



John Harrison
 Peterborough City Council
 Town Hall
 Bridge Street
 PETERBOROUGH
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7 March 2013

Dear John

Invest to Save

At the Audit Committee on 24 September 2012, it was agreed that PwC would discuss with Officers and the Audit Committee an appropriate scope of work to look at the governance arrangements with respect to elements of the allocation of expenditure within the Council's budget policy framework. This would be done as part of the external audit for 2012/13.

In our letter to you dated 12 February 2013, we proposed that we would (I) consider whether the decision making process to determine governance arrangements in respect of the allocation of £100m to the 'Invest to Save' budget were in accordance with the Council's constitution, and (II) consider whether the Council put arrangements in place to enable it to consider whether subsequent expenditure allocated against the Invest to Save budget was in accordance with the principles agreed by Cabinet on 10 February 2012 and Full Council on 22 February 2012.

In completing this work, we have had regard to the Audit Commission's **Statement of Responsibilities of Auditors and Audited Bodies**, which states that:

“Those responsible for the conduct of public business and for spending public money are accountable for ensuring that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, public bodies are responsible for putting in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal” (Paragraphs 5 & 6). *“Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources”* (Paragraph 31).

The Statement of Responsibilities also states *“There may be occasions when audited bodies seek the views of auditors on the legality, accounting treatment or value for money of a transaction before embarking upon it. In such cases, auditors are as helpful as possible, but are precluded from giving a definite view in any case because auditors:*

- *must not prejudice their independence by being involved in the decision-making processes of the audited body;*
- *are not financial or legal advisers to the audited body; and*

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- *may not act in any way that might fetter their ability to exercise the special powers conferred upon them by statute” (Paragraph 51).*

The decision making process

The Council’s Constitution states the following:

- “Only the Council can approve or adopt the major Policy Framework, the Budget and any application for housing land transfer (Article 4.4 (b)); and,
- “a decision which results in a significant amount spent or saved will not generally be considered to be a key decision if the amount spent or saved is less than £500,000” (Article 11.3).

The decision making process to determine governance arrangements in respect of the allocation of £100m to the 'Invest to Save' budget involved a discussion at the January 30th budget scrutiny meeting, at which it was agreed that a set of principles covering the use of this budget would be adopted. This included the principle that “Proposals will need to be subject to the Council’s decision making requirements e.g. any schemes above £500k will be subject to a Cabinet Member Decision Notice approved by the Cabinet Member for Resources and the relevant portfolio holder”.

The initial allocation of the £100m, together with the principles concerning subsequent allocation to individual schemes were included in the budget plans recommended by Cabinet on February 10th, and approved by Full Council on February 22nd.

Based on the information we have seen and mindful of the Statement of Responsibilities, we are currently not minded to challenge the decision making process to determine governance arrangements in respect of the allocation of £100m to the 'Invest to Save' budget.

Arrangements in place regarding subsequent expenditure

At the Scrutiny meeting on 30th January 2012, a set of principles outlining how the Invest to Save budget should be spent were agreed. These principles included the requirement that “each project would need to complete the Council’s standard full business case. This would include the required officer evaluation and approval as for all business cases”.

We note that the three schemes (described below) to which Invest to Save budget has been allocated to date, have been assessed using the Council’s standard business case process.

Furthermore, we note that the Schools Photovoltaic Panels scheme was approved in a Cabinet Member Decision notice (22 March 2012), the Renewable Energy Studies scheme was approved in a Cabinet meeting on 10 July 2012, and that the Energy from Waste scheme was approved in a Cabinet Member Decision notice 13 August 2012 and subject to a call-in by the Sustainable Growth and Environment Capital Scrutiny Committee on 29 August 2012.

Based on the information we have seen and mindful of the Statement of Responsibilities, we are currently not minded to challenge the arrangements the Council has put in place to enable it to consider whether subsequent expenditure allocated against the Invest to Save budget is in accordance with the principles agreed by Cabinet on 10 February 2012 and Full Council on 22 February 2012.



As noted above, these comments are given based on the information we have been given to date. Importantly, as Appointed Auditors, we cannot fetter our judgement in event that further relevant information is brought to our attention.

Please do let me know if you have any queries.

Yours sincerely

Julian Rickett
For and on behalf of PricewaterhouseCoopers

CC:
Gillian Beasley – Chief Executive
Councillor Diane Lamb – Chair of Audit Committee

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