigations team who are responsible for reviewing council tax fraud, corporate fraud, staff misconduct and Blue Badge fraud. A separate report covering their activity for the year is brought to the Audit Committee. There is some crossover in the work of the investigations team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. Internal Audit has not been involved in any major fraud investigations this year. Significant work has been carried out with regards to the National Fraud Initiative. This statutory exercise involves data matching of public and private sector data to detect potential fraud. The resultant matches are being investigated and outcomes from this exercise will be presented to Audit Committee in a future report.

### **Financial Governance**

Our work in this area has consisted primarily of consultancy work. We have provided advice on Financial Regulations as they have been developed, and the new Business Model for financial management, both of which followed on from the Grant Thornton review. We have provided input to the project to implement a new payment module with the Adult Social Care system, Mosaic, and also to the transfer of the Home Delivery Service payments process to it.

Another strand of work has been to lead on a project to instigate real time analysis of creditor payments with a view to preventing duplicate payments. Initial research has resulted in £8.5k worth of duplicates being discovered and recovered.

Whilst our audit coverage in this area is more limited than previous years, we are aware that extensive work has been done to monitor and report on the financial impact of the pandemic, and that regular communications with MHCLG (Ministry of Housing Communities and Local Government), including an independent review, have enable the Council to understand its financial position and implement appropriate action plans.

### **Partnerships and External Organisations**

We carried out three follow-ups in this area. The Shareholder Cabinet Committee was reviewed in 2019/20 and a follow-up is currently underway, although we know that the majority of recommendations were implemented soon after the audit was conducted. We also followed up Norfolk Property Services and found one action remains outstanding, which is that the contract specification is yet to be reviewed. Our original audit of the Aragon Transition project resulted in a number of recommendations relating to project management generally and these are being actioned with the development of a new project management system and methodologies, overseen by the shared Project Management Team.

We also carried out a financial audit of the Mayor's Charities Fund for 2019/20. This was not necessary under Charity Commission requirements, as the income level fell under a threshold, however management requested the work to provide assurance prior to disbursement of funds.

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

Finally, we provided some consultancy advice in relation to the process of precept setting and internal and external audit for Parish Councils.

## **COVID – 19**

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

We have also conducted full audit reviews of the process for paying care homes under the Infection Control Grant funding and the management of the provision of food parcels by the Co-ordination Hub.

Another strand of work has been to provide assurance on financial transactions. Government has advised a relaxation in payment controls to enable speedier payments to businesses and the setting up of new suppliers and contracts. We reviewed Purchasing Card transactions and also payment controls to provide assurance in these key areas of risk.

We have provided consultancy advice in a number of areas as new initiatives have been introduced, such as the Test and Trace Isolation payments scheme and the Winter Grant scheme.

## **Service Delivery**

We had less time to spend on business as usual audits this year, completing two full audit reviews that were started in 2019-20:

IT Asset Management looked into the review of the management of portable IT equipment. It was concluded in the early stages of the pandemic, thus enabling some initial commentary on the initiative to allow staff to remove equipment from the office for home use. The IT team have since been brought back in house from Serco and work has commenced on a stock take. A follow-up audit is about to start.

Work on Business Continuity was suspended at the start of the first lockdown, but we produced an interim memo giving initial findings to assist in emergency preparations. This has subsequently been completed and finalised into a formal report.

Consultancy work was completed on a number of areas including the new HR management system and payroll and pension payments.

A significant follow-up of Health and Safety was also conducted to determine progress of recommendations from the original Internal Audit report along with those made in reports by an external consultant on fire Safety and Health and Safety. Due to the number of recommendations, a 3 year action plan has been drawn up and progress is being made in key areas.

We have not conducted any work in relation to projects 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.

- Cyber Security and Disaster Recovery: There has been no adequate protection for Disaster Recovery in 2020/21, affecting those line of business systems sitting on our servers in Sand Martin House (over 50% of systems). Plans have been developed for implementation this year. Remote working has introduced issues with ensuring all end-user devices are kept up to date with security patches. There was no Cyber Security Incident Response Plan. These issues are being progressed currently, and Internal Audit intend to carry out a Cyber Security Audit in 2021/22.
- Fraud risks increased in all areas as a result of the pandemic, notably within the various financial support schemes for business and individuals, but also in other areas as fraudsters took advantage of more relaxed controls and uncertainty. Significant work has been carried out by Internal Audit and the staff involved to mitigate some of these risks within the financial support schemes. We also found limited changes to the control environment in relation to payments for good and services. It is important to remain vigilant and we will continue to focus on this area through data analysis techniques and review of transactions.
- IT Assets: At the time of our audit, there was a lack of knowledge of our portable asset stocks, which has been compounded by remote working and the removal of equipment from offices. There was also limited strategy and policy about roles and responsibilities for IT asset ownership. Since the return of the IT team to the Council and joining with Cambridgeshire County Council, progress is being made on these issues. A follow-up is currently underway.

### Limited and No Assurance reports

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

- Teacher's Pensions – Premature Retirement Payments
- Procurement Cards (current report in draft)
- IT Asset Management

## **RESOURCING AND PERFORMANCE**

### **Resourcing**

Internal Audit is an in house team with an establishment of 6.1 full time equivalent staff (FTE). During 2020 / 2021, some staff volunteered to work in the Hub and this has resulted in a reduction of the total in post by 0.6 FTE. In addition, one of our Senior Auditors left at the end of October 2020, again reducing our total in post by 0.4 FTE. The table below shows a further reduction in time available to Internal Audit at the Council in two ways. Firstly income generating work for the Combined Authority, which came to an end in 2020/21 and is therefore reduced from previous years, and secondly non-audit work which relates to the Chief Internal Auditor's role in managing the Insurance and Investigations teams, reviewing stage three complaints and involvement in the Job Evaluation panel.

	No. of posts	Planned	Total in post for 2020/21	Audit Work PCC	Audit Work other entities	Non-Audit Work	Total FTE available for PCC
	Posts	FTE	FTE	%	%	%	FTE
Chief Internal Auditor	1.0	1.00	1.00	52	1	47	0.52
Group Auditor	2.0	1.60	1.60	96	3	1	1.54
Principal Auditor	1.0	0.50	0.50	100	-	-	0.40
Senior Auditor	2.0	2.00	1.00	92	7	1	0.92
Auditor	1.0	1.00	1.00	100	-	-	1.00
<b>TOTAL</b>	<b>7.0</b>	<b>6.10</b>	<b>5.10</b>				<b>4.38</b>

### **Performance**

We have delivered 729 audit days to Peterborough and 19 days to the Combined Authority against an original plan of 957 days. The reduction in days delivered compared to the plan is accounted for by the reduction in staff of 1 FTE compare to the original plan.

In accordance with best practice, the Annual Audit Plan was re-assessed throughout the year to ensure it was aligned to changing risks and priorities. The plan was presented to Audit Committee in July instead of March 2020 and had already been re-prioritised at that point to incorporate what we knew about pandemic related risks and changes to practice. The revised Annual Plan contained 47 jobs for the Council, and although some have been removed, others added, and scopes of work have been changed, we have completed 49 pieces of work and have 6 currently in progress.

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## Quality Assurance

### Compliance with Public Sector Internal Audit Standards:

An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) in November 2018 awarded the team with a Full Compliance Opinion. This assessment is required to be conducted every five years. The Internal Audit Service has continued to operate in compliance with PSIAS throughout the 2020/21.

### Improvement Plan:

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

- Ongoing revision of our Audit Charter, Annual Audit Opinion and progress reports to Audit Committee.
- Update of our documented working practices, particularly follow-up processes.
- Development of remote working practices as a result of the Covid-19 pandemic.
- Development of our use of technology to assist in the analysis of creditor payments and identification of duplicate payments.
- Development of a protocol with Cambridgeshire County Council Internal Audit for auditing services that are shared between the Councils.

### Training:

Continuing professional development is a key aspect of the quality assurance programme, to ensure staff have the skills to carry out their responsibilities. There is a limited budget to purchase formal training, and we utilise free webinars, network events and team meetings to deliver training. Staff are also encouraged to carry out their own reading and research. There is also regular supervision of staff and all audits are subject to a quality review by the Group Auditors to ensure standards and quality are maintained.



**ASSURANCE LEVELS AND RECOMMENDATIONS 2020 / 2021**

<b>Audit Activity</b>	<b>Department</b>	<b>Audit Type</b>	<b>Assurance opinion</b>	<b>Description</b>
<b>ANNUAL GOVERNANCE AND ASSURANCE</b>				
Annual Governance Statement Review	All	Consultancy	n/a	Production of control self-assessment questionnaires for Directors and senior management. Review of responses to feed into the Annual Governance Statement for new significant issues to be addressed. Review, analysis of previous AGS and update previous areas requirement improvement. Progress against actions demonstrated and either deleted as achieved or rolled forward. Annual Governance Statement 2019 / 2020 presented to Audit Committee on 13 July 2020. Annual Governance Statement 2020 / 2021 presented to Audit Committee on 12 July 2021.
Annual Investigations Report	All	Consultancy	n/a	Annual Report for 2019 / 2020 was presented to Audit Committee on 13 July 2020. Annual Report for 2020 / 2021 was presented to Audit Committee on 12 July 2021.
Annual Audit Opinion	All	Consultancy	n/a	Mid-year progress for 2020 / 2021 was presented to Audit Committee on 16 November 2020.
				Annual Opinion for 2019 / 2020 was presented to Audit Committee on 13 July 2020. Annual Opinion for 2020 / 2021 was presented to Audit Committee on 12 July 2021.
Annual Audit Plan & Strategy	All	Consultancy	n/a	For 2021-22 a discussion report was presented to Audit Committee on emerging themes and planning approach on 25 January 2021. The Plan, Strategy, Code of Ethics and Charter were presented to Audit Committee on 22 March 2021.
Internal Audit Effectiveness	All	Consultancy	n/a	On-going monitoring, review and update against the PSIAS standards and associated action plan.
Audit Committee Effectiveness	All	Consultancy	n/a	Annual review for 2019 / 2020 was reported to Audit Committee on 13 July 2020. Annual review for 2020 / 2021 was reported to Audit Committee on 12 July 2021.

Audit Activity	Department	Audit Type	Assurance opinion	Description
<b>CORPORATE GOVERNANCE</b>				
Information Governance	All	Consultancy	n/a	Ongoing Involvement in the Information Management Strategic Board and any emerging issues, a shared arrangement with PCC and CCC.
Risk Management	All	Consultancy	n/a	Ongoing Membership of the Risk Management Board which meets approximately every six weeks, and reviews all departmental risk registers. Risk registers are now held on new software (POWA) in conjunction with County. Reports were provided to Audit Committee on 13 July 2020.
National Fraud Initiative	All	Consultancy	n/a	Complete Collection and data cleansing of the required data sets for submission to the NFI website run by the Cabinet Office. This data is matched with that of other organisations, and reports highlighting potential fraud and error were produced on 22 March 2021.
				In progress Bi-annual exercise where data matching undertaken. Data submitted in October 2020 and matches start to be received in January / February 2021. Additional data included in this exercise related to grants made payable to businesses as part of Covid-19 payments. Further details of matches and progress are reported to Audit Committee on 12 July 2021 in the Annual Investigation Report.
Anti-Fraud Policies	All	Consultancy	n/a	Complete Counter Fraud Policies are refreshed on an annual basis. They were submitted to Audit Committee for 13 July 2020 (due to the March 2020 being cancelled). They were also revisited for 2020/2021 and submitted to Audit Committee on 22 March 2021

AUDIT ACTIVITY	Department	Audit Type	Assurance opinion	RECOMMENDATIONS MADE					COMMENTARY
				Critical	High	Med	Low	Total	
<b>FINANCIAL SYSTEMS</b>									
Financial Control Framework	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Consultancy advice on Financial Rules and Scheme of Delegation.
Business Model Working Group	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Involvement in the development of a new financial management model, following the review by Grant Thornton.
Energy Management	P&E / Resources	Follow-up	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of the implementation of agreed actions following an audit of the processes in place for managing our energy costs, including contractual arrangements, data collection and monitoring and payment of invoices.
Shared Services	P&E / P&C	Risk Based							In progress Review of cross authority charging arrangements for PCC/CCC and Fenland DC, including governance arrangements and financial delegations
Mosaic Payment Controls	People and Communities	Consultancy	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete Advice on payment and access controls during the implementation and post implementation phases of the Mosaic system.
Home Services Delivery Payments	People and Communities	Consultancy	Reasonable	0	0	2	1	3	Complete Control advice during the transfer and re-design of HSD payment processes to Mosaic.

SEN (Special Educational Needs) Payments	People and Communities	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Support, validation of data and advice in relation to SEN payments during a change to systems and processes.
Payment Data Analysis	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	In progress Leading on a project to instigate real time analysis of creditor payments with a view to preventing duplicate payments. £8.5k worth of duplicates discovered during research phase.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
<b>EXTERNAL ORGANISATIONS</b>									
External Bodies Oversight – Shareholder Cabinet Committee	All	Risk Based	Reasonable	0	0	6	0	6	Complete An appraisal of the arrangements for oversight of external organisations including the Shareholder Cabinet Committee and client management arrangements.
		Follow-up							Complete A review of the implementation of agreed actions of the above audit showed that 5 of the 6 actions had been implemented and 1 was in progress.
Aragon Services – Statutory Testing	Place and Economy	Risk Based	Reasonable	0	0	2	0	2	Draft Report A review to determine whether the Council (through a contract arrangement with Aragon) are fulfilling their duties in relation to the requirement to complete statutory testing at Council owned properties.
Newborough Parish council	Law and Governance	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Liaison between Finance, Audit and Legal to provide advice relating to queries raised about precept setting and the process of audit within Parish Councils.

Aragon Transition Project	Business Improvement & Development	Follow-up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A follow up of a report issued in January 2020 (with a Limited Assurance opinion). Four recommendations were made. One action is now complete and three are in the process of being implemented as part of the new Programme Management arrangements being developed.
Mayor's Charity	Law and Governance	Consultancy	Reasonable	0	1	2	1	4	Complete Funds for this charity fell below the Charities Commission threshold in 2019 / 20 and therefore an audit under the regulations was not required. However, management requested a review of the accounts to provide assurance that they were accurate and complete prior to the release of funds to the nominated charities
Norfolk Property Services	Resources	Follow-up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete This was a further follow-up of a report issued in April 2019 (with a Limited Assurance opinion) and initially followed up in November 2019. Six recommendations were made and actions have been implemented in 5, with one remaining in progress (a review of the contract specification to make it clearer and thus easier to manage).

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
<b>COVID-19</b>									
COVID-19 – Corporate Process Changes	All	Risk Based			n/a				Complete Documentation of process and policy changes as a result of the pandemic to feed into risk assessments and planning of audit work.
COVID-19 Risk Register	All	Consultancy			n/a				Complete Internal Audit involvement in the development and production of a COVID-19 Risk Register during the initial stages of the Coronavirus pandemic. Covid risks were later embedded across departmental risk registers to improve ownership.
COVID-19 – Business Support Grants Schemes	Resources	Risk Based / Consultancy			n/a				In progress Extensive involvement in the many business support grant schemes that have been administered by Serco. Advice on arrangements. This work continues, as all other grant schemes must be covered.
COVID Winter Grant Scheme	People and Communities	Consultancy			n/a				Complete Comments on arrangements in place to administer this scheme which was introduced to support those most in need with the cost of food, energy and water bills and other associated costs.
COVID Hub - Food Parcels	People and Communities	Risk Based	Reasonable	0	1	0	0	1	Complete To review the processes instigated as a result of the national food programme and the introduction of free food boxes for those shielding.
COVID Infection Control Grant	People and Communities	Risk Based	Reasonable	0	0	0	0	0	Complete A review of our processes for administering the award of infection control grants to care homes.

Payment controls	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of payment arrangements following relaxation of some controls to deal with the pandemic, as well as increased levels of fraud risk. For example: on-boarding of new suppliers and bank mandate fraud. No major changes were found.
Supplier Relief	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of arrangements to support contractors and suppliers during the pandemic, for example via uplift and advance payments.
Procurement Card System	Resources	Risk Based	Reasonable	0	3	3	2	8	In Draft A review of changes to processes in response to the pandemic.
			Limited						Comments and recommendations were also made relating to business-as-usual aspects of the system.
Test and Trace Isolation Payments	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Advice on the system introduced to administer these payments.
All Saints Church of England School	People and Communities	Consultancy	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A review of revised processes in response to new remote working arrangements.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
<b>SERVICE DELIVERY</b>									
Business Continuity	All	Risk Based	Reasonable	0	0	4	3	7	Complete This review was started before the first lockdown and an interim memo gave initial findings to assist in emergency preparations. This has subsequently been completed and finalised into a formal report.
IT Asset Management	Customer and Digital	Risk Based	Limited	0	1	7	3	11	Complete A review of the management of portable IT equipment. This was started at the end of 2019/20 and concluded in the early stages of the pandemic, thus enabling some initial commentary on the initiative to allow staff to remove equipment from the office for home use. The IT team have since been brought back in house from Serco and work has commenced on a stock take. A follow-up audit is about to start.
Payments in Lieu of Notice	Resources	Consultancy							In progress A review of the process for, and payments made under, PILON arrangements.
HR Management System	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Part of a project testing team during the implementation of the new HR management system.
Health & Safety	Customer and Digital	Follow-up	n/a	n/a	n/a	n/a	n/a	n/a	Complete A follow up to determine progress of recommendations from the original Internal Audit report along with those made in reports by an external consultant on fire Safety and Health and Safety. Due to the number of recommendations, a 3-year action plan has been drawn up and progress is being made in key areas.



Teacher's Pensions – Premature Retirement Payments	Resources	Consultancy	Limited	0	3	2	1	6	Complete Investigation of possible errors in premature retirement pension payments, and subsequent review of the management of this process.
BACS Bureau	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of the arrangements to make payments through the BACS Bureau operated by CCC (previously provided by Serco IT).
Website Data Quality	People and Communities	Consultancy	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete Review of data quality and accessibility on the Adult Services webpage in readiness for legislative changes.
Free School Meals	People and Communities	Special investigation	n/a	n/a	n/a	n/a	n/a	n/a	Complete An investigation into an allegation that free school meals were being sold on for profit by an individual. Not enough evidence to support the allegation.

AUDIT ACTIVITY	Department	Audit Type	ASSURANCE LEVEL	COMMENTARY
<b>GRANTS AND OTHER CERTIFICATION</b>				
Bus Service Operators	Place and Economy	Grant	Certified	A DfT (Department for Transport) grant to support bus services, including community transport services.
Integrated Transport and Highways Maintenance Grant	Place and Economy	Grant	Certified	A DfT grant via the CPCA to help local authorities cut carbon emissions and create local growth.
Taxi Infrastructure Grant	Place and Economy	Grant	Certified	A DfT grant. ULEV Taxi Infrastructure Competition.
Pothole Action Fund	Place and Economy	Grant	Certified	A capital funded DfT grant via the CPCA to support pothole repairs.
National Productivity Investment Fund	Place and Economy	Grant	Certified	DfT funding via the CPCA for 2018/19 to improve local road networks and public transport.
Local Transport Capital Funding	Place and Economy	Grant	Certified	An additional highways grant from the DfT (non CPCA) to support highways maintenance
Highways Maintenance Challenge Fund	Place and Economy	Grant	Certified	This DfT grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks.
Disabled Facilities Grant	People and Communities	Grant	Certified	Non-ring-fenced capital funding towards grants that the council can award to disabled clients for necessary housing alterations.
Peterborough Integrated Renewables Infrastructure (PIRI)	Place and Economy	Grant	Certified	Council successful bid to Innovate and BEIS for funding for a local energy feasibility study. Verification of first and last claims.
Connecting Families	People and Communities	Compliance	Certified	A payment-by-results scheme from MHCLG in relation to the government's Troubled Families programme. Claims are made monthly and there is a requirement to verify 10% of these. We are also required to review the Outcome's Plan which demonstrates how the Council will apply the qualification and success criteria.

AUDIT ACTIVITY	COMMENTARY
<b>INCOME GENERATING WORK</b>	
Combined Authority	5 pieces of planned work completed

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

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
Teacher's Pensions – Premature Retirement	Limited	July 2021
IT Asset Management	Limited	November 2020

## Executive Summary – Teacher’s Pensions – Premature Retirement

### Introduction

This audit was not specifically part of the 2019/20 audit plan, but relates to concerns raised by Human Resources (HR) in relation to teachers’ premature retirement pension contributions. A teacher, referred to in this report as Teacher A, had been made redundant in 2000, and due to their age, an agreement had been reached to allow the teacher to retire early. In 2017, the Teachers’ Pensions Service (TPS) had written to the Council, making a back-dated claim for £75,989.07 in pension contributions for Teacher A that TPS had failed to bill the Council for since 2000. The reasonableness of this claim was disputed by Payroll by letter at that time. TPS did not respond until early 2019, when they repeated their claim. TPS subsequently wrote off the ‘debt’ that sat outside of the statute of limitations, reducing their demand to just over £31k. However, it was unclear whether the Council should be liable for contributions, as it had been observed that Teacher A had been an employee of Peterborough Regional College, not the Council or one of its maintained schools. TPS provided a copy of the premature retirement benefits application form which made clear that the Council had authorised the arrangement. The Council officer who certified the application left the Council years ago. The Council paid the reduced demand last September, and since then has paying ongoing contributions to TPS of just under £500 per month. The matter was referred to Legal Services to formally dispute the charges, with a view to recovering the sums paid, as it was believed the Council has never had any responsibility for teachers at the Regional College. The quarterly invoices being received from TPS cover premature retirement contributions in relation to 79 teachers (including Teacher A), and current charges equate to around £336k per annum. There is concern that there may be other teachers being billed for who the Council should not be liable for.

### Objectives and Scope

The purpose of the audit was to: Determine the extent of the problem and how it is being resolved.

- Provide advice on actions and controls going forward to ensure that payments in respect of early retirement pensions are accurate and valid.

The scope covered consultancy advice on a query raised about possible erroneous payments for early retirement pensions

This audit was conducted in accordance with proper audit practices, which are set out in the Public Sector Internal Audit Standards (PSIAS). The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

### Main Findings

- Officers from Payroll and HR had been unable to say how it was identified that Teacher A had been an employee of Peterborough Regional College at time of retirement. We note that in an email from April 2019, which pre-dated any specific mention of the Regional College within the documents provided to Internal Audit, TPS made unexplained reference to “PRC”. It seems possible that this was interpreted as the Regional College, when the context of the email suggested PRC stood for premature retirement contributions, or similar. The Payroll team have now identified, from the establishment code stated on

Teacher A's TPS Portal member print, that Teacher A was employed at Peterborough Centre for Multicultural Education (PCME), which is believed to have been part of the Council's Education department. It therefore seems that the Council will be liable for the contributions in respect of Teacher A.

- There are inconsistent levels of supporting evidence available to Payroll in electronic format for each teacher. For the majority of the teachers concerned, evidence held electronically is insufficient to enable Payroll to quickly verify that the teachers are appropriate for inclusion in the invoices submitted by TPS.
- An exercise was recently undertaken by Payroll to use the TPS member portal to try to ascertain the schools or other locations where each prematurely retired teacher was employed at time of retirement, in order to identify any other cases that the Council may not be liable for. This identified six others that need investigating. One of these teachers, referred to in this report as Teacher B, had sufficient documentary evidence available to confirm that the Council should be responsible, and therefore the information held in the TPS portal may not be entirely reliable, or may have been misunderstood.
- Invoices are paid in monthly instalments via payment requisitions created by Payroll. Payroll have to trust that the figures submitted by TPS are correct. Officers involved in the approval of these payments in Agresso have not been provided with the breakdown from each invoice, so they must trust that figures on each requisition are correct
- Comparison of the invoice breakdowns from December 2015 and December 2019 showed that only Teacher A had been added in that time, while two teachers had ceased having contributions made. This suggests that there have been no recent premature retirements resulting from redundancy.

## Conclusion and Opinion

While the immediate concern over the liability for Teacher A's premature retirement contributions has now abated, it remains important to verify who employed Teacher A at the time of their retirement (e.g. by locating or obtaining a copy of their compromise agreement). Legal Services should be informed of the current situation, to prevent legal action being taken. The initial exercise undertaken by Payroll to identify where the teachers appeared to be employed at time of retirement has been useful as it has highlighted cases for prioritisation. Nonetheless, each teacher on the list needs to be verified.

It seems unlikely that TPS, or third parties such as Education Personnel Management (EPM) who provide the HR service for most local teachers, would be prepared to treat the finding and provision of supporting documentation for a large number of teachers as a priority. Therefore the onus must be on the Council to determine whatever HR and payroll records it holds relating to the redundancy of each teacher, including examination of any archived manual files, before attempting to supplement evidence where necessary via outside help. Ideally, the compromise agreement, or equivalent, from each redundancy should be available, as this should confirm that the teacher was considered a Council employee, what the Council was committing to fund (e.g. discretionary enhanced pension), and who agreed this on the Council's behalf. A copy of the TPS premature retirement benefits application form for each teacher should also be found or obtained.

As current annual invoiced costs exceed £300k, and costs for each teacher could continue for many years more, it is important to establish that what is being paid is reasonable. A better understanding of how contributions are calculated and administered is needed, so that invoices are not being paid based solely on trust.

There do not appear to have been any recent premature retirements that have resulted in the need for contributions to TPS from the Council, so there seems no immediate need for a new process at this time. However, the Service Director, Education will need to ensure that if premature retirement is considered in future for school staff, the implications are fully understood by the Council and the relevant schools, especially the long term financial commitment, and that the Service Director, Education's formal approval is obtained, before any such offer is made. The Service Director, Education would also need to ensure that HR and Payroll are provided with appropriate evidence of their approval and the anticipated costs, at the earliest opportunity.

The audit opinion is Limited Assurance. For guidance on internal audit opinions and audit recommendation priorities, please refer to Appendix 1.

## IT Asset Management Executive Summary

### Introduction

Serco provide the Council's ICT service. As part of the Cyber Security Stocktake, Serco undertook a series of projects during 2018-19, with the intention of improving processes in those areas. One of the projects related to management of IT assets. Since the Council's move to agile working, the vast majority of Council or partner officers will have a laptop or Chromebook, and perhaps other electronic devices such as mobile phones, tablets etc, to enable them to perform their roles in an agile way. The Council's agile workstations have been kitted out with at least one monitor, and various other peripheral items such as docking stations and keyboards. A significant amount of money has been invested in portable IT hardware. Equipment may be desirable and not easy to track, and therefore there is an increased risk of loss or theft. An audit of IT asset management forms part of the 2019/20 audit plan. The current contract with Serco, due to expire at the end of September 2020, will not be re-let and the ICT service will transfer back to the Council at that point.

### Objectives and Scope

The purpose of the audit was to ensure that the Council has processes in place that enable it to:

- Understand the requirements for portable IT equipment while delivering operational efficiency and value for money
- Know what equipment it owns, where it is, and who it has been assigned to
- Have sufficient information to accurately estimate the value of its hardware for accounting and insurance purposes
- Be assured that its IT hardware assets are being adequately managed.

The scope covered portable, or reasonably portable, IT devices, including peripheral equipment. The scope excluded software, and bulky equipment (e.g. MFDs) although any issues identified during the audit may also be relevant to these areas.

### Main Findings

- The ICT Partnership Agreement obliged Serco to create and maintain an IT asset register. There appears to be no overarching register or inventory of IT assets that identifies the equipment owned by the Council, and by Serco for the purposes of providing the ICT service, where the equipment currently is, who has it, and any return, reassignment or disposal of items. There are a number of different sources of information that could be interrogated if enquiring about a specific asset. The closest approximation to an asset register is the Stores Spreadsheet, which is an internal Serco document seemingly created to help administer the recharging for equipment bought by Serco, to the Council and other linked organisations that Serco provide an ICT service to. It appears this is not a complete record of all equipment, and it is not being fully completed, thus giving a misleading picture of what is held by ICT. An internal review conducted by Serco had recommended consolidation of its various sources of information on IT equipment into a single asset database. While the recommendation had been accepted, and remained the intention, it had been put on hold for the time being due to various major changes that were under way, in particular the return of the ICT team to the Council, and provision of ICT service to Cambridgeshire County Council.

- IT equipment held by the ICT team as stock or being built for issue, is accessible by a large number of officers within ICT's Technical Services and Accounts Office teams. Those officers are also able to access and freely edit the Stores Spreadsheet, presenting a risk of misappropriation of items and ability to delete records relating to them.
- Stock checks on items held by ICT rarely take place. The onus for performing checks on equipment once issued resides with the Council, and there is not much guidance available for managers to explain exactly what is required of them.
- There is a complicated picture with regards to ownership of devices held by ICT, with some being owned by Serco (including PSSP), some by the Council, and potentially some by other organisations.

## Conclusion and Opinion

At the present time, the Council does not appear to know exactly what IT equipment it owns. As the ICT service returns to the Council in a few months' time, it is important that ownership of the devices that are held by staff, and in ICT's various store-rooms is established and clearly documented before the contract ceases. Creation of a proper IT asset register will be a time-consuming task.

Consideration could be given to procuring IT asset management software, and that approach may address segregation of duties concerns. Irrespective of whether asset management software is procured, the current arrangements for administering IT equipment in stock should be reviewed, with the aim of reducing the number of officers with direct access to stock, to the Stores Spreadsheet, and edit access to whatever form of asset register is eventually put in place. Appropriate segregation of duties need to be introduced to reduce the risk of loss or theft.

Proper guidance for departmental staff needs to be published so that everyone is aware of their responsibilities, and the expected processes they should be following.

Permission was recently granted to officers to borrow monitors and cables to assist extended working at home during the Covid-19 outbreak. Although a process was put in place quickly to facilitate this, there has been non-compliance with it, with additional items being declared as borrowed, and a least one monitor has been removed without a corresponding declaration form being completed. When normal working resumes, it will be necessary for management to undertake a check that equipment has been returned to agile workstations.

The audit opinion is limited assurance.



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<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 8</b>
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

Report of:	Peter Carpenter, Corporate Director of Resources	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

**ANNUAL REPORT: INVESTIGATING FRAUD 2020 / 2021**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM :</b> Steve Crabtree, Chief Internal Auditor	<b>Deadline date :</b> N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Receive, consider and endorse the attached annual report on the investigation of fraud during 2020 / 2021.</li> </ol>	

**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?	<b>NO</b>	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 corporate complaints.

4.2 Audit Committee in March 2018 received an update on the strategic approach adopted by the Council in relation to tackling fraud, together with a review of a number of the policies. Best practice checklists and a report from the accountancy professional body, CIPFA, was also attached in relation to fraud. The policies adopted have been regularly refreshed and were last submitted to this Committee in March 2021.

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

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

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

## **5. CONSULTATION**

5.1 This report has been issued to the 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 2020 / 2021

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### ANNUAL FRAUD REPORT 2020 / 2021

#### 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 2020 / 2021, 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 FRAUD INITIATIVE

##### 2.1 Bi-Annual Exercise 2020

- 2.1.1 The National Fraud Initiative (NFI) exercise brings together datasets from across the public and private sectors. The provision of data for the purposes of NFI is a requirement of the Audit Commission Act 1998. The Council provides a range of datasets for matching, on receipt of the results the Council then has the responsibility to follow up and investigate the matches, and identify fraud, overpayment and error. The main NFI data matching is undertaken every 2 years, the results of these matches are fed into a national report at the end of each cycle. The Council submitted data in October 2020 and matches for review were received in spring 2021. Further matches are received as other organisations submit their data. Distinct datasets are prescribed, for PCC these are:
- Blue Badge Parking Permits (data provided by national software provider);
  - Concessionary Travel Passes;

- Creditors (payment data and supplier references);
- Council Tax Reduction Scheme recipients;
- Housing Benefits (data provided by DWP);
- Payroll;
- Residential Parking Permits;
- Taxi Drivers Licences: and
- Waiting List (Housing)

2.1.2 The following datasets were withdrawn from the National Exercise due to limited matches / success in previous years. They remain discretionary and Peterborough took the decision to not include:

- Market Trader Licences; and
- Personal Alcohol Licences

2.1.3 Similarly, the following datasets are normally collected but it was decided nationally to defer collection until later in 2021. To date we have not received a request for:

- Personal Budgets; and
- Private Residential Care Homes

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

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

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

<b>OUTPUTS FROM DATASETS</b>			
	Original Matches	New Matches	Total
Blue Badge Parking Permit	423	-	423
Concessionary Travel Pass	1,153	-	1,153
Council Tax Reduction Scheme	433	1	434
Housing Benefits	91	2	93
Payroll	36	1	37
Residential Parking Permits	3	-	3
Taxi Drivers	1	-	1
Waiting List	474	4	478
	2,614	8	2,622

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

2.1.7 Trade Creditors submitted as part of the exercise cover the 3 year period 1 October 2017 – 30 September 2020. The number of records submitted were 179,144 individual payments made during the period against 3,790 suppliers. This resulted in the following matches:

<b>OUTPUTS FROM DATASETS</b>			
	Original Matches	New Matches	Total
Payroll to Creditors	176	41	217
Duplicate Creditors	2,823	-	2,823
VAT Overpaid	330	-	330
	3,329	41	3,370

2.1.8 While the outputs continue to be reviewed, previous exercises have noted the following observations:

- 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.
- 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.

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

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



minority who are attempting to defraud the system. From the National Fraud Initiative (January 2021 download), the following results have been obtained:

OUTPUTS FROM DATASETS	
	Matches
Council Tax to Electoral Register	3,251
Council Tax to Rising 18s	103

2.2.2 Matches identify addresses where the householder is claiming a SPD on the basis that they live alone yet the electoral register suggests that there is more than one person in the household aged 18 or over. The electoral register also includes details of individuals who are approaching their 18th birthday. Unless there is an exemption, for example, a student, then the single person discount would need to be revoked from the date of their birthday.

### 2.3 Business Grants

2.3.1 Due to the national pandemic, numerous grants have been paid to local authorities for distribution across their areas. One such grant relates to businesses. To date, 3 separate schemes have been in place. This data is not part of the mandatory bi-annual NFI exercise, however an opportunity was made available to all authorities to use that tool to assist in verification of payments made.

2.3.2 Grant payments made to businesses have been coordinated through Revenues and Benefits. The basis of the payments are based upon records held within Business Rates and a number of additional checks were undertaken prior to payments being made. Data matching has focused on two keys areas, namely verification of the bank account and also an active company check. There is also a combined check. NFI has similarly risk assessed the matches so as to enable PCC to focus on the higher risks.

OUTPUTS FROM DATASETS		
	Submission 1	Submission 2
Bank Account Verification	880	151
Active Company Check	93	
Combined	1,380	262
	2,353	413

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

OUTPUTS FROM DATASETS	
Small Business Grants Fund (Duplicates)	47
Small Business Grant Fund and Retail Hospitality Leisure Grant	13

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

## 2.4 Overall

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

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

## 3...COUNCIL TAX SUPPORT

3.1 As of 1 April 2013, Council Tax Benefit ceased to exist and was replaced by Council Tax Support schemes. Benefit fraud will always be a risk faced by local authorities owing to the high volumes of payments and complexities of legislation. There has been a steady decline in the number of investigations over the last four years, due to a number of factors such as better intelligence to stop claims before they are even set up, and this has mirrored a reduction in the size of the team over the same time period. The Council has a dedicated “fraud” hotline. Information is received, recorded and initial sifting takes place. Some information may be malicious and cases are closed while others may have substance and these are referred to the appropriate organisations to investigate. There has been a reduced level of referrals received – possibly as a result of the pandemic, various lockdowns, furlough etc. – but these are now starting to increase.

3.2 Council Tax investigation types include – contrived tenancy; undeclared income; living together; non-residency; working and claiming; undeclared non-dependency; or undeclared capital.

3.3 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. .

3.4 A prosecution is the most visible of all the sanctions available to the team and each prosecution will be publicised. This approach sends out a strong message of assurance to the residents of Peterborough and encourages reports of alleged abuse to be made to the council’s fraud hotline

and dedicated fraud email address. However, we have been unable to pursue this route due to Courts being closed during lockdown. We continue to apply the appropriate evidential and public interest tests to matter before deciding to prosecute.

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

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

#### 5...OTHER INVESTIGATIONS

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

- Corporate Complaints (Stage 2)
- Disciplinary (gross misconduct)
- Blue badge misuse
- Internal fraud

#### 5.2 Stage 2 Corporate Complaints

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. 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.

STAGE 2 CORPORATE COMPLAINT REFERRALS					
	2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020	2020 / 2021
Referrals received	20	17	23	16	18

18 cases were received during the year to 31 March 2021 which were all reviewed with the majority requiring full investigated by the Team. Outcomes include making recommendations to rectify the complaint, or finding that the Council had done everything it could possibly do.

#### 5.3 Disciplinary Cases

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. Results of these include dismissals, final written warnings, verbal warnings and resignations.

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

#### 5.4 Blue Badge Misuse

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.

Changes in eligibility criteria for the Blue Badge scheme which came into effect on 30 August 2019 to include individuals with “hidden disabilities” could lead to an increase in potential allegations of abuse.

Chief Internal Auditor  
June 2021

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<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 9</b>
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

Report of:	Pete Carpenter, Corporate Director of Resources	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

**ANNUAL REPORT: INSURANCE AND INSURANCE FUND REPORT 2020 / 2021**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM :</b> Steve Crabtree, Chief Internal Auditor	<b>Deadline date :</b> N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Receive, consider and endorse the attached annual report on the provision of the Insurance Service during 2020 / 2021</li> </ol>	

**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

2.2.1.12: 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?	<b>NO</b>	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, Aragon Direct and City Culture Peterborough

#### 4.2 Insurance

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

- In common with all work teams, the effects of Covid-19 have been the dominant issue dealt with by the Insurance Team in 2020/21. Firstly, the team had to adapt to working entirely from home, setting up appropriate workstations at home that were suitable for working there full time and also arranging how to receive post, arrange printing and work in new ways such as using Microsoft Teams for meetings, one to one sessions etc. Maintaining 'business as usual' was definitely more of a challenge.
- The Vivacity service came back to PCC and so the leisure part had to be added to Aragon's insurances and the culture part required new policies setting up for City Culture Peterborough.

#### 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 subsidence claims, through targeted tree works in higher-risk areas, better recording of tree stock and inspections and meetings with/seminars for the Tree Team, to aid their understanding of the insurance position.
- Claims for damage to fencing and walls caused by overgrown vegetation and tree roots have increased year on year, so again the Insurance Team have been liaising with Trees to find ways to combat this, such as one or two metre clearances of shelter belts back from the boundaries of nearby housing.
- Highways risk has been reduced as far as is possible: 100% of inspections are being carried out on the highway network and no claims have been paid in 2020/21. This is a result of excellent hard work on the part of the Inspectors and the close working relationship between Highways and the Insurance Team. Risk mitigation work will not cease, it is important to ensure that this position does not slip.
- The Insurance Risk Mitigation Fund has paid for the Highways Inspectors to undertake Arboricultural training, to ensure they meet the higher requirements of the new Code of Practice and also to improve the Council's position by ensuring the Inspectors can recognise a tree near or on the highway in need of work in between the three yearly inspections carried out by the Trees Team.

#### 4.5 Working with schools

- Schools are not obliged to arrange their insurance through the Local Authority and so for the past 20 years the Insurance Team have been offering the bespoke 'Choice' service, which allows schools to choose from a range of insurances they may need, including specialist schemes for school journeys, Governors and legal expenses, as well as the usual buildings, contents, liabilities and motor covers.

- The schools can choose the level of excess they are comfortable with and receive claims handling, insurance advice and risk management support from the Insurance Team.
- 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. · Six Academies have remained with PCC 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. · The Government's RPA scheme has been extended to include LA-maintained schools, so our schools now have this additional choice. None of our schools chose to leave our insurance scheme for the RPA in 2020/21.

#### 4.6 Impact of the Pandemic

- The lockdown commenced in the final month of 2019/20 and therefore there was no significant impact for that financial year. The impact in terms of claims numbers and costs of additional insurances have therefore been considered by analysis of the year 2020/21.
- A Government directive to house rough sleepers during the pandemic meant that three hotels were taken over by PCC to meet this requirement. The hotels required PCC to insure the hotels for this period, so this was put in place. Insurers were very generous and agreed not to charge an additional premium for this.
- Additional advice and support was provided to schools as necessary, including discussing cover for the schools who remained open, risk management advice and cover for the additional duties imposed upon schools, such as lateral flow testing.
- As fewer people were out on the streets or driving during the pandemic, Public Liability claim numbers dropped for 2020/21.
- The biggest area affected was school journey claims, due to all the trips that had to be cancelled. Claim numbers doubled, but the values increased exponentially
- Highways coverage during the pandemic remained high. Many Local Authorities reduced or even stopped their highway inspections during the first and second lockdowns, but in meetings between the Insurance Team, Highways management and the contractor Skanska, it was agreed that our inspections would carry on throughout, with the Inspectors being offered guidance on staying safe and providing letters confirming their role, in case they were challenged. This meant that highway maintenance works could carry on throughout and we were able to defend claims.

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

### 5. **CONSULTATION**

5.1 This report has been issued to the 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 2020 / 2021

## INSURANCE: ANNUAL REPORT 2020 / 2021

### 1...INTRODUCTION

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

### 2...INSURANCE TEAM ACTIVITIES

- 2.1 The Insurance Team form part of the wider Audit, Insurance and Investigations Team and provide the following main services:
- Assess the insurance needs of Peterborough City Council and put in place an insurance programme that best reflects these needs, through a mixture of external insurance and use of the Insurance Fund
  - Handle all insurance claims pursued against Peterborough City Council up to the insurance deductible and liaise with insurers concerning all claims over the deductible
  - Evaluate insurance claims to identify both individual areas of risk mitigation and general risk trends, then implement strategies to reduce these
  - Provide insurance services to other bodies, such as schools including academies, City Culture Peterborough and Aragon Direct
- 2.2 The key issues dealt with by the Insurance Team over the past year are as follows:
- **Covid-19.** In common with all work teams, the effects of Covid-19 have been the dominant issue dealt with by the Insurance Team in 2020/21. Firstly, the team had to adapt to working entirely from home, setting up appropriate workstations at home that were suitable for working there full time and also arranging how to

receive post, arrange printing and work in new ways such as using Microsoft Teams for meetings, one to one sessions etc. Maintaining ‘business as usual’ was definitely more of a challenge.

- **Returning Services.** The Vivacity service came back to PCC and so the leisure part had to be added to Aragon’s insurances and the culture part required new policies setting up for City Culture Peterborough.

### 3...INSURANCE CLAIMS REVIEW

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

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

	2016/17	2017/18	2018/19	2019/20	2020/21
Employers Liability	5	4	5	2	3
Motor	19	12	14	8	4
Other	6	2	-	11	6
Property	26	22	27	14	15
Public Liability	141	139	131	112	101
<b>TOTAL</b>	<b>197</b>	<b>179</b>	<b>177</b>	<b>147</b>	<b>129</b>

- **Low Claim numbers.** Claim numbers are very low for an Authority of this size and have stabilised over the last few years.
- **Low liability claims.** Employers Liability claim numbers remain particularly low. This is likely to be partially due to the outsourcing of the higher-risk manual operations 8 years ago and partially due to the strong commitment to Health and Safety and risk management across the Council. This will be monitored as services return in-house.
- **Low motoring claims.** Motor claims remain low and continue to reduce. Of the 8 claims in 2019/2020, 6 were fault and 2 non-fault (claims for 2020/21 have yet to be concluded). 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.
- **Low numbers of property claims.** Property claim numbers are reducing. The top two claims causes currently are vandalism and break in / theft, which has been consistent for the last few years.

- **Minimal public liability claims.** Public liability claims figures are very low. As claimants have 3 years in which to pursue personal injury claims, the numbers for 2019/20 and particularly 2020/21 are likely to increase slightly over the next year or two. The two most frequent claims types are Highways and tree-related property damage.

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

	2016/17	2017/18	2018/19	2019/20	2020/21
Employers Liability	38,578	22,000	36,873	-	41,500
Motor	37,596	33,623	8,534	9,979	2,965
Other	625	283	200	346	47,190
Property	35,134	82,647	627,561	240,995	98,501
Public Liability	233,887	418,025	671,194	163,819	337,117
<b>Total £</b>	<b>345,820</b>	<b>556,578</b>	<b>1,344,362</b>	<b>415,139</b>	<b>527,273</b>

- **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 figures for 2019/20 and 2020/21 are not representative:** motor claims are handled by insurers rather than the Insurance Team and the values are only provided by insurers once the claims are completed. Therefore, the figures will not be accurate until the insurance year matures.
- **Whilst Property claim numbers are reducing, there has been a significant increase in the values.** This is due to one very large claim in 2018/19 and one large claim in 2019/20. Both are mostly funded by the insurance company and so there is not such an impact upon the Council's Insurance Fund. However, this has had an effect upon the Property insurance premium.
- **Public Liability - the year 2016/17 is now nearly mature with only three Public Liability claims remaining open and the figures are therefore now reasonably accurate.** 2017/18 still has 8 Public Liability claims still open, the majority of which are higher-valued subsidence claims and therefore the figures may still reduce. The figure for 2018/19 is so high because there was a very dry summer, leading to a large number of subsidence claims which remain outstanding. The year 2019/20 still has many outstanding claims and so the figures should reduce as files are closed off, however claims are still coming in for 2020/21 and therefore this figure may increase. This should also then start to reduce in the future, as repudiated claims are closed off. Full reserves are maintained upon each claim until they are closed, at the point where a repudiation has been accepted or a period of months have passed showing the claim will not be pursued further.

### 3.2 PCC Public Liability repudiation rate

	2016/17	2017/18	2018/19	2019/20	2020/21
PL repudiation rate	82%	81%	92%	88%	95%

- The Highways repudiation rates are 100% for 2020/21, 98% for 2019/18, 98% in 2018/19, 100% in 2017/18 and 99% in 2016/17. 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. One and two metre wide clearance strips are being carried out to shelterbelts that run along the rear of housing estates where necessary and shrub beds are being cut back where they grow against fences, where possible.

### 3.3 Aragon Direct claims 2020/21

	Grounds Maintenance	Refuse Collection	Passenger Transport	Street Cleaning	Waste Management
Public Liability	11	6	-	-	-
Motor	6	33	2	4	2
Property	1	-	-	-	-
Employers Liability	-	-	-	-	-

- The Grounds Maintenance PL claims in the main involve windows being broken by stones flicked up by strimmers and mowers. All but one have been successfully defended due to the robust processes in place to guard against such incidents. Other claims arise where an operative accidentally cuts down private plants during shrub bed pruning.
- The Refuse Collection PL claims are all either refuse operatives scraping bins against vehicles, or leaving oil stains when emptying bins. Only one of the former have resulted in a claim payment. The numbers are low compared to the overall number of bins emptied, but the Insurance Team will be recommending that operatives are reminded to take care, as such incidents should be avoidable.
- The Grounds Maintenance motor claims were all fault accidents.
- The Passenger Transport motor claims were one fault and one non-fault.
- The Refuse Collection motor claims were 20 fault, 2 non-fault and 10 where the circumstances are disputed. There were 10 more claims involving Refuse vehicles

in 20/21 than in 19/20, however the total number of motor claims has only gone up by one. These figures will be discussed at the next Aragon meeting.

- The Waste Management motor claims were both fault accidents.
- It was anticipated that EL claims would come in, however none have as yet (as was in 2019/20). Areas of good practice are discussed at Aragon meetings and look to maintain this position.

#### 4...RISK MITIGATION

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

	2016/17	2017/18	2018/19	2019/20	2020/21
Highways	67	71	55	57	50
Schools	6	3	6	2	2
Subsidence	21	16	41	12	3
Trees Direct Damage	31	23	13	24	27
Estate Services	2	8	3	4	4
Street Lighting	2	3	3	2	1
Miscellaneous	12	15	10	15	14
<b>TOTAL</b>	<b>141</b>	<b>139</b>	<b>131</b>	<b>116</b>	<b>101</b>

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

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

- Arboricultural training for Highways Inspectors: the new CIHT Code of Practice (Well-Managed Highway Infrastructure) places higher duties upon Inspectors to identify problems with street trees. This Lantra training demonstrates the Inspectors meet the requirements of the Code, enabling PCC to defend claims.
- Subsidence risk tree felling and replanting schemes: claims data is used to map out subsidence risk 'hot spots' within the city and schemes of targeted felling are carried out to reduce this risk as far as possible. It is difficult to quantify the savings this generates as the outcome is less claims received, or creating the ability to

defend claims that do arise, but the average cost of a subsidence claim in the last 3 years is £16,588. The IRMF funding of £25,000 per year will probably prevent at least 10 claims from arising, likely more, so the savings per year this funding generates is at least £140,000 per year.

- In keeping with PCC's agenda for climate risk control and tree canopy cover, replanting schemes are also then carried out to replace the trees removed, either with a more appropriate species for the location, or in another location where it is too high risk to replant at the original location.
- Whilst low value individually, the number of claims arising from direct damage caused by trees and shrubs is now very high, with the potential to keep rising, so solutions to this are being investigated with the Head of Environmental Partnerships.
- Other areas of risk are also considered where there would be a benefit, for example CCTV in schools.

## **5...FUTURE RISKS AND WORKSTREAMS**

- 5.1 It is anticipated that Trees / Subsidence and Highways claims will continue to form the bulk of the claims work carried out by the Team over the next 12 months. Joint working with these Departments to reduce these risks as far as is possible are already well established.
- 5.2 The services previously being provided by Vivacity have come back to the Council and are being managed by Aragon and City Culture Peterborough, which will generate additional work both in renewing the appropriate insurance policies put in place and to deal with claims arising from these services going forward.
- 5.3 It was considered likely that the Whiplash Reform Programme would lead to Solicitors pursuing more unusual types of claim to offset their income loss when the small claims limit is raised, meaning only fixed costs can be recovered by them. As the Reforms have been delayed until at least next year due in part to Covid-19, this is no longer considered to be on the immediate horizon.
- 5.4 The Government's RPA scheme has been extended to include LA maintained schools and therefore our schools will have this additional choice, further to their existing right to insure with any provider of their choosing. It is therefore possible we will lose some schools at next renewal. We will therefore be carrying out additional work to remind the schools of the benefits of remaining with us, alongside the work we are doing to retain Academy schools. To date we have not lost any school to the RPA scheme.
- 5.5 It is possible the Council may receive Covid-related claims. We will liaise with market experts to establish what may be expected and how best to deal with any that arise. None have been forthcoming so far.

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

- 6.1 The lockdown commenced in the final month of 2019/20 and therefore there was no significant impact for that financial year. The impact in terms of claims numbers and costs of additional insurances have therefore been considered by analysis of the year 2020/21.
- 6.2 A Government directive to house rough sleepers during the pandemic meant that three hotels were taken over by PCC to meet this requirement. The hotels required PCC to insure the hotels for this period, so this was put in place. Insurers were very generous and agreed not to charge an additional premium for this.
- 6.3 Additional advice and support was provided to schools as necessary, including discussing cover for the schools who remained open, risk management advice and cover for the additional duties imposed upon schools, such as lateral flow testing.
- 6.4 An upside is that the new pattern of working has meant that nearly all correspondence is now sent via email, which both makes the claims process quicker and saves PCC the cost of postage.
- 6.5 As fewer people were out on the streets or driving during the pandemic, Public Liability claim numbers dropped for 2020/21.
- 6.6 The biggest area affected was school journey claims, due to all the trips that had to be cancelled. Claim numbers doubled, but the values increased exponentially, as shown below:

	No of claims	Value £
2017/18	8	14,477
2018/19	6	1,453
2019/20	18	61,222
2020/21	12	81,137

- 6.7 Highways coverage during the pandemic remained high. Many Local Authorities reduced or even stopped their highway inspections during the first and second lockdowns, but in meetings between the Insurance Team, Highways management and the contractor Skanska, it was agreed that our inspections would carry on throughout, with the Inspectors being offered guidance on staying safe and providing letters confirming their role, in case they were challenged. This meant that highway maintenance works could carry on throughout and we were able to defend claims.



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<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 10
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

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

## REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

R E C O M E N D A T I O N S	
<b>FROM:</b> Steve Crabtree, Chief Internal Auditor	<b>Deadline date:</b> N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. To consider the response to the CIPFA Toolkit checklist for Audit Committees, which records that the Committee meets all of the good practice statements;</li> <li>2. To consider the draft responses to the CIPFA Knowledge and Skills Framework for local authority audit committees; and</li> <li>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.</li> </ol>	

### 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?	<b>NO</b>	If yes, date for Cabinet meeting	N/A
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### 4. BACKGROUND AND KEY ISSUES

#### 4.1 INTRODUCTION

4.1.1 The Accounts and Audit Regulations 2015 state that each local authority shall at least annually, “conduct a review of the effectiveness of its system of internal audit”. The regulations go on to say that the findings of this review should be considered by a committee or members of the relevant body as a whole, as part of the wider consideration of the organisation’s system of internal control. This requirement is reiterated in the Internal Audit Charter which was last approved by the Committee in March 2019 (NB: This was scheduled for March 2020 but following cancellation of the committee is now on this agenda). The requirements for an effective internal audit function are set out in Public Sector Internal Audit Standards.

4.1.2 Members previously considered a report in July 2020 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” in 2018. The document sets out CIPFA’s guidance on the function and operation of audit committees, giving their view of best practice, and also includes their “Position Statement: Audit Committees in Local Authorities and Police Authorities”. 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.

*Nevertheless, Members may wish to consider the responses given to ensure they accurately reflect their views and agree appropriate actions for those areas they consider should be amended / enhanced.*

4.2.7 To further assist Audit Committees, CIPFA also produced a Knowledge and Skills framework for Audit Committee members. A draft assessment has been compiled by officers (**Appendix C**). Core skills are identified in **Appendix D**.

## 5. CONSULTATION

5.1 The review has been circulated to the 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.

### **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

<b>Issue / Evidence / Suggested Improvement</b>	<b>Yes</b>	<b>No</b>
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**APPENDIX B**

<b>1...ESTABLISHMENT, OPERATION AND DUTIES</b>																				
<b>1.1 ROLE AND REMIT</b>																				
<b>1.1.1</b>	<b>Does the Audit Committee have written terms of reference?</b>	✓																		
<p>Terms of Reference (ToR) can be found within:</p> <ul style="list-style-type: none"> <li>• Constitution;</li> <li>• on Council website; and</li> <li>• Audit Committee Handbook</li> </ul> <p>Regularly reviewed and is up to date with approval through Council as appropriate when Constitution amendments are made.</p> <p>Latest update of the Constitution (including details for the Audit Committee) was in May 2021.</p>																				
<b>1.1.2</b>	<b>Do the terms of reference cover the core functions of an Audit Committee as identified in CIPFA guidance?</b>	✓																		
<p>Template used for ToR based upon CIPFA best practice. Incorporates arrangements for:</p> <ul style="list-style-type: none"> <li>• Internal Audit (plans, outputs, commissioning works and reporting of recommendations)</li> <li>• External Audit (plans, outputs, commissioning of works and their appointment)</li> <li>• Governance matters (such as risk management; Regulation of Investigatory Powers; whistleblowing; anti-fraud measures; and arms-length Council company performance)</li> <li>• Accounting (scrutiny of the statement of accounts; annual governance statement; and the external auditors report into those accounts)</li> </ul>																				
<b>1.1.3</b>	<b>Are the terms of reference approved by the council and reviewed periodically?</b>	✓																		
<p>Updates to Constitution are all channelled through Council as appropriate (see 1.1.1).</p> <p>Last full update for Audit Committee was May 2021.</p> <p>Main ToR remains as per best practice.</p>																				
<b>1.1.4</b>	<b>Has the Audit Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?</b>	✓																		
<p>Changes to committee numbers agreed each year at Council when establishing make up of each Committee.</p> <p>11/7/2012 Council agreed for Audit Committee to be exempt from political balance requirements under s.15 LG and Housing Act 1989. Current membership is 7.</p> <p>Membership following May 2021 Full Council is as per table below. (NB: Due to current pandemic, at time of review, there has not been a Full Council meeting held to reaffirm allocations or change appointments).</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 15%;">Party</th> <th style="width: 15%;">Conservative</th> <th style="width: 15%;">Labour</th> <th style="width: 15%;">Lib Dem</th> <th style="width: 15%;">Werrington First</th> <th style="width: 15%;">Green</th> </tr> </thead> <tbody> <tr> <td>Membership</td> <td>3</td> <td>3</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td>Reserve</td> <td>1</td> <td>1</td> <td>1</td> <td>0</td> <td>0</td> </tr> </tbody> </table>			Party	Conservative	Labour	Lib Dem	Werrington First	Green	Membership	3	3	1	0	0	Reserve	1	1	1	0	0
Party	Conservative	Labour	Lib Dem	Werrington First	Green															
Membership	3	3	1	0	0															
Reserve	1	1	1	0	0															



**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	<b>Issue / Evidence / Suggested Improvement</b>	<b>Yes</b>	<b>No</b>
	<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> <p>Following despatch of Audit Committee papers one week prior to each meeting, a pre-meet is held between officers and members to provide an overview as to the papers to be discussed as well as to receive questions to be posed to enable potential research etc. so that they can be addressed at the Committee itself.</p>		
1.1.5	<p><b>Can the Audit Committee access other committees and full council as necessary?</b></p>	✓	
	<p>Members are also on other Committees in line with their political party proportionate allocation and all are expected to attend Full Council.</p> <p>An Annual report on Audit Committee activity is provided to Full Council for information. (There is an expectation that Chair would discuss at the meeting, but could be an issue if they lose seat in local elections). The latest version was submitted to Audit Committee in March 2021.</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><b>Does the authority's Annual Governance Statement (AGS) include a description of the Audit Committee's establishment and activities?</b></p>	✓	
	<p>AGS produced by Chief Internal Auditor (CIA) and responsibility for it is with Director of Resources in line with prescribed best practice.</p> <p>The draft is submitted as part of statement of accounts deadlines and independently checked by External Audit to confirm approach and its content.</p> <p>Reference is made within the document to the role of the Audit Committee.</p>		
1.1.7	<p><b>Does the Audit Committee periodically assess its own effectiveness?</b></p>	✓	
	<p>Current effectiveness review has been completed by CIA.</p> <p>No separate independent review undertaken, however report to Audit Committee July 2021 provides opportunity for challenge by Members.</p> <p>A separate assessment against the CIPFA Knowledge and Skills Framework is also included.</p> <p>Membership numbers are reviewed as part of overall allocation to committees, approved through Council each year.</p>		
1.1.8	<p><b>Does the Audit Committee make a formal annual report on its work and performance during the year to full council?</b></p>	✓	
	<p>Annual report is produced each year by Democratic Services (based on a standard template) in March each year. This is referred to Full Council following consideration / agreement at Audit Committee.</p>		

**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	Issue / Evidence / Suggested Improvement	Yes	No
<b>1.2</b>	<b>MEMBERSHIP, INDUCTION AND TRAINING</b>		
1.2.1	<b>Has the membership of the committee been formally agreed and a quorum set?</b>	✓	
	Annual membership review each year (May). Full Council approval required (based on political proportionality) Quorum level set at 4 (based on current level of 7).		
1.2.2	<b>Is the chair independent of the executive function?</b>	✓	
	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	<b>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?</b>	✓	
	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.		
1.2.4	<b>Are new Audit Committee members provided with an appropriate induction?</b>	✓	
	Standardised work programme set out for the year and training offered around each of those areas to ensure focussed discussions.		
1.2.5	<b>Have all members' skills and experiences been assessed and training given for identified gaps?</b>	✓	
	Training in recent times has been provided to members based around key aspects of the committee agendas, such as: <ul style="list-style-type: none"> <li>• Introduction to governance</li> <li>• Risk management</li> <li>• Final accounts and the governance statement</li> <li>• Treasury Management</li> </ul> Democratic Services assess all member training needs.		
1.2.6	<b>Has each member declared his or her business interests?</b>	✓	
	Member interests are recorded on website in accordance with the schemes requirements. During 2020 / 2021 meetings, no declarations have been made before (or during) Audit Committees.		
1.2.7	<b>Are members sufficiently independent of the other key committees of the council?</b>	✓	
	No members on Audit Committee are on Cabinet. Cabinet Member for Finance has attended Audit Committee in an observation capacity, although does contribute to items if required. (Does not have voting rights in line with Constitution). All Members are on separate Committees		

**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	Issue / Evidence / Suggested Improvement	Yes	No
1.3	<b>MEETINGS</b>		
1.3.1	<b>Does the Audit Committee meet regularly?</b>	✓	
	<p>Set timetable agreed each year / with prescribed timings for the key reports. For example.</p> <ul style="list-style-type: none"> <li>• July (Final accounts / AGS / Audit Opinion)</li> <li>• September (strategic risks / annual audit letter)</li> <li>• November (audit progress)</li> <li>• January / February (grant claims / strategic risks / treasury)</li> <li>• March (IA / EA plans)</li> </ul> <p>Other activities programmed throughout year cover fraud, information governance, use of RIPA and approvals of write offs exceeding £10,000.</p>		
1.3.2	<b>Do the terms of reference set out the frequency of meetings?</b>	✓	
	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	<b>Does the Committee calendar meet the authority's business needs, governance needs and the financial calendar?</b>	✓	
	Work Programme produced complies with statutory dates for reporting.		
1.3.4	<b>Are members attending meetings on a regular basis and if not, is appropriate action taken?</b>	✓	
	<p>Annual report sets out level of attendance and are documented on website against each committee agenda.</p> <p>Substitutes are available if needed to ensure quorate and offset apologies.</p> <p>There has been no matters arising from the need for necessary actions if members are not regularly present.</p>		
1.3.5	<b>Are meetings free / open without political influences being displayed?</b>	✓	
	<p>While the composition of the Committee reflects the political composition of the Council, decisions are not taken on political lines.</p> <p>In addition, the committee is exempt from political balance requirements (see 1.1.4)</p>		
1.3.6	<b>Does the s151 officer or deputy attend all meetings?</b>	✓	
	Director of Resources (s151) present at each meeting.		
1.3.7	<b>Does the Audit Committee have the benefit of attendance of appropriate officers at its meetings?</b>	✓	
	<p>Committee is supported by a permanent clerk from Democratic Services. Director of Resources and Chief Internal Auditor are always in attendance.</p> <p>Other Officers attending are based on agenda items as well as representation from External Audit and Legal Services.</p>		

**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	Issue / Evidence / Suggested Improvement	Yes	No
<b>2...INTERNAL CONTROL</b>			
2.1	<b>Does the Audit Committee consider the findings of the annual review of the effectiveness of the internal audit?</b>	✓	
	Annual report produced each year for review as part of the consideration for the AGS.		
2.2	<b>Does the Audit Committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?</b>	✓	
	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	<b>Does the Audit Committee consider how meaningful the AGS is?</b>	✓	
	Advice on the reasoning behind the AGS and how to challenge and understand it are provided in occasional training sessions. All committee reports provide full details / background information in order to make informed decisions in line with corporate templates. External Audit comments in relation to the AGS also referred to the Committee		
2.4	<b>Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?</b>	✓	
	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	<b>Has the Audit Committee considered how it integrates with other committees that have responsibility for risk management?</b>	N/a	N/a
	Committee are responsible for monitoring the effective development and operation of risk management in the Council.		
2.6	<b>Has the Audit Committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud - Actions to Counter Fraud and Corruption?"</b>	✓	
	Part of Audit Committee remit and previously covered. Guidelines issued by CIPFA in October 2014. Policies are reviewed against these on an annual basis. Last submitted to Audit Committee in March 2021. They continue to meet best practice		
2.7	<b>Does the Audit Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?</b>	✓	
	There is an annual report produced in relation to investigations / compliance which covers the works of the Investigations team. Separate reports are also issued in relation to the National Fraud Initiative (Strategy and progress reports) as well as "Fighting Fraud and Corruption Locally"		

**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	<b>Issue / Evidence / Suggested Improvement</b>	<b>Yes</b>	<b>No</b>
2.8	<p><b>Is the Audit Committee made aware of the role of risk management in the preparation of the internal audit plan?</b></p> <p>Set out in the Audit Charter / Strategy as to how the Audit Plan has been developed. A revised approach has been formalised since 2018 and was included on the agenda in February each year to identify emerging issues.</p> <p>Training has been provided to Members on the role of Internal Audit and how it focusses its works around establishing appropriate mechanisms in place to reduce the risks. The full audit plans are provided annually in the March committee cycle.</p>	✓	
2.9	<p><b>Does the Audit Committee review the authority's strategic risk register at least annually?</b></p> <p>The risk register issued to Audit Committee as a high level document, usually every 6 months, subject to review being undertaken by CMT.</p> <p>Risk management processes and a meaningful dialogue is in place with Members to ensure challenge / buy in.</p>	✓	
2.10	<p><b>Does the Audit Committee monitor how the authority assesses its risk?</b></p> <p>Risks are reported to committee and actions taken to mitigate are challenged.</p> <p>Suggestions are made for areas that should be included.</p>	✓	
2.11	<p><b>Do the Audit Committee's terms of reference include oversight of the risk management process?</b></p> <p>Yes</p>	✓	
<b>3...FINANCIAL REPORTING AND REGULATORY MATTERS</b>			
3.1	<p><b>Is the committee's role in the consideration and / or approval of the annual accounts clearly defined?</b></p> <p>Defined within ToR in line with best practice</p>	✓	
3.2	<p><b>Does the audit committee consider specifically:</b></p> <p><b>The suitability of accounting policies and treatments</b></p> <p>Set out in final accounts updates / reports and overview given as part of training prior to agenda</p> <p><b>Major judgements made</b></p> <p>Commentary is included in the final account statements and are reviewed by members and External Audit.</p> <p>No misstatements have been identified.</p> <p><b>Large write offs</b></p> <p>Write offs over £10,000 are a standing item on the Audit Committee agenda.</p> <p><b>Changes in accounting treatment</b></p> <p>Set out in final accounts updates / reports and overview given as part of training prior to agenda</p>	✓	

**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	<b>Issue / Evidence / Suggested Improvement</b>	<b>Yes</b>	<b>No</b>
	<b>The reasonableness of accounting estimates / narrative aspects of reporting</b>  Will be more prominent as quicker account closures introduced. External Audit works earlier in year to reduce the potential levels of estimates Accounting reports follow prescribed best practice and are reviewed by Members and External Audit	✓	
3.3	<b>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?</b>  Covered during the July cycle (subject to accounts been able to be closed). Due to the ongoing pandemic this timetable will slip.	✓	
3.4	<b>Does the Audit Committee review the management's letter of representation?</b>  See 3.3 above	✓	
3.5	<b>Does the Audit Committee annually review the accounting policies of the authority?</b>  See 3.2 above	✓	
3.6	<b>Does the Audit Committee gain an understanding of management's procedures for preparing the authority's annual accounts?</b>  Annual training is provided to Audit Committee members prior to review of the statement of accounts	✓	
3.7	<b>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?</b>  Training is provided on key aspects of the agenda. Information circulars received from CIPFA or other organisations are also circulated when available	✓	
<b>4...INTERNAL AUDIT</b>			
4.1	<b>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?</b>  Annually, March committee cycle receives: <ul style="list-style-type: none"> <li>• Internal Audit Strategy</li> <li>• Internal Audit Plan</li> <li>• Internal Audit Charter</li> <li>• Internal Audit Code of Ethics</li> </ul>	✓	
4.2	<b>Does Internal Audit have an appropriate reporting line to the Audit Committee?</b>  CIA has direct access and freedom to report to all officers / members and particularly to those charged with governance e.g. Chief Executive; Monitoring Officer; s151 Officer; Deputy s151.	✓	

**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	<b>Issue / Evidence / Suggested Improvement</b>	<b>Yes</b>	<b>No</b>
	Meetings are held with Chair of Audit Committee (briefings) when required Monthly meetings are held with Cabinet Member for Finance		
4.3	<b>Does the Audit Committee receive periodic reports from Internal Audit including an annual report from the Head of Internal Audit?</b>	✓	
	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	<b>Are follow-up audits by Internal Audit monitored by the Audit Committee and does the committee consider the adequacy of implementation of recommendations?</b>	✓	
	Recorded on progress reports of all audit activities undertaken.		
4.5	<b>Does the Audit Committee hold periodic private discussions with the Head of Internal Audit?</b>		✓
	Constitution does not allow for private meetings to be held		
4.6	<b>Is there appropriate cooperation between the internal / external auditors?</b>	✓	
	Joint working arrangements where appropriate to ensure effective coverage and avoiding duplication. Progress meetings are held.		
4.7	<b>Does the Audit Committee review the adequacy of Internal Audit staffing and other resources?</b>	✓	
	Resource levels are identified within the annual planning process to establish work plans.		
4.8	<b>Has the Audit Committee evaluated whether its Internal Audit service complies with Public Sector Internal Audit Standards?</b>	✓	
	Internal Audit service was externally assessed in 2018 and their report submitted to Audit Committee in February 2019. The service was fully compliant. The next assessment will be due by 2023.		
4.9	<b>Are Internal Audit performance measures monitored by committee?</b>	✓	
	Reported as part of the annual audit opinion. However, these will look to be reviewed as part of accreditation process action plan		
4.10	<b>Has the Audit Committee considered the information it wishes to receive from Internal Audit?</b>	✓	
	A standard work programme is in place based on known requirements to meet statutory needs for all aspects which are delivered through the committee.		
<b>5...EXTERNAL AUDIT</b>			
5.1	<b>Do the external auditors present and discuss their audit plans and strategy with the Audit Committee (recognising the statutory duties of external audit)?</b>	✓	

**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	Issue / Evidence / Suggested Improvement	Yes	No
	Annual report at same time as Internal Audit		
5.2	<b>Does the Audit Committee hold periodic private discussions with the external auditor?</b>		✓
	See 4.5		
5.3	<b>Does the Audit Committee review the external auditor's annual report to those charged with governance?</b>	✓	
	Annual report on the work programme		
5.4	<b>Does the Audit Committee ensure that officers are monitoring action taken to implement external audit recommendations?</b>	✓	
	Regular progress reports are produced		
5.5	<b>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?</b>	✓	
	Only external audit reports are referred to Audit Committee		
5.6	<b>Does the Audit Committee assess the performance of external audit?</b>	✓	
	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	<b>Does the Audit Committee consider / approve the external audit fee?</b>	✓	
	Considered by Cabinet and endorsed by Audit Committee		
<b>6...ADMINISTRATION</b>			
6.1	<b>AGENDA MANAGEMENT</b>		
6.1.1	<b>Does the Audit Committee have a designated secretary from Committee / Member Services?</b>	✓	
	Audit Committee is a formal committee with representation from Democratic Services		
6.1.2	<b>Are agenda papers circulated in advance of meetings to allow adequate preparation by Audit Committee members?</b>	✓	
	Papers issued in accordance with council requirements  In the week before the Committee meeting, a pre-meet is held to enable officers / members to discuss the reports. This allows officers to receive questions from Members which can then be researched (if necessary) so as to provide comprehensive answers at the actual committee.		
6.1.3	<b>Are outline agendas planned one year ahead to cover issues on a cyclical basis?</b>	✓	
	Work programme established which maps business needs		
6.1.4	<b>Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?</b>	✓	



**AUDIT COMMITTEE: ASSESSMENT OF EFFECTIVENESS JULY 2021**

	<b>Issue / Evidence / Suggested Improvement</b>	<b>Yes</b>	<b>No</b>
	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.		
<b>6.2</b>	<b>PAPERS</b>		
6.2.1	<b>Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?</b>	✓	
	Standard report format		
6.2.2	<b>Does the Audit Committee issue guidelines and / or a proforma concerning the format and content of the papers to be presented?</b>	✓	
	Standard committee template utilised		
<b>6.3</b>	<b>ACTIONS ARISING</b>		
6.3.1	<b>Are minutes prepared and circulated promptly to the appropriate people?</b>	✓	
	Circulated following meeting and agreed at next		
6.3.2	<b>Is a report on matters arising made and minuted at the Audit Committee's next meeting?</b>	✓	
	Standard item on the agenda which highlights actions made and how they have been resolved		
6.3.3	<b>Do action points indicate who is to perform what and by when?</b>	✓	
	As 6.3.2		

Steve Crabtree  
Chief Internal Auditor  
July 2021

**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**

<b>ORGANISATIONAL KNOWLEDGE</b>		
An overview of the governance structures of the authority and decision-making processes	This knowledge will be core to most activities of the audit committee including review of the Annual Governance Statement (AGS), internal and external reports and risk registers.	Member development through committee briefings and training sessions as appropriate <u>Reports:</u> <ul style="list-style-type: none"> <li>• AGS (July committee cycle)</li> <li>• Annual Audit Opinion (July committee cycle)</li> <li>• External Audit Opinion (Annually)</li> </ul>
Knowledge of the organisational objectives and major functions of the authority		<u>Training:</u> <ul style="list-style-type: none"> <li>• Statement of Accounts training (July 2020)</li> <li>• AGS (July 2020)</li> <li>• Others as appropriate throughout year</li> </ul> <u>Reports:</u> <ul style="list-style-type: none"> <li>• Statement of Accounts: (Annually – July committee)</li> <li>• AGS (Annually - July committee)</li> </ul>

**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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<b>AUDIT COMMITTEE ROLE AND FUNCTIONS</b>		
An understanding of the audit committee's role and place within the governance structures	This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others	Regular pre-meeting briefings to run through agenda / reports to understand decisions required, background and reasons etc.  Audit Committee Handbook  Training for all members at start of municipal year
Familiarity with the committee's terms of reference and accountability arrangements		Audit Committee Annual report: July 2020, March 2021  New member training (including accounts): July 2020
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"> <li>• Statement of Accounts</li> <li>• Annual Governance Statement</li> <li>• Annual Audit Opinion</li> <li>• Annual Investigations Report</li> <li>• Annual Audit Committee report: (usually March)</li> </ul>
Governance Knowledge of the six principles of the CIPFA / SOLACE Good Governance Framework and the requirements of the AGS	The committee will review the AGS and consider how the authority is meeting the principles of good governance	AGS report July 2020
Knowledge of the Local Code of Governance	The committee will review the AGS and consider how the authority is meeting the principles of good governance	Local Code of Corporate Governance: July 2018 (referenced in AGS)

**AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES**

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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<b>INTERNAL AUDIT</b>		
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 2021 Committee reports include: <ul style="list-style-type: none"> <li>• Internal Audit Charter</li> <li>• Internal Audit Strategy</li> <li>• Internal Audit Plans</li> </ul> (Usual arrangements as part of March cycle – cancelled this year)
Knowledge of the arrangements for delivering	The committee will review the assurances from internal audit work and will review the risk based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards	Audit updates to committee ½ year progress report Annual Audit Opinion report
	In relying on the work of Internal Audit, the committee will need to be confident that professional standards are being followed	Public Sector Internal Audit Standards (full compliant report): February 2019

**AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES**

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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<b>FINANCIAL MONITORING AND ACCOUNTING</b>		
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them	Reviewing the financial statements prior to publication, asking questions	Statement of Accounts: Annually to July committee
Understanding of good financial management principles	Reviewing the External Audit report and opinion on the financial audit  Reviewing both Internal and External Audit recommendations relating to financial management and controls.	Audit outcome and management responses to the Annual Audit Letter
Knowledge of how the organisation meets the requirement of the role of the chief financial officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government	Committee should consider role of the Chief Financial Officer and how this is met when reviewing the AGS	Annual Governance Statement: July 2020

## AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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<b>EXTERNAL AUDIT</b>		
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

<b>RISK MANAGEMENT</b>		
Understanding of the principles of risk management, including linkage to good governance and decision making	In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces	Strategic Risk Register analysis reports: September 2019
Knowledge of the risk management policy and strategy of the organisation	Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk based audit plans and the explanatory foreword of the accounts	September 2020
Understanding of risk governance arrangements, including the role of members and of the audit committee	Typically risk registers will be used to inform the committee The committee should also review reports and action plans to develop the application of risk management practice	Annual review of Risk Strategy

## AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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<b>COUNTER FRAUD</b>		
<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"> <li>• Annual Audit Opinion July 2020</li> <li>• Annual Investigations report July 2020</li> <li>• Fraud Strategy March 2018</li> <li>• Anti-Fraud policies July 2021</li> </ul>
<p>Knowledge of the organisations arrangements for tackling fraud</p>	<p>An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the Committee members in reviewing the assessment</p>	<p>Annual Audit Opinion: June 2020</p>

<b>VALUES OF GOOD GOVERNANCE</b>		
<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>Member Code of Conduct</p>
<p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</p>	<p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS</p>	<p>Annual Audit Opinion Annual Investigations report Anti-Fraud policies</p>
<p>Knowledge of the whistleblowing arrangements in the authority</p>	<p>Committee member should know to whom concerns should be reported</p>	<p>Whistleblowing policy: March 2018</p>

**AUDIT COMMITTEE: CIPFA KNOWLEDGE AND SKILLS FRAMEWORK FOR AUDIT COMMITTEES**

Knowledge Area Details of Core Knowledge Required	How the Audit Committee is able to apply the knowledge	Training Activities / Committee Reports / Dates
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<b>TREASURY MANAGEMENT</b>		
<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"> <li>• Regulatory requirements</li> <li>• Treasury risks</li> <li>• The organisations treasury management strategy</li> <li>• The organisations policies and procedures in relation to treasury management</li> </ul>	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny</p>	<p>Policy / Strategy: February 2021</p>



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<p><b>STRATEGIC THINKING AND UNDERSTANDING OF MATERIALITY</b></p> <p>Able to focus on material issues and overall position, rather than being side-tracked by detail</p>	<p>When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also contain more minor errors or control failures.</p> <p>The Committee member will need pitch its review at an appropriate level to avoid spending too much time on detail.</p>
<p><b>QUESTIONING AND CONSTRUCTIVE CHALLENGE</b></p> <p>Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanations while avoiding hostility or grandstanding</p>	<p>The Committee will review reports and recommendations to address weaknesses in internal control.</p> <p>The Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.</p>
<p><b>FOCUS ON IMPROVEMENT</b></p> <p>Ensuring there is a clear plan of action and allocation of responsibility.</p>	<p>The outcome of the Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities.</p> <p>Where errors or control failures have occurred, then the Committee should seek assurances that appropriate action has been taken.</p>
<p><b>ABLE TO BALANCE PRACTICALITY AGAINST THEORY</b></p> <p>Able to understand the practical implications of recommendations to understand how they might work in practice.</p>	<p>The Committee should seek assurances that planned actions are practical and realistic.</p>
<p><b>CLEAR COMMUNICATION SKILLS AND FOCUS ON THE NEEDS OF USERS</b></p> <p>Support the use of plain English in communications, avoiding jargon, acronyms, etc.</p>	<p>The Committee will seek to ensure that external documents such as the AGS and the explanatory foreword to the Accounts are well written for a non-expert audience.</p>
<p><b>OBJECTIVITY</b></p> <p>Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.</p>	<p>The Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.</p>
<p><b>MEETING MANAGEMENT SKILLS</b></p> <p>Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.</p>	<p>These skills are essential for the Committee Chair to help ensure that meetings stay on track and address the items on the agenda.</p> <p>The skills are desirable for all other members.</p>

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<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 11</b>
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Director of Corporate Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

### **BUDGET MONITORING REPORT FINAL OUTTURN 2020/21**

RECOMMENDATIONS	
FROM: Director of Corporate Resources	Deadline date: July 2021
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Note the final outturn position for 2020/21 (subject to finalisation of the statutory statement of accounts) of a £3.975m underspend on the Council’s revenue budget.</li> <li>2. Note the reserves position outlined in section 7, which includes a contribution to the capacity building reserve of £3.975m, resulting from the underspend highlighted in the revenue outturn report in Appendix A.</li> <li>3. Note the implications of the COVID-19 pandemic on the Councils Financial position, as outlined within section 5.</li> <li>4. Note the outturn spending of £56.8m in the Council’s capital programme in 2020/21 outlined in section 9.</li> <li>5. Note the performance against the prudential indicators outlined in Appendix C.</li> <li>6. Note the performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D.</li> </ol>	

#### **1.0 ORIGIN OF THE REPORT**

1.1 This report is to the Audit Committee as part of their annual financial reporting cycle.

#### **2.0 PURPOSE AND REASON FOR REPORT**

2.1 The report provides Audit Committee with the outturn position for both the revenue budget and capital programme for 2020/21.

2.2 The report contains performance information on the payment of creditors and collection performance for debtors, local taxation and benefit overpayments.

2.3 The report is for Audit Committee to consider under its terms of reference 2.2.1.16:

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

### 3.0 TIMESCALE

Is this a Major Policy Item/ Statutory Plan	No	If yes, date for Cabinet meeting	n/a
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### 4.0 EXECUTIVE SUMMARY

- 4.1 The Council has been operating in challenging financial circumstances. This financial context has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserve balances. A structural deficit is inherent in the Council's funding envelope, with little recourse to alternative options.
- 4.2 Since 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial challenges and since 2019 has implemented an enhanced series of expenditure controls. Immediate action to reduce the costs of its operations in the medium term was underway in January 2020, however newly identified and current MTFs savings had to be impaired as a direct result of the C-19 pandemic response and recovery.
- 4.3 This financial year the Council experienced additional expenditure and loss of income relating directly to C-19, with the forecast overspend reaching £11.3m in August. However the government responded by providing further specific and un-ringfenced funding which has largely covered these additional pressures. The Council has received approximately 70 new grants, totalling c£170m. Some of these grants have been passported directly to businesses, social care providers or individuals, others have funded specific activities, and have required additional monitoring reports to be submitted to government on a regular basis. Whilst this has provided some financial stability in 2020/21, it is expected there will be a longer term service impact from C-19, for which longer-term funding is unconfirmed.
- 4.4 Due to the Council's underlying financial challenges, the C-19 pandemic has had a significant impact on the Council's financial position. The pandemic introduced an additional layer of financial complexity and uncertainty. National government decisions, funding and changes to legislation have been announced fluidly throughout the year, with a further two national lockdowns announced at short notice. The unpredictability as a result of the C-19 has made financial and operational planning and forecasting problematic.
- 4.5 As a result of the challenges placed on the Council's finances, in October 2020 the Council approached Ministry of Housing Communities and Local Government (MHCLG) to enable the further exploration of alternatives to issuing a S114 notice. The Council has been engaged in regular discussions with MHCLG in respect of the Council's finances and has received conditional approval for Capitalisation Directions (borrowing) of up to £4.8m in 2020/21 and up to £20.0m in 2021/22. This conditional exceptional support enabled the Council to set a legal balanced budget for 2021/22.

- 4.6 The Council continues to work closely with MHCLG to develop a delivery model to secure financial sustainability and provide assurance to satisfy the conditions attached to the exceptional support. Without the receipt of the exceptional support, the Council would not have been able to set a balanced and legal budget in 2021/22.
- 4.7 The Council's overall revenue outturn shows an underspend of £3.975m for 2020/21. This is after taking account of the additional C-19 expenditure and grant income, and contributing £15m to C-19 funding and tax income reserves, to mitigate further pressures anticipated in 2021/22. It is important that the continuing underlying financial challenge is understood and has not gone away. It is characterised by low usable reserves and considerable latent service demand as a result of C-19, which creates a forecast funding gap of £27m for 2022/23, rising to £29m in 2023/24. The final outturn position is outlined in further in section 6 and in more detail in Appendix A.

## 5.0 IMPACT OF THE CORONAVIRUS (C-19) PANDEMIC ON COUNCIL SERVICES AND FINANCES

5.1 On 23 March 2020 the Prime Minister announced the first national UK lockdown in order to halt the growth of the C-19, to protect the NHS and ultimately save lives. Since this time the Council has navigated through unprecedented times, facing uncertainty and overcoming new and difficult challenges. This has included:

- Supporting residents and businesses through a further two periods of national and local lockdowns
- Worked collaboratively with the NHS to ensure that where it is appropriate to do so, people are moved out of hospital and that as many people as possible were supported within the community to avoid hospital admissions
- Working closely with providers and mitigating the potential impact and risks to the delivery of key services, particularly the **sustainability of Adult Social Care services**
- The establishment of a **Coordination Hub** to provide residents, that were vulnerable or shielding, access to food, medicine and other essential support
- **Ensuring children are supported** by working with schools to support vulnerable children and those children of key workers, and ensuring those disadvantaged children have access to online resources and school's lessons from home, by purchasing additional ICT equipment
- The **provision of accommodation for rough sleepers** to ensure they could safely self-isolate
- Ensuring front line services and care workers had **Personal Protective Equipment (PPE)** to enable safe working and to minimise transmission and spread of the virus
- Carrying out proactive and intervention activities to minimise the spread of the virus and ensure **Containment of the Outbreak**. This included targeted testing for hard-to-reach groups, enhanced communications and marketing, targeted support for schools and education settings, and additional resource to ensure compliance with restrictions
- Administering the various grant schemes to individuals and businesses including:
  - £90m of grants and rate reliefs to businesses
  - 4,180 Test and Trace support payments to individuals
  - £1.4m of Local Council Tax Support Hardship payments
  - £0.744m of Winter Grant which has supported families with the cost of food, fuel and provided additional support.

Further detail on these schemes is outlined in Appendix D.

- Agile working practices and ICT systems have enabled the majority of staff to work from home. With most of the workforce working from home, additional mental health and wellbeing support has been provided to all staff, and regular communication updates and meetings have been provided.

- 5.2 The Council has through all the services it provides, experienced both societal and financial impacts of the pandemic. During 2020/21 the Council has reported additional C-19 related expenditure of £30.2m, offset through receipt of £32.3m additional government funding to support the cost of the pandemic. Although this funding has outweighed the additional costs, the significant needs of our communities, resulting in significant financial pressures as a result of C-19 will be long-lasting. The Council has experienced a delay in the anticipated service demand for reasons such as families caring for loved ones at home as an alternative to using residential care and delays in the anticipated levels of children's referrals due to school closures during Lockdown 3 and the continuation of financial support schemes such as furlough. As a result of this the Council is already forecasting an additional net cost of £12.8m in 2021/22. As outlined in table 2, the Council has contributed surplus funds from 2020/21 to a C-19 specific reserve to ensure these additional pressures in 2021/22 are funded.
- 5.3 The impact of C-19 on the Council's financial situation has been on all services, with examples including:
- **A loss of £2.2m on parking revenue** as a result of reduced footfall in the City centre
  - **A Council Tax deficit of £0.7m** as a result of people being unable to pay at this time, and an increase in households receiving council tax support
  - **A Business Rates deficit of £11.5m** as a result of businesses being unable to pay the rates at this time because of the impact on the business operations. The Council is actively recovering these outstanding balances, and is closely monitoring the position
  - **An additional £11.7m of costs as a result of providing Adult Social Care** services differently during the pandemic
  - **An additional £1.9m Children's Social Care**, although lower than originally forecast this is one of the areas where the Council is seeing real signs of demand emerging in services designed to protect children.
  - **An additional cost of £2m to provide accommodation for all rough sleepers**, in order to isolate safely as directed within government national policy
  - **An inability to deliver £5.6m of existing MTFS savings plans** that the Council expected to achieve this financial year, because of the need to respond to the demands of the C-19 pandemic. This creates additional budget pressures in the current and future financial years
  - **A loss of income totalling £5.8m** (including parking). MHCLG have provided a scheme to compensate Councils in part for the loss of Sales Fees and Charges Income, this is included within the final position.
- 5.4 In addition to the costs pressures outlined in section 5.3, in June 2020 the Council started the re-organisation of its Leisure and Cultural services, as a result of the Council's provider, Vivacity, serving notice of termination as a force majeure arising from C-19 and the impact on its ability to continue to deliver the contracted services. In August 2020 the Council approved a decision to transfer the services to Aragon Direct Services, and City College Peterborough, with the successful transfer completing on 30 September 2020.
- 5.5 This is a good example of how C-19 has placed financial strain on businesses because of lost income. The Council has been able to put a solution in place, overseeing all of the legal, financial and Human Resources activities, at the same time as actively responding to the pandemic. These services are now coming into a period of recovery as the governments road map and post lockdown 3.0 progresses. It is noteworthy that even through the toughest times, staff within TUPED services have made a vital contribution to the C-19 response through redeployment to support other services, such as waste collection.

## 6.0 FINAL REVENUE OUTTURN 2020/21

### 2020/21 MTFS- Budget Position

6.1 The revenue budget for 2020/21, agreed at Full Council on 4 March 2020, was approved at £163.7m. The table 1 outlines the changes which have been made to the budget to arrive at the revised budget of £156.737m:

<b>Table 1: Revised Budget 2020/21</b>	<b>£m</b>
<b>Approved Budget 2020/21</b>	<b>163.743</b>
Use of reserves per MTFS	1.510
Capitalisation Direction	1.217
Transfer of IBCF and ASC grant from financing into People & Communities	(11.939)
Use of Reserves:	
People & Community (use of previous years grants e.g Safeguarding Families, Integrated Communities)	1.353
Place & Economy (use of previous years grants e.g New Towns Funds)	0.266
Capacity Reserve Contribution (ICT and Housing)	0.428
Other Reserve (Insurance and Parish's)	0.156
<b>Revised Budget 2020/21</b>	<b>156.737</b>

6.2 The Council's overall revenue outturn shows an underspend of £3.975m for 2020/21, after contributing £15.143m to C-19 funding and Tax income reserves, to support needs in our communities resulting from C-19 in 2021/22. The table below summarises the revenue outturn position by directorate in 2020/21.

**Table 2: Revenue outturn 2020/21**

<b>Directorate</b>	<b>Budget £000</b>	<b>Final Outturn £000</b>	<b>Cont. to Reserves £000</b>	<b>Variance £000</b>
Chief Executives	1,303	1,220	-	(83)
Governance	4,322	3,925	-	(397)
Place & Economy	21,716	22,639	109	1,032
People & Communities	72,940	80,611	1,690	9,361
Public Health	(372)	(494)	122	-
Resources	19,254	19,643	607	996
Customer & Digital Services	7,764	6,629	-	(1,135)
Business Improvement	623	692	-	69
Capital Financing	29,187	24,789	-	(4,398)
<b>Total Expenditure</b>	<b>156,737</b>	<b>159,654</b>	<b>2,528</b>	<b>5,445</b>
COVID-19 Response Fund Grant*	-	(18,665)	-	(18,665)
COVID-19 – Sales Fees Charges and Local Tax Income Guarantee Scheme	-	(6,015)	-	(6,015)
Financing	(156,737)	(177,728)	21,108	117
<b>Net</b>	<b>-</b>	<b>(42,754)</b>	<b>23,636</b>	<b>(19,118)</b>
Contribution to C-19 Funding Reserve to cover expected needs within our communities in 2021/22				12,841
Contribution to C-19 Tax Income Reserve to mitigate the impact of future expected Business Rates and Council Tax pressures				2,302



*\*including Covid-19 Response Fund- Tranche One received in 2019/20- £5.3m*

- 6.3 The final outturn position outlines an a £5.445m overspend on the Council's service directorate budgets, with the most notable overspend of £9.361m reported for the People and Communities directorate. This reflects the service areas most affected by C-19 pressures and additional activity such as with Adults and Children's Social Care, parking income and leisure services.
- 6.4 This overspend has been off-set by the un-ringfenced C-19 additional funding received from government, which has led to an overall £19.118m underspend. Following a detailed review of this position it is concluded that the presentation of the C-19 forecast pressures arising from the needs of our communities, have been delayed but will continue in to 2021/22 and future years. The Council incorporated some demand and cost increase assumptions into the future year's budget estimates. However, at the time of budget setting, due to the level of uncertainty, as to how C-19 would really impact on the demand for Council services, it proved difficult to develop meaningful assumptions on which to base income receipts levels and demand led expenditure budgets. The Council now forecasts an additional net cost of £12.841m in 2021/22. As outlined in table 2, the Council has made a contribution to a specific C-19 funding reserve to ensure these additional pressures in 2021/22 are funded, bringing the **final outturn position to an underspend of £3.975m.**
- 6.5 In addition to the key pressures outlined within section 5.3 the following variances and practices, have contributed to the final £3.975m underspend position:

#### Capital Financing

- **Capital Receipts** - asset sales have exceeded budget by £2.4m, as a result of the late sale of the POSH football stadium and The Mill on Fletton Quays, which both completed on 31 March 2021.
- **Capital Financing** - a lower cost of borrowing due to reduced capital expenditure for the year from delayed schemes, and cash flow benefit of additional Government grants has generated an underspend against budget of £2m. Further detail contained in Appendix A and section 9.

#### Practices and Savings

- **Good financial management** - the Council has remained committed to ensuring financial scrutiny is maintained and only essential expenditure is still undertaken, even in pandemic times. An enhanced layer of internal reporting was implemented during 2020 to ensure all C-19 related financial implications were incurred as a result of implementing government policy, that all had relevant financial governance approvals, and the C-19 related financial position was reported, reviewed and controlled regularly to CMT and Cabinet.
- **Early delivery of savings** - although there has been impairment to the Council's savings plans, due to the impact of C-19, the ICT department has not only supported the Council to become fully agile and insourced the service, previously delivered by Serco, but delivered planned MTFS savings in advance creating a favourable variance of £0.5m.

#### Pressures

- **Latent social care demand** - towards the end of 2020/21, it became apparent that some of the anticipated social care demand in both Children's and Adults services had been delayed. This is due to a number of reasons, such as people keeping family members at home for longer as an alternative to care, the expected rise in children's social care referrals being delayed due to the school closures, the delay in financial hardship as a result of the extension of many government schemes such as Furlough, Winter Grant Scheme, and grants to businesses. It is anticipated that

once these interventions cease there will be a resulting increase in demand, (sections 6.6- 6.10 cover this in more detail).

- **Culture and Leisure services**- as outlined in section 5, this service underwent significant change during 2020/21 with the services being transferred from Vivacity and split between Aragon Direct Services and City College Peterborough. This put additional financial strain on the Council, causing a £1.8m pressure as a result of the income loss due to lockdown restrictions, undelivered savings plans and the cost of re-organisation.

#### **Key Areas of Underspend**

- **Elections** - £0.2m underspent as a result of the national postponement of the May 2020 Local Elections
- **Empower Loan** - additional £0.6m of income received due to loan interest (see further explanation in sections 6.11 to 6.17)
- **Bereavement Services Income** - exceeding its income target by £0.7m, due to the rise in deaths as a result of C-19
- **Business Rates Pool** - the Council is part of the Cambridgeshire and Peterborough Business Rates Pool. The Pool takes into account the business rates levy owed by each of the authorities, pooling them together, to produce a lower percentage levy calculation for member councils. This year the Pool gain has exceeded its original forecast with the council benefiting an additional £0.2m, above the level budgeted
- **Tax Income Guarantee (TIG) scheme** - the government has introduced a TIG scheme whereby Local Authorities are compensated for 75% of lost Business Rates and Council Tax income. The Council has calculated compensation of £2.3m, which forms part of the contribution to the C-19 Tax Income Reserve to mitigate the financial impact of any future collection shortfalls
- **Highways** – this service area finished the year in a favourable position of £1.4m, which is the result of income generation exceeding targets, savings on staffing costs and the lower cost of street lighting

#### **Latent Social Care Demand**

- 6.6 C-19 has caused impacts on many different groups of people, some clear and obvious, some known to public services, and others more hidden. This aligns with the national context, which has seen C-19 take an extraordinary toll on the nation's health, with a disproportionate burden placed on the most disadvantaged groups.
- 6.7 Previous demand modelling undertaken by the Council applied historical demand patterns to future demographic assumptions. C-19 has affected demand in ways the sector has never experienced and there are many unknowns around what the longer-term impacts might be. Over the last 15 months the Council has seen varying patterns of impact on service provision, which have been difficult to extrapolate into a longer-term trend. Whilst the Government has provided additional funding to help meet the demands of C-19, this has been time limited in nature and announced at short notice, which hinders the Council's ability to plan in the longer term, and the uncertainty making it very difficult to accurately forecast, especially as the Council believe there is a level of latent demand which is yet to present.
- 6.8 A year-end review of statistics on adult and children's social care services are indicating a number of areas where the latent demand is starting to present and is likely to impact 2021/22 and future years budgets. These include:

## 6.9 Adult Social Care:

- Higher numbers of mental health act assessments and referrals to brokerage, whilst hospital referrals have been reduced. Whilst there has been a reduction in safeguarding enquiries, the Council believes this is likely to be due to hidden need which may present as a latent demand.
- Increased numbers of contacts from sources other than the hospitals, adult early help referrals.
- Higher acuity of need and more complex packages of care.
- Permanent admissions to residential care settings for over 65-year olds in the last 6 months of 2020/21 were 30% higher than the same period in 2019/20. Whilst overall spend on residential care did not increase in line with this last year, the high rates of C-19 deaths are likely to have masked this.
- Demand for support for younger adults, those aged 18-64, has increased in the last year. Contacts for new clients were up by 8%, with numbers transitioning from children's service more than doubling. This resulted in a net increase of this age group receiving long term services within the year of 2.1%.
- Increased pressures on independent sector providers, leading to increased costs of care.

## 6.10 Children's and Education

- Increasing demand for early help and child protection services.
- Increase in child protection plans by 37%, as latent demand starts to become visible. In turn there is a risk that we will see an increase in the numbers in care as a result of this.
- Cost of care is rising as a result of the following:
  - Increase in young people in care with more complex needs, which can cost up to c. £0.250m per annum for one child.
  - Impact of C-19 on provider costs, e.g. additional staffing for cover and social distancing measures, PPE and cleaning.
  - Increasing numbers of children and young people in Tier 4 inpatient provision liable for section 117 (Mental Health Act) after care support on discharge. This requires complex levels of support from providers.
  - Increasing complexity of children becoming looked after, which can mean an increase in the risk of a placement breakdown and increasing placement costs as a consequence.
  - More teenage children entering care, lack of suitable foster placements across the board, but specifically in-house.
  - Substantial increase in the numbers of children being referred for residential services provision. An Independent Fostering Agency (IFA) placement is £845 per week and residential now £3,750+ per week.
- During the pandemic there has been a reduction in Unaccompanied Asylum-Seeking Young people entering care, the Council is well below its quota so anticipate greater numbers in the coming months as borders open/channel crossings.
- Education Health Care Plans (EHCP) continue to increase, and we will see a significant increase in the number of EHCPs based on current trends.

## Empower

- 6.11 During the financial year 2020/21 the Council were in negotiations with ECS Peterborough 1 to put the existing short-term construction loan facility on to a long-term basis (SEP20/CAB/31), which if successful, would have been backdated to 1 April 2020. The proposed repayment profile of the new facility would have included both interest and loan principal repayment and the forecast outturn reflected this assumption.
- 6.12 In the final month of the financial year, the loan negotiations were not successful and on 30 March 2021 Notice of Repayment was issued to ECSP1. The money received on account was allocated according to the existing short-term loan facility agreement which incorporated a higher interest rate

and no loan principal repayment. The outturn movement for Empower of £0.6 reflects this increased level of interest income which was not forecast during the year while negotiations were proceeding with ECSP1. For additional information see the report Empower on the Cabinet Agenda 21 June 2021.

- 6.13 The amendment to the loan status has also impacted the final sign-off of the 2019/20 accounts as the Council has been required to consider a Post Balance Sheet Event (IAS10) with regards to the valuation of the loan on the Council's balance sheet. The Council's accounts were closed with the best knowledge known at the time of the 31 March 2020. The condition existing at this time is the Coronavirus pandemic which influenced the refinancing activity being undertaken at this time in relation to the loan.
- 6.14 As part of the consideration the Council has requested Deloitte to undertake a valuation of the loan which puts the fair value of the loan, based on commercial terms, at a mid-point of £15.4m were the Council seeking to sell the loan in the open market. Whilst this is a fair commercial assessment based on market conditions as at 31 March 2020, the Council is considering a report from Teneo Restructuring Ltd which has considered various options, recommending one which will maximise the return to the Council. The Council considers the value of the loan calculated from the underlying Net Present Value (NPV) of the forecast cash flows as more appropriate and as such this is used for the value of the loan at 31 March 2020. This value has been calculated by Deloitte at £20.4m using the same underlying financial model as that used for the market sale valuation. As well as restating the value of the loan, it has also been re-classified as a long-term debt to more accurately reflect the underlying transaction.
- 6.15 The loan to ECSP1 falls within the definition of Capital Expenditure under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 section 25. The requirement under this regulation necessitates the loan be classed as capital expenditure for the purposes of its accounting treatment. As part of the Council's Minimum Revenue Provision policy, which forms part of the yearly approval of the Medium-Term Financial Strategy by Council, any revaluation of the loan will be attract an annual revenue charge over the remaining life of the assets.
- 6.16 Further information can be obtained from the Cabinet 21 September 2020 agenda item 6, and Audit Committee 25 January 2021, item 4. Reports on the Empower Loan are also scheduled for the Cabinet and Audit Committee on 21 June 2021.
- 6.17 A detailed breakdown of the outturn by Directorate and explanation of the major variances is provided in Appendix A.

## 7.0 RESERVES

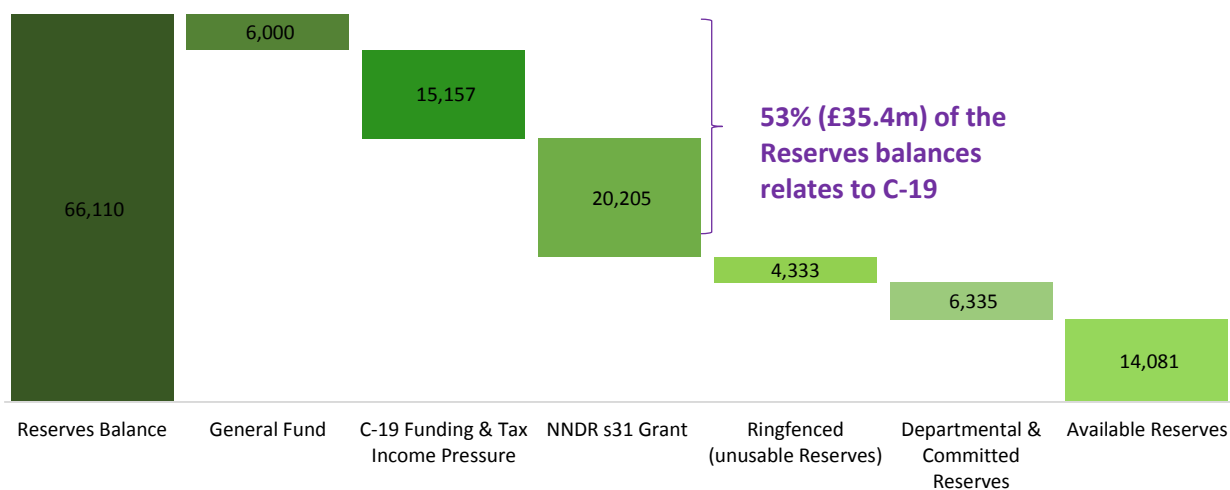
- 7.1 The Council's reserve balances are monitored throughout the year as part of the BCR and budget setting process. Table 3 summarises the balance for all reserves at the beginning and end of 2020/21, and the forecast position for future years. For additional information see Appendix B.

<b>Table 3: Council Reserves Summary Position</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>Balance 31.03.20</b>	<b>Est Bal at 31.03.21</b>	<b>Est Bal at 31.03.22</b>	<b>Est Bal at 31.03.23</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund	5,111	6,000	6,000	6,000
Usable Reserves (Capacity and Departmental)	12,992	20,415	16,674	15,886
COVID-19 Tax Income Reserve	5,077	22,521	2,316	-

COVID-19 Funding Reserve	5,332	12,841	-	-
Ring-Fenced Reserves	4,063	4,333	4,333	4,333
<b>TOTAL Earmarked and General Fund Balance</b>	<b>32,575</b>	<b>66,110</b>	<b>29,323</b>	<b>26,218</b>

- 7.2 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. The available reserves often relate to a grant funded programme or are used to invest in transformational change to support the implementation of service savings proposals.
- 7.3 The table outlines a significant rise in reserves levels at the end of 2020/21, with the balance £66.1m. This increase in reserve balance is expected to be reflected nationally, with most Local Authorities reporting increased reserve levels due to the accounting treatment of grant balances. The biggest driver of this increase is the inclusion of the Business Rates section 31 grants (explained further in section 7.5) and funding being committed to meet the additional C-19 expenditure expected. Both of these reserves are forecast to be fully utilised, and in the case of the Business Rates section 31 grant the full use of this reserve has been built in to the 2021/22 budget to mitigate the financial impact of the Collection Fund loss.
- 7.4 Our Reserves remain very tight with **only £14.1m remaining uncommitted, un-ringfenced and available for use** for transformational investment or for any unforeseen incidents, such as a major child protection issue, a structural building issue putting the public at risk (Northminster Car Park in 2019/20) or another significant incident. The following chart breaks down the £66.1m reserves balances at the end of 2020/21, with further explanation on the reserves movements included within section 7.5:

**Reserves Balance Breakdown- 31 March 2021 (£000)**



- 7.5 Key reserves movements are as follows:

**COVID-19 Funding Reserve** - the opening position in 2020/21 related to the first tranche of un-ring-fenced C-19 response fund, received from MHCLG at the end of 2019/20. Following the application of the accounting rules this was put into reserves for use in 2020/21 (included within table 1). During the year the government provided substantial financial funding to support Local Authorities (LA's) with the cost of additional activities, but also more generally, as it was recognised that the financial hardship caused by C-19 was impacting on LA's ability to generate income and deliver saving plans. This funding has provided a vital lifeline to the Council, and has enabled it to promptly and successfully respond to the pandemic. However, the additional pressures are expected to continue in to 2021/22, some of

which represent the latent demand in respect of Adult and Children's Social Care. The Council has reviewed its financial position regularly and within its assumptions being reported within financial monitoring reports submitted monthly to MHCLG, the Council has identified a net pressure of £12.8m (after applying specific grant funding) for 2021/22. Therefore £12.8m has been placed in this reserve and committed to funding this additional forecast cost, minimising the financial volatility between years.

**COVID-19 Tax Income Reserve** – this reserve includes two elements outlined in the following points, both relating to local taxation, and result from grant received in respect of C-19:

- **Business Rates (NDR) section 31 grants (£20.2m):** this reflects the grant received in 2020/21 to compensate the Council for the additional cost of providing 100% business rates relief to businesses in retail, leisure, hospitality and nurseries. Section 31 grants are accounted for through the General Fund, whereas business rates income is accounted for through the Collection Fund. The estimated balance on Collection Fund at the end of 2020/21 is exceptionally low as a result of the additional discounts applied to business rate payers, and this balance carries forward as a deficit in to 2021/22. This grant has been put into reserves and will be drawn down in 2021/22 to smooth the budgetary effect of this deficit and the Collection Fund accounting. This action has been factored into the Council's MTFs.
- **Tax Income Guarantee (TIG) scheme (£2.3m):** the government has recognised the strain C-19 has had on LA core funding by implementing a number of schemes. These schemes include the spreading of Collection Fund deficits, providing support to businesses and households, and the introduction of a TIG scheme whereby LA's are compensated for 75% of lost Business Rates and Council Tax income in comparison to budget. The government issued proforma has been used to calculate compensation of £2.3m, and in accordance with accounting policies this grant has been included within the 2020/21 final position and form part of the contribution to reserves to mitigate future reductions in Council Tax and Business Rates, as a result of C-19.

**Departmental Reserves** - the amounts set aside by departments during the preparation of the accounts is in accordance with financial guidance, to minimise risk exposure to the Council in the following financial year. This reserve balance has increased from £5.0m to £5.4m through an increase in the Peterborough City College reserve and a combination of specific grants which have been received for projects covering multiple years. The reserves include balances in respect of:

- Family Safeguarding Innovation Programme Pilot £1.3m
- Integration Area Programme ([Integrated communities](#)) £1.1m
- Controlled Migration Fund £0.4m
- Peterborough City College £1.8m

**Capacity Building Reserve** - this reserve is held to meet one off costs of service transformation and the delivery of savings within the Medium-Term Financial Strategy (MTFS). A number of transformation programmes have been committed against this reserve including the ICT strategy, Adults Positive Challenge programme and the delivery of savings programmes across the Council. The reserve has increased by £2.0m, which included the contribution from the final 2020/21 underspend (£3.975m), as outlined in Table 2.

**Public Health** – movements on this reserve represent a net carry forward of unused Public Health grant, in relation to previous years underspends. This reserve has increased from in £0.009m to £0.131m.

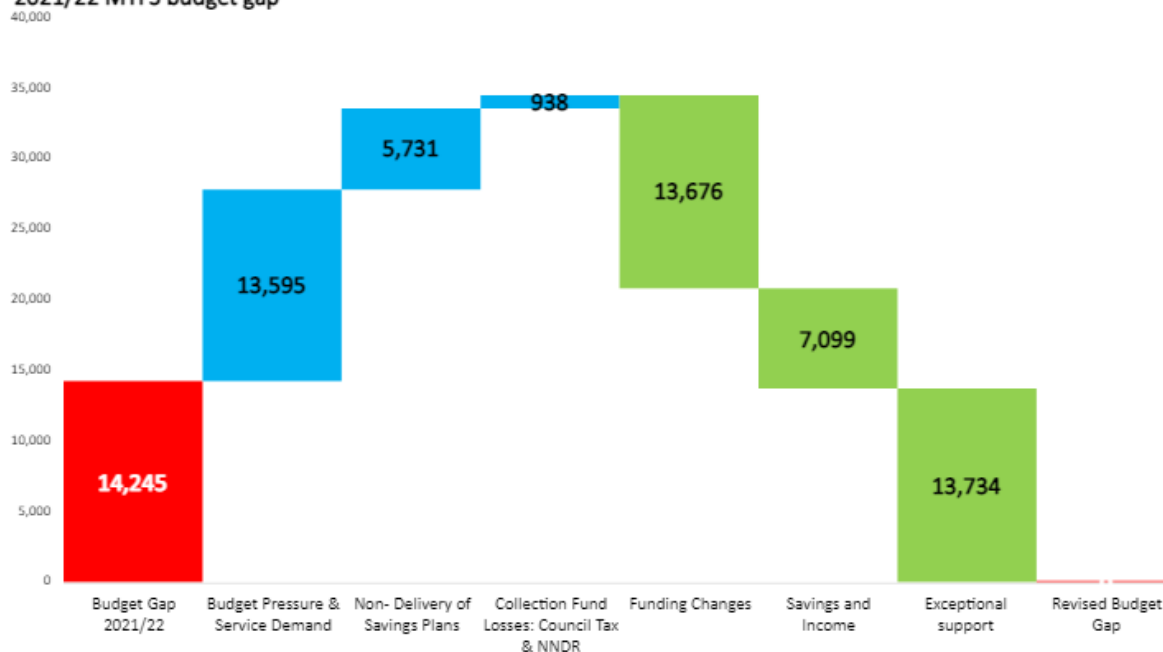
**General Fund** – the General Fund is the Council's working balance to manage in year risks. It is usually held at a balance of £6.0m but was temporarily reduced in 2019/20 due to the identification of a timing difference in Business Rates, which meant income from section 31 grants was £0.9m lower than

originally budgeted. The income has been received in 2020/21 and the General Fund replenished to a balance of £6.0m.

## **8.0 2021/22 BUDGET OVERVIEW**

- 8.1 The Council's financial challenge has developed over the years due to underfunding, exposure to greater levels of risk and low financial resilience, resulting from its low reserve balances. Despite this financial context the Council has continued to perform well, providing vital services to its 202,000 residents, whilst at the same time managing demand and keeping expenditure low. However, it is because of this financial context that the impact from the C-19 pandemic has had such a pervasive impact on the Council's finances.
- 8.2 Since 2018 the Council has subjected its financial strategy and approach to financial sustainability to rigorous external financial challenges and in 2019 it implemented an enhanced series of expenditure controls.
- 8.3 The Council undertook an intensive period of investigative and service review work in the early 2020, to close the 2021/22 £14.2m deficit. At the commencement of lockdown £11.9m of savings opportunities had been identified with full validation process and more detailed business case development to be undertaken. However, as a direct result of responding the C-19 pandemic these opportunities were impaired to £3.6m.
- 8.4 The C-19 pandemic response and recovery the Council has reported an additional £30.2m of C-19 related expenditure and loss of income in 2020/21, and whilst this has largely been covered by additional government funding, it is expected that there will be long term impacts for which future longer-term funding is still unknown. An estimated of the longer-term impact of C-19 has been factored in to the 2021/22 budget with pressures such as the rising costs of Adult Social Care, Local Tax losses and the non-delivery of existing MTFS saving plans.
- 8.5 The Council has continued to review its budget assumptions and identify saving opportunities, which has enabled it to reduce the budget gap. This included a review of the Council Tax and NNDR income base assumptions, a review of the cost of borrowing and debt redemption using capital receipts and the incorporation of a further £12.7m funding in 2021/22, of which £8.9m is one-off in nature. This has provided the Council with some short-term security to meet the pressures from C-19 and the rising costs of Adult Social Care. The remaining budget Gap of £13.7m is expected to be met by the use of Capitalisation Direction (further detail in point 6.6). The following chart outlines the 2021/22 budget position:

2021/22 MTFS budget gap



8.6 In October 2020 the Council approached MHCLG to enable the further exploration of alternatives to issuing a S114 notice. The Council has been engaged in regular discussions with MHCLG in respect of the Council’s finances and has now received conditional approval for a Capitalisation Direction (borrowing) of up to £4.8m in 2020/21 and up to £20.0m in 2021/21. This exceptional support has enabled the Council to set a balanced budget for 2021/22, which was approved at Full Council on 3 March 2021. The Council will continue to work closely with MHCLG, to develop a delivery model to secure financial sustainability and provide assurance to satisfy the conditions attached to the exceptional support funding.

## 9.0 FINAL CAPITAL OUTTURN 2020/21

9.1 The final position of the Council's Capital Programme and the treasury activity for the financial year 2020/21 follows. The Council’s treasury activity during 2020/21 has been compliant with the Treasury Management Strategy approved in March 2020 as part of the MTFS process. This information compliments the Prudential Indicators performance report as set out in Appendix C.

### Capital Programme Outturn 2020/21

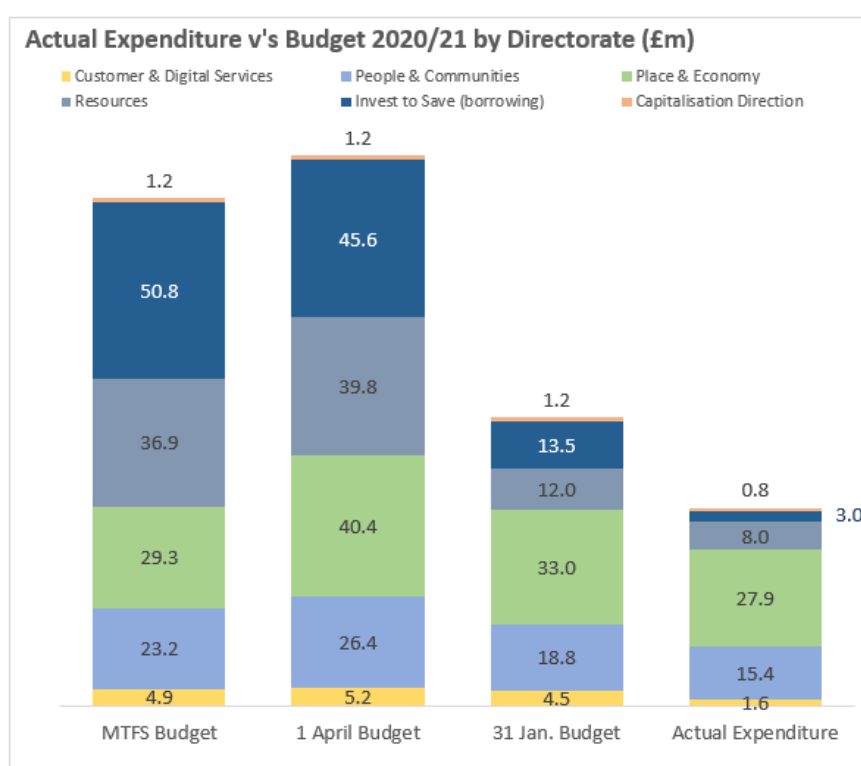
9.2 The Council’s final revised capital budget was £83.0m which includes the budget for the Invest to Save (I2S) Schemes of £13.47m for the 2020/21 financial year. The agreed capital budget as per the Medium Term Financial Plan (MTFS) was £146.35m. The following chart and table shows the movement in capital programme throughout the year with the final expenditure. Capital budgets as agreed for the 2020/21 MTFS £146.4m, budgets containing slippage from 2019/20 £12.24m, and the budget as reported at 31 January 2021 £83.0m. These budgets compared to the final expenditure for each directorate and how this investment is financed £56.76m.

9.3 The movement between the MTFS position and the £56.76m actual outturn is a result of the in-depth review of the capital programme by the Capital Review Group (CRG) and Corporate Management Team (CMT) under taken throughout 2020/21 to ensure that the capital programme is both affordable and appropriate and to realise revenue savings to address the forecast overspend reported. A number of projects across all directorates have been reprofiled to reflect the spending over future years and other projects removed following the scrutiny process linking to the development of the 2021/22 MTFS.



Directorate	MTFS Budget £000	1 April Budget £000	31 Jan. Budget £000	Actual £000
Customer & Digital Services	4,920	5,169	4,481	1,593
People & Communities	23,214	26,424	18,809	15,439
Place & Economy	29,275	40,401	33,008	27,917
Resources	36,927	39,778	12,010	8,025
Capitalisation Direction	1,217	1,217	1,217	763
<b>TOTAL</b>	<b>95,553</b>	<b>112,989</b>	<b>69,525</b>	<b>53,737</b>
Grants & Contributions	26,778	32,707	30,716	29,455
Capital Receipts	-	-	-	-
Borrowing	68,775	80,282	38,809	24,282
<b>TOTAL</b>	<b>95,553</b>	<b>112,989</b>	<b>69,525</b>	<b>53,737</b>
Invest to Save (funded by borrowing) **	50,800	45,602	13,470	3,026

\*\* within the MTFS budget was £10m for ADS Fleet renewal, as the business case developed this was subsequently removed from Invest Save, this is reflected in the 31 Jan. Budget figures



9.4 Invest to Save projects have been reduced over the next few years due to no planned expenditure. However it should be noted that this does not impact the Council's revenue capital financing budgets as these projects are schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.

9.5 Listed below are the major projects that combined comprise the majority of the total capital expenditure of £56.76m.

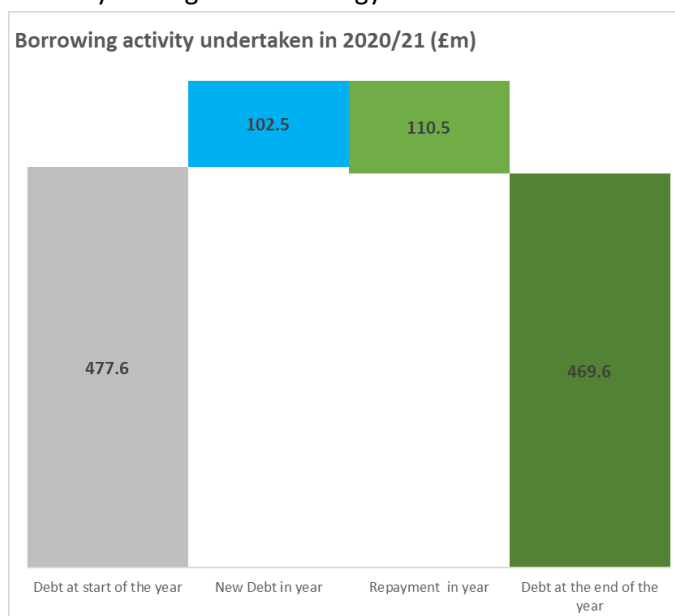
- Schools (including the new Manor Drive and Hampton Lakes schools and the expansion of Marshfields school) - £15m
- Highways - £20.8m
- The Vine: New Library and Cultural Hub £4.0m
- Fletton Quays Hotel - £3.0m
- Purchase of 88 Lincoln Road to convert into residential flats as 'next steps accommodation' to house former rough sleepers - £2.0m

## Funding the Capital Programme

9.6 The Capital Programme is funded via grants and third party contributions, and borrowing funds from the external market. Capital receipts generated from the sale of Council assets are used to repay debt as per the Council's Minimum Revenue Provision (MRP) Policy.

9.7 It is a statutory duty for the Council to determine and keep under review the level of borrowing it considers to be affordable. The Council's approved Prudential Indicators (affordable, prudent and sustainable limits) are outlined in the approved Treasury Management Strategy. The Council borrows to fund expenditure for new assets, and for the Capitalisation Direction granted by the Secretary of State.

9.8 The Council's total borrowing as at the end of the financial year is £469.6m, and the total interest paid on these loans for the year was £16.4m. The following chart summarise the overall treasury borrowing activity undertaken for the year with an overall reduction in borrowing being achieved of £8.0m. The following table provides a summary of the Council's debt portfolio. Further information is contained in the capital financing section of Appendix A.



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	13,000	14,520	325,439	<b>369,587</b>	3.5	28
Local Authority	77,500	5,000	-	-	-	<b>82,500</b>	0.4	-
Market Loans	17,500	-	-	-	-	<b>17,500</b>	4.5	16
<b>Total Borrowing</b>	<b>102,500</b>	<b>17,128</b>	<b>13,000</b>	<b>14,520</b>	<b>325,439</b>	<b>469,587</b>	<b>3.0</b>	<b>23</b>
% of total Borrowing	21%	4%	3%	3%	69%			
Borrowing Limit (PI)	40%	40%	80%	80%	100%			

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

## Capital Receipts

9.10 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.

9.11 The following table shows the amounts of capital receipts built into the MTFs and the actual capital receipt received in 2020/21. The total amount of capital receipts used to repay debt as per the MRP policy in 2020/21 was £6.36m which included the sale of POSH.

Budget	Assets sold in year	Other receipts	Variance
£000	£000	£000	£000
4,302	6,114	243	(2,055)

### Investments and Loans to Third Parties

- 9.12 The Council aims to achieve the optimum interest on treasury investments commensurate with the proper levels of security and liquidity.
- 9.13 The Council has small surplus cash balances to cover the Council's treasury function, however, this was kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 9.14 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.
- 9.15 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 Corporate Director: Resources.
- 9.16 As part of the formal decision to make the loans, the security for the loans are assessed as to their adequacy in the event of the third party defaulting on repayment and individual loan agreements provide for the recovery of the capital loan in the event of the default.
- 9.17 The Council's secured capital loans to third parties are set about in the following table.

Third Party Details	Loan Amount	Status
ECS Peterborough 1 LLP	Capital Loan £23.0m	Under review see Cabinet report 21 June 2021
Fletton Quays Hotel Ltd	Capital Loan £15.0m	Due in 2022/23

- 9.18 At the end of the financial year, the Council's external investments totalled £18.1m. The interest that has been received from all external investment activity including the Council's loans to third parties, and the dividend payment from Eastern Shires Purchasing Organisation (ESPO) has yielded £1,844k.
- 9.19 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix C along with an update on treasury management activity and other financial performance indicators in Appendix A.

### 10.0 Consultation

- 10.1 Detailed reports have been discussed in Departmental Management Teams and this report with the Corporate Management Team.

### 11.0 Anticipated Outcomes

- 11.1 That the outturn position for 2020/21 is noted.

### 12.0 Reasons for Recommendations

- 12.1 This monitoring report forms part of the 2020/21 closure of accounts and decision-making framework culminating in the production of the Statement of Accounts and informs Audit Committee of the final position.

### 13.0 Alternative Options Considered

13.1 None required.

#### **14.0 Implications**

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

#### **15.0 Appendices:**

- APPENDIX A – 2020/21 Directorate Revenue Outturn Report
- APPENDIX B - Reserves Position
- APPENDIX C - Treasury Management Strategy – Prudential Indicators 2020/21
- APPENDIX D - Performance Monitoring Report Prompt payment of invoices

#### **16.0 Background Documents:**

- [Medium Term Financial Strategy 2020/21 - 2022/23](#)
- [Budget Setting Process: \(Item 9a, Cabinet Report, Appendix A\)](#)
- [COVID-19 Financial Update: 11 May Cabinet, Item 5](#)
- [Final Outturn Position 2019/20: 22 June 2020 Cabinet, Item 6](#)
- [Budgetary Control Report April 2020: 22 June 2020 Cabinet, Item 8](#)
- [Budgetary Control Report May 2020: 13 July 2020 Cabinet, Item 6](#)
- [Budgetary Control Report July 2020: 21 September 2020 Cabinet, Item 8](#)
- [Budget Setting Process: \(Item 9a, Cabinet Report, Appendix A\)](#)
- [Budgetary Control Report August 2020 – 26 October 2020 Cabinet, Item 5](#)
- [Budgetary Control Report October 2020: 30 November 2020 Cabinet, Item 8](#)
- [Medium Term Financial Strategy 2021/22 TO 2023/24 - PHASE ONE: 30 November 2020 Cabinet, Item 6](#)
- [Budgetary Control Report November 2020- 18 January 2021 Cabinet Item 6](#)
- [Council Tax Base and Collection Fund Cabinet Report, Appendix A, Supplementary Report](#)
- [Budgetary Control Report December 2020- 23 February 2021 Cabinet \(item 7\)](#)
- [Budgetary Control Report January 21- 15 March 2021 Cabinet \(item 4\)](#)

Appendix A- 2020/21 Directorate Revenue Outturn report

**People & Communities- £9.4m Overspend**

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Director	1,282	1,631	-	348	Overspend
Education	3,779	3,755	30	6	Overspend
Adults - Commissioning	24,989	29,042	-	4,053	Overspend
Adults - Operations	9,661	9,095	-	(567)	Underspend
Children's - Operations	11,194	11,039	116	(39)	Underspend
Children's Commissioning	16,240	16,750	-	510	Overspend
Commissioning Team and Commercial Operations	487	1,151	-	664	Overspend
Communities - City Centre Management	232	440	-	208	Overspend
Communities - Cohesion and Integration	551	(209)	778	18	Overspend
Communities - Community Safety	(2)	1,413	657	2,072	Overspend
Communities - Think Communities	2,826	4,644	-	1,818	Overspend
Communities-Regulatory Services	1,696	1,803	23	130	Overspend
Children's & Safeguarding (DSG)	5,748	6,424	-	676	Overspend
Commissioning and Commercial Operations (DSG)	-	11	-	11	Overspend
Education (DSG)	(5,745)	(6,377)	86	(546)	Underspend
<b>Total People &amp; Communities</b>	<b>72,940</b>	<b>80,611</b>	<b>1,690</b>	<b>9,361</b>	<b>Overspend</b>

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**Directorate Variance Analysis**

Director	<p>£0.447m pressure due to the non-achievement of planned Medium Term Financial Strategy (MTFS) savings, in relation to reduced agency staff expenditure. This saving was allocated across the directorates based on current agency budgets, however due to the directorate's reliance on these budgets to ensure there are adequate levels of social care workers and care staff, these savings will be difficult to extract. This pressure has been incorporated within the Council's budget for 2021/22.</p> <p>£0.099m saving as a result of a reduction in supplies and services and staffing, this includes travel, training and conference expenditure not undertaken due to the pandemic.</p>
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Directorate Variance Analysis	
Education	£0.179m pressure due to the reduced income generation in respect of attendance fixed penalty notice fines and School Improvement traded services, as a result of C-19. In line with Government advice, no penalty notice and / or prosecution has been initiated for any new offences between March and July 2020. The Council has started to fine parents whose children do not attend school from September, however there is discretion where the reason is C-19 related and Lockdown 3.0 has had a further impact on this target.
	£0.470m pressure relating to Home to School and Children's Social Care transport of which £0.279m is the non-achievement of the home to school transport MTFS saving. A number of savings work streams were initiated in conjunction with Cambridgeshire County Council (CCC) i.e. Route Optimisation, promoting the take up of Personal Transport Budgets, the development of a Dynamic Purchasing System and Independent Travel training, however due to the additional C-19 guidance and restricting factors, these savings have not been realised.
	£0.407m increase in relation to Schools Direct Revenue Financing (DRF). This is due to an increase in the value of schools funding being transferred from revenue into capital. Part of this increase in DRF has arisen as a result of schools purchasing laptops to support children studying at home over the pandemic.
	£0.106m saving due to increased Schools & grant Income which off-sets other Education General Fund expenditure
	£0.037m saving in respect of the pre 1998 pension costs. This point at which Peterborough became a unitary authority and inherited pension costs associated with pensioners (ex-employees) at that point. As the years have progressed a number of these have now passed away, which in-turn has reduced the cost to the council £0.093m saving on smaller variances across staffing costs, supplies and services and fees and charges budgets.
Adults - Commissioning	£1.05m pressure relating to a 10% uplift awarded to care providers until the end of June to assist with the additional costs and the impact of C-19. There is also a £0.814m pressure in relation to additional care package expenditure due to C-19.
	£0.458m pressure due to inflationary increases applied to care provider contracts to support the ongoing increased costs being experienced. In previous years, the Council has held off awarding uplifts to provide contracts in order to manage the rising cost of adult social care, however, with the largest increase in the National Living Wage, providers have requesting additional support. £0.636m is due to additional residential and nursing beds required, to free up hospital capacity to support with the C-19 case load. This has significantly reduced from the £2.950m adverse variance reported in January, as £1.4m of the previously forecast expenditure is expected to now take place in 2021/22.
	£1.515m pressure from reduced savings delivery due to C-19. Savings plans such as Adults Positive Challenge, Self-Funders, Care Suites and Lifeline have all been affected due to resources focusing on responding to discharges and other pressures arising C-19. As a result of C-19, savings previously declared in relation to Adult Social Care Demography and the National Living Wage can no longer be delivered.
	£0.478m saving - Section 75 Mental Health Agreement - Additional budget was allocated which is not required (£0.221m), this has been corrected within the budget for 2021/22. In year CPFT underspend £0.257m arising mainly from vacancy savings.
	£1.097m favourable variance due to reduced independent audits and peer reviews across adults and children's as part of inspection preparation, reduced number of external investigators for complaints, planned work around transitions and complex needs delayed, children's collaborative work delayed - all due to Covid-19. Funding for ADCS and ADASS professional conferences not spent due to cancellation and regional work development work in LD and ASD postponed.
	£0.579m pressure on care packages due to a rise in demand and costs of new packages as well as the need to credit back some invoices to the Clinical Commissioning Group (CCG) as these were raised in error. £0.620m Pressure as result of a settlement agreement with the CCG to resolve historic outstanding balances.

Directorate Variance Analysis	
Adults - Operations	£0.107m pressure - MTFS saving no longer achievable due to the delay in the implementation of the Liberty Protection Safeguards (LPS). The scheme was designed to replace Deprivation of Liberty Standards (DoLS) in October 2020 but has been confirmed to be put back to April 2022 due to the pandemic and the need for further consultation before implementation. Conversely due to C-19 Best Interest Assessor and section 12 doctors' fees have underspent by £0.178m due to the pandemic and the lack of court sittings and backlogs now currently.
	£0.110m pressure due to the loss of income from Care and Repair as a result of C-19. The service receives income from work carried out under the Disabled Facilities Grant (DFG), care and Repair staff have been redeployed to Reablement and other teams to respond to C-19, so are unable to generate the contributions. There has also been a reluctance of those shielding to have workmen in during pandemic.
	£0.661m favourable on Community, Therapy and Reablement Teams as a result of staff vacancies. This saving is only temporary, a media campaign to recruit Reablement workers has not been successful and agency staff are now being recruited.
Children's - Operations	£0.194m saving - Children's Social Care Quality Assurance vacancy savings (QA Chair and Policy Manager & Conference and Review Chair). These posts are currently being recruited to and therefore are not a permanent saving.
	£0.110m pressure due to loss of Income at Cherry Lodge from changes in the delivery of Children's packages to work in a C-19 compliant way.
	Within the Children's Social Care Teams, the Council previously reported additional forecast expenditure of £0.263m in 2020/21. However the anticipated increase in referrals from schools has not yet happened due to the Lockdown 3.0 and associated school closures, this expenditure is now forecast to happen in 2021/22.
Children's Commissioning	£0.949m pressure in respect of additional C-19 spend. This includes: * Pressure in respect of Children in Care placements costs. This results from a small increase in young people with very complex needs, requiring specialist placements. * Pressure which covers the cost of providing an uplift to Children's Social Care providers, to cover their additional costs during the lockdown and the recovery phase. * Pressure to cover Home Care support / Short Breaks, Integrated Community Equipment Services to meet additional demand. Of the £1.895m previously reported specific C-19 CSC Placements spend, £1.260m has been re-profiled into financial year 2021/22 due to Lockdown 3.0 School Closures.
	£0.339m pressure on children placements costs resulting from complexity of need and shortage of appropriate placements.
	£0.077m pressure - as a result of the delayed re-commissioning of Children's Centres due to the C-19 pandemic.
	£0.563m saving on Looked after children psychology services, Access to Resources Team, High Level Family Support, School Behaviour Project, Emergency Duty Team and Interpretation expenses. Savings within this area could not be declared until now as the C-19 impact on demand for these services has been difficult to predict.
	£0.099m saving Child Health, which is broken down in to a £0.081m pressure on additional Children with Disabilities costs, £0.225m saving on CCG contributions and £0.036m pressure on an Early Help post.
	£0.188m savings Short Breaks Commissioning, on contracts as a result of C-19- £0.100m Action for Children, £0.060m Circles one to one support (2019/20 accrual not required), £0.010m DIAL Information Advice and Guidance. Alternative services being commissioned for 2021/22.
Commissioning Team and	£1.2m pressure due to reduced income generated from Clare Lodge, as a result of the C-19 pandemic. Children are only being moved and accommodated on emergency basis and new procedures require new admissions to self-isolate for 14 days which is also influencing decision making by placing authorities. The delay

<b>Directorate Variance Analysis</b>	
Commercial Operations	to the Capital project to refurbish lounges means that two lounges are currently unavailable for use, these are now expected to be operational imminently. The £1.2m loss of Income has been offset by other savings of £0.365m as a result of reduced occupancy. £0.148m saving Commissioning Team staffing in part due to revised Shared Service recharge from Cambridgeshire County Council.
Communities - City Centre Management	£0.291m pressure as a result of lost Income in respect on-street Traders, the City Market , the Great Eastern Run and City Centre Events. This can be directly linked to the C-19 pandemic.
Communities - Community Safety	£2.236m pressure due to loss of income across multiple services including: * £1.656m from Parking charges. * £0.434m from Parking Enforcement. * £0.145m from Environmental Enforcement. Parking income has been significantly less than budget due to the reduction in footfall within the town centre due to the pandemic. Enforcement staff have been redeployed to support the C-19 Emergency Hub & more recently to Marshalling duties, however enforcement is now operational again but income levels are lower than previous levels due to C-19 impact on staffing productivity, suspension of parking bays, pop up cycle lanes etc.
	£0.469m pressure as a result of impaired MTFs savings in relation to increased parking charges & Parking / Environmental Enforcement. Parking charge increases were intended to be implemented from April 2020 but as parking charges were temporarily suspended for the initial lockdown period. Income has been lower since parking charges have been reinstated. New way of working for Environmental and parking Enforcement Teams was not implemented from the April 2020 and the role of Environmental Enforcement Officers changed in response to C-19.
	£0.108m savings C-19 impact arising from a reduction in parking cash collections, reduced Contractor spend, reduced charges for online permits and an underspend on administration of the blue badge scheme.
	£0.134m favourable re Parking Services mainly reduced contractor costs & Nortminster Business Rates refund of costs.
	£0.149m favourable position in respect of the Targeted Youth Support Service, mainly due to staffing vacancies, but also as a result of reduced contract, travel, premises and programme costs.
Communities - Think Communities	£1.777m pressure due to additional expenditure to support the transition of Vivacity services to Aragon and Peterborough City College. Early on in that C-19 Pandemic Vivacity gave notice on its contracts to the Council due to the financial difficulty placed on the operations as a result of C-19.
	£0.179m pressure in respect of non-delivered MTFs saving in respect of Vivacity services. Given Vivacity's decision to give notice on the Culture and Leisure contract, it is highly unlikely that this saving will be achieved.
	£0.400m pressure due to forecast loss of income on the Premier Fitness profit share scheme (Vivacity) - this is a result of the C-19 pandemic. £0.640m saving of which £0.438m is Premises costs including utility costs, £0.130m provision for loss of Income as Vivacity balances not yet transferred, £0.063m saving re Supplies and Services including photocopying and postage.
Communities-Regulatory Services	£0.333m pressure due to additional C-19 spend on the Coroners Service 0.072m to manage the backlog and complexity of cases and for the Councils share of temporary mortuary costs £0.210m. Increased cost of PCC share of Coroners contract £0.051m.
	£0.142m pressure due to reduced Income from Licensing in relation to Food premises, Street Traders & Taxi's as a result of businesses / taxi operators being closed and allowing for permanent closure of businesses.



<b>Directorate Variance Analysis</b>	
	£0.099m saving Housing Enforcement of which £0.086m is employee vacancies, posts weren't recruited as a result of C-19.
	£0.248m saving Regulatory Services Underspend on staffing £0.093m Trading Standards £0.092m, Legal Costs £0.014m, Hackney Carriage inspections £0.021m and reduced spend on Licenses £0.028m.
DSG (net position)	£0.131m pressure due to additional forecast spend to ensure the sustainability of Nursery Education providers, as a result of the potential closures which could be caused as a result of C-19.

## Public Health- On Budget

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Children 0-5 Health Visitors	3,907	4,074	-	167	Overspend
Children 5-19 Health Programmes	942	942	-	0	On Budget
Sexual Health	1,999	1,843	-	(156)	Underspend
Substance Misuse	2,218	2,214	-	(4)	Underspend
Smoking and Tobacco	295	233	-	(63)	Underspend
Miscellaneous Public Health Services	1,390	1,324	-	(66)	Underspend
Public Health Grant	(11,124)	(11,124)	122	122	Overspend
<b>Total Public Health</b>	<b>(372)</b>	<b>(494)</b>	<b>122</b>	<b>(0)</b>	<b>Underspend</b>

### Directorate Variance Analysis

Children 0-5 Health Visitors	£0.167m pressure due to Agenda for Change cost increases. Contracts include the requirement to uplift contract cost where staff are employed on Agenda for Change Terms and Conditions. For the first two years, Public Health (PH) England provided additional funding to pay for these contract price increases but in year three the PH grant was increased to cover the contract price increases. However the uplift in grant value and its purpose was announced in March after the Council had set its budget, and provisional increase in PH grant had already been factored in to the budget, unaware of the government's commitment for this increase. This has been accounted for in the 2021/22 MTFS.
Sexual Health	£0.200m favourable position on sexual Health Services. This can be broken down into: * £0.072m Long Acting Reversible Contraception (LARC) * £0.056m Emergency Hormonal Contraception (EHC) * £0.030m Genitourinary Medicine * The 2019/20 accruals estimates were overstated as key Public Health staff were engaged in providing the C-19 outbreak response. £0.044m pressure due to additional cost of the sexual health contract. This has resulted from a delay in implementing new contract as the service was focussed on providing the response to the pandemic. This was a temporary pressure, no pressure expected on the 2021/22 budget.
Smoking and Tobacco	£0.060m saving on GP and Pharmacy costs due to lower uptake as a result of C-19. It is anticipated that demand will resume.
Miscellaneous Public Health Services	£0.083m Saving on the adult's weight management and obesity, in relation to two contracts. One which changed supplier part way through the year, the other due to reduced costs as a result of C-19. £0.054m saving on prescribed health check services due to low up take of check as a result of C-19 social distancing and lockdowns.

<b>Directorate Variance Analysis</b>	
	£0.044m pressure as a result of a delayed start to new healthy lifestyles contract, The new contract now commenced, however it was delayed due to C-19.
	£0.015m pressure as a result in a delayed start to the new contract starting in respect of the National Child Measurement Programme. This was delayed as a result of C-19
Substance Misuse	£0.015m pressure - additional expenditure on drug and alcohol services, to ensure that the service could operate safely, within the C-19 restrictions. eg- maintaining social distancing, additional cleaning materials & PPE.

## Place & Economy- £1m Overspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Development and Construction	(70)	(34)	-	36	Overspend
Director Place & Economy	100	105	-	5	Overspend
Peterborough Highway Services	4,236	2,869	-	(1,367)	Underspend
Sustainable Growth Strategy	1,652	1,362	39	(251)	Underspend
Waste, Cleansing and Open Spaces	12,750	13,648	-	897	Overspend
Westcombe Engineering	144	316	-	173	Overspend
Director of Housing	2,219	3,858	-	1,638	Overspend
Growth & Regeneration	685	516	70	(100)	Underspend
<b>Total Place &amp; Economy</b>	<b>21,716</b>	<b>22,639</b>	<b>109</b>	<b>1,032</b>	<b>Overspend</b>

### Directorate Variance Analysis

Development and Construction	£0.308m Pressure in relation it planning fee income is reduced due to C-19, especially in Quarter 1; applications have picked up but income remains lower than budgeted.
	£0.154m Favourable variance on other development income is currently forecast higher than budget, this includes S106 and Community Infrastructure Levy (CIL) Administration fees in respect of developments at Wittering, Hampton and Thorney.
	£0.118m Favourable variance on other variances including increased Building Control income and reduced staff costs, reduced legal costs as no challenges for Planning, partly offset by shared service and staff recharges
Peterborough Highway Services	£0.290m Favourable variance on concessionary fares as significant reduced usage of concessionary passes
	£0.131m Favourable variance on Bus Service Operators Grant (BSOG) used to fund 60's
	£0.460m Favourable variance on network Management Permitting Income. Higher than anticipated income, with significantly higher income late in the year. Also lower direct costs on permitting.
	£0.067m Favourable variance on staffing costs as a result of vacant posts.
	£0.188m Pressure as a result of extra highways costs associated with C-19 and reduced income in street naming/numbering. The Council has also incurred additional costs as a result of damage to assets caused by Road Traffic Collisions (RTC).
	£0.286m Favourable variance on street lighting costs this is due to a net saving on the energy pricing, corrections to last year and out of contract costs. In addition to operating a dimming regime due to the reduced traffic caused by C-19.

Directorate Variance Analysis	
	£0.107m Favourable variance on staff costs due to recharges to capital projects and the Cambridgeshire and Peterborough Combined Authority (CPCA), where staff have been assisting on projects.
	£.0157m Favourable variance on Highways Development savings and additional income.
	£0.057m Favourable position on other minor variances including savings on drainage flood & risk costs, road safety and Transport Planning, partly offset by Queensgate Bus Station reduced departure fee income due to C-19
Sustainable Growth Strategy	£0.121m Favourable due to additional income generated from recharging planning policy services to other local authorities.
	£0.130m Favourable across various areas including staffing, supplies & services, trees & conservation projects and LDF statutory functions
Waste, Cleansing and Open Spaces	£0.240m Pressure as a result of reduced Brown Bin fee Income, this was due to the Council not charging for the 1st 3 months due to C-19.
	£0.218m Pressure in relation to the Energy from Waste (EFW) Plant. Electricity Income loss due to a fall in wholesale demand leading to drop in export price. The export price has increased in recent months hence why the pressure has reduced.
	£0.123m Pressure due to additional costs at Household Recycling Centre due to C-19, such as signage, cleansing, staffing and Traffic Management costs
	£0.195m Favourable due to a refund of Climate Change Levy liability from HM Revenue & Customs, following detailed discussions on the relevant application of the tax rules which removed the Council's liability.
	£0.233m Pressure on waste treatment costs due to increased residential waste- This is an implication of C-19 as residents have been at home more due to lockdown measures, school closures and working from home guidance.
	£0.425m Pressure as a result of the Impact of C-19 on Aragon Direct Services, causing loss of income and additional costs. These are broken down in to: <ul style="list-style-type: none"> <li>* £206k for the Covid-19 impact on Refuse Collections</li> <li>* £80k for Parks, Trees &amp; Open Spaces</li> <li>* £67K workshop</li> <li>* £38k Property costs</li> <li>* £34k Transport costs.</li> </ul> Additional measures provided for include an additional vehicle for increased domestic refuse tonnage; additional cleaning costs, and additional personnel for Covid-19 secure measures, including enabling "bubbles" to be maintained for transport services. This position has improved by £377k compared to the initial forecast from Aragon Direct Service. Aragon is operated by the Council owned company Peterborough Limited, and appropriately funding the impact of these measures has ensured that the company can continue to deliver to its business plan, maintain a positive balance sheet, and commence repayment of the initial set up loan provided by the Council.
	£0.131m Pressure due to additional vehicle hire and staffing costs on waste collection rounds.
	£0.277m Favourable on smaller variances across the service including: <ul style="list-style-type: none"> <li>* £0.075m reduced repairs and maintenance spend across open spaces &amp; play areas</li> <li>* ££0.068m spring clean not undertaken in Q4</li> <li>* £0.040m no charges for garden waste administration for 2020/21,</li> </ul>

Directorate Variance Analysis	
	<ul style="list-style-type: none"> <li>* £0.046m savings on utilities and business rates,</li> <li>* £0.053m few additional properties and lower adhoc costs- eg a milder winter has meant less reactive work such as fencing and repairs.</li> </ul>
Westcombe Engineering	£0.172m Pressure - Reduced income as reduced capacity due to C-19
Growth & Regeneration	£0.099m Favourable - Savings on employee costs and various Directorate wide savings held here, partly offset by no income generated from Peterborough Destination Centre
Director of Housing	£1.638m net pressure - Mostly as a result of the C-19 pandemic, as the Council has taken steps to ensure that rough sleepers, homeless families and individuals have temporary accommodation, and a safe place to self-isolate. This is net pressure includes:
	* £1.982m Pressure in relation to additional hotel, B&B, employee, security and repair costs.
	* £0.366m net saving on temporary accommodation. This is the result of pressure caused by the decision not to purchase St Michaels Gate, but to extend the lease instead, which is being offset by savings due to a delay in Bushfield Court coming on line and the decision not to approve the Walton Road proposal. The latter two had been budgeted for the full year.
	* £0.153m Pressure - Cost of Interim Director of Housing Needs and Supply
	* £0.564m Favourable- As a result of the two grants £0.028m to fund initial short term costs and £0.426m, to fund ongoing short term costs until March 2021 (part of NSAP bid). Now also Cold Weather Fund and Protect plus additional grant funding
	* £0.104m Pressure - Housing Project Management Costs
	* £0.228m Pressure - Landlord Incentive Payments - significant increased cases
	* £0.139 Pressure - Subsidy & rental incomes, final claim for subsidy less than mid-year estimates
	* £0.038m Favourable - Other variances including reduced legal costs, savings on Traveller Site maintenance and other small savings across the Service.

## Customer & Digital Services - £1.1m Underspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
ICT	7,071	5,856	-	(1,214)	Underspend
Marketing & Communications	355	422	-	67	Overspend
Resilience & Health & Safety	263	272	-	9	Overspend
Director of Customer & Digital Services	75	79	-	3	Overspend
<b>Total Customer &amp; Digital Services</b>	<b>7,764</b>	<b>6,629</b>	<b>-</b>	<b>(1,135)</b>	Underspend

### Directorate Variance Analysis

Marketing & Communications	£0.042m Favourable - Other savings within the service area.
	£0.109m Pressure due to a reduction in sponsorship income and reduced design & print recharge. Some of this pressure has been accounted for within the 2021/22 budget.
Resilience & Health & Safety	£0.021m Favourable variance on Salary costs
	£0.010m Pressure in relation to C-19 related spend on Fletton Site.
	£0.020m Pressure on C-19 related expenditure on body storage and funeral director costs.
ICT	£0.044m Pressure due to additional computer software costs, such as digital signature software, people planner and form software to support agile working and social distancing measures required as a result of C-19.
	£0.068m Favourable due to unbudgeted income in year relating to schools broadband
	£0.454m Favourable on the software budget due to unrequired products, and items costing less than initially expected. Some of this underspend is one off, but some forms part of the early delivery of contract savings, which have been built in to the 2021/22 MTFS.
	£0.224 Favourable due to a rebate received in relation to Customer Relationship Management licensing and support contract. The Council agreed to end use of the system earlier than originally planned, and following a reconciliation of payments already made this rebate was due to the Council.
	£0.512m Favourable as a result of the early delivery of 2021/22 savings, through underspends on contract exit, staffing and supplies and services.

## Chief Executives- £0.1m Underspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Chief Executive	157	134	-	(23)	Underspend
HR	1,147	1,086	-	(61)	Underspend
<b>Total Chief Executives</b>	<b>1,303</b>	<b>1,220</b>	-	<b>(83)</b>	Underspend

### Directorate Variance Analysis

HR	£0.035m Favourable on salary costs. This is the result of two vacant positions, however to ensure the service had the appropriate level of resources the planned Voluntary Redundancies were delayed, with these now expected to take place in June 2021.
	£0.024m Pressure - As a result of additional training costs and loss of occupational health income due to C-19.
	£0.050m Favourable - Other variances within the service.
Chief Executive	£0.004m Pressure - Additional salary costs following delay of Voluntary Redundancy, due to C-19.
	£0.027m Favourable - Other minor variances in the service.

## Business Improvement - £0.1m Overspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Programme Management Office	623	692	-	69	Overspend
<b>Total Business Improvement</b>	<b>623</b>	<b>692</b>	-	<b>69</b>	Overspend

### Directorate Variance Analysis

Programme Management Office	£0.72m pressure due to additional staffing and consultancy costs. The additional staffing cost have now been accounted for within the 2021/22 Medium Term Financial Strategy (MTFS)
	£0.003m favourable - other



## Governance - £0.4m Underspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Director of Governance	151	121	-	(30)	Underspend
Legal Services	1,928	1,950	-	22	Overspend
Constitutional Services	2,027	1,686	-	(342)	Underspend
Performance & Information	216	169	-	(47)	Underspend
<b>Total Governance</b>	<b>4,322</b>	<b>3,925</b>	-	<b>(397)</b>	Underspend

### Directorate Variance Analysis

Legal Services	<p>£0.022m overall pressure, which relates to:</p> <ul style="list-style-type: none"> <li>* £0.082m pressure on Land Charges Income</li> <li>* £0.077m pressure on Children Services Legal Team costs</li> </ul> <p>These have been offset by other favourable income in Legal Services and staff costs.</p>
Constitutional Services	<p>£0.169m favourable position on election services broken down in to:</p> <ul style="list-style-type: none"> <li>* £0.146m favourable variance is as a result of the national postponement of the May 2020 Local Elections.</li> <li>* £0.023m saving in respect of costs relating to the Electoral Register.</li> </ul> <p>£0.172m Favourable position mainly as a result of saving on the Members Allowances budget. This underspend is the result two vacant posts, due to the death of two of Councillors during 2020 and reduced expenditure relating to surgeries, travel and training, due to the C-19 social distancing restrictions. These savings are only temporary as the May 2021 elections have meant that all 60 councillor seats filled.</p>

## Resources- £1.0m Overspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Overall Status
Director's Office	276	272	-	(4)	Underspend
Financial Services	3,496	3,339	386	229	Overspend
Corporate Items	8,020	8,095	7	83	Overspend
Peterborough Serco Strategic Partnership	6,409	7,841	214	1,646	Overspend
Corporate Property	2,028	2,252	-	224	Overspend
Energy	478	(147)	-	(625)	Underspend
Cemeteries, Cremation & Registrars	(1,453)	(2,009)	-	(556)	Underspend
<b>Total Resources</b>	<b>19,254</b>	<b>19,643</b>	<b>607</b>	<b>996</b>	<b>Overspend</b>

### Directorate Variance Analysis

Financial Services	£0.041m Favourable variance within Internal Audit due to lower salary costs. This is due to a member of the team being seconded to support the C-19 Co-ordination hub.
	£0.103m Favourable variance on the insurance premium budget and underspend on the Risk Management budget. These underspend is not repeatable as insurance premiums rise in 2021/22.
	£0.081m Favourable position across the whole strategic Finance Service, including car lease saving, miscellaneous income and supplies and services.
	£0.454m pressure in relation to an increase in the amount required in the sundry bad debt provision. This is a result of the economic impacts of C-19, which has meant the level of debt outstanding to the Council is now higher. An increase in the bad debt provision mitigates the risk of the Council being unable to recover this debt in full in the future.
Corporate Items	£0.419m Pressure against available pay award budget. This has resulted due to the following: * £0.477m pressure as pay award was agreed nationally at 0.75% higher than budgeted * £0.058m favourable as a result of Voluntary Redundancies (VR) which were agreed and accounted for in 2019/20, where staff have now been redeployed in to different roles, which has been off set with additional tax and NI cost identified following a review of VR payments
	£0.415m Favourable as a result of the VAT shelter income from Cross Keys Homes (CKH) exceeding the budget. This favourable position has been driven by additional maintenance work CKH has carried out on its properties throughout 2020/21
	£0.098m Pressure due to an increase in external audit fees. As the Council has low financial resilience, and therefore a higher risk, lower materiality levels set by the auditors, which in turn means additional audit testing. The auditors also carried out a thorough Value for Money (VFM) and an

Directorate Variance Analysis	
	assessment of the impact of C-19 (a national requirement). Both of these factors have driven the increase in audit costs. It is anticipated that additional costs will continue in future year, and has been factored in to the 2021/22 MTFS.
Peterborough Serco Strategic Partnership	£1.149m Pressure due to savings on Business Support not being realised. These savings have been difficult for the Council to deliver at a time when the C-19 pandemic has demanded additional resource and staffing capacity to support with the response.
	£0.209m Pressure on various areas including Annual Delivery Plan/Business Transformation and Strategic Improvement (BTSI) costs, and contractual growth income received but not budgeted in year. This growth income was recently re-profiled and this revised profile has been factored in to the 2021/22 MTFS.
	£0.256m Pressure due to the lack of recovery activity, which has been restricted over the pandemic. This has meant court cost income collected has been reduced. There is no corresponding saving in administration costs.
	£0.072m Pressure on the Housing Benefit Subsidy budget.
Corporate Property	£0.475m Pressure - Additional letting of Sand Martin House, which was incorporated within the 2020/21 Medium Term Financial Strategy (MTFS) has not been possible, due to the impact the pandemic has had on the requirement for office space. There has been a significant shift to home working across the country and it is thought that this saving will be difficult to achieve in the future. For that reason this saving has been removed from the 2021/22 MTFS. However the Council will look at how it can maximise the use of its assets as part of its C-19 recovery plan.
	£0.119m Favourable - Rental income following purchase of new site.
	£0.079m Favourable - Other variances across the service
	£0.054m Favourable - In response to C-19 there has been additional costs such as cleaning, and signage at Sand Martin House, however this has been offset by reduced Utilities and Security costs.
Energy	£0.625m Favourable as a result of additional loan interest income received in respect of the Council's Solar Rooftop asset portfolio through its Strategic Partnership with Empower. The Empower loan was to be transferred onto a long term basis by the end of the year, and as such the money received on account was to be split between interest and loan repayment. As the new loan agreement was not signed by the end of the year the money received on account reflects the short term loan agreement and so interest is charged on the higher basis.
Cemeteries, Cremation & Registrars	£0.159m Pressure resulting from a £0.196m underachievement of Registration Services income which has been partially offset with a reduction in expenditure of £0.037m, this is fully attributable to C-19.
	£0.747m Favourable variance on the Bereavement Services income budget. This is due to the rise in deaths as a result of C-19. Between January and March this increased by £0.193m as a result of the third spike in cases and deaths over Lockdown 3.0.

## Capital financing- £4.4m Underspend

Budget Group	Budget £k	Final Outturn £k	Cont to Reserves £k	Variance £k	Status
Capital Financing	29,187	24,789	-	(4,398)	Underspend
<b>Total Capital Financing</b>	<b>29,187</b>	<b>24,789</b>	-	<b>(4,398)</b>	Underspend

## Capital Financing and Capital Receipts Overview

The Capital Financing budget has underspend compared to budget by £4.4m and reflects three key aspects which have been noted as influencing factors throughout the year. The previous forecast outturns reflected the risk in achieving asset sales in the current economic climate, which had been offset by the cost of borrowing for new debt being lower and later in the year than anticipated in the MTFS.

### Directorate Variance Analysis

Tight management of the Council's cash flow has led to savings being realised by extending the time before borrowing was undertaken, reducing the amounts of borrowing taken, and at the lower, shorter length interest rates. All borrowing undertaken has been used to fund capital expenditure or refinance maturing loans. The Council's cash flow has benefitted from the additional funds provided by government in relation to funding the direct additional C-19 activity and grants provided to businesses to support them through the pandemic. The Council's capital programme has not progressed in the timescales originally planned, and was affected by the downtime for construction resulting from Lockdowns experienced. The benefits realised from these factors led to savings in year of £1.2m. These 2020/21 factors built on the 2019/20 position where less borrowing was undertaken for the capital programme in 2019/20 than budgeted for in the MTFS resulting in less budget being required to fund existing borrowing.

The minimum revenue provision (MRP) calculation had been delayed due to resource constraints in the Corporate Finance Team which resulted in an estimated being used in reporting. The final calculation included in this position has taken into account the lower completion rates of schemes from the 2019/20 capital programme and resulted in a lower provision of £1.3m compared to the MTFS budget.

Interest receipts generated from loans the Council has issued has been lower than the estimate in the MTFS as a result of the delay in the drawdown for the loan granted to the hotel build in Fletton Quays. This has been offset through the reduction in new borrowing required to fund the loan, per previous commentary above, and better performance than expected from the ESPO dividend. Final performance was £0.5m less receipt than originally planned.

Debt position & movements (£m) as at March 2021



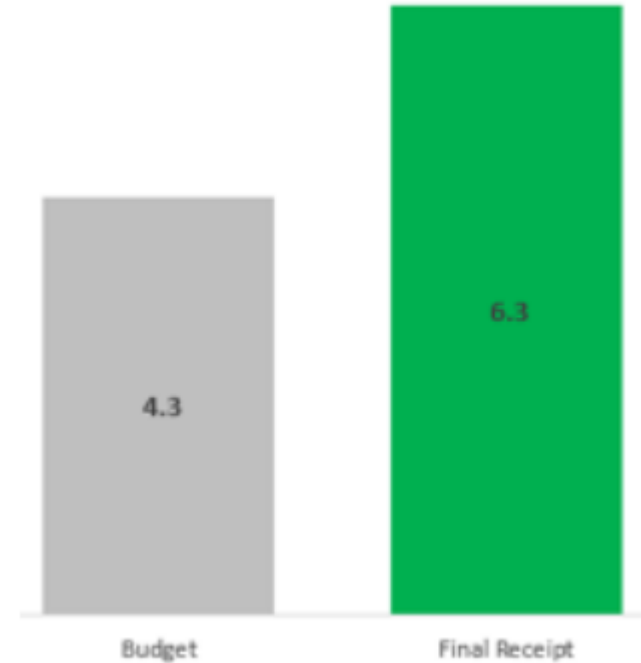
### Capital Receipts

Capital Receipts are used as part of a contribution to repay debt. Close monitoring of the Capital Receipts is maintained as any change has a direct impact on the revenue position. Capital Receipts are monitored on a monthly basis and each sale given a status of Red, Amber or Green to identify the likely receipt before March 2021.

As per the MTFS policy Capital Receipts will be used to repay debt and forms part of the calculation of the reducing the overall debt through MRP. If capital receipts are not received, the debt will need to be repaid via revenue resources.

The Council had identified over £8.2m of asset sales in order to achieve the MTFS budget of £4.3m. Although the impact from C-19 pandemic on asset sales is created a challenging environment in which to finalise final exchange and therefore the timing of the final receipt, the Council realised £6.3m of receipts with a further value of £1.2m deferred for cash receipt in future years. This has resulted in additional capital receipt income above that estimated in the MTFS of £2.4m.

2020/21 Asset sale performance against budget (£m)



Appendix B: Council Reserves Position

	Balance C/Fwd 01.04.20 £000	Contribution from Reserve £000	Contribution to Reserve £000	Movement between Reserves £000	Balance at 31.03.21 £000	Estimated Balance at 31.03.22 £000	Estimated Balance at 31.03.23 £000
<b>Summary of Reserves</b>							
<b>General Fund Balance</b>	<b>5,111</b>	-	<b>889</b>	-	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
<b>Usable Reserves</b>							
Capacity Building Reserve	12,992	(1,936)	3,975	5	15,035	14,081	14,081
Departmental Reserves	5,077	(1,620)	1,927	(5)	5,380	2,593	1,805
COVID-19 Tax Income Reserve	-	-	22,521	-	22,521	2,316	-
COVID-19 Funding Reserve	5,332	(5,332)	12,841	-	12,841	-	-
	<b>23,401</b>	<b>(8,888)</b>	<b>41,265</b>	-	<b>55,778</b>	<b>18,990</b>	<b>15,886</b>
<b>Ring-Fenced Reserves</b>							
Insurance Reserve	3,073	(144)	386	-	3,315	3,315	3,315
Schools Capital Expenditure Reserve	752	(181)	86	-	658	658	658
Parish Council Burial Ground Reserve	56	(6)	7	-	57	57	57
Hackney Carriage Reserve	173	-	-	-	173	173	173
Public Health Reserve	9	-	122	-	131	131	131
	<b>4,063</b>	<b>(332)</b>	<b>601</b>	-	<b>4,333</b>	<b>4,333</b>	<b>4,333</b>
<b>Total Earmarked Reserves and General Fund Balance</b>	<b>32,575</b>	<b>(9,220)</b>	<b>42,755</b>	-	<b>66,110</b>	<b>29,323</b>	<b>26,218</b>

## Appendix C - Treasury Management Strategy Prudential Indicators Outturn 2020/21

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. 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 2020/21 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 capital expenditure for the year based on the Capital Programme.

<b>Capital Expenditure</b>	<b>2020/21 Indicator £m</b>	<b>2020/21 Actual £m</b>
Capital Expenditure	72.4	53.0
IFRS16 Transition adjustment	22.0	-
Capitalisation Direction	1.2	0.8
Invest to Save	50.8	3.0
<b>Total</b>	<b>146.4</b>	<b>56.8</b>

The actual capital programme expenditure outturn is £56.8m which is lower than the MTFS indicator due to a number of projects across all directorates being reprofiled to more accurately reflect the spending over future years and other projects removed as part of an enhanced scrutiny process linked to achieving additional savings in 2020/21 to mitigate the forecast overspend during the year and as part of the development of the 2021/22 MTFS.

Invest to Save projects have been reduced over the next few years due to no planned expenditure. However, this does not impact the Council's capital financing budget as this is for schemes that must cover the cost of borrowing and minimum revenue provision (MRP) from either income generation or from generated savings.

An extension to the IFRS16 – Capital Lease Accounting transition was granted in order to help the management of workloads within local government as it responded to the pandemic.

## 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	2020/21 Indicator £m	2020/21 Actual £m
CFR b/fwd	598.3	588.4
Underlying Need to Borrow	37.4	6.6
Underlying Need to Borrow - Invest to Save	40.0	3.0
IFRS16 Transition adjustment	22.0	-
Capitalisation Direction	1.2	0.8
<b>Total CFR C/fwd</b>	<b>698.9</b>	<b>598.8</b>

## 3. Indicator 3: Actuals and Estimates of the Ratio of Financing Costs to Net Revenue Budget

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt. The actual performance of 12.8% is reflected in the explanatory text for capital financing as contained in the Appendix A.

Ratio of net financing costs to net revenue stream	2020/21 Indicator	2020/21 Actual
Total Ratio	16.1%	12.8%

## 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 (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

Proportion of Gross Debt to the CFR	2020/21 Indicator £m	2020/21 Actual £m
CFR	698.9	598.8
Gross Debt (inc PFI & Leases)	<b>627.6</b>	<b>518.4</b>
% of Gross Debt to CFR	89.8%	86.6%

This indicator shows that the Council maintained an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement (CFR)), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used. This strategy was prudent as investment returns were low and counterparty risk was still an issue that needed to be considered.

## 5. Indicator 5: The Operational Boundary

The Operational Boundary is a measure of the day to day likely borrowing for the Council. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated.

This indicator takes into consideration the capital programme over the life of the MTFs and the ability to phase the borrowing over this period. The indicator provides flexibility for the Council to take advantage of favourable interest rates in advance of the timing of the actual capital expenditure.



<b>Operational Boundary</b>	<b>2020/21 Indicator £m</b>	<b>2020/21 Actual £m</b>
Borrowing	686.9	469.6
Other Liabilities (PFI & Leases)	70.5	48.8
<b>Total Operational Boundary</b>	<b>757.4</b>	<b>518.4</b>

#### 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.

<b>Authorised Limit</b>	<b>2020/21 Indicator £m</b>	<b>2020/21 Actual £m</b>
Borrowing	801.4	469.6
Other Liabilities (PFI & Leases)	70.5	48.8
<b>Total Authorised Limit</b>	<b>871.9</b>	<b>518.4</b>

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.

<b>Upper limit for fixed rate exposure</b>	<b>2020/21 Indicator £m</b>	<b>2020/21 Actual £m</b>
Upper Limit	801.4	469.6
% 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	2020/21 Indicator £m	2020/21 Actual £m
Upper Limit	200.4	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.

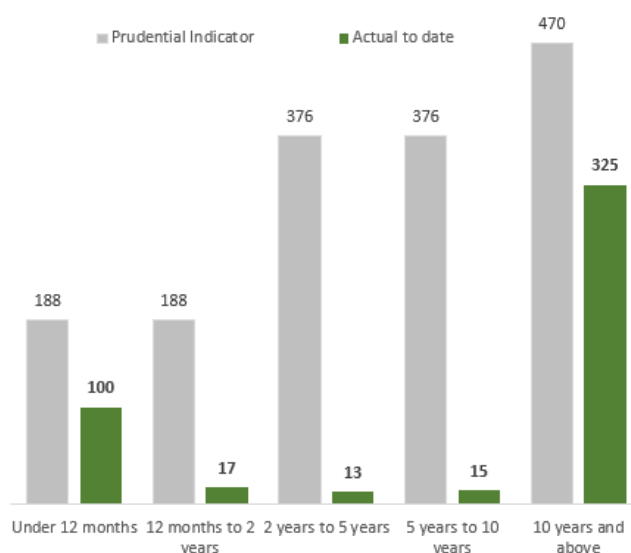
#### 9. Indicator 9: Maturity structure of borrowing

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 £469.5m (shown in the indicator below).

Period	Upper Limit Indicator	Actual Borrowing £m
Under 12 months*	40%	102.5
1 – 2 years	40%	17.1
2 – 5 years	80%	13.0
5 – 10 years	80%	14.5
Over 10 years	100%	325.5
<b>Total Borrowing</b>		<b>469.6</b>

*LOBO's having a call-in date every six months.*

PI 9 - Maturity structure of borrowing (£m) as at March 2021



\* The borrowing for under 12 months includes £17.5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 22-34 years' time, they are classed as loans repayable within the financial year due to

#### 10. Indicator 10: Total Investments for periods longer than 364 days

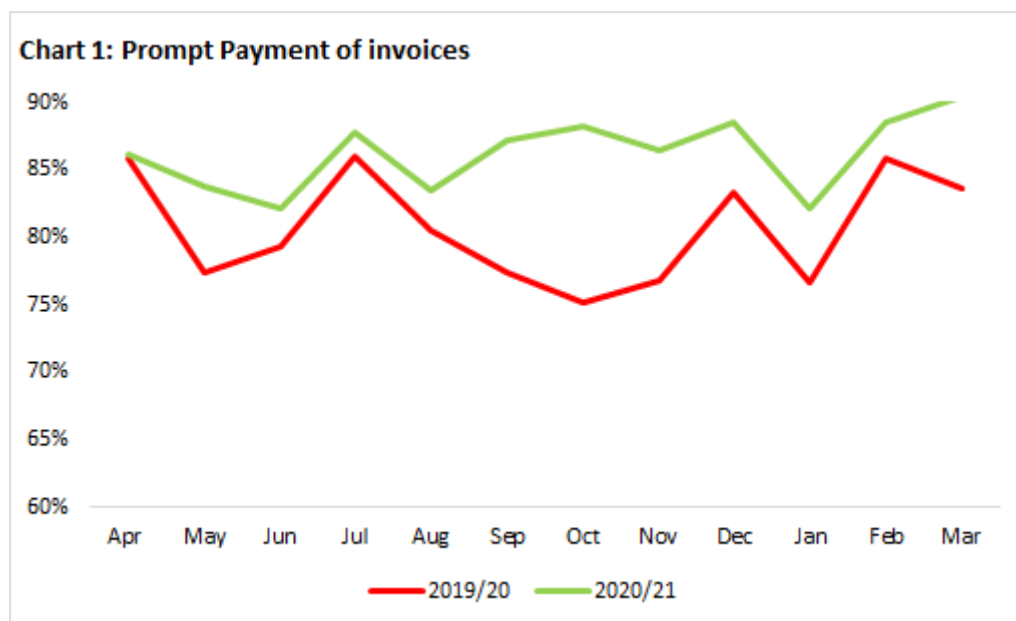
Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

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.

	2020/21 Indicator £m	2020/21 Actual £m
Principal sums invested >364 days	10.0	0.00

## Appendix D –Debt and Payment Performance Monitoring

1.1. The prompt payment outturn based on received date was 86.2% (80.8%, 2019/20), which is 5.4% up on the previous year's performance. During 2020/21, the Accounts Payable team processed Covid-19 related support payments to taxi drivers, Integrated Community Equipment Service users (Adult Social Care) and business receiving re-start grants. The performance for 2020/21 is shown alongside the equivalent 2019/20 figures within chart 1.



1.2. During 2020/21, system workflow has been further improved and tightened to help drive improved financial compliance. Adult Social Care payments are now processed through a system interface and work continues to automate other payments where possible. As a result of changes to the ICT contract all BACS payments are now processed via Local Government Shared Services (LGSS). The Accounts Payable team continue to work closely with the procurement team and the Council to ensure suppliers are paid quickly wherever possible.

1.3. In 2020/21 a total of 75,308 payments were paid out, of which 67,958 were paid within 30 days (based on the invoice date)

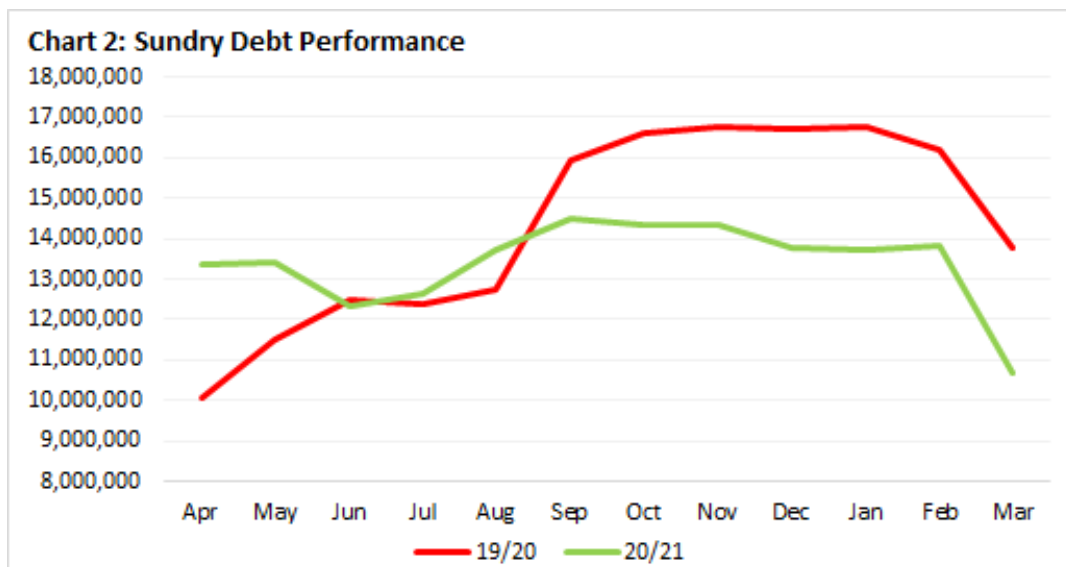
1.4. The total value of payments made was £313.9m of which.

- £313.5m (99.6%) was paid electronically, by either BACS or CHAPS.
- £0.405m (0.4%) was paid via a cheque- 268 cheques, 432 less cheques in 2020/21.

## 2. Sundry Debt Performance

2.1. The total outstanding sundry debt on 31 March 2021 was £21.8m (£27.1m, 31 March 2020), a reduction of £5.3m in comparison to the previous year. Of this £10.7m, accounted for debt aged over 6 months old (6m+ debt), this is set out in Chart 2 alongside the comparative figures for 2019/20.

2.2. Of the £10.7m (6m+ debt), £7.7m (72%) is in respect of debt outstanding from NHS organisations and the Clinical Commissioning Group (CCG). It should be noted that £0.957m of NHS/CCG payments are unallocated and have not been included within the figure quoted, this is due to the poor quality of information on remittances that have been received.



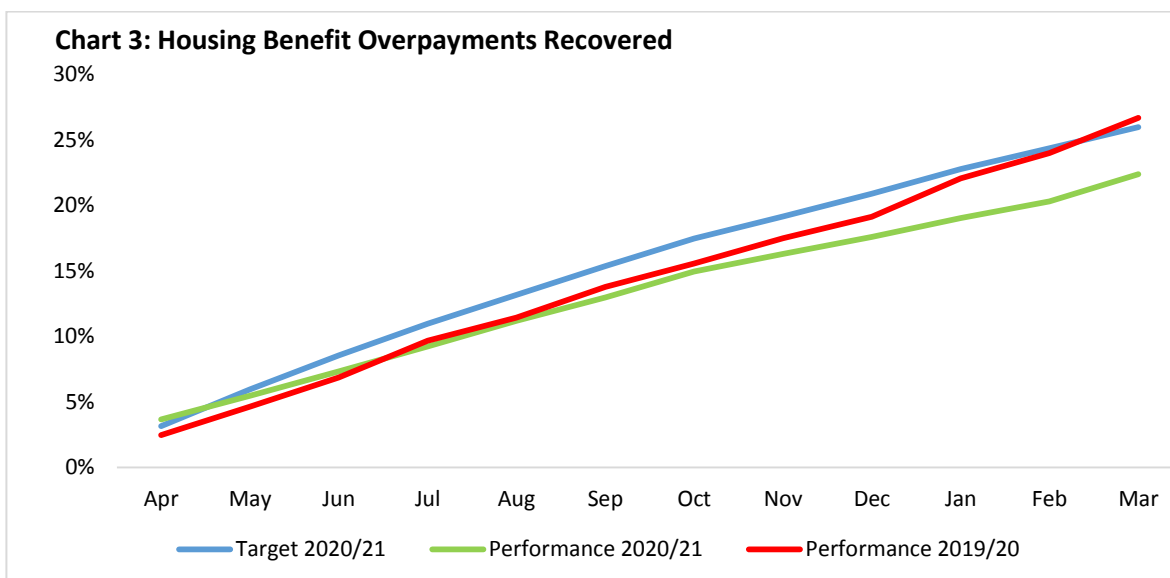
2.3. A review of the end-to-end debt recovery process is ongoing. This will include an internal audit report outlining the Councils strengths, weaknesses and making recommendations for improvements. It is anticipated outcomes of this work will include:

- 2.3.1. Enhanced reporting and monitoring tools to assist budget managers and directors with recovery action. This action is already in train following the finance team piloting a new dashboard report with the Corporate Management Team.
- 2.3.2. The introduction of additional controls at the billing stage, which will improve accuracy for invoices and ensure evidence is strong to support latter stage recovery action, should it be required.
- 2.3.3. Closer working between Serco's Sundry Debt team, and the Councils service directorates continues to be positively developed, with budget holders and budget managers becoming more involved in terms of reviewing debt.

2.4. In 2020/21 a total of £69.7m invoices were raised, with a total of £64.4m being collected against the total outstanding debt. Serco have been carrying out two projects, to recover aged debt, during 2020/21, £0.447m had been collected across the two projects, however these are now reaching the end of their life.

### 3. Housing Benefit Overpayments

3.1. Chart 3 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2020/21 and the 2019/20 performance.

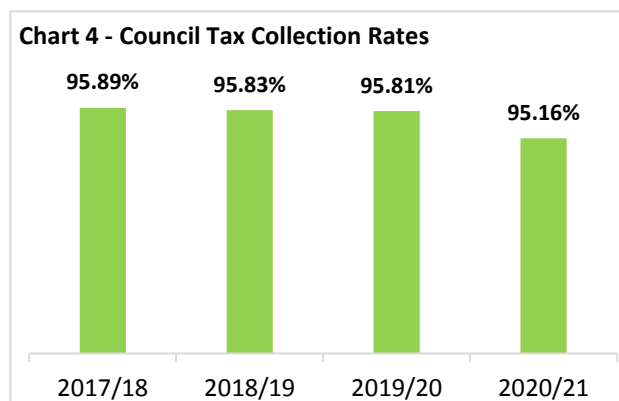


- 3.2. Housing benefit overpayment collection as at the 31 March 21 was 22.39%, which is below the target of 26.0% and 4.31% lower than the figure for March 2020 (26.70%). The amount of debt carried forward from 2019/20 was c£6m and the amount of newly identified debt in 2020/21 was £0.5m lower than 2019/20, and £1.6m lower than 2018/19. As a result, the age profile of the debt continues to get older.
- 3.3. Collection has been affected in 2020/21 by the impacts of Covid-19. DWP suspended debt collection processes for ‘attachments of benefit’ cases for most of the year and recovery via wage deductions was also impacted.
- 3.4. Despite this, the value of debt collected as a percentage of new debt raised continues to increase. In 2019/20 this was 135% of the value of the debt raised in year and in 2020/21 this has increased to 148%. This is resulting in a reduction of overall debt levels.
- 3.5. Overall overpayments are reducing for a number of reasons, including:
- 3.5.1. 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 this does mean the achievement of the KPI becomes increasingly difficult.
  - 3.5.2. Benefits processing is significantly more up to date than it has been historically, leading to fewer overpayments caused by delays in processing.
  - 3.5.3. Recent data matching of earnings with DWP and HMRC has led to claims being more promptly updated when changes occur.
- 3.6. While the age profile of the debt is making achievement of the KPI increasingly difficult the actual underlying levels of outstanding debt are continuing to decrease after several years of increases.

#### 4. Council Tax and Non-Domestic Rates Collection

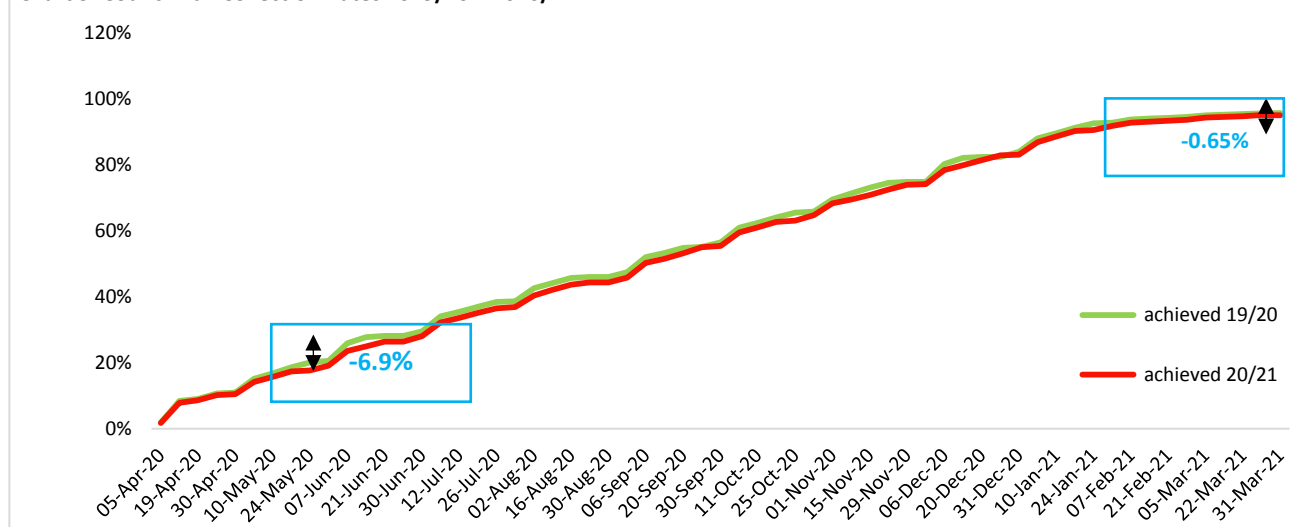
##### Council Tax

4.1. Chart 4 shows the performance in respect of Council Tax collection over the last four years, which outlines a very steady trend. Although the in-year collection rate for 2020/21, has reduced by 0.65% in comparison to 2019/20, this position is much improved from forecasts earlier in the year, where the collection rates were 6.9% lower.



4.2. Council Tax recovery was initially on hold (as advised by the government) and as a result of this, unemployment rates rising and increased economic uncertainty caused by the pandemic the collection rates fell 6.9% behind the 2019/20 achieved position. With recovery action resuming in August, initially with 'soft' reminders, followed by more formal recovery action in September. Collection rates have remained strong despite the 3 lockdowns and downturn in the economy, with in-year collection being 0.65% down on 2019/20 rates. Chart 5 outlines the rate throughout 2020/21 and 2019/20, highlighting the point at which collection rates dropped and the closing position.

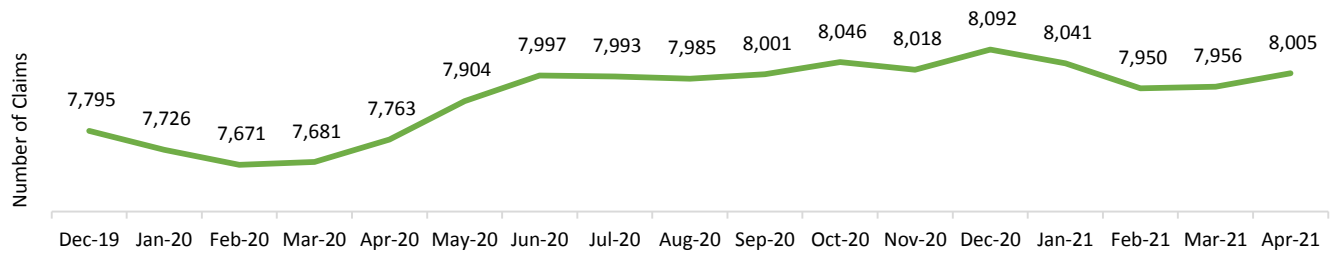
Chart 5: Council Tax Collection Rates 2019/20 v 2020/21



4.3. Prior years (arrears) debt collection has been affected by Covid-19, with the amount of Council Tax arrears collected in 2020/21 reducing by 11.37%, against a target of 14.31%. The suspension of DWP debt recovery processes and suspension of formal recovery action until September has impacted the remaining debt recovery process.

4.4. During the year the Council has seen a steady rise in the working age Local council Tax Support (LCTS) caseload. At the start of the pandemic the increase was sharp in line with the rise unemployment, lockdown 1.0 and the introduction of furlough. Chart 6 outlines the trend throughout the year and demonstrates the impact on LCTS claims the change in economic climate, caused by the reducing of lockdown measures in summer and then the re-introduction of further lockdowns in November and January had. Although the claim levels now seem to be steady around 8,000 this is still much higher than the reducing pre-Covid-19 trends, and there is potential for to increase further once the furlough scheme ends in 2021.

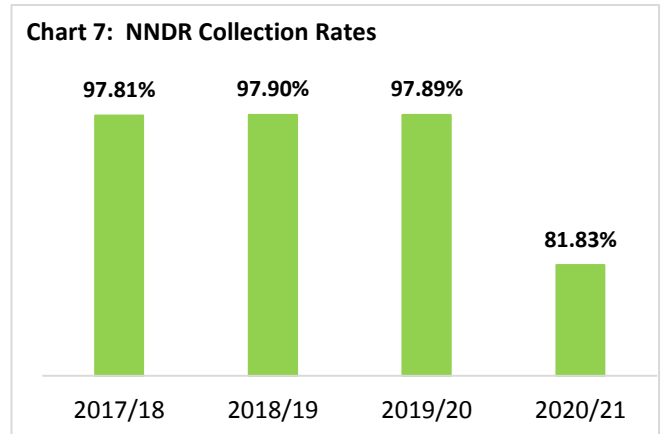
**Chart 6: Working Age- Local Council Tax Support Claims**



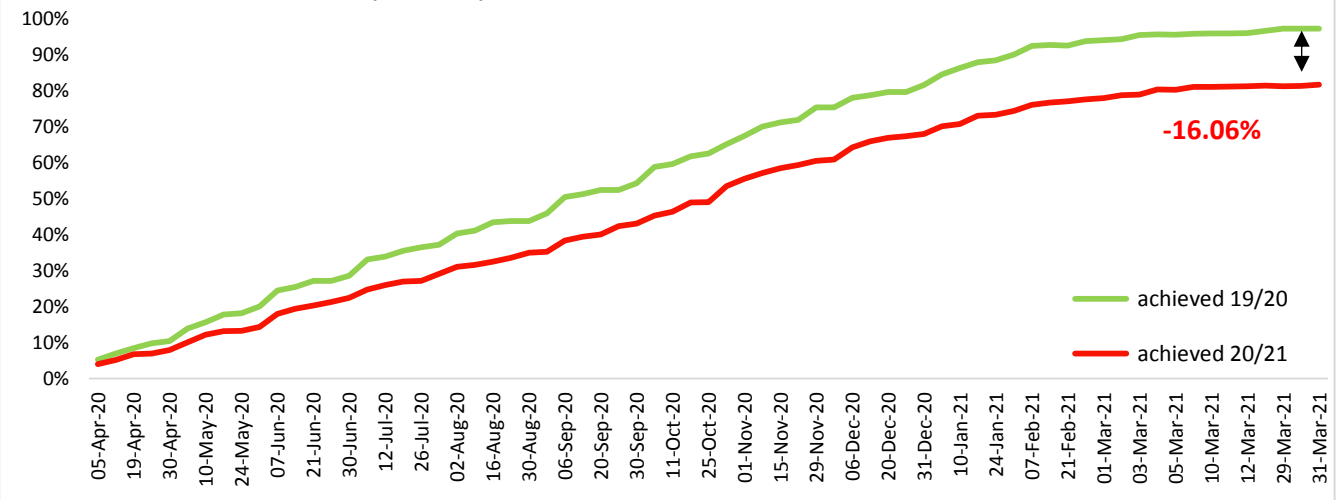
**Non Domestic Rates**

4.5. Chart 7 shows the performance for the collection of Non-Domestic Rates (NNDR) over the last 4 years. This usually remains steady at around 97.85%, however Covid-19 has significantly impacted the collection of NNDR income during 2020/21, with the collection rate reducing by 16.06% compared to the level achieved in 2019/20. In monetary terms this equates to £11.5m of uncollected NNDR income. Early in the year the Collection rate for NNDR deteriorated before remaining constant at c15-20% behind 2019/20, as show in in chart 8.

**Chart 7: NNDR Collection Rates**



**Chart 8: NNDR Collection Rates 2019/20 v 2020/21**



4.6. Additional 100% rate relief and business support grants were made available by the government. These schemes primarily focussed on specific industries such as leisure, hospitality, retail and nurseries, where Peterborough’s business base is largely represented by warehousing, distribution, and transport. These businesses along with other received no relief and in many cases have been unable to continue to pay their rates liability. Formal recovery action was suspended during 2020/21, with ‘soft’ reminders being issued during February and March 2021.

4.7. Temporary staff have been employed throughout 2020/21 to help minimise the impact in recovery as far as possible, but more so to assist with the prompt administration of business grants. Additional

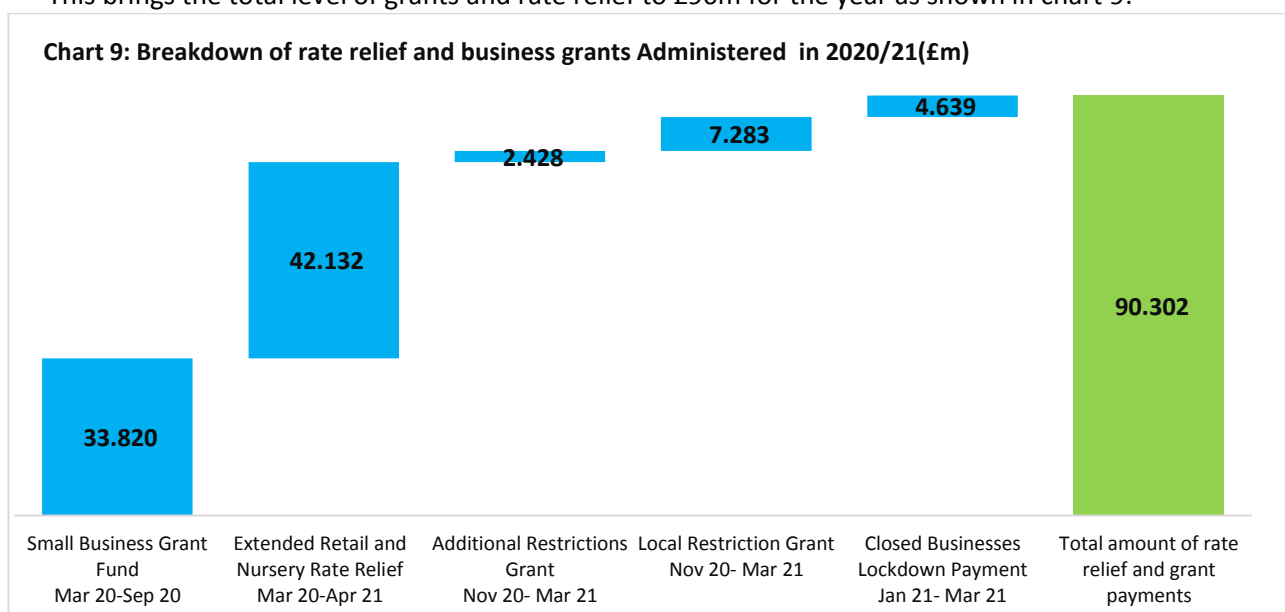
staffing resource will continue in 2021/22 and will focus on the recovery action for the current year and to recover the outstanding debt that remains from 2020/21.

- 4.8. Covid-19 has had a significant impact on the financial position of many residents and businesses. The Council was keen to support both during this difficult period and a more lenient approach to debt recovery was agreed, to ensure even more pressure was not being placed on those most impacted financially by the pandemic. This position was replicated by central government by, for example, courts not being open to conduct local taxation liability hearings until September.
- 4.9. Non-Domestic Rates recovery action has been on hold due the current financial situation many businesses face, but recovery action recommenced in February, initially with soft reminders and targeted calls. Due to the challenges of collection debt last year a more robust approach is being taken to recover the 2020/21 arrears now owed.

## 5. Covid-19 Grant Administration

### Business Rate Relief and Grants

- 5.1. Despite the challenges outlined in section 4, the Revenues and Benefits team have been recognised by the Department for Business, Energy and Industrial Strategy (BEIS) for being one of the top performing teams, for the speed at which they paid grants to local businesses impacted by Covid-19, during the first lockdown.
- 5.2. Various grants schemes have been awarded to businesses throughout 2020/21, which include:
- 5.2.1. **Small Business Grant Fund (SBGF):** £33.8m administered from March- September 2020 and awarded under 3 different schemes, and supporting 2,764 local businesses.
  - 5.2.2. **Local Restrictions and Additional Restrictions Grants:** administered November 2020 to March 2021 including lockdown 2 and 3 related grants and discretionary schemes which the Council designed to best support local businesses.
  - 5.2.3. **Closed Business Lockdown Payment-** announced by the chancellor following lockdown 3.0 in January 2021.
  - 5.2.4. **Extended Rate relief and Nursery Discount:** introduced in April 2020, with the total relief granted reaching £42.1m supporting 1,300 businesses and 34 nurseries.
- This brings the total level of grants and rate relief to £90m for the year as shown in chart 9:





5.3. The Council is continuing to administer some of these scheme where they remain open, or have been extended by the government. In addition a Business Restart Grant was announced in March to support the economy to reopen and recover. The Council has received a £8.3m grant and is working to promptly distribute this grant to businesses.

#### **LCTS Hardship Fund**

5.4. The Council received £1.7m of Council Tax Hardship funding at the beginning of the pandemic, to provide support to working age recipients of Local Council Tax Support (LCTS), by providing a further £150 reduction in their annual Council Tax bill. During the year £1.4m of government funding was allocated to 9,964 households, supporting working age families, those on lower income, or struggling due to the rise unemployment and furlough. The suspension of DWP debt recovery processes and suspension of formal recovery action until September has impacted the remaining debt recovery process though.

#### **Test and Trace Self Isolation payments**

5.5. In addition to business grants and LCTS hardship payments the team administered the government Test and Trace isolation payments. Since October 2020, 4,180 claims have been processed and awards totalling £0.775m have been made to those on low incomes, who have been required to self-isolate after testing positive or coming in the close contact with someone who has tested positive for Covid-19.

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 14
<b>29 JULY 2021</b>	<b>PUBLIC REPORT</b>

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

<b>WORK PROGRAMME 2021/22</b>
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<b>R E C O M M E N D A T I O N S</b>
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> <li>Notes and agrees the Work Programme for the municipal year 2021/22.</li> </ol>

**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 2021/22

## APPENDIX A

DATE: 29 JULY 2021			
		Section / Lead	Description
	Annual Governance Statement	Finance Steve Crabtree	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 2021.
	Investigations Team Annual Report 2020 / 2021	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 2021.
	Insurance: Annual Report 2020 / 2021	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the delivery of Insurance Services for the year ended 31 March 2021.
	Budget Monitoring Outturn 2020 / 2021	Finance Pete Carpenter	To receive, consider and endorse the Capital and Treasury outturn 2020/21
	Annual Governance Statement	Finance Pete Carpenter	To receive the final Statement of Accounts for the year ended 31 March 2021 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	Audit Committee Effectiveness	Internal Audit Steve Crabtree	To receive and consider the self assessment of the effectiveness of the Audit Committee
	RIPA update	Governance Ben Stevenson	To receive an update for Committee to note.
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	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.
	Draft Work Programme 2021 / 2022	Democratic Services Dan Kalley	

**DATE: 13 SEPTEMBER 2021**

		<b>Section / Lead</b>	<b>Description</b>
	Risk Management: Strategic Risks	Governance Pete Carpenter	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
	External Audit: Annual Audit Letter	Ernst and Young	To receive and approve the External Annual Audit Letter identified as part of their audit works
	RIPA Update	Governance Ben Stevenson	
	<b>INFORMATION AND OTHER ITEMS</b>		
	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 2020 / 2021	Democratic Services Dan Kalley	

**DATE: 29 NOVEMBER 2021**

		<b>Section / Lead</b>	<b>Description</b>
	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Treasury Management Strategy	Finance Pete Carpenter	
	Audit Committee start times 2022/23	Dan Kalley Democratic Services	Committee to agree it's start times for the municipal year 2022-23

	<b>INFORMATION AND OTHER ITEMS</b>		
	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	
<b>DATE: 24 JANUARY 2022</b>			
		<b>Section / Lead</b>	<b>Description</b>
	Internal Audit: Approach to Audit Planning	Internal Audit Steve Crabtree	To receive a report on the approach to Audit Planning
	National Fraud Initiative: Investigating Allegations of Fraud	Internal Audit Steve Crabtree	To receive a report setting out the latest outcomes in relation to tackling fraud and corruption through the National Fraud Initiative and future activities to protect the public purse
	Use of Consultants	Finance/HR Pete Carpenter	To receive an update on the use of consultants and agency staff
	Treasury Management Strategy	Finance Pete Carpenter	
	Asset Management Strategy	Finance Pete Carpenter	
	<b>INFORMATION AND OTHER ITEMS</b>		

	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 2022 / 2023	Democratic Services Dan Kalley	

**DATE: 21 MARCH 2022**

		<b>Section / Lead</b>	<b>Description</b>
	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 2022 / 2023	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2022 / 2023
	Risk Management: Strategic Risks	Governance Pete Carpenter	To receive an update on the strategic risks for the Council
	Refunds of Council Tax and Business Rates	Finance	To review and make any recommendations on the Councils refunds of Council Tax and Business Rates.
	<b>INFORMATION AND OTHER ITEMS</b>		
	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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