

AUDIT COMMITTEE

MONDAY 30 JANUARY 2023
6.00 PM

Bourges/Viersen Room - Town Hall

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

AGENDA

Page No

1. **Apologies for Absence**
2. **Declarations of Interest**

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

3. **Minutes of the Meeting Held on 28 November 2022** 3 - 10
4. **Actions and Matters Arising** 11 - 22
5. **Anti-Fraud and Corruption** 23 - 38
6. **Internal Audit Plan 2023/24: Approach to Audit Planning** 39 - 46
7. **Update - Procurement Activity January 2023** 47 - 52
8. **Reserves Strategy and Policy** 53 - 70
9. **Second Independent Improvement and Assurance Panel report** 71 - 118

INFORMATION AND OTHER ITEMS

10. **Use of Regulation of Investigatory Powers Act 2000 (RIPA)**
To note there are no updates to the Use of Regulation of Investigatory Powers Act 2000(RIPA) since the last meeting.
11. **Approved Write-Offs Exceeding £10,000** 119 - 130



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Committee Members:

Councillors: Haseeb, I Ali (Vice-Chair), Allen, N Sandford, Nawaz, Rangzeb, Perkins

Independent Co-Opted Members: Chris Brooks (Chair), Mike Langhorn and Stuart Green

Substitutes: Councillors: Burbage, Jones and Hogg

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

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 6PM, ON
28 NOVEMBER 2022
COUNCIL CHAMBER, TOWN HALL, PETERBOROUGH**

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

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

Officers Present: Patricia Phillipson, Deputy S151 Officer
Ben Stevenson, Data Protection Officer/Head of Information Governance
Carole Coe, Commercial Finance Manager
Sian Warren, Financial Accounting and Control Manager
Belinda Evans, Complaint Manager
Julie Taylor, Group Auditor
Louise Cooke, Group Auditor
Dan Kalley, Senior Democratic Services Officer
Rochelle Tapping, Director of Legal and Governance and Monitoring Officer

Also Present: Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance.
Dan Cooke, EY Senior Manager
Janet Dawson, EY Associate Partner

41. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Rangzeb.

42. DECLARATIONS OF INTEREST

Chris Brooks, Independent Co-opted Member and Chair declared that he had taken up a consultancy position at a Peterborough firm but that this had no direct impact on his role as Chair of the committee.

43. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 17 OCTOBER 2022

The minutes of the meeting held on 17 October 2022 were agreed as a true and accurate record.

44. ACTIONS AND MATTERS ARISING

The Senior Democratic Services Officer confirmed that the actions log had been updated to show completed actions at the bottom of the log. There was one outstanding action in

relation to complaints which had now been closed as there was no written information to pass on at this stage to advance the action.

The Chair of the committee commented that a brief outline of the work carried out by the committee had been included in the Improvement Panel's latest report that was being presented to Full Council on 7 December. Members welcomed an interim report and stated that it was important that the role of the Audit Committee was promoted.

45. USE OF REGULATORY INVESTIGATORY POWERS ACT 2000 (RIPA)

The Audit Committee received a report in relation to the use of Regulatory Investigatory Powers Act 2000

The purpose of the report was to provide Members with an overview of the following items:

- an understanding of RIPA which enables them to have effective oversight of the use of said powers
- a report detailing the usage of the powers
- the feedback from the last inspection by the Investigatory Powers Commissioner's Office (IPCO) in February 2021

The report was introduced by the Data Protection Officer/Head of Information Governance. The report was produced to give the committee an overview of the policy and what it covered. The powers had not been used for some time, in order to use the power a number of steps needed to be put in place including get agreement from the Magistrates Court. The new Monitoring Officer had identified some changes that needed to be made to the policy. Members were informed that using overt cameras had proved more effective than using covert methods. If there were any policy changes that needed to be made these would be brought back to committee.

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

- Members were pleased to see that the powers had not been used for a long time and that this was only ever used as a last resort. If the powers were ever needed they would have to be signed off as final approval by a Magistrate, this was to ensure the use of these powers was proportionate.
- The last inspection before 2021 took place in 2018 and the open issue had been closed at this point. Members were informed that the usual practice was to receive a letter from the inspector setting out what needed to be done before the issue could be closed, the Council then had a month to ensure these actions were carried out. If there were any future inspections these would be reported to the Audit Committee.
- The policy presented to members was the current up to date policy. The date for review had been changed in line with the policy at Cambridgeshire County Council as this was a shared policy. The policy was however being updated as there were changes happening across both authorities and there was a possibility that the two authorities would have their own policy moving forward. It was likely that changes would be brought back to committee towards the beginning of 2023.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to receive, comment and note the report on the authority's process, application and use of powers within the Regulation of Investigatory Powers Act 2000 (RIPA)

46. ANNUAL REPORT OF CORPORATE COMPLAINTS 2021/22

The Audit Committee received a report on the Corporate Complaints for 2021/22.

The purpose of the report was to outline to members how the Council ensured action was taken when customers express dissatisfaction about the delivery of any of our services. Complaints were also an important factor to aid in the identification of service improvements. Failing to take customer concerns seriously would impact the reputation of the Council and Scrutiny of the complaints process and performance on complaint handling across the Authority helps to identify areas for further scrutiny.

The report was introduced by the Complaint Manager, this was the first time the annual corporate complaints report had been presented to Audit Committee. The report had not been presented to any committee in the past two years due to the pandemic. From next year the Chief executive has asked for the report to detail all complaints reported to the Council, including statutory complaints which had previously been presented to the Scrutiny Committees focusing on adults and children. It was still proposed for this information to go to these committee's once it had been to Audit Committee.

Going forward the report was to include the cost of compensation and cost from investigations was included. This had been compiled for the year in question and could be circulated. There had also been a request for more detailed analysis of Aragon complaints which would be factored in going forward.

In terms of complaints, these had returned to pre-pandemic levels, 25% of all complaints were resolved informally, officers were looking at encouraging teams to try and resolve more cases informally. Resolution at stage 1 (local stage) was high at around 95%. The uphold rate in terms of complaints was around 50%, this included full and partial upheld complaints. The ombudsman had provided feedback for the year 2021/22 and this included doing well in terms of complaints upheld by the ombudsman, which was 40%, this was lower than the average for unitary authorities. In addition, the Council had complied with 100% of the recommendations that had come from the ombudsman. One area that needed improvement was for suitable remedies to be dealt with before going to the ombudsman and that any cases that did go were dealt with more promptly.

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

- With regards to compensation levels awarded as a result of complaints the committee could receive data showing how much compensation had been awarded over a number of years. A briefing note could be circulated to members showing this data and it could be included in future reports going forward.
- In terms of the year 2021/22, there were three complaints processes. Firstly, in terms of corporate complaints there was one payment out of £1400 on a special educational needs case. In terms of children's services there were two cases, one had a payment out of £100 and another case that paid out £550. There were no compensation payments in adults' services.
- Although the payments were quite low for that year there are generally higher levels of pay-outs especially within the children's services area and those case around special educational needs.
- Officers did try and report the language coming in from customers, this would be how the officers capture the complaint, this would depend on how the customer had raised the complaint with the Council. This would be looked at by the investigator who looked at the complaint.
- Members were informed that at the first stage a team manager would review the complaint, depending on the customers response the complaint could be escalated up to more senior managers. If there were any allegations of bullying this would

still follow the normal routes and be investigated in the first instance by a team manager, if there was found to be bullying or using inappropriate language this would then be taken through the disciplinary process. In terms of training this would be more around making sure officers know the processes and procedures, rather than around anti-bullying as this was something all staff members should be following. These were all matters for HR to investigate with regards to bullying.

- In terms of waste management and complaints as these were originally managed by large established companies they already had robust complaints procedures in place. When this was taken back in house by Aragon the processes were not as robust and this meant that some of the details were not coming through especially over whether the complaint was justified or not. In terms of getting better data there was a client management team that was looking after this. A request could be made to try and get better data from Aragon. Members requested to try and see if more detailed information could be provided as this should be a part of the contract.
- Most of the complaints received for Aragon were around bins, this was a common call to the call centre and colleagues were having to deal with these complaints on a regular basis. These needed to follow the complaints procedure set out by Aragon, however if it did not it would often come back in house to the Council to review. There were meetings between the Council and Aragon to try and resolve common issues that people were complaining about and improve the service going forward. A request had been made recently to ensure that a member of the complaints team was in meetings between the Council and Aragon to prevent complaints going round in a loop.
- There was no single definition of what a complaint was, this was subjective depending on the language the customer used, how often something happened or what the customer wanted doing about a situation. The team were good at identifying simple requests against those that were more serious and needed escalating. There were different codes on the logging system that highlighted to Aragon the type of complaint that had come through. Most of these came through an online form.
- The only external partner organisation that had their own complaints process was Aragon. Both Serco and Highways used the Councils complaints procedure. A final determination was made by the Council if there were still issues surrounding the response to a complaint.
- With regards to Appendix C, it was encouraging to see some service areas improving in terms of their service to customers.
- In terms of compliments for staff the Council had a staff employee of the month award in place and compliments in general were logged to highlight excellent work undertaken by staff at the Council.
- The Council had no council housing stock unlike some other authorities, however there were housing associations that were prominent in the City. Housing Enforcement could accept a referral if there was an issue with a Housing Association or Landlord. It was important to note that the matter would not be handled in the same way as a complaint against the Council. The Housing Enforcement team could determine if a Housing Association should be prosecuted or enforced against following a referral from a resident, but this would follow the enforcement process.
- Some members raised a suggestion that if the Council were to contract with an external organisation that also provided private sector services that information should be gathered over the level of complaints that organisation received from their work in the private sector.
- The report highlighted those service areas that received the highest level of complaints. There were only limited amounts of complaints received on some of the other external organisations such as Serco and NPS (Norfolk Property Services). The Housing Association websites had a section which outlined their complaints procedures.

- The committee still had some concerns over complaints coming through external organisations and it was important that the procurement team took those issues into account when awarding contracts.

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

1. Note the changes to the complaints process required following a recommendation from the Local Government & Social Care Ombudsman. – contained within Appendix B.
2. Review the report and recommend areas for future scrutiny, including comparing previous years levels of compensation awarded as well as looking at external organisations complaints when looking at awarding contracts.

ACTIONS:

1. Complaint Manager to compile briefing note for members comparing compensation awarded for complaints in previous years - Belinda Evans – January 2023.
2. Committee to see more detail on Aragon's complaints including complaint outcomes (justified/not justified) and which services the complaints are for. - Aragon/James Collingridge – March/April 2023
3. Complaint Manager to discuss with procurement how they can ensure that when any new contracts for the delivery of services are tendered complaints management is always being determined before the contract is awarded - Belinda Evans – January/March 2023

47. INTERNAL AUDIT – MID-YEAR PROGRESS REPORT

6.55pm - At this point of the meeting Cllr Shaz Nawaz left the meeting

The Audit Committee received a report in relation to the Internal Audit mid-year progress report.

The purpose of the report was to provide an overall opinion on the soundness of the control environment in place to minimise risk to the council. It was based on the findings of the completed internal audits from the Annual Audit Plan 2022 / 2023 as at 30 September 2022.

The report was introduced by the Group Auditor. Members were informed of some of the highlights for the committee, this plan had been approved by the committee in March 2022. At the time the audit plan was put in place a member of the team was on secondment within the covid hub and this was explicitly outlined in the plan and took account of the work that the team were hoping to achieve for the year. If the resource of the team were put back at 5.6 full time equivalents (FTE) then some of those areas under the line for work to be carried out would most likely be completed. The audit plan was fluid and considered the need to carry out audits that may arise during the year, this would potentially push some proposed audits out of the plan. The staffing levels of the audit team was set at 4.6 FTE. Members were informed that the officer working in the hub did not return to the team and that a senior auditor had sadly passed away recently which left the team under resourced and had a significant impact on the work that had been planned. The two roles had been out to advert, however these were difficult positions to fill. There was work being undertaken to see if it was possible to get short term resources in place until permanent appointments can be made. The Chief Internal Auditor would be looking at options to see what could be done.

The report appendices outlined some of the work that the team had carried out. There has been more work than originally planned with regards to government grants and new requests for work. The team were reviewing its approach to incorporating assurance from other sources as well as Internal Audit work when providing an Audit Opinion to the

committee. It was important to note that training has been done around climate change to enable the team to develop its approach to auditing this area.

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

- Officers needed to think about what assurances the committee were receiving, this would help the committee assist officers in making sure they were able to help the Council in the longer term.
- There were a number of services contracted out to the Cambridgeshire and Peterborough Combined Authority. This included around £3.5 for transport services. Members of the Combined Authority's Scrutiny Committee agreed to ask if any refunds went back to the Combined Authority or back to Peterborough City Council.
- Officers were looking at different ways of ensuring climate change was at the forefront of the Council's agenda even though some of this work had dropped below the line of work that was being undertaken by the internal audit team.
- Some members stated that the report explained why work had not been done, however it was concerning that not enough resources had been given to the internal audit team to carry out enough coverage of audits. There needed to be a clear message given to senior officers that a higher coverage of areas was required in order for the Audit Committee to fully review those areas that may be of concern.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the Mid-Year Progress Report which includes progress of the Internal Audit plan for 2022 / 2023

ACTIONS

1. Officers to review the overall resources of the Internal Audit team to ensure assurances could be given to the Audit Committee – Steve Crabtree/Cecilie Booth – January/March 2023.
2. Councillor Imtiaz Ali as representative on the Combined Authority Audit Committee to explore if funding/grants for transport that affected Peterborough was refunded to PCC or the Combined Authority – Councillor Imtiaz Ali.

48. TREASURY MANAGEMENT MID YEAR UPDATE

The Audit Committee received a report in relation to the Treasury Management Strategy and the half-year update.

The report was introduced by the Deputy S151 Officer who commented that the report would be presented to Full Council on 7 December for approval.

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

- Members commented that the style of the report was helpful in enabling the committee to see what limits and levels were in operation and whether the Council were within those set out.
- The average duration of borrowing as set out was around 25 years, there was an asset portfolio which was a capital financing requirement which had a duration of 70 years. There was some surprise over this gap and it was important to understand what the Council's exposure was to such a large gap in terms of refinancing.

- Officers were going through all the debt at the current time to see if it was possible to refinance some of the borrowing. There was 40,000m that needed to be refinanced before the end of the fiscal year. Officers were looking at whether this was to be done with internal borrowing or going out to the market. One of issues was around the higher rates that were currently in place. There was an option to refinance with short term borrowing, however this would have an impact on investment borrowing. It was acknowledged that the debt was over 25 years and there was a need to flatten this out and make it longer in duration.
- It was concerning that this difference was so large, the policy did not state that the liabilities should match the debt, however it seemed that the mismatch between the two was larger than what the Council should be comfortable with. Going forward the Council needed to think of the level of mismatch it was comfortable with and what were the potential exposures from such a mismatch. This current level left a sizeable portion of the debt open to being refinances and if this were to be done in a time with higher interest rates this could be costly. There was a need to look at the strategy and what the level of mismatch could be and were the Council would like to be. Officers needed to look at what level of mismatch were the Council comfortable with, whether this was in terms of total duration or the proportion of debt that would need to be refinanced on an on-going basis and looking at what the risk and exposure was to the Council.
- One of the issues that distorted the figures was around schools that converted to academies, the Council lost the asset but kept a hold of the debts.
- There was an expectation that during a period when interest rates were low that the Council would look to refinance loans. Although this was an option it would cost more in revenue and premiums in the short term.

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

1. Review the Treasury Management Strategy Statement (TMSS) Mid-year position and performance against the Prudential Indicators.
2. Review and recommend for consideration to Full Council approval to add additional non-specified investments detailed within Appendix C (Property Funds, Bond Funds and other pooled funds) to the Treasury Management Strategy.

ACTIONS:

1. Officers to quantify the risks around financing and the life of assets. This would enable the Council to have in its sight the risks around the gap in the lifetime of debts versus assets. - Patricia Phillipson/Sian Warren – March 2023

49. AUDIT COMMITTEE START TIME 2023/24

The Audit Committee received a report in relation to the start time for the Audit Committee for the municipal year 2023/24

The report was introduced by the Senior Democratic Services Officer who explained that the committee could choose their start time and that this would be recommended to Full Council at a later date when the meeting schedule was agreed.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to recommended to Full Council its start time for the Municipal Year 2023/24 as 6pm.

50. APPROVED WRITE-OFFS EXCEEDING £10,000

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

51. DECISIONS MADE BY THE SHAREHOLDER CABINET COMMITTEE

The Audit Committee received a report in relation to decisions made by the Shareholder Cabinet Committee.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the decisions made by the Shareholder Cabinet Committee.

52. **WORK PROGRAMME**

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

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

The report was introduced by the Senior Democratic Services Officer. The work programme had been updated to reflect a rolling programme of work.

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

- Officers would go back to Procurement to ensure they presented to the Committee in March an update on the areas of concern raised by the committee at its meeting in October.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the work programme.

ACTIONS:

1. Officers to work with Procurement to ensure an update report was presented to committee for March taking on board comments by the committee made at the previous meeting. Dan Kalley/Procurement for March 2023.

53. **EXCLUSION OF THE PUBLIC AND PRESS**

The Audit Committee **RESOLVED** (Unanimous) that the press and public be excluded from the meeting on Item 14 on the grounds that the item contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, because it contains "information relating to the financial or Business affairs of any particular person (including the authority holding that information)" and that it would not be in the public interest for this information to be disclosed.

54. **FRC'S REPORT AND UPDATE FROM EXTERNAL AUDITORS**

The Audit Committee received a report in relation to an update from Financial Reporting Council (FRC) and the External Auditors.

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

1. Receive and note the Exempt Financial Reporting Council's (FRC) report of their Review of Ernst & Young LLP's (EY) audit of Peterborough City Council's financial statements for the year ended 31 March 2020
2. Receive a verbal update by EY of the current situations of Peterborough City Council external audits for 2020/21, 2021/22 and the forthcoming 2022/23 approach

Chair 6pm – 7.50pm

AUDIT COMMITTEE	AGENDA ITEM No. 4
30 JANUARY 2022	PUBLIC REPORT

Report of:	Chair of the Audit Committee	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296334

ACTIONS AND MATTERS ARISING

RECOMMENDATIONS	
FROM: <i>Chair of Audit Committee</i>	Deadline date: 30 January 2023
It is recommended that the Audit Committee notes the actions and matters arising from previous meetings and progress made to date.	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee following a request made by the members of the committee to be able to see the progress of actions undertaken by officers.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide an update on the actions and matters arising from the previous meetings of the Audit Committee.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.

3. TIMESCALES

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

4.1 At its meeting in July 2022 the Audit Committee agreed to include a standing item to review and note the actions and matters arising from previous meetings of the committee.

4.2 Attached to this report is a list of the actions that have been noted in previous meetings (Attached at Appendix A).

4.3 Members are asked to note the update on actions so far and have the opportunity to ask for an update from the relevant officer at the meeting should they wish to do so.

5. CORPORATE PRIORITIES

5.1 The report links to the following Corporate Priorities:

1. Sustainable Future City Council:

- The report updates the actions that have been requested by the Audit Committee to ensure the Council continues its journey to a financial sustainable future.

6. IMPLICATIONS

Financial Implications

6.1 There are none.

Legal Implications

6.2 There are none.

Equalities Implications

6.3 There are none.

7. APPENDICES

7.1 Appendix A – Action Log

APPENDIX A

AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2022 - APRIL 2023

DATE OF MEETING	AGENDA ITEM	AGREED ACTION	OFFICER RESPONSIBLE	DUE DATE	CURRENT STATUS/ACTION UPDATE	DATE COMPLETED
25 July 2022	Item 5. Annual Report Fraud and Investigations	Any future reports needed to include figures so that the committee could see the hard facts and evidence and advise accordingly.	Steve Crabtree	July 2023	Ongoing – will be completed next time item reported on.	
	Item 6. Internal Audit: Annual Audit Opinion	Head of Internal Audit to review the approach to incorporating assurance from other sources as well as internal audit work when arriving at the Annual Audit Opinion including reflecting in his overall opinion known issues and other challenges to the adequacy of the council's governance, risk management and internal control framework.	Steve Crabtree	July 2023	Ongoing	
		Officers were working on the risk management dashboard and this was to be presented as part of the Risk Management Framework.	Steve Crabtree/Sam Smith	March 2023	Update - Risk management has been passported to ICT. The new post of Risk Manager has been evaluated and is with that section to advert and recruit to.	
	Item 8.	Comprehensive review and update of the Risk Management Framework.	TBC once risk management	March 2023	Update - Risk management has	

14	Risk Management Framework		officer identified/Sam Smith		been passported to ICT. The new post of Risk Manager has been evaluated and is with that section to advert and recruit to	
		The Chair of the Audit Committee to take on responsibility for the approach to the Annual Review of the Effectiveness of Internal Audit going beyond the checklist in the CIPFA "Toolkit for Local Authority Audit Committees"	Audit Committee Chair/Steve Crabtree	July 2023	Chair and Internal Audit will be meeting before Christmas to go through the various details with the checklist	
	Item 9. Review of the Effectiveness of the Audit Committee	Update the Terms of Reference for the Audit Committee to reflect the latest (draft) CIPFA Guidance and implement the necessary changes to the work programme to reflect the updated TOR	Audit Committee Chair/Steve Crabtree/Fiona McMillan	July 2023	The Terms of Reference will need to be updated and sent to Constitution and Ethics Committee and Council for approval prior to adoption by Audit Committee.	
		Officers to work at regularising the preparation and timings of signing off the statement of accounts going forward.	Cecilie Booth/Kirsty Nutton/Sian Warren	TBC	Ongoing	



DATE OF MEETING	AGENDA ITEM	AGREED ACTION	OFFICER RESPONSIBLE	DUE DATE	CURRENT STATUS/ACTION UPDATE	DATE COMPLETED
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31 August 2022 (Extraordinary)	Item 3.	Ensure that if any changes were made to the report that the Audit Committee members be notified of these changes	Chair/Cecilie Booth	March 2023 (if any changes are made)	Ongoing	
		Officers to liaise with EY to remove information held in Appendix H from the final report	Sian Warren/Cecilie Booth	March 2023 (when final report ready)	Ongoing	
		Audit Committee to review commercial activities and risks going forward. Item to be added to work programme for a later date.	Chair/Dan Kalley	Potential for July 2023	Ongoing	

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DATE OF MEETING	AGENDA ITEM	AGREED ACTION	OFFICER RESPONSIBLE	DUE DATE	CURRENT STATUS/ACTION UPDATE	DATE COMPLETED
17 October 2022	Item 4. Procurement Activity	Procurement team to identify teams/officers who have not gone through the correct procurement processes and invite to meetings of the Audit Committee to explain reasons for failing to comply. This will be an ongoing item as concerns arise.	Lesley Meeks/Richard McCarthy/Cecilie Booth	Starting from January 2023	Report being presented to committee 30 January 2023	
		Officers to bring further report on procurement activity to future meeting of the Committee.	Lesley Meeks/Richard McCarthy/George Wallace	March 2023	Ongoing – an update on actions from meeting also being presented to 30	

					January meeting	
		Risk Management Framework to be presented to committee once new lead officer had been appointed and had time to develop the framework – Steve Crabtree/Sam Smith (to pass to new officer) by March 2023.	Sam Smith/Steve Crabtree (until new person in post)	March 2023	Update - Risk management has been passported to ICT. The new post of Risk Manager has been evaluated and is with that section to advert and recruit to	
	Item 5. Corporate Risk Register	New Risk Management Framework needed clearer articulation around risks and what the Council's appetite around those top risks were.	Sam Smith/Steve Crabtree (until new person in post)	March 2023	Update - Risk management has been passported to ICT. The new post of Risk Manager has been evaluated and is with that section to advert and recruit to	
	Item 6. Council Reserves Policy	Next version of the Council Reserve Policy needed to be articulate the risks around the reserves balance.	Emma Riding/Cecilie Booth	January 2023	Being presented at committee meeting 30 January 2023	
	Item 7. Independent Improvement Panel update	Officers to work on reporting structure to the Audit Committee so members can have oversight of Council moving in the right direction with regards to its budget gap.	Cecilie Booth/Emma Riding/Jens Gemmel	March 2023	2 nd report being presented to committee on 30 January 2023	

DATE OF MEETING	AGENDA ITEM	AGREED ACTION	OFFICER RESPONSIBLE	DUE DATE	CURRENT STATUS/ACTION UPDATE	DATE COMPLETED
28 November 2022	Item 5. Annual Report of Corporate Complaints 2021/22	Complaint Manager to compile briefing note for members comparing compensation awarded for complaints in previous years.	Belinda Evans	February 2023	Ongoing briefing note to be circulated	
		Committee to see more detail on Aragon's complaints including complaint outcomes (justified/not justified) and which services the complaints are for.	James Collingridge	March 2023	Ongoing briefing note to be circulated	
		Complaint Manager to discuss with procurement how they can ensure that when any new contracts for the delivery of services are tendered complaints management is always being determined before the contract is awarded	Belinda Evans/Procurement	March 2023 onwards	Ongoing	
	Item 6. Internal Audit – Mid-Year Progress Report	Officers to review the overall resources of the Internal Audit team to ensure assurances could be given to the Audit Committee	Steve Crabtree/Cecilie Booth	March 2023	Update to be given to Audit Committee members, this will also be updated on at the January 30 2023 meeting as part of Internal Audit emerging themes.	
		Councillor Imtiaz Ali as representative on the Combined Authority Audit Committee to explore if funding/grants for transport that affected	Councillor Imtiaz Ali	TBC	Note to be sent round to all Audit members	

		Peterborough was refunded to PCC or the Combined Authority				
	Item 7. Treasury Management Report – Mid Year Report	Officers to quantify the risks around financing and the life of assets. This would enable the Council to have in its sight the risks around the gap in the lifetime of debts versus assets.	Carole Coe/Fiona Leverton/Cecilie Booth	July 2023	Ongoing	
	Item 11. Work Programme	Officers to work with Procurement to ensure an update report was presented to committee for March taking on board comments by the committee made at the previous meeting	Lesley Meeks/George Wallace/Richard McCarthy	March 2023	Ongoing, procurement are working to update members on those issues raised at the October meeting.	

Completed Actions

DATE OF MEETING	AGENDA ITEM	AGREED ACTION	OFFICER RESPONSIBLE	DUE DATE	CURRENT STATUS/ACTION UPDATE	DATE COMPLETED	
19	20 June 2022	Update from EY	Breakdown in £118 million difference in valuation of assets	Cecilie Booth/Kirsty Nutton/Emma Riding	Before Committee 25 July 2022	Completed and sent to Committee 22 July 2022.	22 July
	Budget Monitoring Report Outturn 2021/22	Officers to include an item on the work programme looking at the Council's reserve policy	Dan Kalley – to include on work programme Cecilie Booth – To draw up reserves policy and present to committee	1. 25 July 2022	1. Completed and added to work programme for September	25 July 2022	
				2. 17 October 2022	2. To be presented to committee at meeting in October	17 October 2022	
		Officers to investigate if there are any unspent S106 monies being held on account and report back	Cecilie Booth/Kirsty Nutton/Emma Riding	17 October 2022	Briefing note to be circulated once signed off by Executive Director Corporate Services	18 November 2022	
	Work Programme	To include items on the following:	Dan Kalley	25 July 2022	Completed and items listed on work programme	25 July 2022	

		<p>1. Activity of Procurement single supplier procurement over £10,000 and services procured / approved retrospectively.</p> <p>2. Assets Dashboard over £5 million – if possible</p> <p>3. Material arrangements and working with joint ventures/partners</p> <p>4. Financial Plan and Improvement Panel report</p> <p>5. Risk Management – ensuring controls in place</p> <p>6. Budget Setting and Scrutiny Process</p>				
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DATE OF MEETING	AGENDA ITEM	AGREED ACTION	OFFICER RESPONSIBLE	DUE DATE	CURRENT STATUS/ACTION UPDATE	DATE COMPLETED
25 July 2022	Item 3. Minutes of the previous meeting	A separate agenda item for actions arising from the previous meetings was to be created.	Dan Kalley	17 October 2022	On agenda for October meeting	17 October 2022
	Item 4. Annual Report on Insurance	The reporting line for the Insurance team to be reviewed in the light of the changes to the responsibility for Risk Management	Steve Crabtree/Cecilie Booth	28 November 2022	Reporting lines have been looked at and it is considered to be the best fit for Insurance to remain as is.	28 November 2022

Item 6. Internal Audit: Annual Audit Opinion	Officers to investigate potential to add in more qualitative data into the annual governance statement to form a more rounded conclusion on the Council's financial position.	Steve Crabtree	30 January 2023	Chief Internal Auditor has obtained examples from a number of Councils to build up potential data that could be provided in future. Will be incorporated into 2022/23 out turn reports	28 November 2022
Item 12. Draft Annual Statement of Accounts 2021/22	Political composition within the draft statement of accounts needed to be updated before being published.	Cecilie Booth/Kirsty Nutton/Sian Warren/Carole Coe/Emma Riding	Friday 29 July 2022	Done and is now up to date	29 July 2022
	Website needed to explain the delay in signing off the accounts and the delay in starting the audit of the accounts until January 2023.	As above	Friday 29 July 2022	Completed website update	29 July 2022
	Local Authority Trading Companies (LATCO's) needed to be included in the report on procurement that was going to be presented to committee in September.	Cecilie Booth/Mark Sandhu/George Wallace	17 October 2022		17 October 2022 meeting
	Extraordinary meeting in August for signing off the accounts 2020/21	External Audit/Sian Warren/Kirsty Nutton	31 August 2022	Date agreed for the signing off of accounts	Done 31 August 2022

DATE OF MEETING	AGENDA ITEM	AGREED ACTION	OFFICER RESPONSIBLE	DUE DATE	CURRENT STATUS/ACTION UPDATE	DATE COMPLETED
17 October 2022	Item 4. Actions and Matter Arising	Officers to re-arrange the action log and move completed items to the bottom of the list	Dan Kalley	By 28 November	Done	28 November
		Officers to highlight any actions that have run past the anticipated completion date	Dan Kalley	By 28 November	Done	28 November
	Item 8. Budget Setting Process	Officers to circulate MTFS Q1 and MTFS Q2 reports to show projections on budget gap and the difference between Q1 and Q2. -Emma Riding by end of week.	Dan Kalley/Emma Riding	By end of w/c 17 October	Done	Complete 18 October 2022

AUDIT COMMITTEE	AGENDA ITEM No. 5
30 JANUARY 2023	PUBLIC REPORT

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

ANTI-FRAUD AND CORRUPTION

RECOMMENDATIONS	
FROM : Steve Crabtree, Chief Internal Auditor	Deadline date : 30 January 2023 Audit Committee
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Consider and endorse with appropriate comment, the updated Anti-Fraud and Corruption Statement. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee on the development of policies to support the role and service delivery of investigations.

2. PURPOSE AND REASON FOR REPORT

2.1 The Council provides a raft of services to the public from its scarce resources. Every effort is made to ensure that the resources are used for their intended purpose. However, there are occasions when this may not always be the case and the Council needs to have appropriate mechanisms to protect the public purse. This report sets out the Councils approach to tackling fraud and corruption.

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

2.2.2.16 To monitor Council policies on “raising concerns at work” and the anti-fraud and anti-corruption strategy and the Councils complaints process.

3. **TIMESCALES**

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

4.1 **INTRODUCTION**

4.1.1 The Accounts and Audit Regulations 2015 state that the Council must have measures in place “to enable the prevention and detection of inaccuracies and fraud”. Fraud also refers to cases of bribery and corruption.

4.1.2 The Councils Financial Regulations Section 4.4 “Preventing Fraud and Corruption” set out its position. It requires the Executive Director of Corporate Services to lead on the development of anti-fraud policies, with all Directors responsible for reporting and operating in accordance with those policies.

4.1.3 The Council’s approach to tackling fraud and corruption is underpinned by a range of policies and procedures which set out ways in which concerns can be raised, investigated and reported and appropriate action taken.

Previous Audit Committee meetings have received reports which have refreshed policies for:

- Anti-Money Laundering Policy;
- Sanction and Prosecution Policy (Council Tax and Business Rates); and
- Sanction and Prosecution Policy (Blue Badge and Car Park Permits).

These are scheduled for the next Audit Committee meeting in March 2023.

4.2 **ANTI FRAUD AND CORRUPTION**

4.2.1 The previous strategy was influenced by “*Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016 – 2019*”. Various work has been undertaken nationally to update this and in doing so has strengthened its emphasis on strong leadership and governance. The bedrock of the statement is that executive support for anti-fraud activities are clearly demonstrated, setting the tone at the top. This updated statement reflects the emphasis to make it absolutely clear that fraud and corruption will not be tolerated.

4.2.2 The purpose of the document is to:

- Highlight relevant legislation;
- Set out the Council’s approach to countering fraud and corruption;
- Detail roles and responsibilities of officers and Members; and
- Provide guidance for officers and managers

4.2.3 The document clearly identifies the Council’s commitment to an effective Anti-Fraud and Corruption approach as part of its overall corporate governance arrangements. This aligns with CIPFA’s Code of practice on managing the risks of fraud and corruption and recognises that the approach will enable the Council to:

- Acknowledge and understand fraud risks;
- Prevent and detect more fraud; and

- Pursue and punish fraud and recover losses.

4.2.4 The document reflects best practice from the National Fraud Authority (NFA), Fighting Fraud Strategies and guidance from organisations such as ALARM (the National Forum for Public Sector Risk Management) and the IIA (Institute of Internal Auditors). While the document has been updated, the general themes remain the same. The risk of fraud has not changed, but new opportunities for fraudsters have arisen, such as recent exploitation of the Covid-19 pandemic. Therefore, it is important as ever to ensure that the Council response is as robust as possible to protect public funds, through good governance, awareness of the fraud risks, the ability to prevent and detect fraud and taking action against those that seek to defraud us.

5. CORPORATE PRIORITIES

5.1 This report and recommendation looks to protect the public purse and overall ensure that the Council's Corporate Priorities are delivered with the finite funds available. While use of finite resources will impact across all priorities, the key to this is ensuring that we have a Sustainable Future City Council.

The Economy & Inclusive Growth

- Environment (including a summary of the outcome of a completed Carbon Impact Assessment, to be submitted in full to the Transport and Environment Team)
- Homes and Workplaces
- Jobs and Money

Our Places & Communities

- Places and Safety (including any rural implications)
- Lives and Work
- Health and Wellbeing

Prevention, Independence & Resilience

- Educations and Skills for All
- Adults
- Children

Sustainable Future City Council

- How we Work
- How we Serve
- How we Enable

6. CONSULTATION

6.1 The report and policy has been circulated to the Director of Corporate Services and the Director of Law and Governance and Monitoring Officer.

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 Updated corporate policies will be conveyed to Members, employees and partner organisations to raise awareness and provide best practice.

8. REASON FOR THE RECOMMENDATION

- 8.1 Peterborough is subject to providing services with finite resources. The updated approach provide a clear steer on how the authority will look to reduce the abuse of, and fraudulent access to those resources.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 There are no other options to consider. The adoption and promotion of an effective Anti-Fraud and Corruption approach helps the Council encourage the detection of fraud and irregularities proactively and manage them appropriately. In aligning it with CIPFA's Code of practice on managing the risks of fraud and corruption, the Council continues to apply best practice. Potential fraud risks are assessed across the Council and activities in place to mitigate these. Internal Audit, working to the Public Sector Internal Audit Standards (PSIAS), has a responsibility to evaluate the potential for the occurrence of fraud and any subsequent management response. This report sets out some of the practices employed to evaluate and manage these risks including involvement with the National Fraud Initiative. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

10. IMPLICATIONS

Financial Implications

- 10.1 There are no additional expenditure required as a consequence of this document. Fraud is a risk to both the Council's finances and its reputation. Resources lost to fraud, both monetary and through the provision of services are resources that are no longer available to support the council's aims and in turn the community. Regular reviews of counter fraud arrangements and their associated policies are designed to minimise the risk of fraudulent attacks on Council finances and services.

Legal Implications

- 10.2 These are set out within the report

Equalities Implications

- 10.3 Not applicable.

11. BACKGROUND DOCUMENTS

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

- 11.1 CIPFA: Code of Practice on Managing the Risk of Fraud and Corruption
CIPFA: Combating Financial Crime – Practical Advice for the Public Sector (2020)

12. APPENDICES

- 12.1 A: Anti-Fraud and Corruption Statement

ANTI FRAUD AND CORRUPTION

1. INTRODUCTION

1.1 The purpose of this statement is to set out the high-level priorities that must be met to achieve Peterborough City Councils' zero tolerance' towards corruption, fraud and bribery and set out its approach for dealing with the threat or subsequent incidence of fraud and bribery from both internal and external sources.

1.2 This document replaces the previous Anti-Fraud and Corruption Policy which was agreed by Audit Committee in March 2018.

1.3 The statement is to support the Councils Corporate Strategy by protecting the public purse as every pound lost through fraud cannot be spent on services. It provides a comprehensive framework for dealing with fraudulent acts, bribes and other wrongdoing against the Council or which could adversely impact on the Council. The approval of this statement demonstrates the Council's commitment to protecting public funds, minimising losses to fraud and bribery and ensuring there is no adverse impact on the Council's reputation. Having made this commitment it is imperative that managers put in place arrangements for disseminating the statement throughout their service areas.

1.4 The responsibility for this statement sits with the Chief Internal Auditor.

2. AIMS AND OBJECTIVES

2.1 The key aims and objectives of the statement are to:

- maintain a culture that will not tolerate fraud or corruption;
- ensure staff and Members demonstrate the highest standards of honesty and integrity at all times;
- commit to a statement that covers the best practice principles of prevention, detection, deterrence, investigation, sanctions and redress;
- establish and maintain effective systems of internal controls;

- promote efficiencies to tackle fraud and corruption through collaboration and partnership working; and
- support the work of external agencies, such as the Department for Work and Pensions, the Cabinet Office (National Fraud Initiative) and the National Audit Office in fighting fraud in the public sector

3. WHAT IS FRAUD AND CORRUPTION?

3.1 The following definitions are provided for the purposes of this document.

3.2 Fraud

Fraud is the intentional distortion of financial statements or other records by persons internal or external to the Council, which is carried out to obtain an advantage, avoid an obligation or cause loss to another party.

3.2.1 Fraud is therefore a deliberate act by an individual or group of people which can be committed as per the Fraud Act 2006 by:

- **False representation.** Examples include providing false information on a Blue Badge application, staff claiming to be sick when they are in fact fit and well or submitting timesheets or expenses with exaggerated or entirely false hours and / or expenses.
- **Failure to disclose information where there is a legal duty to do so.** Examples include failing to disclose a financial interest in a company PCC is trading with or failing to disclose a personal relationship with someone who is applying for a job at PCC.
- **Abuse of position.** Examples include a carer who steals money from the person they are caring for or staff who order goods and services through PCC's accounts for their own use.

3.2.2 The Act also created four new offences of:

- Possession of articles for use in fraud.
- Making or supplying articles for use in fraud.
- Obtaining services dishonestly.
- Participating in fraudulent business.

3.2.3 CIPFA defines fraud as "*the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain*".

3.2.4 While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying.

3.3 Theft

Theft is the dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it.

3.3.1 The definition covers a wide remit – such acts as deception, forgery, extortion, blackmail, conspiracy, collusion, embezzlement, false accounting and or false representation, concealment of material facts, the offering of a gift or reward to influence a person’s actions and misappropriation.

3.4 Bribery and Corruption

Bribery is offering, promising or giving someone a financial or other advantage to induce or reward that person to perform their functions or activities improperly as per The Bribery Act 2010 which came into force 1 July 2011.

Corruption is the offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers.

3.4.1 There are four offences under the Act:

- Bribing a person to induce or reward them to perform a relevant function improperly
- Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly a bribe
- Using a bribe to influence a foreign official to gain a business advantage
- In relation to a commercial organisation, committing bribery to gain or retain a business advantage, there being no adequate procedures in place to prevent such actions.

3.4.2 PCC accepts that public bodies may be classed as a “commercial organisation” in relation to the corporate offence of failing to prevent bribery. In any event, it represents good governance and practice to have adequate procedures in place to protect the council and its staff from reputational and legal damage. It is in the interests of everybody connected with the Council to act with propriety at all times.

3.4.3 The penalties under the Bribery Act have been raised significantly and are severe. An individual guilty of an offence under sections 1, 2 or 6 is liable on conviction in a magistrates court to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both and on conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both. The Council, if convicted under sections 1,2 or 6 will also face the same level of fines and, if guilty of an offence under section 7, is liable to an unlimited fine.

3.5 Money Laundering

Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

3.5.1 All employees are instructed be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails.

3.5.2 The Council has a separate Anti Money Laundering Policy which was last approved at Audit Committee in March 2022.

4. GOVERNANCE

4.1 Good Corporate Governance requires that the Council is firmly committed to dealing with fraud and bribery and will deal equally with perpetrators from inside and outside the Council. To this end there will be no distinction made, regarding investigation, between cases that generate financial benefits and those that do not. All cases will be viewed seriously and following investigation the action taken will be in line with the merits of each case and in accordance with other procedures and obligations applicable to the Council. The statement is intended to be consistent with Nolan's Seven Principles of Public Life and should be read in the light of those principles, in that all will act with selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Those Principles are not part of this statement but are set out in full at **Annex 1** for information.

4.2 The Council has a wide range of interrelated policies, protocols, codes, rules, procedures, manuals and other guidance documents that provide a corporate framework to counter the possibility of fraudulent activity and or bribes. These have been formulated taking account of appropriate legislative requirements and expected standards relating to public sector life. Such documents are referred to within the Council's Constitution.

4.3 The expectation is that elected Members and employees of all levels will adopt the highest standards of propriety and accountability and demonstrate that the Council is acting in a transparent and honest manner.

4.4 The highest standards are also expected from all organisations that have dealings with the Council. Suppliers, contractors, consultants, partners and other organisations funded by the Council are therefore expected to adopt or abide by Council policies, procedures, protocols and codes of practice. The Council will

consider the extent to which it has further involvement with any organisation that fails to abide by the expected standards.

4.5 PCC believe that the maintenance of a culture of honesty and openness, based on values such as fairness, trust and integrity is a key element in tackling fraud and bribery. In this respect, each Member and officer of the Council is under a duty to report any reasonable suspicions and is encouraged to raise any concerns about fraud and bribery, in the knowledge that such concerns will be properly investigated. To this end, the Council has a Whistleblowing Policy to protect anyone who wishes to raise concerns about behaviour and or practice.

4.6 When fraud and or bribery has occurred due to an identified breakdown in controls, the relevant manager will be responsible for ensuring appropriate improvements in systems of control are implemented in order to minimise the risk of re-occurrence.

5. PREVENTION

5.1 We recognise that incidents of fraud and bribery are costly; both in terms of reputational risk and financial losses (either directly through the loss of cash and or assets and or through the utilisation of resources in dealing with and resolving any identified cases). The prevention of fraud and bribery is therefore a key objective of the Council and respective roles and responsibilities are outlined below.

6. ROLES AND RESPONSIBILITIES

6.1 All employees, its partners, suppliers, contractors and elected Members have a duty to report any fraudulent, or perceived fraudulent activity which may impact on the Council financially and / or reputationally.

6.2 Chief Executive

- Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.

6.3 Section 151 Officer

- Section 151 of the Local Government Act 1972 places a statutory responsibility on the Council to appoint a 'Section 151 Officer' to ensure the proper administration of the Council's financial affairs. To this end, the Section 151 Officer will advise all Members and staff regarding financial propriety, probity and budgetary issues. The Section 151 Officer role is very much supported by the work undertaken by Internal Audit to deliver "counter fraud" work.

6.4 Monitoring Officer

- The Council's Monitoring Officer has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. The Monitoring Officer also encourages the promotion and maintenance of high standards of conduct within the Council, particularly through the provision of support to the Executive and other committees.

6.5 Elected Members

- Members are expected to conduct themselves in a way that is beyond reproach, above suspicion and fully accountable by acting in a manner that sets an example to the community they represent and employees who implement their policy objectives. Malpractice of any sort will not be tolerated and where evidence indicates malpractice has occurred, a report will be made to the relevant Body.
- Members are required to operate within the Council Constitution and the Member Code of Conduct. These matters are specifically brought to the attention of Members and include the declaration and registration of potential areas of conflict between Members' Council duties and responsibilities and any other areas of their personal or professional lives.
- Members may become aware of potential fraud through their casework with constituents and their day-to-day duties as Members. Any such issues or concerns should be reported to the s151 Officer / Monitoring Officer / Chief Internal Auditor at the earliest opportunity.

6.6 Audit Committee

- To monitor the Council's strategies and policies and consider the effectiveness of the arrangements for various fraud prevention policies.

6.7 Management

- Managers at all levels are responsible for establishing sound systems of internal control in all of their service's operations, both financial and otherwise, such that the Council has sound methodologies for administering its responsibilities in the provision of services to its residents and businesses.
- 'Internal control' means the systems of control devised by management to ensure the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources. Such systems must safeguard the Council's assets and interests from fraud, bribery and other wrongdoing. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.
- Managers are also responsible for ensuring that their employees are aware of the Council's Constitution (including the related policies, protocols, codes and procedures) and that the requirements of each are being met in their everyday business activities.

- Managers are expected to create an environment within which staff feel able to approach them with any concerns they may have about suspected irregularities and adhere to the Whistleblowing Policy when applicable.
- The Council recognises that a key preventative measure in dealing with fraud and bribery is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history. In addition, the Council uses The Disclosure and Barring Service (DBS) to help us make safer recruitment decisions and prevents unsuitable people working with adults for reasons of age, illness or disability including children or other positions of trust that fall within the Rehabilitation of Offenders Act. The DBS supersedes what was previously known as the CRB (Criminal Records Bureau).
- Management are also required to ensure that staff are properly trained to discharge the responsibilities allocated. Once training has been provided, performance is monitored, and action taken where appropriate to ensure adherence to proper practices and or agreed procedures.

6.8 Employees

- It is recognised the majority of staff are conscientious and hardworking and whose conduct is beyond reproach. Employees of the Council are expected to follow the Council's Code of Conduct and any other Code related to their personal Professional Body.
- Employees must comply with their statutory obligations regarding pecuniary interest in Contracts relating to the Council or fees and rewards other than proper remuneration. They are also required to declare any interests which they have that might be seen to conflict with the impartial performance of their duties.
- Often, employees are the first to spot that something is wrong and putting the council and / or its residents at risk. In accordance with the Code of Conduct, employees should bring to the attention of the appropriate manager, any impropriety, fraud or breach of procedure. If they are reluctant to act for fear of not being taken seriously, that their concerns may not be justified or that they may be victimised for speaking out, they should report their concerns through the channels set out in the Council's Whistleblowing Policy.
- To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Whistleblowing Procedures.

6.9 Internal Audit and Investigations

- Internal Audit independently reviews the existence, appropriateness and effectiveness of internal controls as a service to management and thereby plays a vital preventative role. This is done on the basis of a risk based

cyclical audit plan that is agreed annually with senior management and those charged with governance.

- Internal Audit have a liaison and or reporting process whereby observations on control or compliance weakness raised within audit reports are addressed by actions identified by management to mitigate those weaknesses with a view to reducing risks and preventing losses to the Council.
- Internal Audit also follows up and informs management as to the extent that such management actions have been implemented. Internal Audit has reporting lines to senior management and the Chair of the Audit Committee, enabling any failure to implement agreed action to be appropriately escalated.

6.10 External Audit

- External Audit is an essential safeguard of the stewardship of public money. This is currently carried out through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud and bribery. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern.
- External auditors are always alert to the possibility of fraud and irregularity and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements for preventing and detecting fraud and irregularities within financial statements, and arrangements designed to limit the opportunity for bribery.

6.11 Partners, Suppliers, Contractors and Consultants

- It is expected that the Council's contractors and partners will have adequate controls in place to minimise fraud.
- Contractors and partners are also expected to have adequate recruitment procedures in place covering requirements under the Immigration and Nationality Act, Disclosure & Barring checks and stringent vetting in relation to employment history and references. This expectation will form part of all contract terms and conditions.
- Furthermore, there is an expectation to be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

7. **TAKING ACTION**

7.1 This will follow a number of steps:

- Deterrence

- Detection
- Investigation
- Reporting, Advice and Support

7.2 **Deterrence**

7.2.1 Whilst many of the issues outlined above on prevention will act as a deterrent, there are specific ways in which the Council seeks to deter others from committing or attempting fraudulent acts or becoming involved with bribery. These include:

- Publicising that the Council is firmly against fraud and bribery at appropriate opportunities and will take stern action against perpetrators (e.g. dismissal of employees, prosecution of offenders, termination of contracts etc.);
- Acting robustly and decisively when fraud and or bribery are suspected and, if proven, being committed to viewing cases seriously and taking action as appropriate bearing in mind all relevant factors of each case;
- Always seeking to maximise recoveries for the Council, through agreement, repayment, court action, penalties, insurance, pension benefits etc.;
- Referring cases to the Police as soon as there is sufficient evidence to support that criminal offences have occurred;
- Liaising with the press or otherwise publicising any anti-fraud and bribery initiatives undertaken by the Council and subsequent results, where deemed appropriate; and
- Where appropriate, publicising the results stemming from investigations into suspected cases of fraud and bribery.

7.3 **Detection**

7.3.1 Whilst it is not an Internal Audit responsibility to detect fraud and bribery (this is the responsibility of management), Internal Audit plays an important role in such detection. Internal Audit plans include reviews of systems of internal controls based on risk although this will never capture all systems and processes followed across the organisation. Such work may directly detect instances of fraud, error and bribery and invariably contributes to improved controls and or procedures that aid detection of fraud, error and bribery or otherwise deter it from happening.

7.3.2 All managers have responsibility for preventing and detecting fraud and bribery, but it is often the alertness of staff or members of the public, to the possibility of fraud and bribery, which aids detection. Allegations and complaints are key sources of detection regarding fraud and bribery and as such the Council treats this type of information seriously and in line with the Whistleblowing Policy where applicable.

7.3.3 Awareness of the key indicators of fraud and bribery is also advantageous to the detection of these offences and the Council is committed to training and communication routines whereby Members of the Council, managers and employees can be informed of or updated with the relevant facts that will aid their vigilance regarding the identification of fraud and bribery.

7.4 **Investigation**

7.4.1 Investigation into fraudulent activity or bribes will be carried out in accordance with the Council's internal investigation processes. Some will be under the remit of Internal Audit whereas others may be specific to service areas, for example, Trading Standards.

7.4.2 Appropriate liaison will take place with key officers of the Council regarding any investigation that is commenced. The details of each case and subsequent progress will be reported as required and or necessary.

7.5 **Reporting, Advice and Support**

7.5.1 The Council's expectation is that Members and managers will lead by example and that employees at all levels will comply with the Council Policies, Financial Regulations, Contract Rules and any separately established departmental processes and procedures.

7.5.2 To reiterate, the Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to the senior management in line with corporate policies. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with Grievance and Whistleblowing policies.

7.5.3 The officer who receives the allegation (whether from a Member or a Council employee) must refer the matter to the following people, to determine how the potential irregularity will be investigated:

- Chief Executive;
- Director of Law and Governance and Monitoring Officer;
- Executive Director of Corporate Services (Section 151 Officer);
- Assistant Director of HR and Development; or
- Chief Internal Auditor

8. FURTHER INFORMATION

8.1 Further information on Council policy can be found in the following documents:

- Codes of Conduct (Members and Officers);
- Whistleblowing Policy;
- Anti-Money Laundering Policy;
- Financial Regulations;
- Contract Rules; and
- Regulation of Investigatory Powers Act (RIPA).

Responsible Officer: Chief Internal Auditor

Date: December 2022

Version Control 1.01

Next Review: March 2024

THE SEVEN PRINCIPLES OF PUBLIC LIFE (NOLAN PRINCIPLES)

Selflessness

- Holders of public office should take decisions solely in terms of the public interest.
- They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

- Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

- In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

- Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

- Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

- Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

- Holders of public office should promote and support these principles by leadership and example.

AUDIT COMMITTEE	AGENDA ITEM No. 6
30 JANUARY 2023	PUBLIC REPORT

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

INTERNAL AUDIT PLAN 2023 / 2024: APPROACH TO AUDIT PLANNING

RECOMMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: Audit Committee 30 January 2023
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> Note and comment upon the emerging themes to be considered for inclusion in the 2023 / 2024 Internal Audit Plan. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the 2023 / 2024 Internal Audit plans.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide Members with details of Internal Audit’s annual planning approach and emerging issues and risks that Internal Audit need to provide assurance over. It provides an opportunity to consult with Members in considering these themes and to provide input into the development of the Audit Plan as appropriate.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.9 “To commission work from internal and external audit”.

3. TIMESCALES

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

4.1 INTRODUCTION

4.1.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive must develop a risk-based plan to determine the priorities of the internal audit activity. It must also explain how the planned assurance delivery links to the organisational objectives and priorities.

- 4.1.2 Within Peterborough City Council (PCC), the role of Chief Audit Executive is undertaken by the Chief Internal Auditor. The Internal Audit Team comprises 6.1 Full Time Equivalent staff. We currently have two vacancies (*) and the Chief Internal Auditor's time is split with two other teams - Insurance and Investigations. In year, risk management responsibilities have been transferred elsewhere within Corporate Services and steps have been taken to reposition corporate complaints and instances of gross misconduct.

	Number	FTE
Chief Internal Auditor	1	1.00
Group Auditor	2	1.60
Principal Auditor	1	0.50
Senior Auditor	2 *	2.00
Auditor	1	1.00

There is on-going dialogue with the Audit Committee regarding the resourcing issues within the team and it is subject to an action update within this meeting agenda.

Long and short term solutions are being sought by way of permanent or temporary appointments where the former is not possible.

- 4.1.3 In an ever-changing risk and control environment it is important that audit plans can adapt quickly to the needs of the organisation. To ensure a flexible and prioritised approach to our work, we utilise an assessment and planning tool which is used throughout the year on a rolling basis. This helps to ensure that at the point of each piece of work commencing, it is the next highest priority one according to our risk assessment.

- 4.1.4 This year, and beyond, we will ensure that our planning process aligns with the activities being undertaken under the Improvement Plan. We will keep informed of the scope and timing of reviews to ensure that we do not duplicate coverage or overlap timescales where possible. We will also ensure we have a strong focus in our plan on areas that feed into the themes of financial sustainability and governance. We are also aware that the outcomes of the various reviews will result in changes to service delivery, including new or changed risk, control and governance structures and processes. Our flexible planning will ensure that we take account of these and build them into our programme of work where appropriate. Additionally, the outcome of some Improvement Plan reviews may provide assurance that can feed into our Annual Audit Opinion at the end of 2023-24 and we will assess whether this is appropriate throughout the year.

- 4.1.5 With effect from 23 January 2023, the Chief Internal Auditor has been appointed to provide officer representation on the Board of Peterborough Limited. This follows a series of changes and resignations across a number of Council bodies. Agreement was sought and agreed by the Leader of the Council to this appointment. This will involve attendance at Board meetings, which typically occur 4/5 per annum. Discussions have been held between the Executive Director of Corporate Services and the Director of Law & Governance and Monitoring Officer to ensure that appropriate protocols are in place to maintain clear lines of independence. Internal Audit working practices will be revisited / reviewed to take account of this. It will also be reflected in the overarching Audit Charter and Audit Strategy documents which are planned for the March 2023 Audit Committee agenda.

4.2 APPROACH

- 4.2.1 Consultation and research is currently underway to determine possible themes and areas for audit work. This includes consulting with senior management and reviewing risk registers, budgets, plans and strategies, decisions, project and contract registers. There is ongoing work within the organisation regarding structural changes as services are being brought back in house and also strategy development as part of the Business Improvement Teams activities. We will continue to review this and incorporate any audit activities as part of this consultation period.
- 4.2.2 The potential areas for review that this generates will then be subject to an assessment, using our planning tool (see **Appendix A** for details). The key factors being assessed are:

- Materiality: The size of a system or process in terms of financial value or numbers of transactions or number of people affected.
- Corporate Importance: The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
- Stability: The degree of change within the process.
- Vulnerability: Extent to which the system is liable to breakdown, loss, error or fraud.
- Specific concerns: Arising from management's assessment of risk as well as audit intelligence.

The assessment tool is designed to ensure that our work is aligned to organisational objectives and priorities.

- 4.2.3 The Annual Internal Audit Plan will be compiled using our knowledge of:
- The prioritised list of potential audit reviews generated by the above assessment.
 - The number of audit days available for the year.
 - The skills, knowledge and experience of audit staff.
 - Assurance available from other sources.
 - Cambridgeshire County Council Internal Audit plans in relation to any shared services.
 - An allowance for statutory activities, grant certifications, supporting the democratic process and follow-up reviews.
- 4.2.4 The Draft Annual Internal Audit Plan will be presented to the Audit Committee at the 20 March meeting. It will show all audits assessed as high priority but will distinguish between those achievable within current audit resources and those which are not.
- 4.2.5 During the year, there will be new risks and concerns identified, or changes to those already identified and included in the plan. There will be regular review of these changes and a reassessment of priorities in accordance with the approach set out above. This will result in areas of work being added to or removed from the plan.
- 4.2.6 Co-ordination between Internal Audit and the Risk Management Board/risk functions can assist this process in identifying emerging local and national risks and areas that need to be covered in audit work where appropriate.

4.3 **THEMES EMERGING**

- 4.3.1 Our initial stages of planning have identified the following broad themes for inclusion in our risk assessment process. Work is still on-going
- 4.3.2 Financial Governance
- Arrangements for ensuring that savings proposals are tracked and being achieved.
 - Review of Financial Regulations and Contract Standing orders
 - Financial Systems – e.g. Council Tax / Council Tax Reduction Scheme, Accounts Payable and Debt Recovery
 - Income generating activities – charging policy, accurate billing and debt recovery
- 4.3.3 Information Governance
- The operation of new or upgraded IT systems (Insight Spend data analysis tool)
 - Cyber Security to include Phishing
 - Information Governance – compliance with policies
 - Attendance at Strategic Information Board
- 4.3.4 Corporate Governance
- Attendance at the Risk Management Board
 - Compliance with our Code of Corporate Governance.
 - Annual Governance Statement
 - Compliance with corporate policies
 - Company structures and Joint Vehicles

- 4.3.5 External Companies
 - Governance arrangements for the termination of NPS Joint Venture and new inhouse service of property services.
 - Opportunity Peterborough and it's integration into PCC
- 4.3.6 Contracts and Procurement
 - Contract management and open book reviews – (e.g. Befriender Services - re-settlement programme / relocation assistance scheme)
 - Procurement processes and procedures – in house team.
- 4.3.7 Project and Programme Management
 - Programme and Project governance arrangements
 - Project Management – compliance with policy on specific projects and the activities of the Business Improvement Team (e.g Early Payment Programme)
- 4.3.8 Environment
 - Climate Change Commitment – Organisational Resilience
- 4.3.9 Service Delivery
 - Changes to service delivery as a result of decisions to in-source/outsource or otherwise change the activities of major contracts or companies also incorporating the activities of the Business Improvement Team. (e.g. People and Communities)
 - Health and Safety
 - Direct Payments
 - Emergency Planning

5. CONSULTATION

- 5.1 Directors and Heads of Service have been invited to input into the planning process to date. Consideration of any information received has been incorporated into this report where applicable and further consultation is in train with Directors and their Management Teams.

The Audit Committee is similarly invited to input into the annual planning process by way of this report. Any areas identified will be assessed for inclusion within the plan in accordance with the planning tool (See Appendix A).

6. CORPORATE PRIORITIES

- 6.1 The annual audit plan is developed to consider and include the corporate priorities of the organisation to ensure that it adds value and assists in the business achieving positive outcomes. Audit activities undertaken will link to one or more of the priorities below depending on the individual scope and the associated risk profile.

1. *The Economy & Inclusive Growth*
 - *Environment (including a summary of the outcome of a completed Carbon Impact Assessment, to be submitted in full to the Transport and Environment Team)*
 - *Homes and Workplaces*
 - *Jobs and Money*
2. *Our Places & Communities*
 - *Places and Safety (including any rural implications)*
 - *Lives and Work*
 - *Health and Wellbeing*
3. *Prevention, Independence & Resilience*
 - *Educations and Skills for All*
 - *Adults*
 - *Children*
4. *Sustainable Future City Council*

- *How we Work*
- *How we Serve*
- *How we Enable*

7. ANTICIPATED OUTCOMES OR IMPACT

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

8. REASON FOR THE RECOMMENDATION

8.1 To provide members with an insight into the development of the audit plan to provide assurance to the Council on its governance and operations.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 None

10. IMPLICATIONS

Financial Implications

10.1 The Audit Plan needs to be deliverable within available resources and the achievement of the audit plan will require that the current structure remains essentially intact throughout the year. Resource requirements are reviewed each year during the planning process.

Any changes to the structure and resourcing of Internal Audit will result in a further review of our programme of work and this will be reported to the Audit Committee.

Legal Implications

10.2 The Accounts and Audit regulations 2015 require the Council to have a sound system of internal control which includes effective arrangements for the management of risk, controls and governance.

Equalities Implications

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

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

11. BACKGROUND DOCUMENTS

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

11.1 None.

12. APPENDICES

12.1 Appendix A – Internal Audit Planning and Assessment Tool

INTERNAL AUDIT PLANNING AND ASSESSMENT TOOL

<i>Category</i>	<i>Weight</i>	<i>Description</i>	<i>Total Possible Category Score</i>
Materiality	2	Value (budgeted income and expenditure; contract values; project costs etc.) and volume (number of transactions, number of staff/public affected). 1= up to £100k or 100 transactions 2= £100k-£1m, or 100-1000 transactions 3= £1-10m, or 1000-10,000 transactions 4= £10-£100m, 10,000 or 100,000 transactions 5= £100m plus, or 100,000 plus transactions Score 1 to 5 (1= low, 5 = high).	10
Stability	2	Amount of change within a system or process. Growth in size or responsibilities; staff turn-over; legislative change; new or upgraded IT systems; cultural change; new service delivery models; significant internal policy change. Score 1 to 5 (1= low, 5 = high)	10
Vulnerability	3	Inherent risks (fraud, corruption, error, commercial or sensitive information, health and safety, vulnerable adults and children). Control environment (limited central control or ownership, poor physical security, high turn-over of staff, complexity of systems and processes, poor SoD, lack of expertise) Score 1 to 5 (1= low, 5 = high)	15
Corporate Importance	5	Dependence on the system to meet regulatory requirements or corporate priorities and objectives. Score 1-5 (1= low, 5= high)	25
Specific Concerns	4	Concerns and risk assessment of management and auditors. Review risk registers, specific areas raised by management, audit intelligence. score 1-5 (1= low, 5= high)	20
Total Possible Overall Score			80

Prioritisation Schedule

>50	High Priority	30-50	Medium Priority	< 30	Low Priority
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AUDIT COMMITTEE	AGENDA ITEM No. 7
30 JANUARY 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and S.151 Officer	
Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	George Wallace Head of Procurement Richard McCarthy Procurement Operations Manager	Tel. 07773576077 01733 384606

UPDATE – PROCUREMENT ACTIVITY JANUARY 2023

RECOMMENDATIONS	
FROM: Executive Director of Corporate Services and S.151 Officer	Deadline date: Update 30 January 2023, further report at meeting 20 March 2023
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive an update of Procurement Activity for the key requests from the previous Audit Committee Meeting of 17th October 2022. 2. Agree that more details and evidence of progress be received at the planned meeting of the Audit Committee in March 2023. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee following
(a) a request from the Audit Committee via the minutes and actions to provide an update on progress on delivering on the required actions since October 2022.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to set out progress on Procurement Activity since October 2022 and provides additional or background information requested by the Committee at its meeting on 17th October 2022.

- 2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.18

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

3. **TIMESCALES**

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

4.1 At the previous Audit Committee Meeting on 17th October 2022 the Procurement Team submitted a report on current activity in terms of three broad areas:

- Contract Values and Spend Under Management
- The Governance Process and details of Exemptions to Contract Rules
- Management of the Delivery of Procurement

4.2 Audit Committee recognised that the report delivered in October was a useful start to understand the nature of procurement activity and particular issues that need to be addressed both in terms of systems and processes but also in culture and behaviour across Council departments to deliver a more proactive approach to procurement, to increase contract compliance and to implement systems that link contracts and spend data together to provide a more comprehensive analysis of contract and spend activity. This update on progress will be followed by a full report with appendices and supporting documents at the March 2023 meeting of the Audit Committee.

4.3 The Procurement Board, chaired by Cecillie Booth, Executive Director of Corporate Services and S151 Officer, has received reports from the Procurement Team regarding the Annual Plan for 2023/24 for Procurement and how the team will organise itself to align with Council Directorates following the decision to bring the Procurement Team back in house from Serco in November 2022. A forward plan process has been re-introduced and meetings with Department Management Teams planned for January 2023 to firm up procurement priorities for 2023/24.

4.4 Further work has been undertaken to review instances of non-compliance and a draft report completed to go to Corporate Leadership Team (CLT) on a regular basis to enable individual Directors to understand the nature of any breaches and take the appropriate action to reduce such behaviour in future.

4.5 Amendments to the Constitution to set the limit at £25,000 (increased from £5,000) where more than 1 written quote is required to direct award to a supplier, has reduced the number of exemptions and further reductions are expected following specific procurements regarding temporary and interim staff and for Apprenticeships and Training.

4.6 A further amendment to the Contract Rules is being considered to allow Adults and Children's care placements to be a valid exception to the Contract Rules provided that a valid attempt has been made to procure those services via an existing compliant route first. This amendment along with the activity detailed in 4.5 will more than halve the number of exemptions and allow more time for greater scrutiny of those that remain.

4.7 A project is well under way to review the Council's Enterprise Resource Planning (ERP) systems and the "as is" state has been mapped and the group is now reviewing and scoping the "to be" state which includes investment in software but is also reviewing and removing processes that do not add value and strengthening and enforcing those that do. The "No PO No Pay" Policy is being re-launched and updated and CLT have been charged with monitoring compliance to be reported on a regular basis via statistics gleaned from the Unit 4 Agresso system. Suppliers that send invoices to the Council where no valid purchase order exemption exists will have their invoice returned and informed that they need to provide a valid purchase order to receive payment. Peterborough City Council colleagues that do not follow the policy will be highlighted to CLT for the appropriate action to be taken.

- 4.8 Work has begun on making Climate Change and Social Value an integral part of Procurement and further information is due to be sent to CLT for consideration shortly
- 4.9 The Procurement Team is working closely with Internal Audit to address instances of non-compliance, their causes and mitigation of risk.
- 4.10 A fuller update that includes timescales for delivery is included at Appendix 1 of this report.

5. CORPORATE PRIORITIES

- 5.1 The recommendation to receive the update on procurement activity has a positive effect on the Sustainable Future City Council policy in the following ways:
- How we work – the decision taken to bring the Procurement service back in house from Serco has unlocked opportunities to review processes and tasks that don't add value and remove them to deliver efficiencies of process and to ensure the maximum level of resource targets direct procurement activities.
 - How we Serve – re-establishing the forward planning process will make the service proactive and less reactive, and provide leadership for commissioners of services, emphasising the need to deliver outcomes that are essential rather than desirable when specifying goods and services required to operate Council functions.
 - How we enable – in re-engineering systems and processes the procurement team will be better able to establish and minimise rogue spend and non-compliance. Improvement in ERP systems will enable better benchmarking (market insights to other Local Authorities spend and supplier base) and also provide economies of scale by planning 18 months of procurement priorities at a time – enabling decisions to be made earlier and increasing leverage with suppliers.

6. CONSULTATION

- 6.1 The development of the work around procurement has been presented to the ERP development Group, CLT and Procurement Board.
- 6.2 CLT will receive and consider this update in due course.

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 There will need to be further amendments to the Constitution regarding the Contract Rules to further increase efficiency of process and to ensure focus on services that would legitimately require exposure to competition.

A greater transparency of procurement activity will need to be provided for CLT.

The formal re-launch of the No PO No Pay Policy will affect suppliers and colleagues placing orders for goods and services.

Greater training and support will need to be provided by the Procurement Team to help increase compliance.

8. REASON FOR THE RECOMMENDATION

- 8.1 It is recommended that the Audit Committee receive this report as an update on progress to improve compliance with the Council's Contract Rules, Public Contract Regulations 2015 and the Procurement Bill when implemented.

Fuller details will be delivered at the meeting to be held in March 2023

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 There is no alternative option as the requests from the October Audit Committee will need more time to be delivered and implemented.

10. IMPLICATIONS

Financial Implications

- 10.1 None

Legal Implications

- 10.2 The amendment to the Constitution (Contract Rules) regarding Adults and Children's care placements will need Full Council consideration.

Equalities Implications

- 10.3 None

11. BACKGROUND DOCUMENTS

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

- 11.1 None

12. APPENDICES

- 12.1 Appendix 1 – Procurement Activity Update

APPENDIX 1

PROCUREMENT ACTIVITY UPDATE REPORT

AUDIT COMMITTEE

Activity Area	Report Ref.	Actions from Audit Committee 17.10.2022	Progress Update 12.01.2023	Target for Delivery
Spend Data	4.7	There needed to be more information around the controls in place to manage contracts, there was a gap of around £60 million that could not be identified as being on the systems.	Work has begun to better understand third party spend in relation to contracts - this is dependent on the Forward Plan work and development of the ERP systems.	Mar-23
Social Value	4.8	Members questioned how far procurement was supporting the Council's vision to be net zero carbon. This was part of the corporate priorities and was mentioned in the corporate strategy.	On going work is progressing regarding the development of a Climate Change Commercial Ask of Suppliers based on the work Suffolk CC have developed. This will incorporate changes to procurement documents, evaluation and scoring and also guidance for suppliers.	Mar-23
Social Value	4.8	Officers confirmed that there were questions around social value as part of the procurement process, however more work could be done to make this a mainstream focus. The important aspect was how this was articulated to try and encourage as many businesses and organisations to procure with the Council. There were examples from other local authorities, such as Suffolk County Council, where this had been made more attractive for the market and could be used as a base at Peterborough City Council.	The development of a Social Value Toolkit and Policy are near completion for consideration based on the Council's key Social Value aims and Objectives. This will go to CLT shortly for review before being shared with Audit Committee. In addition discussions are on-going with social value portal providers to assist with the evidenced	Jan-23
Social Value	4.8	The tendering process was not uniform and this was an area for improvement that officers were looking at.	Once the toolkit has been finalised and shared with Procurement Team Members and Commissioners - this will provide a sound basis for the evaluation and scoring of social value questions and provide consistency of approach across all tenders delivered by the Council. This will need time to implement once completed and approved.	Mar-23
Governance	4.7	There were several retrospective cases when it came to procurement, there was little that could be done in those circumstances. One of the issues was around the computer system that was used, this was being looked at so that all systems could be joined together and trigger potential issues before they arose.	The development of the ERP system has begun and the as is state has been mapped - the scoping of the to be state has begun and will be concluded later but upper most in our thinking is the urgent need to control purchase orders being raised to link to compliant contracts and to be able to track the spend on each contract. This will take some time to implement but the work regarding the Governance processes and use	Apr-23
Governance	4.4	Officers were in the process of having tighter controls around budget holder having to sign off contracts. There needed to be a process by which officers were held accountable if the rules had not been followed.	A regular report will be brought to CLT and then to the Audit Committee of the number, nature and value of exemptions requested that breach Contract Rules, to make Senior Leaders aware of these and allow them to take appropriate action.	Jan-23
Governance	4.3	The procurement function had been outsourced to SERCO for a number of years and agreement had recently been reached between SERCO and PCC to bring the service back in house. This should raise the profile and importance of the procurement service and ensure requests and compliance are taken more seriously moving forward. The limit for contracts that were allowed to be signed off before Director sign-off was now £25k and under which would allow officers to spend more time looking at contracts that were of larger value.	This has been a positive move and has afforded greater possibility for review of systems and processes and how procurement is managed and delivered which will deliver greater benefits in the future.	On-going

Governance	4.4	Some members could not see what the consequences were for those officers who had not followed procedure. The Audit Committee could take on the role of requesting officers or services attend meetings to explain why they had not followed the rules.	A regular report will be brought to CLT and then to the Audit Committee of the number, nature and value of exemptions requested that breach Contract Rules, to make Senior Leaders aware of these and allow them to take appropriate action.	Jan-23
Forward Plan	4.3	There were legal issues if officers denied a retrospective award of contract. It was important for the Council to become more proactive rather than reactive, this would provide a trigger for when contracts were due for renewal. There used to be an annual report which could be re-introduced. It was possible to introduce a forward plan that could be used as a trigger going forward.	The Procurement Team have re-introduced the Annual Procurement Plan and process. A draft plan has been drawn up and staff aligned with Directorates to discuss the plan for the coming year to 18 months and each Directorates priorities. Initial meetings have been arranged with Directorate DMTs to see if some procurements may be joined up to maximise efficiency and get the most work done with available resources.	Jan-23
Governance	4.6	There were two groups of exemptions one around child placements with considerable needs, this system covered being able to meet the needs of children with regards to transport. This was of used when there was no other alternative available. The other area was in relation to domiciliary care, which was difficult to manage, there were only certain providers who could provide the complex care needed. There was work being done around commissioning that would look at different strategies.	There have been developments in the thinking regarding Social Care Placements in other Authorities, in Cambridgeshire the Constitution has been amended to allow 3 routes to commission these services. The first two allow placements to be made via existing procured routes such as Block Contracts and or DPS arrangements. If those 2 arrangements were not successful - a direct award is allowed provided this is agreed by the relevant Executive Director and a record of all placements is kept evidencing why this route was necessary. This is being debated in PCC currently. In this way the balance of risk is better managed and that the greater risk is to not make said placements following a valid assessment of need.	Jan-23
Governance	4.4	More work needed to be done to find out why officers were not following the correct processes and procedures. In other organisations there were often sanctions which were imposed on those who had repeatedly not followed procedure.	A regular report will be brought to CLT and then to the Audit Committee of the number, nature and value of exemptions requested that breach Contract Rules, to make Senior Leaders aware of these and allow them to take appropriate action.	Jan-23
Audit	4.9	Internal Audit were commissioned to identify contracts to look at to see if processes had been followed. The team looked at what was being spent and captured this data. Members were informed that the team was currently slightly down on capacity, however when the team was back to full capacity procurement was an area that the team could investigate further.	Procurement are already working with Audit colleagues who will be provided access to reports, registers, reports and proprietary software to allow full access to records and processes to be better able to access and recommend mitigations of risks.	Jan-23
Governance	4.4	One possibility was to append to future reports areas that were given exceptions to be outside the procurement framework and to see who was signing these decisions off.	The details of the reports will be made available to Audit Committee members along with reports sent to CLT to provide full details for the reasons listed for exemption reports and details of breaches.	Jan-23
Governance	4.2	It was agreed that a further report would be brought back to the committee at a later date. There was further work around people and communities that needed to be presented so that the committee could better understand what the directorates needs were and allow the committee to hold people to account if they had not followed the correct procurement procedures.	A full report with accompanying appended reports and appendices will be made available for the March Audit Committee meeting.	Mar-23

AUDIT COMMITTEE	AGENDA ITEM No. 8
30 JANUARY 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Emma Riding, Financial Services Manager – Financial Planning & Budgetary Control	Tel. 07790944655

RESERVES STRATEGY & POLICY

RECOMMENDATIONS	
FROM : Cecilie Booth, Executive Director of Corporate Services and s.151 Officer	Deadline date : 30 January 2023
It is recommended that Audit Committee:	
1. Consider the Councils Reserves Strategy and Policy provided in Appendix A to this report	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee to provide an overview of the Councils Reserves Strategy and Policy. This is following an initial review of the draft policy in October 2022, where the Audit Committee reviewed and made suggested changes to be incorporated within the final document.

Following this meeting the Reserves Policy and Strategy will then be incorporated within the final budget for 2023/24 and Medium Term Financial strategy report which will then go before the council's Cabinet on 13 February and Full Council for final approval on 22 February.

2. PURPOSE AND REASON FOR REPORT

2.1 The report is for the Audit Committee to consider under its Terms of Reference (agreed at Full Council) at 2.2.2.14

- To review any issue referred to it by the Chief Executive or a Director, or any Council body.

2.2 The purpose of this report is to provide an overview to members of the Councils Reserves Strategy and Policy

3. TIMESCALE

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

4.1

The Local Government Finance Act requires the Council to consider the level of reserves when setting a budget requirement., with the Section 25 of the Local Government Act 2003 requiring the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. This is completed at the Council through the Robustness Statement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.

CIPFA issued [Local Authority Accounting Panel \(LAAP\) Bulletin No.99](#), Guidance Note on Local Authority Reserves and Balances in July 2014. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

In response to the above requirements, the reserves strategy and policy outlined in Appendix A sets-out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance for the Council's cash backed usable reserves.

The following table summarises the usable reserves which includes the general fund balance and earmarked reserves:

	Est Bal at 31 st March 23	Est bal at 31 March 24	Est bal 31 at March 25	Est bal 31 at March 26
	£000	£000	£000	£000
General Fund	8,000	9,000	10,000	11,200
Usable Reserves (Innovation and Departmental)	22,951	15,027	14,777	14,527
Budget and Inflation Risk Reserves	7,510	5,370	5,370	5,370
Local Tax Income Risk Reserve	7,316	6,316	6,316	6,316
Ring-Fenced Reserves	4,321	3,810	3,573	3,573
Total Earmarked and General Fund Balance	50,098	39,523	40,037	40,986

The Strategy has regard for the recommendation of The Chartered Institute of Public Finance and Accountancy (CIPFA), that the following factors should be taken into account when considering the level of reserves and balances:

1. Assumptions regarding inflation and interest rates
2. Estimates of the level and timing of capital receipts
3. The capacity to manage in-year demand led pressures
4. Ability to activate contingency plans if planned savings cannot be delivered
5. Risks inherent in any new partnerships
6. Financial standing of the authority (level of borrowing, debt outstanding etc.)
7. The authority's record of budget management and ability to manage in year budget pressures
8. Virement and year-end procedures in relation to under and overspends
9. The general financial climate
10. The adequacy of insurance arrangements

With the strategy including planned steps on how the Council intends to ensure its reserves balances are resilient and sufficient enough to mitigate the Councils financial position against emerging risks.

As noted in the first paragraph the adequacy of reserves levels are reported within the robustness statement as part of budget setting report, at the same time the Reserves Strategy and Policy will undergo an annual review.

5. CONSULTATION

5.1 None required at this stage.

6. CORPORATE PRIORITIES

6.1 The medium term financial strategy and annual budget create the financial capacity to deliver the council's priorities. An essential part of the financial planning process is a robust policy on the level and nature of reserves (an account set aside to meet any unexpected costs that may arise in the future). Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer (the Executive Director of Corporate Services and s.151 Officer) to advise the council about the level and nature of reserves to be held.

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 That the Audit Committee is informed of the Council's approach to budget setting.

8. REASON FOR THE RECOMMENDATION

8.1 None required - item for information.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 None required - item for information.

10. IMPLICATIONS

10.1 Financial Implications

No Financial Implications as a result of this report- item for information.

10.2 Legal implications

No legal implications as a result of this report- item for information.

11. BACKGROUND DOCUMENTS

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

11.1 None

12. APPENDICES

12.1 Appendix A: Reserves- Strategy and Policy

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Appendix A- Reserves Strategy & Policy 2023/24

Peterborough City Council

1. Background and Context

- 1.1. The council is required to maintain adequate financial reserves. Reserves are an integral part of sound financial management, they help the council plan for future spending commitments, balance the budget and manage unpredictable financial pressures.
- 1.2. Sections 32 and 43 of the Local Government Finance Act 1992 require councils to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. This is completed at the Council through the Robustness Statement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
- 1.3. CIPFA issued [Local Authority Accounting Panel \(LAAP\) Bulletin No.99](#), Guidance Note on Local Authority Reserves and Balances in July 2014. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government. In response to the above requirements, this strategy sets-out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance for the Council's cash backed usable reserves.
- 1.4. All reserves will be categorised as per the Local Authority Accounting Practice guidance, into q groupings.
- 1.5. Within the Statement of Accounts for General Fund Earmarked Reserves, all individual reserves are reported and will include a description of the purpose of the reserve.
- 1.6. Earmarked reserves will be reviewed regularly as part of the in year monitoring process and annually as part of the budget setting process, to determine whether the original purpose for the creation of the reserve still exists and whether or not the reserves should be released in full or in part or require topping up based on known/expected calls upon them. Particular attention will be paid in the annual review to those reserves whose balances have not moved over a two-year period, other than the General Fund, for further detail see Section 4 Management and governance.

2. Overview

- 2.1. The Council will maintain:
 - a general fund reserve –a working balance to help cushion the impact of uneven cash flows, avoid unnecessary temporary borrowing manage the impact of unexpected events or emergencies.
 - a number of earmarked reserves - to meet known or predicted requirements or established by statute. The purpose of these reserves is to enable sums to be set aside for specific purposes or in respect of potential or contingent liabilities where the creation of a provision is not required or permitted.
 - Unusable reserves - these arise out of a requirement under legislation and proper accounting practice either to accumulate revaluation gains or as adjustment accounts to comply with statutory accounting requirements. These reserves are not backed by resources and therefore cannot be used for any other purpose. Hence, these reserves are not available to fund expenditure. These will generally be excluded from any discussion where the council talks about its level of reserves.
- 2.2. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. A general assumption over many years has been to allow for 5% of Net Revenue Expenditure. Due to the current position of the Council's finances and the need to reach longer term financial sustainability, the S151 Officer is recommending an increase in the General

Reserve over the next three years. To reach this target, and with a completed risk assessment, the aim is to ensure the reserves balances are at an appropriate level to mitigate the financial impact of any future risks. This assessment is outlined in Appendix Three - Risk Based Assessment of Risk Reserve Balances.

- 2.3. The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that the following factors should be taken into account when considering the level of reserves and balances:
- Assumptions regarding inflation and interest rates
 - Estimates of the level and timing of capital receipts
 - The capacity to manage in-year demand led pressures
 - Ability to activate contingency plans if planned savings cannot be delivered
 - Risks inherent in any new partnerships
 - Financial standing of the authority (level of borrowing, debt outstanding etc.)
 - The authority's record of budget management and ability to manage in year budget pressures
 - Virement and year-end procedures in relation to under and overspends
 - The general financial climate
 - The adequacy of insurance arrangements
- 2.4. Each Council must make their own decisions about the level of reserves they hold, taking into account all of the issues referred to above. The level of the general fund reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. It will also take account of the extent to which specific risks are supported through earmarked reserves. A risk assessment of the General Fund will be made each year and will consider the budget assumptions outlined in point 2.2 This assessment is outlined in Appendix Three- Risk Based Assessment of Risk Reserve Balances
- 2.5. The level will be expressed as a cash sum over the period of the Medium Term Financial Strategy (MTFS). The level will also be expressed as a percentage of the general funding requirement (to provide an indication of financial context). The Council's aim is to hold, as a minimum, general reserve equivalent to 5% of the Council's Net Revenue Expenditure by 1 April 2026.
- 2.6. On 1 April 2022, the Council held £7.3m in General Fund. The forecast profile of achieving the target balance is set out in the following table:

Year	Forecast Contribution	Forecast balance	Forecast NRE	Reserve to NRE %
2022/23	£0.7m	£7.9m	£186m	4.2%
2023/24	£1.0m	£8.9m	£202m	4.4%
2024/25	£1.0m*	£9.9m	£216m	4.6%
2025/26	£1.2m*	£11.1m	£222m	5.0%

**Contributions are to be determined via the identification of savings and year end underspends, if available*

- 2.7. This will be reviewed annually in February as part of the budget setting process.

3. Strategic context

- 3.1. The Council continues to face a shortfall in funding compared to expenditure demands and must annually review its priorities in order to address the shortfall. The MTFS identifies some highly challenging transformational work to achieve saving to reach financial sustainability over the medium to long term.

- 3.2. In order to achieve Financial Sustainability, the Council will need to invest in a range of innovative and transformational activities in order to reduce future costs of service delivery. An Innovation Delivery Fund was created as part of the 2021/22 Outturn process to fund such activity. In the 2023/24 budget and beyond the balance on the innovation delivery fund will be maintained in the region of £10-£15m, which will be drawn-down on the basis of business cases that either pay back the contribution, result in significant service improvements or significantly reduced costs compared to the 'do-nothing' option. The process for drawing down against this reserve has been developed and is outlined in Appendix Four- Innovation Fund (invest to Save process).
- 3.3. Innovation and transformation need to be a constant and therefore any opportunity to replenish this reserve should be considered as part of each year's annual budget setting process, and any outturn opportunities offered by any underspends. As such, once the General Fund target is achieved, any additional funds through underspends should be placed in the Innovation Deliver Fund unless exceptional circumstances require alternative use.
- 3.4. The Council receives interest from investments of temporary cash balances to support the revenue budget and is avoiding interest on borrowing by effectively internalising borrowing requirement by use of cash balances, including sums held in reserves and general positive cash flows. Therefore, the balances held in reserves will help reduce on-going revenue costs.
- 3.5. Reserves are **one-off money**. The Council will avoid using reserves to meet ongoing financial commitments other than as part of a sustainable budget plan and one of the Council's financial principles is to stop the use of one-off funding to support the base budget i.e., this reserves strategy will prevent reserves being applied merely to balance the budget.

4. Management and governance

- 4.1. New reserves may be created at any time and approved by Cabinet.
- 4.2. For each of earmarked reserve held (excluding the innovation fund that has a separate process as outlined in Appendix four) there will be a clear protocol setting out:
 - The reason for/purpose of the reserve
 - How and when the reserve can be used
 - Procedures for management and control e.g., delegated authority for approval of expenditure
 - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.
- 4.3. All protocols should have an end date and at that point any balance will be transferred to the general reserve. If there is a genuine reason for slippage, then the protocol will need to be updated. A questionnaire will be completed by the relevant budget holder and reviewed by Finance to ensure all reserves comply with legislative and accounting requirements.
- 4.4. Reserves protocols must be sent to Corporate Finance for review and will be approved by the S151 Officer, the Corporate Leadership Team (CLT), and by the Cabinet Member for Finance. Protocols should clearly identify contributions to and drawdowns from reserves across the lifetime of this MTFS, and these will be built into the Annual Budget. Ongoing recurring costs should not be funded from reserves unless part of a smoothing reserve and approved as part of the MTFS. The short-term use of reserves may be agreed to provide time to plan for a sustainable funding solution in the following financial year. Decisions on the use of reserves may be delayed until financial year-end and will be dependent on the overall financial position of the Council rather than the position of just one budget area.
- 4.5. All earmarked reserves will be reviewed as part of the monitoring process, the budget preparation, financial management and closing of accounts processes. Cabinet will be presented with the monitoring of reserves on a regular basis and in the outturn report and the Council will consider a report from the S151 Officer on the adequacy of the level of reserves in the annual budget-setting process.

- 4.6. Service Delivery Plans need to have a clear link with the level of earmarked reserves held. The following rules apply:
- Any in-year use of the General Reserve will need to be approved by Cabinet and any planned use will be part of the budget setting process.
 - In considering the use of reserves, there will be no, or immaterial, impairment to the Council’s financial resilience unless there is simply no alternative.
- 4.7. The Council will review the Reserves Strategy and Policy on an annual basis through Audit Committee.

5. General Fund and Useable Reserves

- 5.1. The 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. The General Fund Balance 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.
- 5.2. Earmarked reserves are amounts set aside from the General Fund Balance to provide financing for future expenditure plans, see Appendix One.
- 5.3. 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.
- 5.4. In summary:

General Fund	Earmarked Reserves
<ul style="list-style-type: none"> • A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing • As a contingency to cushion the impact of unexpected events, major incidents, or emerging risks (covered in more detail in appendix one) 	<ul style="list-style-type: none"> • Monies set aside for future events or liabilities

6. Unusable Reserves

- 6.1. Unusable Reserves are those reserves that absorb the timing differences arising from different accounting arrangements. Details of all other reserves and balances including information regarding purpose, how and when to use and possible release to revenue budget is set out in Appendix Two .

Appendix One – General Fund & Earmarked Reserves

The Council holds a number of usable reserves, and these are listed below.

Reserve	Description
General Fund Balance	<p>This Fund 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. This reserve ultimately smooths the financial impact of unexpected events, major incidents or emerging risks, including:</p> <ul style="list-style-type: none"> • Risks which exceed the other specific risk reserves (budget, inflation, and local taxation reserves) • The capacity to manage in-year budget pressures in relation to demand led service delivery • The general financial climate and the impact the cost-of-living crisis or a recession may have on the council including: <ul style="list-style-type: none"> ○ Rising demand for Services ○ A reduction in income generation ○ Impact on Commercial and Property activities ○ Exposure to rising Inflation and interest rates ○ Ability to generate planned Capital receipts • Financial risks arising as a result of new government legislation or new burdens
School's Balances	As per the above explanation but in the context of schools.
Capital Receipts Reserve	This 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	This 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.

Earmarked Reserves

Reserve	Description
Departmental & Grant Related Reserves	These have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium-Term Financial Strategy for Departmental use, e.g. specific grants received in advance and not yet spent.
Insurance	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	School revenue reserves put aside for funding future school capital schemes.
Innovation Fund Reserves	The balance of the sums set aside which can be utilised to fund one-off transformational expenditure such as service transformation which will improve the longer-term financial position of the Council as identified in the MTF5.
Public Health	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.

Local Tax Income Risk Reserve*	This reserve was created as a result of timing differences due to Section 31 grants and the Tax Income Guarantee scheme grant received in 2020/21. The balance remaining is now being held to mitigate future tax losses as a result of system changes and loss of collection due to the cost-of-living crisis.
Budget Risk Reserve*	This reserve was created as part of the 2022/23 budget process to mitigate the risks associated with delivering the challenging savings programme. The remaining balance after balancing the current year outturn position will be subsumed within the general fund.
Inflation Risk Reserve*	This reserve was created to mitigate some of the financial risk resulting from rising rates of inflation in the 2022/23 financial year, but due to the continuing uncertainty with inflation this will continue to be maintained and utilised accordingly.
Other	These include the Lease Consolidation, Hackney Carriage Accounts, and Parish Burial Reserves.

*Specific Risk reserves will be reviewed and, where deemed appropriate, reduced, and balances contributed to the General Fund to mitigate wider risks facing the Council.

Appendix Two – Unusable Reserves

The Council holds a number of unusable reserves which absorb the difference between the statutory arrangements for funding expenditure and accounting for the expenditure in line with regulations and proper accounting practice. Unusable reserves cannot be used to fund expenditure e.g., cannot fund revenue spend on services or capital spend on projects.

Reserve	Description
Revaluation Reserve	This reserve contains the net gains made from increases in the value of the Council's assets (Property, Plant, Equipment, and Intangible Assets) not yet realised through sales. The gain will only be realised and shown as income in the Council's accounts following sale of the asset.
Capital Adjustment Account	A store of capital resources from Revenue, Capital Receipts, and the provision for the payment of debt set aside to meet past expenditure.
Deferred Capital Receipts	Deferred Capital Receipts are amounts that are to be received in instalments over an agreed period of time. They arise from mortgages on the sale of Council Houses, or repayment terms from other asset sales. These can only be used for financing new capital expenditure when the actual receipt is received. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
Financial Instrument Adjustment Account	This Account is held in accordance with the Code of Practice to write down over time the premiums paid on early debt repayment in order to spread the burden on Council Tax. This is a technical adjustment and has no impact on the overall financial position of the Council.
Pension Reserve	In line with International Accounting Standard 19 (IAS 19) Employee Benefits the Council's commitment to make future payments must be disclosed in the accounts at the time the employees earn their future entitlement to the benefits. The Pension liability balance reported in the balance sheet matches off exactly to the deficit balance held in the Pensions Reserve.
Collection Fund Adjustment Account	This adjustment account allows for differences between income included in the Income and Expenditure account and the amount required by regulation to be credited to the General Fund. The balance on the account deficit / surplus represents the Council's share of the Collection Fund deficit / surplus.
Accumulating Compensated Absences Adjustment Account	This 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 e.g., annual leave entitlement carried forward on 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Appendix Three- Risk Based Assessment of Risk Reserve Balances

Potential risk that things change since the budget estimates were made and the estimates are then under budgeted for.

Risks	Calculated Risks				
	Budget /Target £000	Likely %	General Fund £000	Inflation Reserve £000	Local Tax Income Reserve £000
Inflation					
Energy costs	3,577	50%		1,789	
Staff Pay	71,232	1%		712	
Expenditure (excluding energy costs)	208,353	2%		4,167	
Demand for Services					
Adults Social Care	64,683	3%	1,940		
Children's social Care	37,336	3%	1,120		
Income Generation/collection					
Income Generation (Other income & Sales, Fees, and Charges)	70,742	2%	1,415		
Council Tax	97,554	2%			1,951
Business Rates	64,235	2%			1,285
Other					
Savings Delivery	12,141	20%	2,428		
Interest rates (loans to be refinanced in 2023/24)	50,000	2%	1,000		-
Total Risk			7,918	6,668	3,236
Reserve available 2023/24			8,000	7,510	7,316

1. Introduction

- 1.1. The Medium-term Financial Strategy (MTFS) has highlighted that the Council is required to make significant financial savings from 2023/24 onwards.
- 1.2. To do so, the Council need to invest in a range of innovative and transformational activities to change how it works, serves, and enables. Consequently, an Innovation delivery [Invest to Save (ITS)] Fund was created as part of the 2021/22 Outturn process to fund these activities.
- 1.3. To that end, having implemented cash limits and strategic budget reviews across the Council, Members, and the Corporate Leadership Team (CLT) have invited cross-cutting transformation proposals, aligned to Council priorities.
- 1.4. Investments will be provided on a discretionary basis, typically covering project and programme implementation costs, but it may also support preliminary work e.g., costs associated with discovery, research, feasibility, scoping, pilots, business case preparation, and other professional support.

2. Criteria to Use the Fund

- 2.1. The criteria to be met to for investment projects to draw down from the ITS fund will include the following:
 - Delivers against the PCC corporate strategy and priority programmes
 - Provides on-going revenue savings
 - Provides on-going revenue income
 - Delivers a benefit to a related service, creating efficiencies elsewhere
 - Repays costs back to the fund within an agreed period (preferably not exceeding 5 years)
- 2.2. The ITS fund is NOT intended to:
 - Substitute existing funding-streams
 - Meet on-going revenue needs,
 - Provide financial support for capital works
- 2.3. All savings arising from ITS funded projects will be set against project savings targets in the MTFS.
- 2.4. All significant investment allocations will be required to report through the Corporate Delivery Unit (CDU) and will be required to utilise CDU processes, templates, and tools.
- 2.5. All funding requests must be reviewed and signed off by a Corporate Finance -led, Invest to Save Group (ITSG) (see Section 4).

3. Allocations from the Fund

- 3.1. Project proposals over £500k will require cabinet reports, in line with Council approval threshold. Such projects will require Finance and Legal approvals to provide assurance that all internal procedures have been followed.
- 3.2. Allocations from the fund will be linked to projects, authorised via Performance CLT (PCLT), or its delegated authority / board, supported by the ITSG.
- 3.3. At project initiation, proposals should indicate if costs are likely to be incurred to deliver savings that cannot be met from other sources of funding. Thereafter, project business cases, scaled according to value, scope and complexity, should then provide, as a minimum, details of:
 - Project outcomes
 - Degree of strategic alignment
 - Costs to be incurred

- Purpose for which costs will be incurred
- Timing of payments
- “Pay-back period” (over which project savings will recover costs)

- 3.4. Sponsors applying for funds should liaise with the CDU when developing bids to ensure that they will meet the required criteria.
- 3.5. The CDU will review all applications, and subsequent business cases, with the Invest to Save Group to ensure that delivery is aligned with priorities, benefits, and costs, and to ensure CDU buy-in to projects it oversees.
- 3.6. Decisions to allocate from the ITS Fund will be taken by PCLT unless it must be decided by Members. The CDU, in liaison with Corporate Finance, will determine the level of Member approval required, if any, and advise PCLT accordingly.

4. Invest to Save Group

- 4.1. The Invest to Save Group (ITSG), will be chaired by the Executive Director of Corporate Services. It will comprise members of Corporate Finance, the CDU and, potentially, rotating Directorate membership. The purpose of the ITSG will be to filter bids submitted to the Corporate Change Board and approve bids up to an agreed threshold. For purposes of agility, the group can meet virtually.
- 4.2. If a feasibility study, funded by the ITS fund, or otherwise, has been completed, the applicant will present study findings to the group to inform the decision to pursue or reject the opportunity. This will bring added confidence to the applicant and to the Council that the project is worthy of investment.
- 4.3. The governance route for funding requests will depend on the approval thresholds (see section 10). ITSG will determine if investments should follow a different route based on non-financial factors e.g., if a lower-level bid should be treated as a higher-level bid on the basis of its political sensitivities.

5. Application Timings

- 5.1. The ITS fund is a revolving fund, payable throughout the year; it will not be the subject of a once-for-all annual exercise.
- 5.2. The ITS group will meet regularly, nominally monthly, or as required on an agile basis, to assess funding applications.

6. Governance

- 6.1. The ITSG will recommend projects for approval by PCLT. Project approvals and funding allocations will reside with PCLT.
- 6.2. Corporate Finance will manage fund allocation and financial control. Project Sponsors will be responsible for the delivery of projects and programmes.
- 6.3. The CDU will be responsible for ensuring that exposure to project delivery and benefits realisation risks are minimised by overseeing delivery and providing independent delivery assurance directly to PCLT.
- 6.4. Delivery progress and spend will be monitored using the CDU progress reporting tool. The CDU will report slippages to PCLT, and Corporate Finance, who in turn will advise on actions required if projects overspend.

7. Feasibility Studies

- 7.1. Any idea, whether improvement, savings or transformation progresses to implementation must meet agreed business case due diligence requirements. Proceeding to implementation without doing

so would be to invite a much higher than usual risk of failure. To obviate that risk, an early discovery stage is used to identify information and / or supporting evidence to underpin the business case.

- 7.2. In some circumstances, feasibility studies may be required prior to determine if a proposed project will be worthwhile. In such cases, applicants may request a start-up “advance” from the ITS fund to resource this activity.
- 7.3. Where feasibility studies are required, officers must complete the “Invest to Save Start Up Resources Form”. This must be approved by the Invest to Save Group, and PCLT if part of a programme is PCLT governed.
- 7.4. To ensure that processes to identify and fund feasibility studies are robust, ITSG will establish pre-requisite criteria at an initial application meeting, including that applicants must present baseline data / draft empirical analysis of potential savings.
- 7.5. Feasibility allocations will normally not exceed £100,000, and business cases will be required providing information on the:
 - Costs to be incurred
 - Purpose for which costs will be incurred
 - Precise learning expected from the study
 - Criteria by which approval decisions will be taken
 - Likelihood of study findings resulting in the project not being undertaken
- 7.6. Where feasibility studies do not progress to full project delivery, ITSG will bear the associated risk as a sunk cost.

8. Project Codes & Accounting

- 8.1. Projects and programmes must account for all delivery costs i.e., follow (to be agreed) methods that will enable the Council to account for the full costs of implementation and, where appropriate, reimburse directorates for staff allocated to transformation activities.

Note: it is not unusual for primarily revenue-based transformation projects to also have capital elements, e.g., replacement of computer systems, or external specialist resources to configure or reconfigure key line of business systems. A timely mechanism needs to be established to approve and account for such elements.

- 8.2. Project accounting codes should be established for each project and linked with the Delivery Unit’s project cost forecasting model in an agreed manner to provide greater visibility and more accurate costing of each funded initiative. The council should operate a “No Project Code = No Initiation” policy to avoid unaccounted for costs, and to enforce a formal gateway review before projects are initiated.

9. Savings Targets

- 9.1. ITS funding allocations will only be agreed on the basis of an agreed payback period and / or return savings, depending on project size and complexity). The payback period will be part of the project proposal assessment undertaken by PCLT, given the imperative to deliver ‘real’ cashable savings for the authority, in line with the MTFS.
- 9.2. All savings arising from ITS funded projects will contribute to Directorate savings targets as identified in the MTFS, unless there is good reason not to do so.
- 9.3. All business cases must include a mechanism to ensure that benefits are realised, including savings capture. This will include a tracking tool to monitor benefits and avoid double counting of savings.

10. The ITS Process

- 10.1. The ITSG allows applicants to pitch ideas, explain how and when ITS funding can be paid back, and respond to any ITSG challenges around apparent discrepancies or other concerns arising.
- 10.2. There are two strands to the governance of invest to save bids:
- Investments programmes governed by PCLT
 - Investments not under PCLT governance
- 10.3. Investments that are part of PCLT governed programmes require PCLT approval, irrespective of value. The types of documentation required by PCLT are summarised below:
- Up to £0.5m: Invest to Save Bid Form
 - £0.5m to £1.5m: Invest to Save Bid Form
 - £1.5m to £10m: Business Justification Case
 - Over £10m: Full Business Case
- 10.4. Investments outside PCLT governance must follow the governance process outlined below.
- 10.4.1. Investments below £0.5m
- Requires an Invest to Save bid form.
 - Bid forms require project managers to self-score each section before moderation by the CDU and approval by ITSG.
 - These bids are presented to PCLT for visibility and information, but not for approval, unless they are part of a programme governed by that board.
- 10.4.2. Investments between £0.5m to £1.5m
- Requires and Invest to Save bid form.
 - Bid forms require project managers to self-score each section before moderation by the CDU. They are initially approved by ITSG, before formal approval by PCLT.
 - Bid forms have the following categories:
 - Strategic fit: investment alignment with Council priorities and objectives?
 - Financial: financial benefits of the investment?
 - External Factors: e.g., the project meets statutory, legislative, or operational requirements, or it is needed because of another saving or capital project?
 - Risk: extent to which project success depends on mitigating high associated risks?
- 10.4.3. Investments between £1.5m and £10m
- Requires a Business Justification Case.
 - The justification case is in line with the HM Treasury business case guidance and is a one -stage process with the following five cases considered:
 - Strategic Case
 - Economic Case
 - Commercial Case
 - Financial Case
 - Management Case
 - These bids must be approved by ITSG and PCLT.
- 10.4.4. Investments over £10m
- Requires the full business case (as per HMT guidance).
 - Officers will be required to outline how much funding will be needed for each business case stage and confirm the outputs achieved at each stage to justify further investment.
 - Strategic Outline Case
 - Outline Business Case

- Full Business Case
- These bids must be approval by ITSG and PCLT.

1. **Review and Evaluation of Bids**

- 10.5. Bid reviews, and draw-down of funds, will be approved by the Invest to Save Review Group and Performance CLT, as previously outlined above.
- 10.6. Each project will be assessed on a case-by-case basis
- 10.7. The level of funding required will not be the sole consideration in determining the governance route. Other considerations may include:
 - The level of resident engagement that may be required
 - Issues that may give rise to sensitivities
 - Other matters that are major strategic aims of the Council
 - The carrying of major risk
 - The historical context of investments

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AUDIT COMMITTEE	AGENDA ITEM No. 9
30 JANUARY 2023	PUBLIC REPORT

Report of:	Matt Gladstone, Chief Executive
Cabinet Member(s) responsible:	Councillor Wayne Fitzgerald, Leader of the council
Contact Officer(s):	Jens Gemmel von Döllinger, Sustainable Future City Council Director

SECOND INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL REPORT

RECOMMENDATIONS	
FROM: <i>Matt Gladstone – Chief Executive</i>	Deadline date: 30 January 2023
<p>It is recommended that the Audit Committee:</p> <p>Reviews the second report of the Independent Improvement and Assurance Panel and agrees with the actions and progress being made with the delivery of the Improvement Plan.</p>	

1. ORIGIN, PURPOSE AND REASON FOR REPORT

1.1 This report is submitted to Audit Committee following Full Council on 7 December 2022 and Cabinet on 16 January 2023. The report will also be presented to the Joint Scrutiny Committee on 23 January.

1.2 Improvement Panel Comments:

The Council established the Peterborough City Council Independent Improvement and Assurance Panel (PCC IIAP) on 16 December 2021, and updated the terms of reference of the panel to report to the Council on a six monthly basis. This report provides the Panel's second six monthly review of the work of the Council against the previously agreed Improvement Plan and the recommendations of the independent reports commissioned by the Department of Levelling Up, Housing and Communities.

PCC Response:

We accept and welcome the Improvement Panel's findings and will implement its recommendations in full. We will continue to use the panel as a sounding board for matters related to the future sustainability of our city and its administration.

1.3 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.2.14
To review any issue referred to it by the Chief Executive or a Director, or any Council body.

2. BACKGROUND AND KEY ISSUES

2.1 Improvement Panel Comments:

On the 30 June 2021, the DLUHC announced an external assurance review of the Council's financial position and its wider governance arrangements. Government decisions on further exceptional financial support, and on any statutory interventions that might be necessary, would be informed by those reviews. The financial review was undertaken by the Chartered Institute of

Public Finance and Accountancy (CIPFA), and the governance review was undertaken by Andrew Flockhart. The governance review reported in September 2021, and CIPFA reported on the finance review in November 2021. Both reviews set out detailed findings, including conclusions, evidence and methodology used, and included recommendations for the future. Importantly, the governance review recommended non-statutory action. The then Minister of State for Equalities and Levelling up Communities then wrote to the Council when the reports were published saying that, although she still had concerns, she agreed with the findings and that with the right support the Council should be able to respond to the challenges it faced.

2.2 Improvement Panel Comments:

The PCC IAP operates in the context of the statutory intervention framework of powers given to the Secretary of State in the Local Government Act 1999. The independent panel is at the lowest level of external intervention, it does not take any decision making away from the Council. The threat of some level of statutory intervention remains if there is any faltering in implementation of the improvement plan recommendations. Council officers and members of the Panel continue to meet monthly with DLUHC officials to discuss the City Councils progress.

3. **INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL**

3.1 Improvement Panel Comments:

The purpose of the Panel as approved by Council is to:

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

3.2 Improvement Panel Comments:

The Improvement Plan approved at Council on 21 December 2021 is a critical document, as the Panel will be holding the Council to account on the delivery of this plan, and on the extent to which the plan is meeting the recommendations, actions and outcomes envisaged in the finance and governance review reports.

3.3 Improvement Panel Comments:

The Councils Improvement Plan has three Improvement Themes as follows: -

- “Theme 1: Financial Sustainability. The recovery and improvement of Peterborough relies on us setting a balanced budget in 2022/23, delivering on our savings and transformation plans, delivering sharper focus on collective and individual fiscal responsibility and accountability ensuring that we deliver on our priorities. This will mean taking bold decisions to turn off the things that are no longer “core/can't afford” as we constantly challenge ourselves on how we spend every penny of the Council's money.
- Theme 2: Service Reviews. The Council has initiated a series of service deep dives starting in Adult's and Children's Services and Housing, we will continue this programme of review into mid-2023. The reviews will generate options and recommendations for doing things differently. We will manage these reviews using an agile approach so that we can agree and deliver changes as new opportunities and alternative ways of working present themselves. The Council has to have the ability to make change happen more rapidly.
- Theme 3: Governance and Culture: This section describes how we will manage the Improvement Plan with the support of the Improvement Panel and associated partners. We will refresh our Corporate Strategy and key policies. We will adopt stronger fiscal delivery disciplines where personal accountability will be at the heart of our new ethos. We will change the organisation if we are clear on what has to change, by when and to what standard.”

The IIAP operates as a collective body, bringing all of the expertise of the Panel to the challenges facing the Council. Four of the panel members lead on individual areas that are intertwined across the three themes of the Improvement Plan. In addition, the LGA member of the Panel leads on peer mentoring and support to the training and development of Members. This report covers those four lead areas of Finance/ Transformation/ Assets, Contracts and Companies/ Governance including Member engagement and provides the Panels view on the progress in the last six months. In addition, an update on the progress of the Audit Committee is included from the independent chair. The latest position on the Improvement plan is attached at Appendix A.

4. CURRENT PCC IIAP VIEW ON THE CITY COUNCIL IMPROVEMENT PLAN PROGRESS

4.1 Financial Sustainability

Improvement Panel Comments:

There has been continuous good cooperation from Council staff with the Panels Finance lead since the panel was appointed in December 2021. There has been regular contact and the Senior Finance staff have sought and taken on board advice, comment and challenge on the Finance proposals and their draft reports. The Panel's Finance lead continues to be in regular contact with Senior Finance staff in the Council over and above attending the monthly panel meetings. This includes providing ad hoc advice and comment on the Finance proposals and a regular catch up outside of the panel meetings. The Leader of the Council and the opposition Group Leaders have worked together with real collaborative focus and energy.

4.1.1 CIPFA Recommendations

Improvement Panel Comments:

The CIPFA report to the Council in November 2021 contained a number of recommendations on which the Council had to implement immediate action. These were either substantially completed or were overtaken by events. The CIPFA recommendations were by definition short term and were reported on in our last report, including an officer commentary. The Council is now focussing on medium and long term issues in terms of service delivery remodelling and operating models to attain long term financial stability. A number of further reviews and deep dives have been completed by CIPFA and continue to be reported on through relevant workstreams.

4.1.2 2021/2022 Outturn, Current and Future Years Budgets

Improvement Panel Comments:

The Council approved a balanced budget for 2022/23 without the need for a capitalisation direction in either 2021/22 or 2022/23. The 2021/22 outturn position returned a revenue underspend which improved the Council's reserves position. The delivery of a balanced budget in the current financial year (2022/23) was obviously dependent upon the delivery of the agreed savings plan. At the time of our first report there was a high level of risk and uncertainty in the achievement of the agreed savings plan with some 28% of identified savings proposals being identified as at least high risk. The Panel's first report highlighted the significant risks that had to be managed.

The Council has an in year savings target of £16.674 million and has during the year moved to a position where none of that figure is now at high risk of deliverability, and for the areas where there is moderate risk some (£3.493 million) mitigating savings have been found from one off savings arising. Continued work will still be required with regard to 2023/24 where high-risk savings of £3 million have been identified from the current year's programme. This is a significant improvement on the position in the summer and reflects a huge amount of hard work across departments and by the finance team.

The much higher than anticipated level of in year inflation has been mitigated largely by the use of additional income arising from the Council's waste disposal arrangements where additional income generated from higher electricity prices has been set aside in a reserve to enable 2022/23 cost pressures to be managed and to maintain the reserve for 2023/24 at a similar level. It is likely that the facility will avoid the windfall tax regime announced in the Autumn statement due to its

size. It is understood that the Council is taking a cautious and prudent approach to future benefits that may arise from this facility. The Panel will continue to take a keen interest in this area.

Work has proceeded on the 2023/24 budget and draft proposals have been prepared that are still being validated for delivery. This is somewhat later than in an ideal scenario (although many authorities are in a similar position due to the volatile financial climate) but does give the Council the ability to set a balanced budget for 2023/24. Public engagement has been through the web-based budget simulator tool which has had a significantly higher level of response than normal consultation arrangements. The Council should be commended on this initiative which has highlighted to the community the very real challenge in balancing a complicated budget.

Internal engagement has been through the Finance Strategy Working Group (FSWG) at member level, and there have been weekly officer level meetings to progress the budget. The members and officers are to be commended for their hard work, dedication and commitment to this work. The Leader of the Council continues to work closely with the Panel, and ensures that the FSWG has access to the same information as the Panel to ensure effective collaboration and knowledge sharing across all political groups. We commend him for his engagement and leadership. There is a clear timeline for the process of agreeing the budget involving public & member engagement between the end of November and budget setting in February 2023. A set of budget principles have been drafted which if agreed by Council will give a clear basis to future budget decisions and the budget process.

The 2023/24 budget and that for 2024/25 will need to move towards a more transformation-based process. The Council is moving towards this and has started to employ additional resource to assist in this process but this needs to maintain momentum if the Council is to be on a more sustainable footing going forward into 2024/25 and beyond. To aid this the speedy delivery of the in-year savings for 2023/24 is essential and the validation process of those savings should include deadlines for delivery. The dependency between the transformation work and the future financial sustainability of the Council cannot be overestimated. It is important that the collaborative model applied by the FSWG to the budget is replicated on the Council's transformation agenda.

PCC Response:

The Council achieved a balanced budget for 2022/23 without the need for a capitalisation direction. At the end of November 2022, the forecast outturn position was an overspend in the region of £1.2m, which was mainly due to in-year pressures relating to Clare Lodge. Clare Lodge is the only all-female secure welfare unit in England and Wales and as such, it provides a significant national resource for children, young people and placing authorities, because of the need to help girls and young women at the highest levels of risk who are increasing in number, complexity and severity. Due to an adverse Ofsted inspection outcome, we have been unable to increase occupancy to more than three young women, however, remedial action continues to be taken to improve this position, including a steep increase in fees to the three local authorities with placements. A follow up inspection provided an improved position, and plans are in place to increase occupancy to eight young women in early 2023. The plan is to start the 2023/24 financial year at least at a break even position. Everything else is on track within the budget.

4.1.3 **Savings Board**

Improvement Panel Comments:

The Council has set up a savings board to monitor the delivery of savings and to provide a level of challenge where delivery is either delayed or doubtful. This internal challenge has to continue to be extremely robust as the non-delivery of savings place in doubt the Council's ability to achieve its objective of being financially stable from 2024.

PCC Response:

The 2022/23 savings plan has been subject to robust challenge throughout the year, and is on target to be delivered in full. All red ragged savings have been delivered and only £400,000 of amber savings remain. It is anticipated the savings plan will be delivered by the end of the year.

4.1.4 Revenue Controls

Improvement Panel Comments:

The Council has maintained a high level of control on revenue expenditure, these controls will be required to be continued for the foreseeable future to enable non-essential spending to be identified (and further curtailed if necessary) and to enable a culture of budget responsibility to take root and grow within the Council. We are seeing early positive signs that this culture change is starting to happen. The review of the Finance function should assist in accountability and clearer reporting lines in the future and greater use of the functionality in the Council's financial software should also assist budget holders in undertaking their role in managing budgets.

PCC Response:

The Council maintains high levels of control on capital and revenue expenditure. As outlined above, the revenue budget is forecast to be delivered broadly in line with the budget, and significant slippage has been identified in the capital programme. Due to the effective controls in place, a spending moratorium will not be required in 2022/23.

4.1.5 Medium Term Financial Strategy

Improvement Panel Comments

The Council's medium term financial strategy (MTFS) will be published in January as part of the Joint Scrutiny agenda. The MTFS has required significant input from service heads across the whole Council, as it requires a view to be taken on the likely level of savings that can be achieved over the medium term in respect of service redesign. In common with all other Local Authorities, the Council faces a particular difficulty in establishing longer term views as at present it is difficult to predict with any degree of accuracy the likely budget gap for future years - due to uncertainty over rising inflation, the level of future government support and the changes to the referendum limit for council tax in 2023/24.

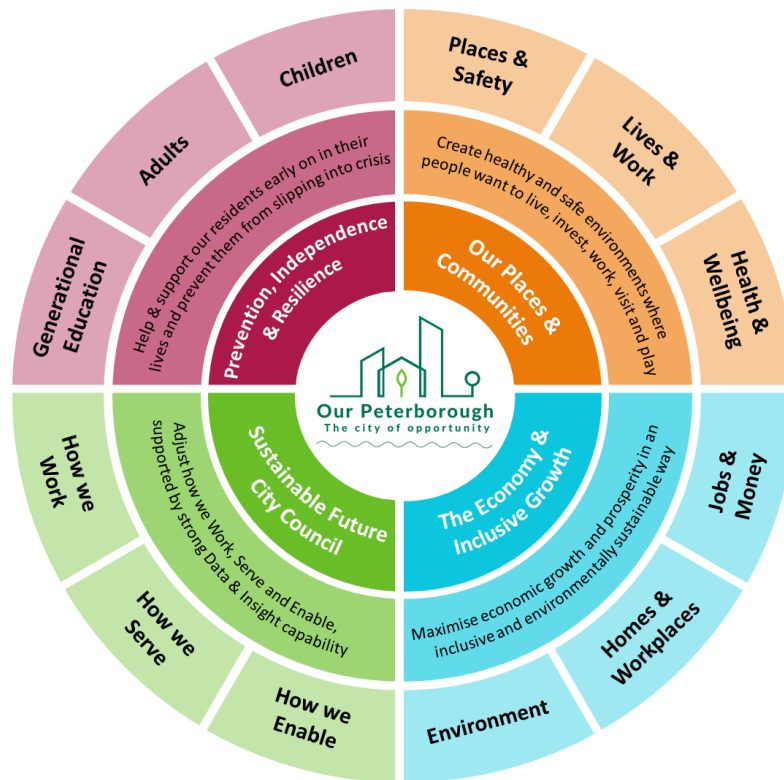
The Council has maintained progress towards the aim of financial sustainability, however there is a need to step up to the next level in terms of transforming services to ensure future sustainability. The MTFS is therefore a very important financial planning and policy document as it is an integral part of the service planning process essential to achieving the scale of service transformation required in the City Council.

PCC Response:

The first iteration of a three-year Medium Term Financial Strategy was produced at the end of June 2022, with quarterly updates thereafter. Significant consultation has been undertaken with the Corporate Leadership Team (CLT), budget holders and managers throughout the Council and members through the Financial Sustainability Working Group (FSWG), Cabinet Policy Group and Cabinet. Additional regular meetings have been held between the chief finance officer and opposition groups, and the opposition group's budget recommendations have now been incorporated into FSWG. The financial position presented to CLT on 21 December indicates a balanced budget will be presented to members in January, and the three-year position is also broadly in balance with only very small deficits (less than £1m) in years two and three.

The Chief Executive is committed to setting up an established Corporate Delivery Unit to act as the "engine room" for our corporate transformation and good programme governance. The Delivery Unit will act as a single source of truth and become the home for overseeing the Council's service re-designs and plans including detailed proposals with the aim to provide confidence in the timely delivery of a Medium-Term Financial Strategy.

The aim is to redesign the Council around our key four priorities which will enable us to decrease demand by helping and supporting people and families before they reach crisis point, effectively moving to a more preventative delivery model while maximising income, and facilitating the process of inclusive and sustainable economic growth to lift more people out of poverty so that the Council can continue to deliver services within a reduced financial envelope as articulated within our "Sustainable Future City Council Strategy 2022-25".



4.1.6 Capital Finance

Improvement Panel Comments:

The financing of the Capital programme has been an area of considerable concern for the Council. The need to service borrowing to fund the Capital programme reduces the Council's ability to spend on day to day services. The need to borrow to fund capital expenditure is therefore still being tightly controlled and the assumption remains that capital expenditure will normally only be funded from resources other than borrowing. Recent increases in interest rates mean that borrowing should remain as a last resort for funding capital expenditure. It is still the intention to set a Capital programme within the priorities set in the Capital Strategy which relies on none or minimal levels of borrowing.

PCC Response:

£16m was removed from the 2022/23 capital programme, reducing the programme to £82m. Up to 21 December 2022, only £26.6m has been spent, with a year-end forecast of £53.2m. The current position indicates slippage of at least 35%, but more likely 50 – 60% based on the YTD position. The overall programme is overseen by the Capital Programme Board, comprising mainly of executive directors. The board is supported by an operational group, comprising capital programme and project managers.

4.2 Medium to Long Term Transformation

Improvement Panel Comments:

Sound progress has been made since the first report of the Panel and there continues to be good contact and interaction with the Panels Transformation lead, including significant support and involvement outside of the monthly Panel meetings.

In our earlier report we highlighted the work CIPFA had undertaken to support several service reviews and we also noted that the Council was turning its attention to longer term financial and service delivery sustainability. This approach includes reviewing opportunities to deliver additional income, drive efficiency and in other ways reduce cost by adopting a longer-term transformation perspective. We noted the benefits not only in terms of balancing the books, but also for providing a vehicle for communicating a positive change to the organisation, to partners

and the community. We highlighted the importance of this work being encouraged, sustained, nurtured and appropriately governed.

We were encouraged that the Chief Executive had brought into his team an experienced transformation director who was setting about creating a Council wide-transformation team.

Over the last six months the Chief Executive has given a lot of thought to ensuring that the process of discerning and developing proposals is inclusive, bottom up and owned by the wider leadership team. He recognises that this needs to be balanced with clear leadership intent - unambiguous direction and a focus on results. Getting the balance right between these two imperatives will require on-going attention and focus. Too little buy in, or insufficient grip and leadership, and plans may fail to deliver. This would jeopardise the Improvement Plan.

Over the summer months a number of top team workshops were undertaken with a view to identifying key lines of enquiry and a consequent outline transformation programme. These sessions were well attended, there was good engagement and a lot of positive input and outputs. Capacity is now arriving in the Council to take forward the ideas that came from those sessions and build a suite of business cases and a delivery focused Programme Management Office. This work is essential if benefits arising from the emerging transformation are to be realised – including those pivotal to the MTFs. The Chief Executive and the wider leadership team are aware of this and are putting actions in place to shore up capacity. We will continue to support and challenge activity in this area.

Meanwhile, the workshops and follow up activity in the summer have been captured in a new City Strategy that has won the support of Members. This aims to set a compelling narrative, setting out where the City could and should be over the course of a reasonably foreseeable future. This is powerful, because the emerging vision is directly bound to the developing transformation programme, meaning it has substance and sense of purpose within the organisation.

PCC Response:

As a response to our “Sustainable Future City Council Strategy 2022-25” and “City Priorities”, we have started to onboard some additional capacity and expertise around our four key priorities, to help us with the design of our proposals and with the appropriate governance to be put in place from January 2023. We recognise the challenge of bringing in such additional capacity while balancing our budget and will need to find ways to balance the urgent with the important while acknowledging the need to invest in our programme delivery capabilities and do so at pace.

4.2.1 **Assets, Contracts and Companies**

Improvement Panel Comments:

It was originally envisaged that actions under these workstreams would be addressed in the first six months of the Improvement Plan however it was clear at the time of our first report they were dependent on the outcomes of the internal and CIPFA reviews that were concentrating on the more pressing issues of governance, bringing revenue and capital budgets under control and of service redesign. The Panel therefore understood and accepted that they were running behind issues that were of more immediate concern. Good progress is now being made under the new dedicated commercial lead who has demonstrated to the Panel lead on this workstream that she has a good understanding of the issues and is working to prioritise them based on value/risk. A commercial strategy is being developed and work is also underway on a proper governance framework. These are both important tools in the options appraisal process to be applied to all of the current arm’s length companies and commercial arrangements.

The procurement service is now in house (from 1 November 2022) and the final steps are underway to transition City College back in house.

PCC Response:

The property service is currently outsourced to Norfolk Property Services (NPS), and plans are in place to take the service in-house by 31st January 2023. A new Service Director for Assets is due to take up post from 11th January 2023, so a brand new team will be in place in the new year.

Disposals and capital receipts have been delivered to plan, and although significant service improvements are required, there have been no specific problems with the Asset Service.

4.2.2 External review reports

Improvement Panel Comments:

Reports had recently been issued by CIPFA on Norfolk Property Services Ltd (NPS) and the Peterborough Improvement Partnership (PIP) at the time of our last report. The exit and transition plan from the NPS joint venture is underway with a review of current structures in hand and a recognition of the need to build an effective property client function, and significant reform of the PIP has gained corporate support. In addition, the details of the Medesham Homes model are being finalised to ensure that the potential for housing growth is maximised.

Overall, management have put effort both into understanding the nature of these relationships and the risks that they pose to the Council as well as seeking to gain a degree of client control over strategy and operations of these companies. However, the Panel remain concerned that there is a significant workload associated with the burden of reform of these relationships given the complexity of decision making and the considerable work to bring functions in-house or deliver improved governance. In common with the transformation agenda this is an area of activity that will need to be properly resourced against a clear plan. Notwithstanding that view, it is noted that the procurement service transition from Serco was very well managed.

The Council has taken steps to embed good practice such as in limiting the role of members on companies and Joint Venture undertakings to reduce the likelihood and impacts of potential conflicts of interests and limitations on objectivity. The Panel will continue to keep a focus on this as an arena where the culture that had developed over time needs to change significantly.

PCC Response:

As above. The Procurement Service was insourced from Serco in November 2022, and the transition has been very good. There have been some delays in completing the CIPFA reports and sharing these with members. Six reports have been presented to members so far (Serco, NPS, City College, PIP, Northminster PIP and City College. Action plans to implement the recommendations have been drafted and most recommendations have already been delivered. The reports will also be shared with the key member of the Improvement Panel for contracts and companies.

4.2.3 Asset Management Strategy and Disposals Plan

Improvement Panel Comments:

Work is underway to complete the MTFs and the budget report for publication in January, consolidating with the other associated strategies including the Capital Strategy, the Asset Management Plan and Disposals Plan, which was approved by Cabinet in September. The Asset Management Plan and a Disposals and Acquisitions policy will be presented to Council in February as part of the budget strategy. The impact of these plans on asset utilisation, retention and disposal will continue to be monitored by the Panel lead.

PCC Response:

A three-year disposal plan is in place, and approved by members. Disposals are being progressed in line with the plan, and capital receipts allocated to the capital programme in accordance with the plan.

4.2.4 Capital Project management

Improvement Panel Comments:

The Council needed to improve capital monitoring to address serious concerns over slippage to ensure that resources are being effectively utilised to meet the Council's objectives in its Council and Service Plans. The Capital programme is now much better understood, managed and controlled. The 2022/23 capital programme was reduced and a detailed review of the following two years is underway.

PCC Response:

As above. Significant slippage has been identified for the 2022/23 capital programme, and steps are being taken to identify reasons for the high level of slippage. The up to date position will be reported to members in the Q3 Budgetary Control Report (BCR). There is often a surge in capital expenditure in the final quarter of the financial year, however, it seems unlikely to be the case in the current financial year. Future years' capital plans will be revised in line with historical slippage, and it would appear the Council's limit in delivering capital plans is in the region of £50m rather than the ambitious programmes set in the past.

There has been some major staffing changes in the capital team, which provides an opportunity to change current practice and working methods. We have engaged external consultants to provide training, simplify processes and make the whole capital and treasury management service more transparent and more in line with best practice.

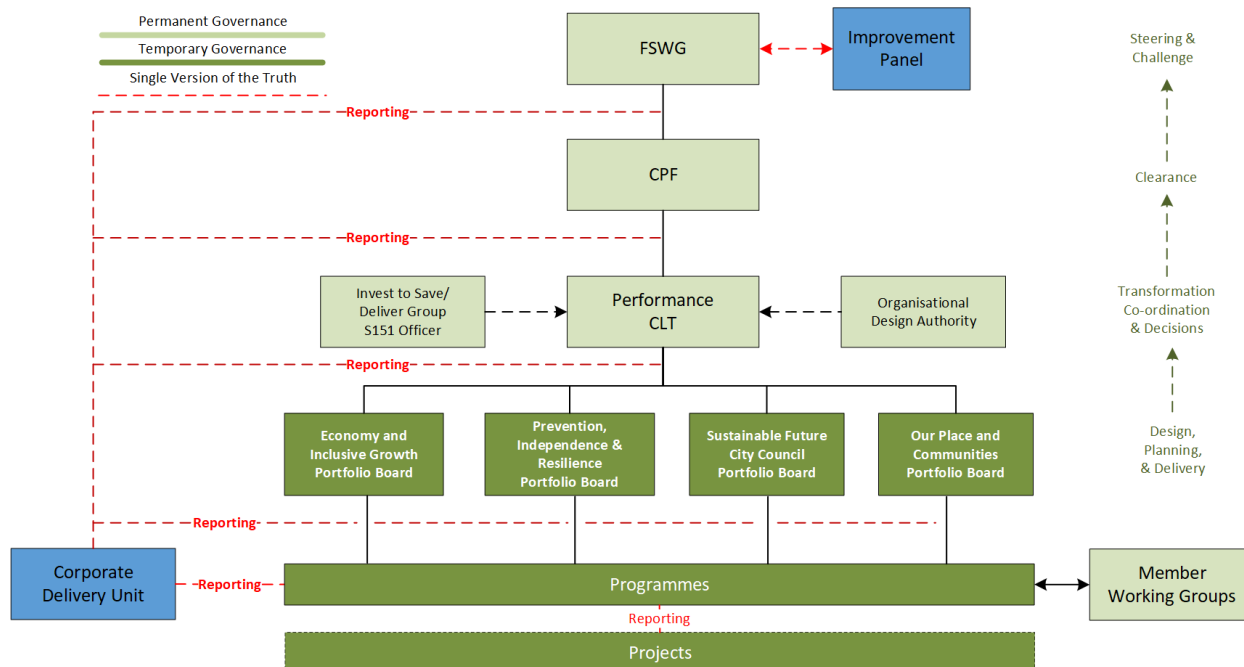
4.3 Governance

Improvement Panel Comments:

The overall governance of the City Council is a matter of concern to the Secretary of State as detailed in the letter to the Leader of the Council in 2021. The Council has accepted a series of recommendations which require change in its governance. The Council started to implement these changes earlier this year. The Panel's overall view is that the City Council is making progress with the actions on governance and cultural change. There has been a major shift in the mutual collaboration and joint engagement between the Leader and all the opposition Group Leaders, particularly through the work of the FSWG. However, there is more to do especially when it comes to putting these changes into practice so that the Council can operate on a sound and sustainable footing. Major challenges remain and the Council is not "out of the woods" yet. The Panel will continue to seek assurance that the progress underway will continue and we will watch the budget decision making process with particular interest as a measure of that change in culture and collective responsibility.

PCC Response:

We acknowledge the nervousness of the Improvement Panel around making governance stick. As a response, the Council has initiated a review of all officer governance arrangements, with the view to amalgamate, incorporate or stop existing boards and include this into a more streamlined governance arrangement around our four key priorities. We recognise the importance of members' engagement and their role in enabling effective decision making and accountability and our plans should enable this. Our revised governance arrangements are designed to be inclusive at lower and upper tier, consultative with members and the public while making sure that the culture of the organisation moves towards a relentless focus on delivery, collaboration, and innovation.



4.3.1 No overall control

Improvement Panel Comments

The results of the May 2022 local elections left the Council in an unchanged position of No Overall Control. Whilst there is a degree of continuity with the Conservative led minority administration still in place, a high degree of uncertainty remains about decision making in the Council chamber. Consequently, there are no guarantees that the administration's policies will be accepted by Council or that there will be continuity in decision making in the best interests of the community. This reinforces the need for all party engagement in decision making processes especially in relation to the corporate strategy and budget setting.

The Panel has observed major efforts to engage all political groups in the corporate strategy and budget making processes. This includes the following:

- The Chief Executive has led a process including all political groups for the formulation and approval of the Council's corporate strategy. This led to the unanimous approval of the strategy when it came to Full Council in October.
- The Leader of the Council, the Chief Executive and the Chief Finance Officer have led and supported frequent meetings of the cross-party Financial Strategy Working Group (FSWG) at which information on proposals and options for the budget are shared in a timely manner.
- At the same time opposition Group Leaders have been offered and have taken up briefings by the Chief Finance Officer about the budget and have been able to discuss options on their approach to the budget with her.
- A series of All Member briefings about the budget for 2023/2024 will take place both pre and post Christmas. This should ensure that every Member has the opportunity to inquire about and understand the budget.
- As would be expected, the budget will also be scrutinised by the Joint Scrutiny Committee before it comes to Full Council.

At the same time, the Panel has noted that following the local elections in May the chairs of all of the Overview and Scrutiny Committees are held by members of opposition groups. This has increased the formal engagement of opposition members in the scrutiny of the Executive's decision making.

This work over the last six months reflects a positive commitment to shared governance of the authority in the context of No Overall Control. This is especially important at a time when so many difficult issues are to be addressed and decisions made; not least in the budget for 2023/24.

4.3.2 **Electoral arrangements**

Improvement Panel Comments:

During the last six months the Council consulted the public and gave proper consideration to the option of all out elections every four years. This process was carried out competently and with integrity. In the event the Council decided not to make the change. The Panel understands this decision. However, it wishes to remind the Council about the reason this matter was recommended by the Secretary of State. The coincidence of No Overall Control and annual elections by thirds in Peterborough has undermined commitment to long term, strategic planning which is in the best interests of the community and is concomitant with the leadership and governance of a major city. Now that the decision has been made by Council not to change the electoral arrangements the onus is on all Members and all political groups to demonstrate their commitment to proper strategic decision making in the best interests of the city whilst annual elections continue. The Panel will keep a close eye on this in the year ahead and will include references to the issue in future reports to the Council.

PCC Response:

The need for the Council to work strategically and focus on the longer term is recognised. The Council will be making decisions in line with the corporate city priorities plan and the MTFs, and service plans are critical to developing a more longer-term focus.

4.3.3 **Council Delegations**

Improvement Panel Comments:

The Chief Executive and the Director of Law & Governance brought forward proposals to update these and bring them into line with best practice in other unitary councils nationally. These were approved by the Council and are now improving corporate oversight and control of key decisions, particularly in relation to financial commitments over certain levels.

4.3.4 **Executive decision making**

Improvement Panel Comments:

Similarly, the Chief Executive and Director of Law & Governance brought forward proposals to increase the corporate oversight and transparency of decisions made by the Executive, especially those made by individual members of the Cabinet. Putting these new systems into practice is improving the quality of governance overall.

4.3.5 **Audit Committee**

Improvement Panel Comments:

Good progress is being made by the newly configured committee which is led by an independent chair. The fresh approach by the committee to its work is evident in the Chairs commentary within this report. This is positive and reflects the proper role for the Committee within the Council's constitution. All Members of the Council have a duty to review the Committee's reports.

PCC Response:

The Audit Committee provides effective challenge with the addition of three new independent audit committee members. Big changes have been implemented following audit committee challenge, e.g. risk management has now been moved away from internal audit and procurement exemptions are being scrutinised in detail, resulting in much fewer exemptions. Our treasury management advisors provided TM training during November 2022, which was very well received.

4.3.6 **LGA Training and Support for Members**

Improvement Panel Comments:

The plan developed by the LGA to support members in Peterborough is well underway. All Group Leaders have an independent peer mentor. The Panel has held meetings with the Peer Mentors and, separately, with the Group Leaders and their Peer Mentors. These meetings were held to

ensure there are shared understandings about the challenges facing the City Council, the Improvement Plan and our respective roles in supporting the Council to make the progress that is necessary. A key issue has been learning ways in which political groups can work together better for the benefit of the Council and the community whilst allowing room for political debate. The Panel has observed more cordial and mutually respectful behaviours in recent Council meetings. This is all to the good. The Panel will continue its dialogue with the Group Leaders and their mentors especially in relation to the consideration and approval by the Council of the 2023/24 budget.

4.3.7 Management Structures and Systems

Improvement Panel Comments:

The Chief Executive has continued to make progress in creating a corporate management team which has the capacity and capability focus on and deliver Peterborough's priorities. This is reflected in the further decoupling (by mutual consent) from Cambridgeshire's management structure and the appointment by the Council of Directors who are 100% dedicated to Peterborough. Directors of Place, Finance, and Law and Governance. An Interim Director of Children's Services is in place pending a permanent appointment. The Chief Executive understands that whilst these changes are likely to have an overall cost to the Council, the benefits to be derived from the new arrangements are very likely to outweigh the costs. The Panel supports this view as this is the approach most likely to enable the Council to realise the full benefits for the city of being a unitary authority.

The new management led boards (procurement, savings, capital programme, improvement), which have been operating for several months now, have increased the focus on and rigour with which programmes of work are planned, monitored, reviewed and controlled. This is reflected in the savings that have been and are being delivered.

In addition, as indicated above work is underway to increase control, clearer lines of accountability and transparency in relation to the arm's length companies supported by the Council. This activity is a clear example of how the three key themes are intertwined particularly as they relate to the overall proper governance of the authority.

PCC Response:

As mentioned under point 4.3 of this report, we recognise that effective governance arrangements must be inclusive, transparent and have clear lines of responsibilities and accountabilities. This is about making governance and change "stick" and do so in a way which is cross-cutting.

4.3.8 Resourcing Change

Improvement Panel Comments:

Progress has been made in putting the resources in place to support the delivery of change which can put the Council and its services on a sustainable footing for the long term. The Panel welcomes the work by the Chief Executive to establish dedicated transformation and programme management capability under his direct leadership. This work is beginning to show results in the form of transformation plans and business cases being produced by officers across the authority. It is important that this resource is sustained over the medium term (at least the next 12 months) given that it will take at least this amount of time to develop long term transformation proposals, develop the necessary business cases for change and then put in place the leadership and governance arrangements to oversee delivery.

PCC Response:

As mentioned under point 4.2 of this report, the challenge for us is to find the required investment for the Council's transformation programmes and which is required to support the organisation to redesign services around our four key priorities while balancing our budget. This is no easy task but we recognise that this investment is required to not only bring about real change but to do so at pace.

4.4 Progress report from the Independent Chair of Audit Committee

Comments from the Independent Chair of Audit Committee:

4.4.1 **Background**

The Audit Committee comprises an independent co-opted non-voting Chair, 7 voting councillors representing the parties within the council and 2 independent co-opted non-voting members. The independent members have been in place since February 2022 and are here to provide insight, knowledge and challenge to this committee from their varied and extensive experience. This committee is apolitical and has met 5 times (in March, June, July, August, and October) and discussed a varied and busy agenda.

4.4.2 **Main areas of discussion**

- Finalising the 2020/21 accounts – working with the external auditors E&Y to make use of the expected statutory instrument to enable PCC to have an unqualified set of accounts, working around a national issue on accounting for infrastructure assets affecting many councils.
- Strategic risk management and the processes around the refreshing and management of those risks
- Fraud including the annual report by Internal Audit and the National Fraud initiative
- Budget monitoring and the tracking of the financial outturn
- Council reserves policy – examining the logic and process by which reserves are made, accepting the challenging financial position of the council.
- The process and scope of Procurement

4.4.3 **Main areas of comfort**

The external audits have progressed well and any issues raised addressed by management. The Financial Statements have been produced on time and to a good quality. The Finance team have been excellent in supporting the process.

The quality of the audit work of E&Y has been independently checked by the AQR inspectors of the FRC and found to be good.

Internal audit has a comprehensive program of work and have made progress although they have had resource challenges which if not addressed could reduce the levels of future assurance.

4.4.4 **Areas of concern**

The governance and tracking of the realisation of the required savings for the Council to achieve its financial plans of a balanced budget will continue to be challenging and the committee is keen to keep abreast of the situation and any further risks that may emerge.

The ongoing identification and management of strategic risks in these times of economic uncertainty which could produce a range of outcomes. Transparency and continuous review are required to navigate these difficult times.

The risks and governance around Procurement, including the scope of the Procurement department, their systems and the exceptions that flow through those systems. PCC expenditure flows through different routes and the Audit Committee is concerned that the governance around all of those routes needs to be as effective as possible for good control and value for money. This risk is also an opportunity for PCC to achieve the savings it needs in this and subsequent financial years.

Summary

- 4.4.5 The Audit Committee is working effectively and continues (through a planned and responsive rolling agenda) to seek assurance that PCC is managing risk effectively in challenging times whilst delivering its plans.

The Council is continuing to improve its governance of risk and strengthen its internal control environment accepting the areas of concern noted above.

4.5 Conclusion

Improvement Panel Comments:

In conclusion on all of the above, it is the view of the PCCIIAP that the Council continues to show commitment to the delivery of the Improvement Plan, in recognition that it is essential for its long-term sustainability. The Panel recognise that the Council has made significant progress in the last six months towards the aim of financial sustainability, on transformation activity, on work around assets and contracting arrangements and on governance. The financial management of the Council has significantly improved and the high level of risk and uncertainty in achieving the current year savings targets has largely receded. The Members and officers are to be commended for their efforts to date. However, major risks remain and the scale of the challenge, particularly in the transformation agenda, must not be underestimated. Members and officers have continued to work effectively and with commitment, but this is still the early stages of the journey – setting the stage for the really hard work to come. It is vitally important that this work is planned and resourced appropriately. The Panel will continue to monitor, review and support the Council's work to deliver on the Plan.

5. CONSULTATION

The consultation strategy was approved by Council on 16 December 2021.

6. REASON FOR THE RECOMMENDATION

- 6.1 Reporting process in accordance with the governance review of September 2021.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 No alternative options considered.

8. IMPLICATIONS

Financial Implications

- 8.1 There is no change to the estimated financial implications presented to Council in December 2021.

Legal Implications

- 8.2 No change to previously reported.

Equalities Implications

- 8.3 No change to previously reported.

Carbon Impact Assessment

- 8.4 No change to previously reported.

Communications and Engagement

8.5 No change to previously reported.

9. BACKGROUND DOCUMENTS

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

9.1 Council report 'Financial Improvement Planning' 16 December 2021

9.2 'Governance Review: Peterborough City Council' Andrew Flockhart report 2021

10. APPENDICES

10.1 Appendix A – Improvement Plan

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Peterborough City Council

Improvement Plan

2021 - 2024

DRAFT V3.0 December 2021
www.peterborough.gov.uk

PETERBOROUGH

CITY COUNCIL

PETERBOROUGH CITY COUNCIL IMPROVEMENT PLAN

In August 2021, the Department for Levelling Up, Housing and Communities commissioned reviews of the Council's financial stability and its governance arrangements, and these reviews made a series of independent recommendations. This document describes our Improvement Plan, to confirm and provide assurance to the Government that Peterborough's response to the Non-Statutory Review (NSR) regarding Exceptional Financial Support is positive and being undertaken at pace.

This is our two-year Improvement Plan which is structured into six-month planning and delivery windows. Developing the plan using this approach allows us to plan in depth for the next six months, keeping focus on delivering the things that matter, whilst readying the organisation for the things that need to be delivered in the medium term.

As the Leader and Chief Executive, we recognise the seriousness of the financial, governance and operational challenges we face, and it is going to take a significant collective effort from all at the Council to address them and reach a sustainable position. The reviews raise serious issues which we must address and we remain determined and confident in our organisation's capacity and capability to change.

This will require the Council to be brave, innovative, and disciplined. We will refresh our Corporate Strategy and build on the vision for a safe, vibrant, and growing City. A place to live, work and visit where everyone can thrive and feel welcome. Our commitment to this long-term vision remains as strong as ever and our ambition for the City and its people is unchanged. We cannot afford to do everything today, so we will focus on a range of improvement themes that prioritise delivery of the right services for our citizens within the budget we can afford.

The size and scale of the challenge ahead of us is significant and will test us all, but working constructively with the Government, our partners, and the people of Peterborough, we are confident, that with the actions set out in this Improvement Plan, we will successfully deliver the fundamental changes needed for the Council.

We will be a well governed council which ensures delivery of the right services for those that need them in an efficient, cost effective and sustainable manner.



A handwritten signature in white ink, appearing to read 'Wayne Fitzgerald', written over a dark background.

Cllr Wayne Fitzgerald
Leader of Peterborough City
Council



A handwritten signature in white ink, appearing to read 'Gillian Beasley', written over a dark background.

Gillian Beasley OBE
Chief Executive,
Peterborough City Council



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Introduction

Peterborough City Council is one of the councils that requested Exceptional Financial Support (EFS) from Government during 2020. A condition of this support was that the Department for Levelling-Up, Housing Communities (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) would undertake reviews of the Council's governance and finances during the summer of 2021. The DLUHC-commissioned reports on finance and governance matters were published in early November 2021 and the Council has acted swiftly in setting-up an Improvement Panel whose composition reflects a wide range of skills and experience from across the sector.

This is a critical juncture for the Council. We consider financial stability, through the Council's own resources, must be the number one priority for the new administration for the next twelve months supported by a new Chief Executive who will create additional senior management capacity and lead the work on improvement, driving forward a culture of the Council living within its means and focusing on its priorities.

We need to achieve a sustainable balanced budget, in the context of a refreshed Council Strategy that will set the direction for the Council with transparent, effective, and efficient decision making and with regard to the limited resources that are available to us to deliver this on behalf of the people of Peterborough. Being more fiscally resilient is a key tenet to this improvement journey and the Improvement Plan is closely aligned to our short- and medium-term financial priorities.

We are committed to ensuring that we continue to deliver the quality statutory and day-to-day local services that help keep the City safe and clean, and that we work in partnership with the communities we serve to build a prosperous City that offers residents the opportunity to realise their potential. To do this we will set a balanced budget plan for 2022/23 in the next two months and will publish a multi-period Medium-Term Financial Strategy during 2022/23.

Delivering improvement and changes within a well understood and pragmatic financial framework is a non-negotiable part of this plan and financial grip and holding individuals to account will form the cornerstone of our new culture. We will expect managers, staff and Members to be open to scrutiny and challenge around what we do, how we do it and what it costs to deliver at all times. We will empower and resource the organisation to deliver against the Improvement Plan and will hold people to account if commitments to deliver are not met. We will drive culture change through a set of simple and measurable indicators.

This two-year Improvement Plan is structured into six-month planning and delivery windows: keeping focus on delivering the things that matter whilst readying the organisation for the things that need to be delivered in the medium term. We will weigh up potential changes on the basis of whether they improve outcomes and at what cost. We will not make change for change's sake. Equally, we will not rule out any options for change that could help improve outcomes. We will keep an open mind even where options might be uncomfortable.

The plan is built on three key themes which will be monitored, measured and reported within a rigorous programme management framework with a clear focus on delivery:

THEME 1: FINANCIAL SUSTAINABILITY

Achieving financial sustainability relies on us setting a balanced budget for 2022/23, delivering on our savings and transformation plans, delivering sharper focus on collective and individual fiscal responsibility and accountability ensuring that we deliver on our priorities. This will mean taking bold decisions to turn off the things that are no longer "core/can't afford" as we constantly challenge ourselves on how we spend every penny of the Council's money.

THEME 2: SERVICE REVIEWS

We need to urgently review all our activities, including statutory & key services, our contracts and our assets. We have initiated a series of service deep dives starting in Adult's and Children's Services and will continue this

programme of review into mid-2023. The reviews are focused on identifying opportunities for efficiencies using external challenge and the outcome of the reviews will generate options and recommendations for doing things differently. We will manage these reviews using an agile approach so that we can agree and deliver changes as new opportunities and alternative ways of working present themselves. We have to have the ability to make change happen more rapidly.

THEME 3: GOVERNANCE AND CULTURE

This section describes how we will manage the Improvement Plan with the support of the Improvement Panel and associated partners. We will refresh our Corporate Strategy and key policies. We will adopt stronger fiscal and delivery disciplines where individual accountability will be at the heart of our new ethos. We will only change the organisation if we are clear on what has to change, by when and to what standard.

To deliver against these themes, leaders throughout the organisation will have to demonstrate a high level of fiscal self-awareness, emotional intelligence, and subject matter expertise. We must all continue to challenge each other and the status quo, call out things that we think are wrong and be pro-active, seeking out opportunities to innovate and improve.

Officers and Members of the Council are committed to remaining transparent and welcoming of external challenge and scrutiny. We have been open about our financial situation and have worked hard to try and address the significant financial challenges we face. However, we know we need to do more. **We recognise that the capitalisation directive from national Government should only be agreed once we have exhausted all alternative actions to provide a balanced budget for 2022/23.**



In 2019, the Council started an extensive Financial Improvement Programme and specialist consultants were engaged to provide rigorous challenge to the Council's baseline position and forecast, and to bring in best practice examples of service transformation and savings. From this, we identified £11m of potential savings for 2021/22 against a £14m budget gap. The COVID-19 pandemic has delayed some activity. We know that with the assistance of transformational funding, reduced capital spending and the enhancement to reserves from a release of its remaining non-service delivery assets, Peterborough has the potential to be sustainable in the short to medium term.

Next year's budget will need to be tactical, addressing the immediate financial structural issues that we need to rectify. External expertise and internal capacity have been increased to develop transformation and budget options to deliver savings in 2022/23. Our improvement programme will also be supported with capacity from CIPFA which has started to examine all major areas of spend across the Council.

Beyond 2023, we expect our budgets (and our MTFs) to become sustainable.

Councillors have ambitious plans, including support for the new University and a programme of housebuilding and other growth-based activities. But these initiatives need time to make an impact, particularly in light of the impacts of the pandemic on our City and citizens. They will not solve the immediate financial challenges that the Council faces. Following the May 2021 elections, a new administration has been formed with a new determination and willingness to resolve the short- and longer-term financial situation by taking difficult decisions now.

To support the cross-party collaboration that is necessary for hard decisions to be made and key priorities to be agreed, we have established a cross-party Financial Sustainability Working Group which meets on a regular basis to review improvement opportunities. This group will also hold officers to account for delivery of the Improvement Plan and will report directly to the Improvement Panel and Full Council.

The whole organisation has worked incredibly hard through the pandemic and there are, unsurprisingly, signs of change inertia. To address this, we urgently need to change our narrative and reframe it to harness the motivation of staff to ensure the whole organisation has a renewed focus on addressing the significant financial challenges that lie ahead. The improvement and transformation journey will require a huge effort from the whole organisation - Members, senior managers, our workforce, and our delivery partners.

We have responded quickly to recent reports into governance and financial matters and have adopted a spirit of partnership working and collaboration with DLUHC to date. This dialogue will continue during the improvement period over the next two years. We look forward to receiving additional support from the non-executives who will form the Improvement Panel and CIPFA and the insights on best practice they will bring. We will identify and allocate the necessary resources from our own teams to take on this best practice and deliver the required recovery and improvement.

The Improvement Plan is a live document with the two-year plan being split into six-month planning windows, with the immediate six months being set out in detail, while maintaining a view of the longer-term planning horizon. We have finite resources, and we need to target them to focus on making changes to our delivery model where we can deliver the best return while continuing to live within our means.

Delivering this plan will lead to real and positive change, with lessons learned being applied to make Peterborough City Council a stronger and financially sustainable organisation.





Corporate Strategy

The council needs to refresh its Corporate Strategy for the period 2022-2025. This work will be developed in two parts. Part one, which is described here, will be an 18-month tactical strategy for the period January 2022 to July 2023 with a focus on reaching financial sustainability. This will underpin the Improvement Plan which will capture activity to deliver.

Part two will be developed during the first three to six months of 2022 and will set the longer-term ambition and vision for the council and City. This refreshed Corporate Strategy 2022-25 will replace the draft Corporate Strategy which has been in consultation since the spring of this year. Both parts of the refreshed strategy will respond to reports from CIPFA, DLHUC and the Local Government Association and in consideration of the context in which the Council must now operate.

The 2022-2025 Corporate Strategy is an opportunity for the Council to set out a positive vision for the area, with a longer-term revised policy framework that clearly articulates our priorities and purpose to citizens, businesses, partners, and other stakeholders. To develop this vision, the Council will work alongside partners, business and the residents of Peterborough to consider the priorities for the City and the contribution that everyone is able to make.

Both parts of the strategy will focus on the core and statutory services that meet the needs of citizens, particularly in light of the impacts of the pandemic. All service plans will be reviewed to ensure that activity and performance measures are directly related to delivery of priority outcomes laid out in the Corporate Strategy. Activity that is not directly related to the new Corporate Strategy will be stopped.

The strategy will pay careful attention to identifying and meeting the needs of residents now and in the future, acknowledging that Council may not always be the solution. There are huge strengths, assets and resources across Peterborough many of which sit in partner organisations, business and communities. The Council must play its part in bringing people together and leveraging these resources around the key priorities for the City.

“It is clear that we are a council that can achieve what we set our mind to do. We have been highly successful in attracting external funding and have worked tirelessly to support residents throughout the pandemic.

There is an exciting future ahead for the City and this two-part corporate strategy will help us with the decisions we need to make in the short term, so that we can be ambitious in the longer term and have the funding and tools we need to make future investments.

I have already started to establish a more ‘listening’ and collaborative culture inside and outside the council which has been welcomed by partner organisations and, together, we are already driving the strong recovery of our City, from the Embankment redevelopment to delivery of a new University.

You will see that this Council remains committed to ensuring that Peterborough is a place where residents are proud to live, work and grow up. “

Cllr Wayne Fitzgerald, Leader of Peterborough City Council.

Corporate Strategy **Part One**

Years of austerity measures, reduced funding from Central Government and rising demand for Council services, coupled with recent the COVID-19 pandemic has accelerated our already stressed finances to the brink.

The previous strategy set out a vision for a safe, vibrant, and growing City. A place to live, work and visit where everyone can thrive and feel welcome. Our commitment to this long-term vision remains as strong as ever and our ambition for the city and its people is unchanged. But we must immediately address the serious issues raised in these recent reports and adjust our plans over the next 2 years to ensure future sustainability.

We have developed an Improvement Plan to drive the work we need to do and the decisions we need to make to reach sustainability. The plan will also provide assurance to the Government that Peterborough City Council's response to the Governance and Finance Reviews of the Council is positive and being undertaken at pace.

We have also established an Independent Improvement and Assurance Panel which will provide external advice, challenge, and expertise to Peterborough City Council and hold us to account for the delivery of our Improvement Plan.

We recognise that, if we are to achieve our aims and live up to our aspirations for a successful Peterborough in the future, we must rethink what we do and how we do it today. This document sets out our ambition and our revised priorities.

We will be a well governed council which ensures delivery of the right services for those that need them in an efficient, cost effective and sustainable manner.

We remain committed in ensuring that **Peterborough is a place where residents are proud to live, work and grow up in.** We will act now to ensure that in the longer term we are a financially and environmentally sustainable council which is well positioned to make Peterborough a place where:

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

We will review all our delivery, budgeting, resourcing and performance activities and focus on the best quality core services we can afford.

This first 18-month tactical strategy for the period January 2022 to July 2023, is at the heart of our Improvement Plan and will focus on three key areas: reaching a sustainable financial model by 2023, how we will deliver services now and, in the future, and strengthening our governance and culture.

FINANCIAL SUSTAINABILITY PRIORITIES

- That we manage our finances in a sustainable way to help us reach a strong financial position in the medium term, and continue to deliver the well-planned, modern, effective and value for money public services that local people expect.
- That we develop a four-year MTFs for 2023-27, reflecting the outcome of a root and branch review of all of our services, and the forecast resources available to the Council.
- That our budget process links clearly to outcomes for residents in Peterborough, rather than being based on the Council's existing structure and services.
- That we carefully manage our capital and investment programme, reduce external borrowing, and generate more capital receipts through disposing of assets that are no longer needed or by using assets to generate income.
- That our council-owned companies, have appropriate financial, governance and management arrangements which drive up quality and provide value for money.

TO DELIVER THIS, WE WILL

- Robustly manage our Capital programme and Investment programme, reduce borrowing and generate more capital receipts through disposal of assets that are no longer needed.
- Optimise the use of our assets to support service delivery to meet the needs of our residents and businesses and support the delivery of our outcomes
- Review our council owned companies to ensure appropriate financial, governance and management arrangements are in place
- Align our outcomes for Peterborough and the ambition of the Council with the resources available to us.
- Establish a planned and sustainable budget framework to ensure that the activities within it are affordable within the resources available to us in the medium to long term.
- Increase our commercial activity to ensure we are maximising revenue and minimising the cost to the taxpayer.
- Ensure that all external contracts we commit to get the best value for taxpayers' money.

OUR SERVICE PRIORITIES

- That the council services local people rely on can continue to be well planned and effectively delivered.
- That the council works with its partners and communities to make the best use of its limited resources and avoids unnecessary interventions and duplication.
- That we effectively deliver quality statutory services to ensure that vulnerable children are protected, and all children have the conditions for the best start in life.
- That our older and vulnerable adults can have a good quality of life and grow old with dignity.
- That the city works together as one to address the climate emergency, getting us on the path to net zero emissions by 2030.
- That our local services that help keep the city safe and clean continue to be delivered well, and that we work in partnership with the communities we serve to build a prosperous city that offers people the opportunity to realise their potential.

TO DELIVER THIS, WE WILL

- Undertake a comprehensive review of our services, including how we manage current demand, encourage independence and intervene early where we need to.
- Model future demand pressures and costs alongside a forensic review of expenditure.
- Focus on providing the best quality core services we can afford whilst continuing to target provision effectively, so that the right services reach the right residents at the right time.
- Deliver on our commitment to make the council's activities net-zero carbon by 2030 and to support the city to achieve the same.
- Organise ourselves so that our available resources are used effectively to meet need in a cost effective and sustainable way that improves the quality of life and reduces inequalities.
- Continue to build strong relationships and work in partnership with local people, communities, businesses and partners to ensure we work together effectively in our commissioning and delivery of services.

GOVERNANCE PRIORITIES

- That there is shared commitment by all Members in Full Council, strong and decisive leadership by Cabinet, constructive and well-informed scrutiny, and inquisitive and challenging audit, enabling the Council to fulfil its ambitions for the city and its duties to the public.
- That public funds are managed responsibly and used to respond to current needs and invest for the future.

- That there is cross party, collaborative work to reach a sustainable future for the Council and City.
- That the principles of good governance are well understood, accepted and put into practice routinely by all Members.
- That our Performance Management Framework provides clear accountability for the delivery of the outcomes in the Corporate Strategy and is effective in managing performance across the organisation.

TO DELIVER THIS, WE WILL

- Establish and embed a strategy for Member development particularly in relation to their roles on audit and scrutiny
- Review existing governance structures to see if improvements can be made.
- Ensure that the principles of good governance are shared, discussed and adopted.
- Undertake a workforce development programme to help our officers and councillors build on their strengths whilst also developing the new skills and experience needed to support the city council, citizens and city over the long term.
- Scrutinise 'performance' in the broadest sense, rather than focusing only on traditional measures such as output indicators and progress on delivering service plans.
- Develop a longer-term revised policy framework that clearly articulates our priorities and purpose to citizens, businesses, partners, and other stakeholders.
- Use evidence and external expertise where needed to drive our decision making, ensuring the decisions we take are well-informed by a diverse range of views, with clear accountability for decisions, and made transparently and openly for the benefit of the public we serve.
- Strengthen good practices in transparency, reporting and audit to deliver effective accountability.

Focus and effort across these three areas will help us to address some of the biggest challenges the Council and the City faces, whilst continuing to deliver the modern, effective and value for money public services that local people need and deserve.



Improvement Plan - key deliverables in the first six months

Theme	Workstream	Key Deliverables	Milestone
Corporate Strategy	Part One	Short term, tactical Strategy informing development of two-year Improvement Plan, with a focus on reaching financial sustainability.	Consultation starts Dec '21
	Part Two	2022- 2025 Corporate Strategy, setting the longer-term ambition and vision for the Council and City	Consultation starts May '22
Financial Sustainability	Medium Term Financial Strategy	Restrict expenditure in 2021/22.	Nov '21
		Set Revenue and Capital budgets for 2022/23	Nov '21 - Feb '22
		Develop Medium Term Financial Strategy 2023-2027	Dec '21 - Sep '22
		Develop and implement new Financial Operating Framework	Mar '22 - Nov '22
Assets	Assets Disposal Review of Assets Base Develop and implement refreshed Assets Strategy	Dec '21 - ongoing	
		May '22 - ongoing Mar '22 - Jul'	
Capital Programme	Review of the existing Capital Programme Develop and implement refreshed Capital Strategy Balance Sheet management	Dec'21 - Mar'22	
		Jan '22 - May '22 Dec '21 - ongoing	
Service Reviews	Initial deep dives into areas identified by CIPFA benchmarking	Adults	By Jan '22
		Childrens	By Jan '22
		Housing and Planning	By Feb '22
		Communities	By Feb '22
Outcomes Based Service Reviews	Develop methodology and timeline for outcomes-based reviews	Feb '22	
Revised target operating model (TOM)	Create the structure for a new TOM, including assessment of the TOM design principles against revised/new service delivery options.	Feb '22	
Contract Reviews	Complete the review of major contracts, bringing in subject matter experts where required. Ensure all contracts have a named contract holder, who is suitably trained in contract management	Dec '21 - Feb '22	
		Dec '21 - Jan '22	

Service Reviews (continued)	Contract Reviews (continued)	Ensure a Commissioning Strategy exists for all services and sub-services the Council delivers, either through an external provider or in-house	Jan '22 – May '22
	Review of companies	<p>Review of existing Council companies</p> <p>Review and implementation of new group holding structure and Governance arrangements for company oversight</p> <p>New strategy for establishing service delivery arrangements and company creation</p>	<p>Dec '21 – Mar '22</p> <p>Jan '22 – Mar '22</p> <p>Feb '22 – May '22</p>
Governance and Culture	Governance and Assurance	Strengthening Audit committee including recruitment of independent members of the audit committee	Dec '21 – Jan '22
		Strengthen the skills and approaches of members of the Scrutiny Committees through additional training.	Dec '21 – Jan '22
		Make the necessary changes to our Constitution to incorporate the role of the Improvement and Assurance Panel in the Council's governance structures	Dec '21
		Develop proposal to change from elections by thirds to all-out elections every four year.	Dec '21 – Jan '22
		Review existing governance structures to see if improvements can be made.	Jan '22 – Mar '22
	Performance Management	<p>Develop and embed Business Assurance and Project Management Office function, with responsibility for monitoring, reporting and supporting deliver of this Improvement Plan</p> <p>Review performance management framework and embed individual accountability for delivery of this Improvement Plan.</p>	<p>Dec '21 – Jan '22</p> <p>Jan '22 – Mar '22</p>
Capacity and capability	<p>Review of organisational structure</p> <p>Six month delivery and resourcing plans delivered for all workstreams in this Improvement Plan</p> <p>Additional capacity to deliver first 6 months of plan secured</p>	<p>Feb '22 – May '22</p> <p>Dec '21 – Jan '22</p> <p>By Jan '22</p>	

THEME ONE Financial Sustainability

FINANCIAL SUSTAINABILITY WORKSTREAM 1 MEDIUM TERM FINANCIAL STRATEGY

The delivery of a realistic and robust Medium Term Financial Strategy (MTFS) is dependent upon a Council-wide commitment from Officers and Elected Members to a fundamental change in how we work, how services are provided, and how we engage with, and provide for, our residents. The status quo will not work and would inevitably lead to direct Government intervention given that the money will simply run out.

There are four key work streams in this section which are vital to the delivery of a sustainable financial future for the Council. These are:

1. RESTRICTING EXPENDITURE IN 2021/22

A moratorium has been introduced for the current year to ensure only essential expenditure is incurred in the remaining third of the year. This should produce an underspend which can either be used to roll forward as a one-off solution for 2022/23, or added to reserves, whichever is the greater assessed need.

2. REVENUE AND CAPITAL BUDGETS FOR 2022/23

Presenting a balanced budget for revenue that has a positive Section 25 assurance is a huge challenge. We will meet the challenge by:

- Fully establishing the unavoidable financial pressures our services will be facing, particularly as a result of the pandemic, and factoring those in the final budget
- Rigorously pursuing quick wins, including a review of our fees and charges
- Only including savings proposals that are rated Green or Amber for delivery on the traditional 'traffic-light' risk rating
- Using one-off monies as a last resort (e.g. capitalisation directive) unless for a very specific and one-off purpose (such as COVID-19 funding)
- Ensuring, wherever possible, that the need for short-term results for 2022/23 does not impede the opportunity for greater savings in future years
- The resulting proposals will be released for formal consultation on 21 January 2022, and will be considered by Cabinet on 21 February 2022, before being amended as appropriate and debated by full Council on 2 March 2022
- Financial Sustainability Workstream 3: Capital Programme, outlines the approach to the capital budget

3. MEDIUM TERM FINANCIAL STRATEGY 2023/24-2026/2027

Setting a genuine MTFS that will stand the test of time requires brave and innovative thinking. In our particular situation, it needs a root and branch review of everything we do, and how we do it. We will also need to consider how the fast-changing world of technology can play an increasing role in our engagement with residents, clients and customers. We accept that true and genuine transformation takes time, and money. Our MTFS will recognise that savings from transformation take several years to be fully realised, and so we may have to combine transformation savings with tactical savings in the shorter term. In order to arrive at a four-year strategy, by September 2022, we will:

- Learn from others; examine best practice in other local authorities across all service areas
- Follow-up on the forensic reviews that are already underway in service areas
- Set a range of financial health indicators across the four years, that will effectively set parameters for spending that optimises our use of resources

- Development of key lines of enquiry that will be the basis for the aforementioned 'root and branch review' of services. This will include capital and our company holdings
- Review our attitude to risk and investment. We need to be mindful of our affordability envelope as well as our insurance (mainly financial reserves) against any of our risks materialising

4. FINANCIAL OPERATING FRAMEWORK

We will review all of our financial and budget procedures for both revenue and capital, by September 2022. This will promote good financial management and ensure ownership and accountability for effectively managing the Councils budgets, is front and centre of the organisation's priorities. It is only with this attitude and approach that the Council's will achieve financial sustainability. This review will result in:

- Adoption of budget setting procedures, that will be built on the principle of a bottom-up approach
- Financial Sustainability Working Group (Cross-party member group) monthly briefings
- Appropriate, effective and efficient levels of control on spending
- Accountability being unambiguous, with clearly stated consequences of failure eg budget managers overspending their allocation
- Improved in-year monitoring and reporting, and agile decision making

KEY OBJECTIVES

- An underspend in 2021/22 in order to bolster reserves
- A realistic and achievable budget for 2022/23
- Reduced reliance on one-off funding solutions
- A brave, bold and ambitious MTFs for 2023/24-2026/27
- A greater focus on sustainability and the longer-term
- Greater engagement and accountability with budget managers across the Council
- An appropriate and affordable attitude to risk

KEY DELIVERABLES

- A revenue and capital budget for 2022/23
- A sustainable MTFs for 2023/24-2026/27
- A revised risk appetite
- New Financial Operating Framework and procedure

KEY RISKS

- An underspend in 2021/22 is not delivered
- The 2022/23 budget has an unacceptable reliance on one-off funding
- Genuine transformation in service delivery is not undertaken in a timely manner
- Government fails to fully fund changes in legislation, such as social care reform
- Mitigations against these risks include;
 - Real-time monitoring in 2021/22 of discretionary spend lines, with immediate actions taken
 - Working up for further budget savings that can be delivered in-year in 2022/23 that were not sufficiently worked-up for inclusion in the approved budget in March 2022
 - Issuing of a S114 notice

FINANCIAL SUSTAINABILITY WORKSTREAM 2 ASSETS STRATEGY

The CIPFA report recommended a review of assets to create a consolidated picture of all assets across the Council. At the moment, the Council holds a significant number of assets either on its own or through partners and a new and ambitious strategy is needed to drive inclusive growth and financial sustainability.

1. REVIEW OF THE ASSET BASE

Our updated Asset Management Strategy (AMS) will be based on asset rationalisation where there is no commercial, community or strategic case for retaining the property. In line with the MTFS theme the utilisation of assets will form part of the root and branch review of everything we do and how we do it. The changes to operating practices as a result of the pandemic have demonstrated the possibilities of reducing the use of physical assets while still providing services to residents, clients and customers. It is expected that the decision taken on changes to service delivery will make a number of operational assets redundant and this work will complement the Organisational Capacity and Delivery theme.

2. ASSET DISPOSALS

Receipts from asset disposals will be utilised to meet current commitments, provide additional cash flow into the Council to mitigate budget pressures of servicing past debts (in line with the key Financial Health Indicators referenced in the MTFS section), and if required to provide an alternative funding source for a transformational programme that delivers savings over the period of the MTFS subject to Government approval.

Any disposals must comply with the AMS and the Asset Management Plan. We cannot make short-term decisions that could harm future values. The sites which are recommended for sale will be disposed in accordance with Best Value to ensure the greatest value within the timescales set out in Workstream 1 – MTFS. This will ensure that only asset sales are ‘at the right price’ and will not be rushed into ‘fire sales’.

To achieve asset disposals we will:

- Complete a review of our Asset Management Strategy and Plan
- Bring in a subject matter expert to see how we can add value to the existing estate
- As a result of the above, compile a list of possible disposals, and consider and manage the implications of each potential disposal such as
 - revenue loss,
 - maintenance liabilities, and
 - current and potential future issues which may affect valuations
- Where option appraisals are required an external property advisor will be commissioned
- Set up an effective project management to manage all asset disposal activities in accordance with the timescales of this Plan and MTFS and reporting in accordance with the governance of the Plan
- Mitigate any risk in asset sale realisation by continually reviewing and expanding the list of assets recognised for disposals

KEY OBJECTIVES

- To have an asset strategy that ensures value is maximised over the short, medium and long term
- To commission a report that identifies how we can maximise the value of our existing estate
- Compile a list of assets for disposal between now and March 2023

KEY DELIVERABLES

- An asset strategy approved by Council in July 2022
- A target figure for asset disposals in 2022/23
- Reduced liabilities, both revenue and capital, as a consequence of the asset disposal programme

KEY RISKS

- Capital receipts are not realised in sufficient quantum for 2022/23
- Assets are sold before their values are maximised
- The wrong assets are sold
- Revenue income or potential income is lost and cannot be replaced
- Condition surveys adversely impact on purchase price

FINANCIAL SUSTAINABILITY WORKSTREAM 3 CAPITAL PROGRAMME

Peterborough Council has a high level of debt. The borrowing costs associated with that debt represent 16% of the 2021/22 revenue budget. This must and will be reduced over the medium term. The 2020/21 Statement of Accounts, including internal borrowing, shows total debt at £598m. Total realisable assets held by the Council are shown at £368m.

There are historic reasons for this position, such as investment in assets no longer on our balance sheet (academy schools) and investments in no-realizable assets (eg roads). This is not unusual, but it does mean that maximising our assets through service provision or disposals, is critical

Turning the debt to realisable assets ratio into a more positive and proportionate balance will take time. The following elements will be implemented:

1. REVIEW OF THE EXISTING CAPITAL PROGRAMME

This is already underway. The Section 151 officer has issued an instruction to the organisation that 'the Council must stop all capital expenditure that is not legally required that is funded by Council Resources'. Interim controls have also been introduced until this Improvement Plan is approved and will remain in place until a revised Capital Strategy, developed as appropriate with our partners and the voluntary sector, with associated controls, is approved.

2. CAPITAL STRATEGY

A new Capital Strategy will be presented to Council in March 2022 for approval. This will be based around six basic 'rules':

1. No new borrowing unless failure to do so would result in a breach of our statutory duties (see next bullet)
2. Borrowing for projects that will result in future savings with a payback period of five years or less
3. A two-stage approval process: approval to plan (which allows a project to be included in the capital programme) and approval to spend (required before a contract is entered into that commits the Council to expenditure)
4. A prioritisation process based on need and financial benefit.
5. A review of the current governance and control framework
6. A review of funding sources

3. BALANCE SHEET MANAGEMENT

The level of debt, the cost of debt repayment, and the negative equity shown in the balance sheet are a big concern. The Asset Review section sets out our objectives for asset disposals, which will be used in part to repay debt. Whilst any debt repayment from receipts will reduce the future debt repayment costs (which will be one of our key Financial Health Indicators referenced in the MTFs section) it is unlikely to improve the negative equity situation (unless assets are sold for more than their book valuation). We will therefore only sell assets 'at the right price' and will not be rushed into 'fire sales'. At this stage however, we cannot rule out needing to use some capital receipts to support the 2022/23 revenue spend, subject to Government approval.

KEY OBJECTIVES

- To review the existing capital programme to 'shrink to fit' affordability
- To reduce debt costs as an overall percentage of the revenue budget
- To have a Capital Strategy that reflects the perilous state of our balance sheet
- To have a capital programme that properly reflects the Capital Strategy
- To revisit the Asset Management Plan, to ensure we have the right assets in the right place, and that we have fully budgeted for lifecycle costs

KEY DELIVERABLES

- Propose a revised Capital Programme to Council in March 2022
- Propose a new Capital Strategy to Council in March 2022
- Ensure we have a fit for purpose process for agreeing and prioritising projects
- Present an updated Asset Management Plan to Council in March 2022, along with recommendations for an asset disposal programme (see Financial Sustainability Workstream 2 – Assets)

KEY RISKS

- Council does not adopt the March 2022 recommendations
- More debt is needed to meet our statutory obligations
- Inflation and supply adversely impacting on cost of materials and delivery of projects



THEME TWO Service Reviews

The purpose of this theme is to describe the Council's approach to examining its current service delivery and operating model.

SERVICE REVIEWS WORKSTREAM 1 DEEP DIVES

For the first six-month period of the plan, the focus will be on deep dives into the service areas which are highlighted through benchmarking in CIPFA's report. These deep dives will determine if there is scope to make savings quickly in these areas by applying best practice and learning from other councils. We have commissioned CIPFA to work with our service leads and practitioners to review these service areas.

The key driver for the deep dives, over the next six months, is to challenge the service areas to determine how we could do things differently and save money. We will only be able to make the really tough decisions if we have the right mindset. Where we can make the case for change, we must then have the will and determination to stop doing things that (a) don't meet our statutory duties (b) are not core to our corporate priorities or (c) we simply cannot afford to deliver.

We need to reconsider everything we do and focus only on our priorities and on what we can afford. We have to change our mindset to focus on the things that are essential and important.

Initially and between now and April 2022, we will carry out service deep dive reviews into five key areas:

- PHASE 1:** Children's Services and Adult's Services (start November 2021, ends December 2021).
- PHASE 2:** Housing and Planning (starts December 2021, ends January 2022).
- PHASE 3:** Community and Leisure Services (starts and ends February 2022).
- PHASE 4:** Companies and other commercial interests (starts Dec '21 ends May '22)
- PHASE 5:** Is a cross-cutting theme and comprises assets and contracts. These will be reviewed on a service-by service basis as we conduct each of the reviews in Phases 1-4.

We will review services using external expertise and challenge from CIPFA and other partners. We will also draw on the wide range of experience from our Improvement Panel and we will "borrow with pride" by challenging our current thinking and being open about adopting new ways of working.

We aim to have reviewed and have key options and recommendations for the first phase of services within the next six months. This work will be undertaken on an iterative basis. For Children's and Adults' we expect to be having conversations about what we could do differently during December 2021 with a view to rapid implementation in early 2022.

The approach to the deep dives will be focused, direct and have a quick turnaround. Our deep dive methodology will comprise a fact finding and diagnostic phase, where we will conduct interviews with service leaders and experts. Our analysis and solution development will be based on reliable data points. We will only move forward to mobilisation and implementation once we have agreed that the proposed changes will deliver better outcomes and maximise efficiencies.

Existing performance data along with sector benchmarking data provided by external partners will be used to review the performance of our services and to help us focus where improvements are required.

We will apply a set of criteria in order to inform the next phases. These criteria will include (a) those services showing a benchmarked high spend, (b) services with a known high spend, (c) statutory then non statutory

based on total service spend, (d) services with significant reliance on support services including business support, contracts and other assets including borrowing.

SERVICE REVIEWS WORKSTREAM 2

OUTCOMES BASED SERVICE REVIEWS AND TARGET OPERATING MODEL

After the first set of deep dive reviews, we will take a more cross cutting view of outcomes and services, looking for opportunities for transformation and innovation. There will be a clear line of sight from strategic objectives to service delivery supported by a common business planning and business prioritisation approach; allocation of financial and people resources where they are most needed.

Underlying this, we will ensure that the linkages between service demand and volumes are aligned to our performance reporting framework. Strategic planning and the allocation of money will be done by focusing on the outcomes rather than by where resources sit in the organisation. We will be smarter at linking up finance information and service activity data to help us do this.

For each service review we will apply a standard set of design principles including the following:

- Protect areas of expertise and professionalism that underpin the current service operating models while at the same time challenging if the operating model is still fit for purpose.
- Explore the scope for productivity increases while also looking at whether demand/service consumption can be reduced. Where elements of services should be no longer continued, we will call these out.
- Every individual counts towards the whole and there is a need to ensure that we have the right skills and competency focus for delivering our services including the structure of teams and the make-up of the teams themselves.
- Enable cross functional working wherever possible appreciating that services are rarely delivered in organisational silos.
- Relating to the points above, thinking outside of the box by considering more radical ideas for service delivery including increasing the scope of our existing partners where they are better placed to deliver.
- Ensuring that the assets and other underlying infrastructure (eg, support services, the corporate centre, ICT, applications, data and information) are fit for purpose.
- That commercial activity should happen in one place eg, where the professional accountability for contracts lies within the Procurement function.
- Spans and layers are reviewed to ensure that controls sit at the right level and that unnecessary layers are removed where they don't add value to the service chain.

The service reviews (and taking account of the design principles) will enable us to reframe our view of the services we deliver and how we deliver them. We will gain a better view of how we want to deliver services in the future accepting that some of our new proposals may require further work in the form of business cases and stakeholder consultation.

In order to help us draw a more composite picture of what the future might look like, we will create a high-level target operating model (TOM). A TOM sets out the desired future state for an organisation. Articulating our future vision will help us to understand the journey we need to go on to get there and this will include key considerations such as:

- What a new TOM would look like for the Council.
- What its implications might be for staff, managers, stakeholders, partners and customers.
- What it might cost to implement and what the financial and non-financial benefits might be.
- How it would improve and indeed further the outcomes we need to achieve at Council and service level.
- How we need to change the way we work together and act together.

Many public sector organisations face significant financial issues and their financial constraints only increase year-on-year. There comes a point where salami-slicing services to save money takes these organisations into the laws of diminishing returns.

The organisations that tend to recover and survive on a more sustainable footing are those that take the brave decisions about focusing on the “minimum viable product”, allowing them to channel their resources into delivering the outcomes that have the greatest impact on those that they serve. This is why the creation of a TOM will allow the Council to see the relationship between the services that it must continue to deliver against the outcomes, the performance regime, the skills, competences and resources that it needs to deliver them.

KEY OBJECTIVES

- To maximise our ability to achieve our priority outcomes by increasing the efficiency of service delivery.
- To rationalise and simplify our modes of delivery and influence under a coherent strategy.
- Review shared service arrangements to ensure that they remain fit for purpose and where they are not, propose alternative (costed) ways of delivering services.
- Deliver a set of service-based reviews against the Council’s priorities and against a backdrop of what it can afford over a two-year programme, with the criteria for the remainder of reviews not detailed in this Plan, to be agreed by the Council’s management team during Q4 of the current fiscal year.
- Ensure that the outcomes from the deep dives described in this Plan are consistent with setting a deliverable budget for 2022/23 and a sustainable budget beyond that.
- Review high priority services with the first six months. Agree alternative options for delivery, new ways of working, highlight investments that need to be made (drawing on the capital programme where appropriate to fund transformation).
- Develop business cases for change/transformation focused on changes that will give us the best return on our investment and ones where we can deliver an improved set of outcomes.
- Focus on changes that can be designed, tested and delivered using an agile approach.
- Ensure that the underpinning infrastructure (capital, assets, contracts, commercial arrangements, support services, assets) are challenged to ensure they are fit for purpose and aligned with the services.

The result of this programme, starting now, will be a prioritised, more modern and open Council that acts together to serve its customers and deliver its outcomes in the most efficient way possible with the resources it has available to it. Iterative deep dives will become a common feature of delivering our services so that we constantly review what we do.

KEY DELIVERABLES

- Clear line of sight for the immediate reviews as detailed in this Plan.
- Development of prioritisation criteria for the remaining services.
- Clear scope of each review with key personnel from each service identified along with achievable but demanding start and end dates.
- Key findings and options for change supported by evidence, analysis of performance and financial data including benchmarking and data analysis.
- As the reviews deliver conclusions, ensuring there is close alignment to existing discussions and plans regarding the 2022/23 budget and being cognisant of existing and planned savings plans and initiatives.

KEY RISKS

- Lack of resources from the Council to participate in the deep dives
- Resistance to change or change fatigue leading to lack of new ideas from service areas

- Insufficient engagement from the service areas.
- Lack of resources to deliver the proposed changes.
- Difficulty in unlocking savings and changes in support services (e.g., assets, contracts etc.)

SERVICE REVIEWS WORKSTREAM 3 CONTRACT REVIEWS

The contracts that we have in place are many and wide-ranging. Our contracts support a whole raft of service delivery functions and almost no contract is the same i.e., different terms and conditions, different contractual clauses, different exit arrangements and payment terms etc. Our contracts portfolio fulfils varying functions in our day-to-day service delivery with some contracts acting as additional and supplementary support whilst other contracts are integral to the work of the service and are part of the “fabric” of a given service.

The purpose of this work stream is to review our contracts with a view to getting a common understanding of what contracts are of vital importance to the running of our services and which contracts could (with careful transition planning and service re-design) be terminated.

1. PROPOSED SCOPE

It is vital that our commissioning, procurement and contract management arrangements are commercially driven and result in value for money services whilst providing support to our service delivery operations. By May 2022 we will:

- Have reviewed those existing contracts that give us most cause for concern
- Ensure every contract has an assigned contract manager
- Provide refresher training to all contract managers and reinforce the interfaces between the services and Procurement including a clear understanding of respective roles and responsibilities.
- Refresh the Contract Management Manual to ensure managers are clear what is expected of them
- Ensure a Commissioning Strategy exists for all services and sub-services the Council delivers, either through an external provider or in-house
- Ensure that those commissioning strategies are supported by a detailed market analysis
- Work with key providers and potential providers on shaping the market, to meet our needs
- Develop procurement plans in line with the commissioning strategies
- Review the need to strengthen the head of profession role for commissioning and contract management

2. UNDERSTANDING THE IMPACT AND THE KEY INTERDEPENDENCIES

We will approach the review of contracts in two ways acknowledging that with the first service reviews in Children’s and Adult’s Services, we will review the key contracts that support these services. As we progress with the service reviews, we will review the specific contracts for these services as appropriate. We will also undertake a fundamental review of all contracts across the Council to assess a range of factors including but not limited to the following:

- Is the contract still required?
- Is the contract performing as it needs to?
- Could the services delivered by the contract be delivered in a more efficient and cost-effective way including the termination of the contract and transferring the contracts functions in-house?
- Are any contracts inhibitors to the transformational changes we need to make?
- Would transferring the contracts functions to another provider (potentially through competition) better support out priorities?

- How does changing the contract arrangements affect other elements of delivery including the impact on business support functions?

Getting the right balance of contracts, being delivered in the most cost-effective way with the right levels of management and control is just as important as getting the right commercial arrangements from the contracts themselves. As we progress the service reviews and the review of contracts, we need to maintain the right balance between the needs of the centre (commercial and financial) with the needs of the services.

KEY OBJECTIVES

- Ensure existing contracts are being effectively monitored and managed
- Ensure that there is a well understood strategy and approach to reviewing all contracts in line with financial, commercial and service delivery objectives.
- Contract management skills and roles and responsibilities are clear between contract management and service functions
- A programme of commissioning strategies is a fundamental part of our MTFS
- Procurement Plans are approved prior to any engagement with possible providers

KEY DELIVERABLES

- A review of specific contracts in line with the service reviews being conducted by CIPFA starting in Children's and Adult's
- Each contract will have a set of KPIs that will be reported against
- Large spend contracts that have a major impact on service delivery will be taken through Scrutiny Committees.
- The Contracts Register will be reviewed to ensure it holds the appropriate level of information
- Providers of services will be engaged in order to inform our strategies and planning

KEY RISKS

- We are paying for services that are not being delivered, or not delivered to the required standard
- We have entered into poor contracts, resulting in poor value for money
- We may not have the required penalty clauses in the contract for poor performance
- We are perceived as uninformed purchasers
- We are prevented from existing contracts due to onerous exit terms and conditions

SERVICE REVIEWS WORKSTREAM 4 REVIEW OF COMPANIES

The Council has a plethora of arrangements for service delivery in pursuing its aims and objectives and this includes a number of subsidiaries, joint ventures and associated companies. Over the years, the Council's interests have grown in an ad-hoc manner, with little attention paid to an overarching structure or strategy.

It is important that appropriate governance arrangements are in place in order that the Council has visibility on performance and risk and that the synergies between our interests are maximised.

In order to achieve this, by May 2022 we will:

- Carry out a review of existing companies (supported by CIPFA).
- Run an in-housing /outsourcing process for selected companies, reviewing the process used to create the initial justification and the objective justification (Business Case) for future commercial arrangements.

- On completion of each company review, an evaluation of divestment and disposal options and alternative delivery arrangements where these considerations are appropriate.
- Review of governance arrangement for oversight of the Council's portfolio of companies, including options for a new group holding structure.
- Review of internal governance and oversight arrangements from an officer and elected member perspective, ensuring there are no conflicts of interest and that all members and officers are appropriately trained to carry out their role.
- Review the frequency and content of the reporting arrangements for each entity to the Council and develop a standard report framework for Cabinet decision making for any future proposals to transfer in-house services to a new or existing entity, or for any new activity aimed at growth and/or commercial opportunity for the Council.

1. PROPOSED SCOPE

Over a number of years the Council has secured delivery of its services through a number of different arrangements. These have ranged from wholly owned companies of the Council, joint venture partnerships, and charities through to private outsourced arrangements. The list of companies in scope for the review are as follows:

- Peterborough Limited
- Blue Sky Peterborough
- Empower Peterborough
- Opportunity Peterborough
- Peterborough Investment Partnership LLP
- Medesham Home LLP
- NPS Peterborough Ltd
- Peterborough Museum and Art Gallery Trust
- The Mayor's Charity
- Peterborough HE Property Company Ltd
- Smart Manufacturing Alliance Ltd

2. COUNCIL OWNED COMPANY REVIEW

As part of this work we have commissioned CIPFA to undertake a review of our company and wider commercial portfolio. CIPFA will review each of the companies in turn according to a pre-determined priority based on a range of factors including risk. They will provide an independent analysis of each company including performance, financials, strengths and weaknesses, and the Council's exposure to risk. Where appropriate and where the documentation exists, CIPFA will also review the original business case and commercial and financial justification for the companies to ensure that the original tenet for establishing each company is based on a sound set of principles.

This work will inform individual decisions on whether to maintain, revise focus, in-house or divest from Council companies. The companies under review will form part of a work package agreed between the Council and CIPFA.

3. COMPANY GOVERNANCE ARRANGEMENTS

The Companies theme will focus on the development of Council policy with regard to executive and non-executive directors, establishing a clear role for senior officers through a Shareholder Unit function, ensuring all forms of parental support to companies within the group are subject to effective controls and clear decision making.

4. COMMERCIAL STRATEGY AND COMPANY RULEBOOK

Where Council companies offer reasonable levels of assurance of future financial returns, the Council will seek to maximise this benefit through the development and application of an overarching Commercial Strategy. This will include an assessment of directly delivered charging activity and the treatment of surpluses generated by the companies. Existing and future requirements for Council funding and capital will be evaluated using a combination of risk profile, return on investment and prevailing market conditions.

We will formalise the work of companies and other commercial interests through the development of a Company Rulebook. The Company Rulebook will:

- Provide guidance on the key considerations when the Council is looking to establish new commercial ventures including the creation of new companies.

- Provide officers with a series of guiding principles including reference to existing professional body guidance (e.g. the CIPFA Code) as part of managing the oversight of the companies' portfolio.
- Provide the Shareholder Unit with a set of principles enabling it to provide the checks and balances required of good company oversight and sound commercial management principles.

KEY OBJECTIVES

- Provide greater visibility of company performance and risk profile of the wider Council group.
- To reduce overall complexity and simplify the management and oversight of all core Council activities by reducing the number or alternative delivery vehicles. (This needs to be undertaken with close alignment to the customer services strategy/model being deployed by the Council.)
- To strip out duplication of overhead and management costs by bringing core functions in-house where there is no imperative to maintain externalised delivery vehicles.
- To identify opportunities to generate capital receipts to the Capital Programme through divestment of interests in profitable activities.
- To establish robust shareholder controls and assurance mechanisms for those companies the Council maintains.

KEY DELIVERABLES

- Overarching Commercial Strategy.
- Establishment of a link between individual company performance and the Council's wider performance management system and production of corporate key performance indicators.
- Decisions on the direction for each company/commercial interest.
- Options appraisal and potential creation of a new Shareholder Unit.
- Review of the effectiveness of the Shareholder Cabinet Committee.
- Following the Public Interest Reports into the London Borough of Croydon and Nottingham City Council's EnviroEnergy, review the interface between each company's governance and decision making and the Audit Committee and the Scrutiny Committee for Growth, Environment and Resources.

KEY RISKS

- Loss of opportunity for financial returns as a result of decision-making delays.
- Over financial exposure where companies are struggling financially post-COVID.
- Lack of oversight and governance with regard to companies, resulting in the potential for financial and reputational damage to the Council.
- Medium to long term company performance (based on an independent review of each company's financials and up-to-date Business Strategy and business plans).



THEME THREE Governance and Culture

Delivery of the Improvement Plan is dependent upon a number of interrelating factors, not least of all is having an organisational culture and strong governance that supports the need for the change, understands what is required alongside an absolute determination to succeed. Whatever plans are put in place can only succeed when everybody is determined to adopt the behaviours required and to live the new culture. The most pressing need is a culture that is focused on performance, delivery and accountability. Immediate work will concentrate on enabling the organisation to focus on this.

There is a positive base to start from, the External Governance Review led by Andrew Flockhart paid tribute to the political will of the Leader and Cabinet to take ownership in resolving the financial challenges. The Review also recognised the positive and open relationship between Councillors and Officers and the willingness to learn. However, the review recognised the past lack of challenge and scrutiny from members and officers alike has contributed to the financial situation being allowed to deteriorate.

All parts of the Council's system of governance (including Full Council, Cabinet, Scrutiny, Audit and regulatory committees) must play their part effectively, enabling the Council to fulfil its ambitions for the city and its duties to the public.

This will require a shared commitment by all Members in Full Council, strong and decisive leadership by Cabinet, constructive and well-informed Scrutiny, and inquisitive and challenging Audit. All the right parts of the machinery of governance exist - they need to work together better to help the Council get through this very tough period

GOVERNANCE AND CULTURE WORKSTREAM 1 MEMBER GOVERNANCE AND ASSURANCE

The external assurance review report on Governance asked us to commission and support a development/support programme for councillors, particularly the new Leader and Cabinet, the Chairs of the Scrutiny Committees and the Audit Committee and for the leaders of all the political groups of the Council. The report also highlighted the need for us to strengthen the leadership of our Audit Committee and to elevate the role of the Audit Committee's annual report to Full Council so that a considered discussion could take place regarding any concerns raised and a robust response given.

We are committed to ensuring members have the structures, knowledge and skills needed to effectively scrutinise and challenge the Council's financial decisions, governance and procedures. We will review existing governance structures to see if improvements can be made and work with CIPFA to conduct a skills analysis assessment of both the Audit and Scrutiny Committees in order to deliver a targeted and appropriate training and development programme.

1.AUDIT & ACCOUNTS COMMITTEE

The governance assurance report found that our Audit Committee was not currently scrutinising the Council's financial challenges with sufficient urgency or focus or paying sufficient attention to the strategic risks and issues facing the Council or the Council's MTFS processes.

CIPFA has been provided with details of the training that was provided in-house by the S151 officer and his team and the Internal Auditor for the Audit Committee after the May elections in 2021. Committee members have also all received the CIPFA handbook "Audit committees - Practical Guidance for Local Authorities and Police (2018 Edition)" which sets out best practice and helpful checklists when reviewing the effectiveness of audit committees.

The DLUHC Finance Review report recommended that the membership of our Audit Committee should be strengthened by the appointment of external independent members in order to improve its expertise and independence and this is in line with industry best practice of every local authority audit committee having at least one independent member. A report recommending the recruitment of independent members of the audit committee, one of whom would chair the Audit Committee, will go to the Special Council meeting on 16 December for approval. This will include draft job advertisement and amended terms of reference for the Audit Committee. CIPFA will be supporting the Council on the recruitment process.

If approved by Council on the 16 December 2021, the roles will be advertised immediately with a view to interview in the second week of January 2022. The induction process will then commence immediately, subject to ratification of the appointment at end of January 2022 at Full Council.

2. SCRUTINY COMMITTEES

The Council has four Scrutiny Committees – Adult’s and Health Scrutiny Committee, Children and Education Scrutiny Committee, Communities Scrutiny Committee and Growth, Environment and Resources Scrutiny Committee - which also meet jointly to scrutinise budget proposals.

The Governance assurance report found that the checks and balances that should be offered by the scrutiny role were not strong enough and did not focus enough on the strategic dimensions of our challenges, in particular the MTFS and annual budget plans. There needed to be a stronger willingness to challenge the assumptions and information presented to them.

CIPFA has been asked to consider how best to strengthen the skills and approaches of members of the Scrutiny Committees and are considering this against the training that has already been delivered.

We will make the necessary changes to our Constitution to incorporate the role of the Improvement and Assurance Panel in the Council’s governance structures, including reporting to Full Council every six months and the Cabinet’s response to its recommendations. The Growth, Environment and Resources Scrutiny Committee will review the Cabinet’s actions and report on progress directly to Full Council every six months.

3. CONSIDERATION OF MOVING TO “ALL OUT ELECTIONS” EVERY FOUR YEARS TO ADD STABILITY

The Governance Assurance report recommended that the Council formally consider a report on moving to all out elections every four years instead of electing by thirds by March 2023, via an evaluation process. The Council is also required to discuss the outcome of the evaluation with DLUHC. The report recommended this change in order to bring stability to our decision-making and encourage the development of more strategic long-term solutions. The timetable set out the Governance Assurance report states that the formal evaluation of the option of a four-year electoral cycle should be initiated by July 2022 and Full Council should consider a report outlining the results of the evaluation process by March 2023. Any such decision would require a two-thirds majority of members voting in favour.

A report is therefore due to come back to Full Council in 2022 asking it to consider the recommendation to commence an evaluation process on the proposal to change from elections by thirds to all-out elections every four years.

3. RISK MANAGEMENT

A good foundation for risk management exists, although the organisation has been traditionally risk averse. In order to deliver the Improvement Plan, we may need to embrace a higher level of risk appetite.

RISK APPETITE	DESCRIPTION
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Our risk management approach and methodology is articulated within the Risk Management Policy and overseen by the Risk Management Board. Key risks are recorded using the Council’s online project management tool (POWA) and the Risk Management Board provides formal oversight and challenge of corporate and departmental risk registers. There is good risk management representation across all Directorates and management engagement in the risk management process.

To oversee the delivery of the Improvement Plan, each Theme will have a series of actions which will be risk assessed and regularly monitored against. Based upon a standard 5 x 5 risk matrix we will ensure consistent treatment and identification of risk at all levels of the organisation. Links will be included if there are clear synergies between a risk in a department and the Improvement Plan so that they are recorded only once to avoid duplication.

Senior Responsible Officers (SROs) and delivery teams will be accountable for ongoing reviews ensuring that risks are identified early, and mitigating actions are developed at pace to get projects back on track. By using POWA as the central repository for all risks this will enable greater coordination and ability to produce regular reports to Officers and Members.

GOVERNANCE AND CULTURE WORKSTREAM 2 PERFORMANCE MANAGEMENT

Monitoring performance at an organisational and individual level is a vital component of delivering the Improvement Plan.

There will be appropriate mechanisms to recognise, applaud and share success whilst also recognising that there has to be consequences for under performance. Every member of the workforce has a role to play and is responsible and accountable for the work they do. This will be supported by consistent process, systems and messaging across the organisation.

The Independent Assurance and Improvement Panel will provide external advice, challenge, and expertise to us in driving forward the development and delivery of our Improvement Plan and they will provide assurance to the Secretary of State on our progress on delivering the plan.

To provide assurance to the Improvement Panel and the Council, that the Improvement Plan is on track to deliver the agreed outcomes, we will implement a robust monitoring process. Monitoring will focus on the successful achievement of key milestones, monitoring of financial implications, and the identification and management of risks and issues across each theme.

1. BUSINESS ASSURANCE AND PROJECT MANAGEMENT OFFICE

A Business Assurance Function will be established which will work hand in hand with each of the theme and action leads and other corporate functions like finance, assets and communications to ensure the delivery of the Improvement plan. It will:

- Act with the authority of the Chief Executive, the Cabinet and the Improvement Panel.
- Bring together, in one place, a high level plan of all improvement activities with focus on improving the immediate financial stability of the Council within the next six months and consequently holding “one version of the truth”.
- Act as a ‘critical eye’ by providing scrutiny and proactively challenging risks, issues and variations from plans across Improvement Plan activity.
- Provide organisational wide support on governance, project portfolio management best practices, tools and standardised processes.
- Provide regular reports to Leadership team and Independent Improvement Panel.
- Work with senior responsible officers (SROs) to develop six monthly delivery and resourcing plans and the necessary support to secure appropriate resources required to deliver.
- Track benefits, ensuring that activity delivers to the intention of the Improvement Plan.

The Business Assurance Function will produce a report for each meeting of the Improvement Panel which will contain the following:

- Summary of the key deliverables and milestones against the plan.
- Things that have been achieved early – things that are late with explanation.
- Key risks and mitigating factors/status of risks etc.
- A financial summary explaining achievement of financial performance in the last period and a forecast outlook for the next period.
- Plans for the next period.
- Other matters arising to be brought to the attention of the Panel.

2. INDIVIDUAL PERFORMANCE AND ACCOUNTABILITY

In order to bring about the requisite culture change individual goal setting and performance management will be scrutinised and altered as necessary. This work will be underpinned by a cultural transformation programme, jointly delivered with partners. This will be designed around driving the behaviour change essential to delivering the Improvement Plan and foremost, making the Council more financially sustainable and will include:

- A clear set of organisational goals which hold the Chief Executive and senior officers to account for their delivery and which are embedded throughout the organisation, so everybody is clear what they are and their role in achieving them.
- A performance management framework has recently been introduced that focuses on outcomes. The governance of the framework will be reinforced to ensure that it is consistently applied and is focused on both outcome and delivery. The performance framework will focus on the key priorities and should be updated on an annual basis.

- On the appointment of the new CEO, developing a culture of individual accountability and a more forensic focus of what we do and why we do it. We need the whole organisation to have “change conversations” in order that we can progressively change the way we work.

GOVERNANCE AND CULTURE WORKSTREAM 3 CAPACITY AND CAPABILITY

The impact of this plan and the level of change on the organisation must not be underestimated and it will place capacity strains in areas of the Council that are already resource constrained. Such issues will have to be managed and additional skills and experience brought in if and as required. A key outcome from this stream of work will be to equip the Council’s officers with the experience and toolkit to deliver change within their teams, using external resources as and when required.

Delivery of the plan is heavily dependent on the organisation having the capacity and capability to both deliver it and to ensure it is sustainable. The Council will critically review its structure to ensure it is able to meet the demands of the plan, has the appropriate skills deployed in the right places and where skills are deficient has a plan to close the gap.

1. ORGANISATIONAL STRUCTURE

There has been significant change in leadership across the Council – for both Members and officers – which will continue into 2022. To ensure that the council is well equipped for the change and improvement it will undertake over the next two years, a review of senior roles and their portfolio of accountabilities has been agreed in phase one of the budget.

With the arrival of the new chief executive in February 2022, the organisational structure will be rigorously examined to ensure it is best suited to deliver the plan. Changes will be made where necessary and, in part, will be influenced by the outcomes of the service reviews.

The review will examine resources, spans of control and layers within departments to ensure that it can work in the most effective manner, be staffed at a level which allows for focus on the key deliverables, avoids duplication and ensures that accountability is clear and understood.

The structure must be continually evaluated against the Improvement Plan and assurance given that it will deliver the plan, whilst balancing this with the resource consumed by continuous structural change. As with other areas of the plan, change will only be made where it has a positive impact on outcomes and delivery of the Improvement Plan.

2. SKILLS AND CAPABILITY

The skills requirement falls into two groups, firstly the skills that are needed immediately to ensure the plan can be met, most significantly within the first six to twelve months, ensuring that financial stability is achieved. Secondly the skills for the slightly longer term to close the gaps identified further on in this Improvement Plan and to ensure the future is sustainable.

The scale and breadth of the work now needed to deliver the Improvement Plan is significant and will require a review of capacity, skills and delivery options, some of which will be addressed by the service reviews. Urgent prioritisation of outcomes and activity through the new Corporate Strategy will be undertaken and a clear resource plan against these priorities will be developed. This resource and delivery plan will be considered in six-month cycles, so that capacity is developed and used as it is needed - not too early or too late.

Against this resourcing plan, we will determine if we have the right skills, experience, and attitudes in the right numbers to sustain the delivery of the plan. Gaps, where identified, will be accompanied by a plan to close them. We recognise that this is likely to be a two phased: the requirement to bring in short term resource to provide support to deliver the plan, followed by the need to grow skills for the future.

Not immediately, but over time, a skills development programme will be put in place and will include a succession planning exercise, which will give additional information on skills strength, future needs and recruitment priorities.

3. IMMEDIATE CAPACITY DEMANDS

Over the last three years, the focus of much of the Council's corporate resources has been on creating governance and systems to strengthen financial performance and control and on fixing some foundational issues in IT contracts and systems. Work on the Financial Improvement Programme has consumed what limited change capacity the Council has.

Services have put forward proposals for incremental improvement and, overall, these have been delivered. However, as noted in both the LGA Peer Review and DLUHC reports, the organisational capacity to deliver fundamental transformational change is very limited – both in service teams and in corporate services.

The LGA and DLUHC reports identified some key areas where additional capacity is needed urgently. The first of these was the appointment of a single Chief Executive to focus on Peterborough City Council. This recruitment has been successfully completed, with the new Chief Executive starting in January 2022.

The LGA Peer Review also highlighted the need for a greater strategic focus on place shaping, engagement with communities and work with partners across the city and system. The report recommended that additional strategic capacity was required to link inclusive growth and economic development with people services, demand management and community work. The accountability and skills required to strategically link place and people will be considered as part of the review of the corporate management team.

There is currently no internal resource for business assurance, programme and project management, policy development, transformation, business analysis, design or behaviour change as these functions sit within outsourced arrangements. It is well understood that this contract no longer meets our needs and urgent work is required through the contracts theme to release the funding to build internal capability to deliver transformation and improvement.

The final area highlighted in all reports is the need to carefully consider and plan for the impacts of the pandemic, making sure that the new Corporate Strategy, Improvement Plan and service plans capture additional skills and activity required to respond to increased and new demand.

KEY OBJECTIVES

- Strong governance and assurance from Members, Officers and the Independent Improvement Panel
- Risk appropriately identified and managed
- All stakeholders from public through to DLUHC can transparently see performance against the Improvement Plan.
- Clear ownership and accountability of delivery, performance and risks
- Assurance that the overarching Improvement Plan is being delivered against the stated commitments, milestones, outcomes and that benefits realised in each programme are monitored
- Ensuring the current structure can meet the plan
- Addressing existing capacity and capability gaps to deliver the Improvement Plan

KEY DELIVERABLES

- Training for Members and Officers
- Business Assurance and Project Management Office (PMO) function established
- An organisational structure fit for the task to deliver the key outcomes of the Plan in the next six months
- Detailed delivery and resourcing plans developed with skills needed identified and secured

KEY RISKS

- Unable to engage the skills needed
- The organisational review is unsettling, and some key skills and experience leave the organisation
- Underestimating the amount of resource required to deliver the plan
- Lack of clarity on what is required, who is accountable for delivery and when it has to be delivered by
- Ineffective monitoring of performance and risk leads to plan slippage and potential additional expense

GLOSSARY

TERM	DESCRIPTION
RIT	Rapid Implementation Team is an officer led group which ensures all budget related initiatives are implemented and effective including: savings and income generating initiatives, capital programme, HR and finance controls, debt management and risk.
CMT	The Council's Corporate Management Team, is otherwise known as the CMT. This structure chart outlines the Council's management team
FSWG	Financial Sustainability Working Group is a cross party member working group, established to review the Council's financial position, develop sustainable budget proposals and consider the types of decisions that must be taken. In order to achieve financial sustainability. This will include Involvement of all parties, and will play a vital role in the delivery of financial sustainability for the Council.
CPF	Cabinet Policy Forum is an unofficial (non-public) meeting of Cabinet which reviews the Council's financial position, develops sustainable budget proposals and considers the types of decisions that must be taken In order to achieve financial sustainability.
DLUHC	The Department of Levelling up, Housing, and Communities is the government department that sets policy on supporting local government; communities and neighbourhoods; regeneration; housing; planning, building and the environment; and fire and rescue, in addition to a wider levelling up agenda. It has an important role in supporting local development and promoting economic growth and aspires to create great places to live and work, and to give more power to local people to shape what happens in their area.
CIPFA	CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance, which issues a code of practice and guidance and advice to finance professionals.
MTFS	Medium Term Financial Strategy (MTFS) is a key strategic document which expresses the delivery of the corporate strategy in monetary terms. It takes account of all the various factors and influences that may impact the Council over a multi-year period. An MTFS ensures that we have a clear policy framework to enable us to allocate funds in accordance with our priorities as we go through the service planning and budget setting process.
MTFP	Medium Term Financial Plan is a short term, financial plan, usually covering a one year period.
BUDGET	A statement which reflects the Council's policies in financial terms and which sets out its spending plans for a given period. The revenue budget (spending other than capital spending) is finalised and approved in March before the start of the financial year on 1 April. Actual spending is monitored against the budget each month as part of the Budgetary Control Report (BCR) Process and reported to the Corporate Management Team and Cabinet.
BCR	The Council's Budgetary Control Report (BCR) is the name of the revenue budget monitoring process. This is there the Council's financial performance is monitored and reported on by the finance team and the Budget Manager, on a monthly basis.
FINANCIAL REGULATIONS	The regulations outlining the officer's responsibilities relating to financial matters. https://shorturl.at/epvIJ
THE COUNCILS CONSTITUTION	The Council's constitutional document which;- allocates powers and responsibility within the Council;- sets out delegations for its Executive including the cabinet members and delegation to officers;-sets out the rules of procedures, codes and protocols. http://shorturl.at/czUW8
CPCA	Cambridgeshire and Peterborough Combined Authority.
POWA	The Council's online project management tool (POWA) Microsoft Project Online is a cloud-based Project Management service product that is delivered through Office 365.
TOM	Target Operating Model.
TA	Temporary Accommodation, used to provide short term housing when a family or individual has presented as homeless to the Council.



AUDIT COMMITTEE	AGENDA ITEM No. 11
30 JANUARY 2023	PUBLIC REPORT

Report of:	Cecilie Booth – Executive Director of Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Cllr Coles – Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Cecilie Booth – Executive Director of Corporate Services and S151 Officer	Tel: 07970 325557

IRRECOVERABLE DEBTS IN EXCESS OF £10,000

R E C O M M E N D A T I O N S	
FROM: Cecilie Booth – Executive Director of Corporate Services and S151 Officer	Deadline date: 30 January 2023
<p>It is recommended that Audit Committee:</p> <p>1. Note the Irrecoverable Debts in excess of £10,000 report.</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee for information from Cllr Coles (Cabinet Member for Finance and Corporate Governance) following consideration at Cabinet on 16th January 2023.

2. PURPOSE AND REASON FOR REPORT

2.1 This report is for information following the Cabinet Member for Finance exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (n).

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.2.14

To review any issue referred to it by the Chief Executive or a Director, or any Council body.

3. TIMESCALES

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

4.1 The attached Cabinet report details the approval to write-off irrecoverable debts that exceed £10,000 in relation to Non-Domestic (Business) Rates, Council Tax, Accounts Receivable (sundry debt) accounts and Housing Benefit overpayments. The aggregate total value of these debts is £4,783,391.

4.2 The Council expects to receive approximately £100m in non-domestic rates annually, £100m for Council Tax, and in excess of £60m of sundry debt income. As a result of activity on this scale, the Council recovers millions of pounds every year relating to previous years' debt, sometimes

dating back several years, due to persistent recovery activity. Despite our best endeavours, it is inevitable that a small percentage of debt will remain uncollected and will ultimately have to be written off. There are a number of reasons why this happens, with the most common being where a company has gone into liquidation, an individual has been made bankrupt, a debtor has died with no funds available within the estate, or where it has not been possible to trace a debtor.

Over the last 2 years, there has also been the impact of the Covid-19 pandemic on individuals and businesses across the local economy.

4.3 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt as irrecoverable.

4.4 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable. Writing off irrecoverable debt is a necessary management tool, standard practice and recommended as part of good financial management.

4.5 Over 99% of the irrecoverable debt outlined in the Cabinet report has been fully provided for in the council's bad debt provision in accordance with the council's debt provision policies, local accounting procedures and statutory accounting regulations. As a result, the impact on the Council's revenue position from undertaking this write-off exercise is £3,637.

5. CONSULTATION

5.1 Information concerning the consultation undertaken is detailed within the attached Cabinet report.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 It is anticipated that the Committee will note the attached 'Irrecoverable Debts in Excess of £10,000' Cabinet report.

7. REASON FOR THE RECOMMENDATION

7.1 Reasons for recommendation are detailed within the attached Cabinet report.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 Alternative options are detailed within the attached Cabinet report.

9. IMPLICATIONS

Financial Implications

9.1 Financial implications are detailed within the attached Cabinet report.

Legal Implications

9.2 Financial implications are detailed within the attached Cabinet report.

Equalities Implications

9.3 There are no significant equalities implications.

10. BACKGROUND DOCUMENTS

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

10.1 N/A

11. APPENDICES

- 11.1 Appendix 1. Cabinet report: To approve the write-off of any irrecoverable debts in excess of £10,000.

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CABINET	AGENDA ITEM No. XX
16 JANUARY 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance.	
Contact Officer(s):	Chris Yates – Acting Head of Finance (Corporate Services)	Tel. 01733 384552

IRRECOVERABLE DEBTS IN EXCESS OF £10,000

RECOMMENDATIONS	
FROM: Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance.	Deadline date: 16 th January 2023
<p>It is recommended that Cabinet:</p> <p>1. Authorise the write-off of the debt shown as outstanding in respect of Non-Domestic (Business) Rates, Council Tax, Accounts Receivable (sundry debt) accounts and Housing Benefit overpayments, included in the Appendices to this report (which detail the financial year and the category for the write-off request).</p>	
<p>Summary:</p> <p>The total value of irrecoverable debts outlined in this report is £4,783,391. However, it should be noted that although there have been some smaller write-off exercises since January 2021 (primarily focussing on Sundry Debt), this is the first significant write-off of Non-Domestic Rates since March 2020, after witnessing the economic impact of Covid-19 on businesses in the area (79% of the total balance relates to irrecoverable Non-Domestic Rates).</p> <p>Each year, the Council sets aside a provision for bad and doubtful debt, and the write-off of irrecoverable debt is made against this provision. The current provision covers 99.92% of the irrecoverable debt, meaning the impact on the Council's current year's budget is only £3,637.</p> <p>All debt recovery action available to the Council must be exhausted before outstanding debt can be recommended for write-off. Despite our best endeavours, it is inevitable that a small percentage of debt will not be collected, and the authorisation for write-off is requested due to one of the following reasons:</p> <ul style="list-style-type: none"> • the individual/ company being made insolvent/ bankrupt; • recovery action attempted but no longer enforceable under the Limitation Act 1980 (Statute Barred); • the ratepayer is deceased with no further income due from the estate; and • the result of legal processes/ negotiations/ disputes concluding <p>It means the Council has no prospect of recovery. Writing off irrecoverable debts should be an annual housekeeping exercise; it is standard practice in local government and part of good financial management. The write-off value represents only 0.15% of the total debt raised over the period.</p>	

1.	ORIGIN OF REPORT		
1.1	This report is submitted to Cabinet following referrals from CLT on 23 rd November 2022 and the 21 st December 2022, and Cabinet Policy Forum on the 19 th December.		
2.	PURPOSE AND REASON FOR REPORT		
2.1	The purpose of this report is for Cabinet to approve the write-off of irrecoverable debt in excess of £10,000.		
2.2	This report is for Cabinet to consider under its Terms of Reference No. 3.2.1, <i>'To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services,'</i> and No. 3.2.2, <i>'To take collective responsibility for any Executive decision that has significant implications across two or more portfolios.'</i>		
2.3	The specific detail relating to these debts is NOT FOR PUBLICATION in accordance with paragraph (s) 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to the financial and business affairs of individuals. The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it as to do so would disclose personal and private information without the written consent of the individuals.		
3.	TIMESCALES		
	Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting
			N/A
4.	BACKGROUND AND KEY ISSUES		
4.1	The Council is committed to taking all necessary action before considering a debt for write off. This includes multiple written reminder letters early in the recovery process, telephone call follow-up, senior management dialogue with counterparts, and where necessary, court and enforcement action. It can take several years before all actions have been undertaken.		
4.2	The Council expects to receive approximately £100m in non-domestic rates annually, £100m for Council Tax, and in excess of £60m of sundry debt income. As a result of activity on this scale, the Council recovers millions of pounds every year relating to previous years' debt, sometimes dating back several years, due to persistent recovery activity.		
4.3	Despite our best endeavours, it is inevitable that a small percentage of debt will remain uncollected and will ultimately have to be written off. There are a number of reasons why this happens, with the most common being where a company has gone into liquidation, an individual has been made bankrupt, a debtor has died with no funds available within the estate, or where it has not been possible to trace a debtor. Over the last 2 years, there has also been the impact of the Covid-19 pandemic on individuals and businesses across the local economy. Writing off irrecoverable debt is a necessary management tool, standard practice and recommended as part of good financial management.		
4.4	The balance being written off in this report is a significant sum, however, this is mainly due to almost no write-off of Non-Domestic Rate debt during the Covid-19 pandemic. This report reviews those irrecoverable debts (and any associated balances from prior years), plus any in relation to Council Tax, Housing Benefit overpayments and Sundry Debt, and the resulting amount to be written off in this report represents 0.15% of total debt raised over the period covered.		

5.	CORPORATE PRIORITIES
5.1	Writing off irrecoverable debts is standard practice and recommended as part of good financial management. While not directly impacting on the Council's Corporate Priorities, it is an important part of authority's financial governance and ensuring that the Council has robust financial reporting.
6.	CONSULTATION
6.1	Consultation between relevant Council Officers, the Local Taxation section and key Heads of Service within the Peterborough-Serco Strategic Partnership was undertaken to provide the relevant information for this report.
6.2	This report has been considered at Budget Corporate Leadership Team (CLT) and Cabinet Policy Forum. The report will also be taken to Audit Committee in January 2023 for information.
7.	ANTICIPATED OUTCOMES OR IMPACT
7.1	It is anticipated that Cabinet will approve the write-off of the debt amounts summarised in Appendix 1.
8.	REASON FOR THE RECOMMENDATION
8.1	The authorisation for write-off is requested due to one of the following scenarios: <ul style="list-style-type: none"> • the individual/ company being made insolvent/ bankrupt; • recovery action attempted but no longer enforceable under the Limitation Act 1980 (Statute Barred); • the ratepayer is deceased with no further income due from the estate; and • the result of legal processes/ negotiations/ disputes concluding
8.2	Where debt being written off is in relation to companies that have gone into administration/ individuals being made bankrupt, proof of debt has been lodged with the Administrators or Liquidators in all appropriate cases and either it has been confirmed that no dividend is payable, or a final dividend payment has been received. Recovery action has therefore been exhausted and there is no further action that can be taken to obtain any further payments in relation to the debt. Table 2 in Appendix 1 summarises the rationale for the different reasons for write-off decisions by year and by value.
9.	ALTERNATIVE OPTIONS CONSIDERED
9.1	The alternative option is to not write off this debt. This would result in irrecoverable debts continuing to be shown as outstanding, with a bad debt provision apportioned to these balances. It should be noted that once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.
9.2	All other alternative options available to the Council to collect the debt have already been undertaken before making a decision to recommend a debt for write-off.
10.	IMPLICATIONS
	Financial Implications
10.1	The majority of the aged debt outlined in Appendix 1 has been fully provided for in the council's bad debt provision in accordance with the council's debt provision policies, local accounting

	<p>procedures and statutory accounting regulations. As a result, the impact on the Council's revenue position as a result of this write-off exercise is £3,637.</p> <p>All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off</p>
	Legal Implications
10.2	Debt recovery processes have been exhausted. The debts are deemed irrecoverable and recommended for write off.
	Equalities Implications
10.3	There are no equalities implications arising from the recommendation.
11.	BACKGROUND DOCUMENTS Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
11.1	There are no further documents apart from the exempt annex.
12.	APPENDICES
12.1	Appendix 1 - Debt Write-Offs With A Value Over £10,000 by type Appendix 2 - Exempt Annex – Not For Publication

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Table 1: By financial year and % of debt type raised

	Non Domestic Rates			Council Tax			Housing Benefit Overpayments			Sundry Debt		
Financial Year	Write-off (£)	Debt raised in year (£)	Write-off in-year %	Write-off (£)	Debt raised in year (£)	Write-off in-year %	Write-off (£)	Debt raised in year (£)	Write-off in-year %	Write-off (£)	Debt raised in-year (£)	Write-off in-year %
Up to 2008/09	91,548	-	-	7,109	-	-	-	-	-	-	-	-
2009/10	24,689	86,843,886	0.028%	860	60,755,510	0.001%	-	1,757,300	0.000%	-	51,430,000	0.000%
2010/11	92,482	84,526,730	0.109%	1,091	62,681,765	0.002%	-	2,136,189	0.000%	-	51,450,000	0.000%
2011/12	83,093	89,444,197	0.093%	1,500	63,452,470	0.002%	-	2,182,339	0.000%	-	47,270,000	0.000%
2012/13	101,056	92,745,954	0.109%	980	65,889,575	0.001%	-	2,632,518	0.000%	-	48,540,000	0.000%
2013/14	302,718	94,532,290	0.320%	2,192	71,080,446	0.003%	-	3,224,687	0.000%	-	46,140,000	0.000%
2014/15	283,949	96,008,318	0.296%	2,660	73,109,247	0.004%	10,409	4,680,398	0.222%	-	45,140,000	0.000%
2015/16	350,315	100,664,032	0.348%	3,071	74,846,674	0.004%	-	3,975,023	0.000%	21,632	54,270,000	0.040%
2016/17	337,609	101,768,770	0.332%	2,916	79,093,000	0.004%	-	3,904,982	0.000%	2,200	56,610,000	0.004%
2017/18	399,143	100,459,326	0.397%	2,123	84,378,529	0.003%	-	4,499,133	0.000%	14,304	56,914,648	0.025%
2018/19	452,556	101,527,035	0.446%	752	91,117,767	0.001%	-	2,700,796	0.000%	8,850	67,843,815	0.013%
2019/20	458,786	101,497,506	0.452%	2,679	96,952,073	0.003%	-	1,638,449	0.000%	10,278	68,726,462	0.015%
2020/21	705,528	62,978,022	1.120%	2,780	100,606,009	0.003%	-	1,066,060	0.000%	896,144	69,698,833	1.286%
2021/22	82,697	85,618,470	0.097%	2,764	108,506,511	0.003%	-	1,634,715	0.000%	9,683	49,443,624	0.020%

2022/23	10,051	100,815,602	0.010%	194	113,239,911	0.000%	-	515,557	0.000%	-	40,827,325	0.000%
Total	3,776,220	1,299,430,138	0.291%	33,671	1,145,709,487	0.003%	10,409	28,992,570	0.036%	963,091	754,304,707	0.128%

Table 2: By financial year and write-off rationale

Financial Year	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy	Disputed Debts/ Statute barred - recovery action attempted but no longer enforceable under the Limitation Act 1980	Other – service transfers/ commercial agreement/ negotiation	The ratepayer is deceased with no further income due from the estate	Unable to trace the debtor and collect payment	Total
Up to 2008/09	2,517	96,140	-	-	-	98,657
2009/10	-	25,549	-	-	-	25,549
2010/11	17,715	75,253	-	605	-	93,573
2011/12	8,180	75,799	-	614	-	84,593
2012/13	48,618	53,418	-	-	-	102,036
2013/14	215,755	88,245	-	910	-	304,910
2014/15	165,976	113,442	-	17,600	-	297,018
2015/16	320,364	47,346	-	7,308	-	375,018
2016/17	312,468	17,759	-	5,913	6,585	342,725
2017/18	378,505	13,605	-	18,904	4,556	415,570
2018/19	452,966	-	-	9,192	-	462,158
2019/20	460,308	-	-	11,435	-	471,743
2020/21	707,108	-	887,303	10,041	-	1,604,452
2021/22	84,203	-	-	10,941	-	95,144
2022/23	10,051	-	-	194	-	10,245
Total	3,184,734	606,556	887,303	93,657	11,141	4,783,391

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AUDIT COMMITTEE	AGENDA ITEM No. 12
30 JANUARY 2022	PUBLIC REPORT

Report of:	Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2022/23

R E C O M M E N D A T I O N S
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> Notes and agrees the Work Programme for the municipal year 2022/23 and matrix of terms of reference

1. ORIGIN OF REPORT

1.1 This is a standard report to the Audit Committee which forms part of its agreed work programme. This report provides details of the Draft Work Programme for the following municipal year.

2. PURPOSE AND REASON FOR REPORT

2.1 The Work Programme is based on previous year's agendas. The programme can be refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

3. CORPORATE PRIORITIES

3.1 This report links to the Corporate Priorities under the following heading:

- Sustainable Future City Council

The work programme sets out the forward look of committee in assisting the Council in securing its future as a sustainable council for its residents.

4. IMPLICATIONS

Financial Implications

4.1 There are none

Legal Implications

4.2 There are none

Equalities Implications

4.3 There are none

5. APPENDICES

5.1 Appendix A – Rolling Work Programme 2022/23
Appendix B – Committee matrix – terms of reference

Meeting date: 30 January 2023

Training/Briefing dates: 24 January 2023

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Debt Write Offs	Chris Yates – Financial Manager (Business Manager) Cecilie Booth – Executive Director Corporate Services	2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details of the nature of the deep dive will be updated in the work programme.	This is to be presented to Cabinet 16 January.
Internal Audit: Approach to Audit Planning	Steve Crabtree – Chief Internal Auditor	2.2.2.9 To commission work from internal and external audit.	The purpose of this report is to provide Members with details of Internal Audit's annual planning approach and emerging issues and risks that Internal Audit need to provide assurance over. It provides an opportunity for Members to consider these themes and provide input into the development of the Audit Plan.	
Anti-Fraud and Corruption	Steve Crabtree – Chief Internal Auditor	2.2.2.16		

		To monitor Council policies on "raising concerns at work" and the anti-fraud and anticorruption strategy and the Council's complaints process		
Council Reserves Policy	Emma Riding – Budget and Control Reporting Manager Cecilie Booth – Executive Director Corporate Services	2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.	To review any updates and work done to the Councils reserves policy	
Independent Improvement and Assurance Panel update (2 nd report)	Emma Riding – Budget and Control Reporting Manager Cecilie Booth – Executive Director Corporate Services	2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.	To receive the Independent Improvement and Assurance Panel 2 nd report to Full Council	
Update on procurement activity (If applicable)	Lesley Meeks – Procurement Specialist Richard McCarthy - Procurement Operations Manager George Wallace – Head of Procurement	2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To review any activity by directorates/teams that had not followed procurement guidelines.	

Meeting date: 20 March 2023

Training/Briefing dates: 16 March 2023

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Audit Committee deep dive	TBC	TBC	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details of the nature of the deep dive will be updated in the work programme.	
Procurement – Areas of concern updates	Lesley Meeks – Procurement Specialist George Wallace – Head of Procurement Richard McCarthy – Procurement Operations Manager	2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To review the procurement function of the Council and audit members to comment on areas of concern	
Final Statement of Accounts 2020/21	Ernst & Young – External Auditors Cecilie Booth – Executive Director Corporate Services	2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements	To review the Audit results report from the External Auditors.	

		or from the audit that need to be brought to the attention of the council.		
RIPA Policy update	Ben Stevenson	2.2.2.10 To have oversight of the Regulation of Investigatory Powers policy and processes.	To update members on the RIPA policy and any changes that have been made.	
External Audit plan for year ended 31 March 2022	Ernst Young – External Auditors Sian Warren/Cecilie Booth/Kirsty Nutton - Finance	2.2.2.5 To consider the external auditors annual letter, relevant reports and the report to those charged with governance. 2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.	The purpose of this report is to involve the Audit Committee in determining the audit approach and to identify any additional issues it considers relevant to the audit.	
Draft Annual Audit Committee report	Dan Kalley – Senior Democratic Services Officer Cecilie Booth – Executive Director Corporate Services Steve Crabtree – Chief Internal Auditor	2.2.2.13 To produce an annual report for consideration by Full Council.	The Audit Committee has been in operation since Annual Council in May 2006 (first meeting June 2006). The Committee has a wide ranging remit that underpins the Council's governance processes by providing independent challenge and	Full Council July 2023

	Chris Brooks - Chair		assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework.	
Internal Audit: Draft Internal Audit Plan 2023 / 2024	Steve Crabtree – Chief Internal Auditor	<p>2.2.1.1</p> <p>To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.</p> <p>2.2.1.3</p> <p>To consider reports dealing with the management and performance of the providers of internal audit services.</p> <p>2.2.1.18</p> <p>To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.</p>	The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.	

Risk Management: Strategic Risks	Risk Management Manager (TBC)	2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.	The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.	
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.	

July 2023

Training/Briefing: TBC

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Draft Annual Governance Statement	Steve Crabtree – Chief Internal Auditor Cecilie Booth – Executive Director Corporate Services	2.2.1.17 To oversee the production of the authority's Annual Governance Statement and to recommend its adoption 2.2.1.18	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	

		To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	Peterborough to manage its affairs.	
Risk Management Framework and Policies	Risk Management Manager (TBC)	2.2.1.15 To monitor the effective development and operation of risk management and corporate governance in the Council.	Responsibility for the risk management framework	
Internal Audit: Annual Audit Opinion	Steve Crabtree – Chief Internal Auditor	2.2.1.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.	The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed audits and activities undertaken by the Internal Audit Team during 2021 / 2022.	
Council Commercial Activities	Cecilie Booth – Executive Director Corporate Services	2.2.2.15 To monitor the effective development and operation of risk management and	To review the Councils commercial activities and risks associated with this.	

		corporate governance in the council.		
Investigations Team Annual Report 2022 / 2023	Steve Crabtree – Chief Internal Auditor	2.2.1.16 To monitor council policies on “raising concern at work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.	The purpose of this report is to present the work carried out during the past year to minimise the risk of fraud, bribery and corruption occurring in the Council.	
Insurance: Annual Report 2022 / 2023	Steve Crabtree – Chief Internal Auditor	2.2.1.15 To monitor the effective development and operation of risk management and corporate governance in the Council.	The purpose of this report is to present the work carried out during the past year to provide an effective insurance function which provides cover for all aspects of the Council whilst minimising the cost.	
Draft Statement of Accounts and Audit Results report for year ended 31 March 2023	Ernst & Young – External Auditors Cecilie Booth – Executive Director Corporate Services	2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.	To review the Audit results report from the External Auditors.	

Audit Committee Effectiveness	Steve Crabtree – Chief Internal Auditor	2.2.1.18 To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To provide Members with an update on progress in developing the audit plan.	
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.	

Meeting date: September 2023

Training/Briefing dates: TBC

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Risk Management: Strategic Risks	Risk Management Manager (TBC)	2.2.2.15 To monitor the effective development and operation of risk management and	The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.	

		corporate governance in the council.		
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Meeting date: November 2022

Training/Briefing dates: TBC

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Internal Audit: Mid Year Progress Report	Steve Crabtree – Chief Internal Auditor	<p>2.2.2.1</p> <p>To consider the annual audit report and opinion of the Corporate Director of Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.</p>	The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the council. It is based on the findings of the completed internal audits from the Annual Audit Plan 2022 / 2023 as at 30 September 2022.	
Audit Committee start time 2024/25	Dan Kalley – Senior Democratic Services Officer	<p>Council Standing Order section 4.4.1</p> <p>The timings of normal committee meetings will be agreed by the committee for the next municipal year in</p>	The purpose of this report is to allow the Audit Committee to discuss and agree the start times for meetings from the beginning of the Municipal Year 2023-24.	Full Council January/March 2023

		January of the preceding municipal year (or as near to this time as possible).		
Treasury Management Strategy (Half year report)	Cecilie Booth – Executive Director Corporate Services Fiona Leverton – Capital Accounting & Treasury Manager	2.2.1.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	The purpose of this report is to report current performance and the forecast outturn position against the Prudential Indicators in the strategy.	
Annual Report Corporate Complaints	Belinda Evans – Complaint Manager	2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anticorruption strategy and the Council's complaints process	The purpose of the report is to update members on the Councils Complaints procedure.	
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.	

Date for item TBC

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Councils Value for Money position	Cecilie Booth – Executive Director Corporate Services			
Report on Shared Services	Cecilie Booth – Executive Director Corporate Services Matt Gladstone – Chief Executive			

Planning document linking constitution to delivery in meetings.

Audit Committee

2.2.1 It is advised that Members undertake relevant training within the past three years in order to hold a seat on this committee.

2.2.2 Terms of Reference

2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

2.2.2.2 To consider summaries of specific internal audit reports as requested.

2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.

2.2.2.4 To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

2.2.2.5 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

2.2.2.6 To consider specific reports as agreed with the external auditor.

2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.

2.2.2.8 To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.

2.2.2.9 To commission work from internal and external audit.

2.2.2.10 To have oversight of the Regulation of Investigatory Powers policy and processes.

2.2.2.11 Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.

2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.

2.2.2.13 To produce an annual report for consideration by Full Council.

Regulatory Framework

- 2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.
- 2.2.2.17 To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
- 2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

Accounts

- 2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.1.20 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

Independent Members of Audit Committee

- 2.2.1.21 The Audit Committee will include up to 3 independent co-opted non-voting members sitting alongside 7 elected members. Independent members will be appointed by the Council to serve an initial 4 year term, which may be extended with the agreement of Council.
- 2.2.1.22 The Committee will be chaired by an Independent Member. In the absence of the appointed chair one of the remaining two Independent Members will be appointed as Chair by the Committee.
- 2.2.1.23 The Vice-Chair will be an elected member whose purpose will be to support the Chair and in the event of an equality of votes, to exercise a second or casting vote.
- 2.2.1.24 The role of an Independent Member is to support the Council's Audit Committee in its role to provide independent assurance to the members of Peterborough City Council, and its wider citizens and stakeholders.

- 2.2.1.25 Independent members will be expected to actively participate in meetings of the Audit Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit Committee report.
- 2.2.1.26 Independent members will contribute to the work of the Audit Committee in its role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.

Terms of reference	Meeting	Report title	Assurance activity
2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023	Provide Audit Committee with detailed planned audit coverage for the year.
	July 2022	Internal Audit: Annual Audit Opinion	Audit Plan 2021/22 outturn. Provide Audit Committee with all works completed together with an opinion of the level of control / governance in place. Details of resources utilised. Areas of concern and non-compliance will be highlighted.
		(Draft) Annual Governance Statement	Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required
	Nov 2022	Internal Audit: Mid-Year Progress Report	Audit Plan 2022/23. To provide progress against the agreed plan. Details of any

			changes made to audit risks and resources and how this is impacting on works.
	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
2.2.2.2 To consider summaries of specific internal audit reports as requested	July 2022	Internal Audit: Annual Audit Opinion	Audit Plan 2021/22 outturn. Provide Audit Committee with all works completed together with an opinion of the level of control / governance in place. Details of resources utilised. Areas of concern and non-compliance will be highlighted.
	Nov 2022	Internal Audit: Mid-Year Progress Report	Audit Plan 2022/23. To provide progress against the agreed plan. Details of any changes made to audit risks and resources and how this is impacting on works.
2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023	Provide Audit Committee with detailed planned audit coverage for the year.
	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
2.2.2.4 To consider a report from audit on agreed	July 2022	Internal Audit: Annual Audit Opinion	Areas of non-compliance with timescales to implement change

	recommendations not implemented within a reasonable timescale	Nov 2022	Internal Audit: Mid-Year Progress Report	Areas of non-compliance with timescales to implement change
2.2.2.5	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	Sept 2022	External Audit plan for year ended 31 March 2022	External auditor presents reports
2.2.2.6	To consider specific reports as agreed with the external auditor.	As required		
2.2.2.7	To comment on the scope and depth of external audit work and to ensure it gives value for money.	Mar 2023	External Audit plan for year ended 31 March 2022	
		Nov 2022	FRC Report	To review the FRC's report on external auditing
2.2.2.8	To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.	As required – last done November 2021		
2.2.2.9	To commission work from internal and external audit	Jan 2023	Internal Audit: Approach to Audit Planning	To set out future audit work based on the current issues impacting on PCC

2.2.2.10	To have oversight of the Regulation of Investigatory Powers policy and processes.	Nov 2022	Update on RIPA for Audit Committee members	To update the committee on the Councils RIPA policy.
		Mar 2023	RIPA Policy – changes to policy	To inform Audit Committee members on changes to the RIPA policy
2.2.2.11	Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.	As required		
2.2.2.12	To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	July 2022	Decisions made by the Shareholder Cabinet Committee	Committee to note the decisions made by the Shareholder Cabinet Committee
		Nov 2022	Decisions made by the Shareholder Cabinet Committee	Committee to note the decisions made by the Shareholder Cabinet Committee
2.2.2.13	To produce an annual report for consideration by Full Council.	Mar 2022	Annual Audit Committee report	Draft report that currently gets presented to Full Council in July.
		Mar 2023	Annual Audit Committee report	Draft report that currently gets presented to Full Council in July.
2.2.2.14	To review any issue referred to it by the Chief Executive or a Director, or any Council body.	Oct 2022	Council Reserves Policy	To review the Councils Reserve Policy
		Oct 2022	Independent Improvement Panel Report	To review the first Independent Improvement Panel report presented to Cabinet.
		Oct 2022	Budget Setting Process	To review the Councils Budget Setting

			process
	Jan 2023	Council Reserves Policy	To review updates on the Councils Reserve Policy
	Jan 2023	2 nd Independent Improvement Panel Report	To review the second Independent Improvement Panel report presented to Cabinet.
2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.	Mar 2022	Risk Management Strategic Risks	Overview of current strategic risks.
	July 2022	Insurance: Annual Report 2021 / 2022	Sets out how insurance service has operated to ensure effective management and control of its assets, and provide cover to manage risks
	Oct 2022	Risk Management Strategic Risks	Overview of current strategic risks
	Mar 2023	Risk Management Strategic Risks	Overview of current strategic risks.
2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.	July 2022	Investigations Team Annual Report 2021 / 2022	Annual report into Investigations Team works.
	Nov 2022	Council Complaints Procedure	To review and comment on the Councils complaints policies and processes
	Jan 2023	Anti-Fraud and Corruption	To review policy changes to the Anti-

		report	Fraud and Corruption Policy
2.2.2.17	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.	July 2022	(Draft) Annual Governance Statement Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required
2.2.2.18	To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023 Provide Audit Committee with detailed planned audit coverage for the year.
		July 2022	Review of Effectiveness of Audit Committee Overview of the operation of the Committee against the CIPFA standards.
			Annual Governance Statement Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required
		National Fraud Initiative	Report to set out how the Council will look to tackle fraud and error as part of mandatory exercises from central government

		Risk Management Framework	
	Nov 2022	Treasury Management Progress Report (including risks)	
	Oct 2022	Review of Procurement, reporting of single tender contracts	
	Nov 2022	Treasury Management Strategy (Half year report)	
	Jan 2023	To review any updates on procurement issues identified where teams had not followed process.	
	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
2.2.1.19	To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and	June 2022	Budget Monitoring Outturn 2021 / 2022

whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.	Mar 2023	Audit Results report for year ended 31 March 2022	
	Aug 2022	Audit of Statement of Accounts year ended 2020/21	
2.2.1.20 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.	Mar 2022	Statement of Accounts	
	Aug 2022	Audit of Statement of Accounts year ended 2020/21 update	
	Mar 2023	Statement of Accounts final for 2020/21	

Independent Audit Committee Members feedback	
2.2.1.25 Independent members will be expected to actively participate in meetings of the Audit Committee and demonstrate	

<p>independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit Committee report.</p>	
<p>2.2.1.26 Independent members will contribute to the work of the Audit Committee in its role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.</p>	

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