

Telford & Wrekin Council

Statement of Accounts

2012/13

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Financial Statements

Explanatory Foreword

1. INTRODUCTION

Telford & Wrekin Council is a Unitary Authority created in 1998. Situated in Shropshire, the borough is a blend of urban and rural areas combining historic towns with modern retail centres. The Council delivers a vast range of services to its community, of around 170,000 people, including Education, Waste Collection and Disposal, Care for vulnerable adults and children, libraries, leisure centres and play facilities. It is a place of Enterprise, Innovation and Partnership. Further information about Telford & Wrekin Council can be found in the 2013 State of the Borough Report which is published on the Council's web site (www.telford.gov.uk/stateoftheborough).

The Council is committed to openness and transparency and publishes details of all spending of over £100 every month. The Statement of Accounts are a public record of the Council's financial position for 2012/13: showing what has been spent, income that has been received together with assets and liabilities. The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. The information is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

The Statement of Accounts features four main statements reporting on the Council's core activities:

- the Movement in Reserves Statement
- the Comprehensive Income and Expenditure Statement,
- the Balance Sheet and,
- the Cash Flow Statement

The purpose of each is briefly described within this foreword and they are each followed by notes explaining the statements and any specific restatements required.

The main statements are supplemented by the Collection Fund Account,

The Council's accounts for the year 2012/13 are set out in the remainder of the report. They consist of:

- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance which stands at £3.121m at 31st March 2013;
- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This shows a deficit for the year of £21.381m as compared the outturn report which shows an underspend of £0.055m.

The reasons for this difference relates to technical transactions required to put the accounts on an IFRS basis including losses on disposal of fixed assets (notably trust schools and academies which are removed from the asset register by disposing for nil proceeds), depreciation, REFUCUS, impairments and pensions, these are offset by capital grants. These do not impact on either General Fund Balances or Council Tax;

- ... **The Balance Sheet** - which sets out the financial position of the Council on 31st March 2013 and show net assets for the Council of £17.347m a reduction from £68.156m for the previous year, mainly due to the increase in the Pensions Liability which will ultimately be covered by future contributions to the fund;
- ... **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties and shows a net increase in Cash and Cash Equivalents of £4.2m;
- ... **The Notes to the Core Financial Statements** - which provide further information supporting the financial statements and includes the Statement of Accounting Policies and provides further detailed information on specific items;
- ... **The Collection Fund** - the statutory account in which income from business rates, council tax and government grants is held temporarily, pending payment of the precepting authorities. There is an increase on the fund balance of £0.35m for the year and the Council's share of the surplus was £1.1m at 31st March 2013;

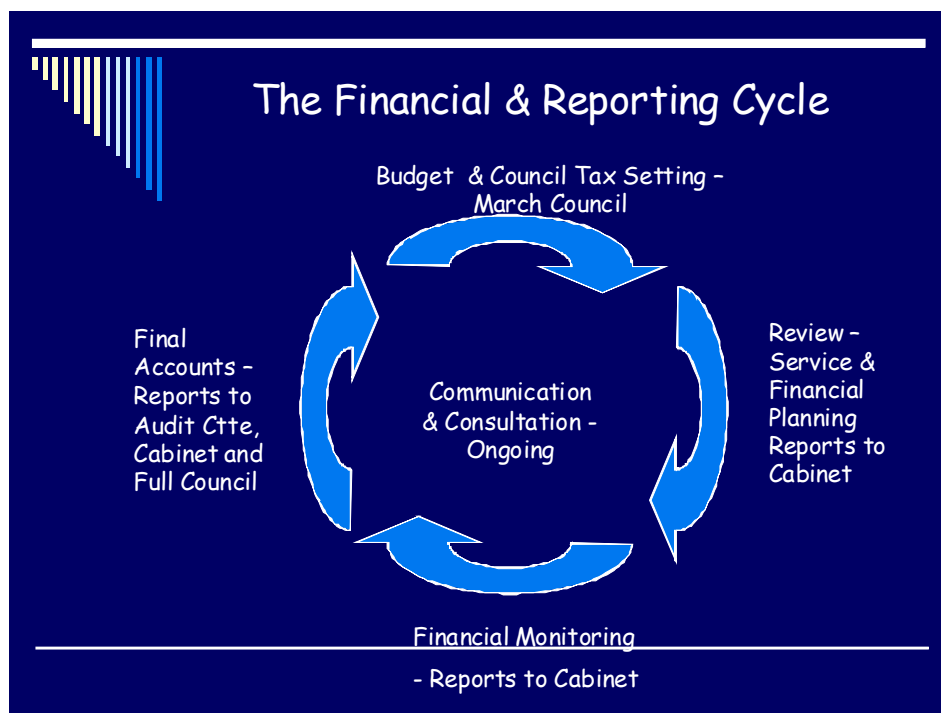
These accounts are supported by the Statement of Responsibilities, which follows this foreword.

2. FINANCIAL CONTEXT

This section of the Statement of Accounts summarises the background to the Council's accounts for 2012/13. In particular it sets out

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2012/13
- Issues highlighted during 2012/13
- The final outturn for 2012/13
- A commentary on 2013/14

2.1 The Council's Financial and Reporting Cycles



Reports to Council, Cabinet and Audit Committee can be accessed via the Council's web site.

2.2 An Overview of the Budget 2012/13

The Council's 2012/13 budget was set in the context of a three year policy and planning strategy which covered the period 2012/13 to 2014/15 (in line with the Government's Comprehensive Spending Review Period). The budget is the financial expression of the Council's priorities and plans linked to funding allocations. The Council is a relatively low-spending Local Authority, which has a comparatively low level of Council Tax for its own services (Telford & Wrekin had the third lowest council tax for Unitary Services in the Midlands in 2012/13 and has the fourth lowest in 2013/14).

In 2012/13, Local Authorities received a significant proportion of their funding from Central Government through specific and formula grants. The financial position facing the Council was one of the most challenging experienced with projected real terms grant cuts of £40m over the period 2011/12 to 2014/15 (the Government's Comprehensive Spending Review period). The grant reductions were exacerbated by the continued use of "damping" (the Government's mechanism designed to even out year-on-year volatility in the level of grant received by individual authorities – protecting grant losers and "damping" the effect of grant gains) - Telford & Wrekin lost over £1.9m through this process in 2012/13. No grant allocations were provided for the years beyond 2012/13 as a major review of the local government finance system was underway, due to be implemented in April 2013, thus adding a high degree of uncertainty to future year projections.

Cabinet launched its service and financial planning strategy for 2012/13 to 2014/15 in December 2011 and extensive public consultation was undertaken on the proposals. The final budget strategy was approved at Council in March 2012 taking account of consultation responses.

The base budget gap for 2012/13 was £21.8m. The finally agreed budget package included net savings of £17.1m, use of £1.39m from balances, £0.4m collection fund surpluses and a council tax increase of 2.5%. The average charge (Band B) for the Council's services was £875 per year.

2012/13 Net Revenue Budget - £m	
2012/13 Total Net Revenue Spend	126.254
Funded From:	
Government Grant (RSG and NDR)	66.645
Council Tax	57.819
Balances and Collection Fund	1.790
Total Funding	126.254

The medium term planning period was one of unprecedented uncertainty – with further very significant cuts expected to the public sector and a new funding regime coming into place in April 2013.

2.3 Issues Highlighted During 2012/13

A summary of the monitoring (comparison of budget to actual) presented to Cabinet during 2012/13 is shown in the table below.

Service	Variances - £m					Actual Outturn
	Projected Q1	Projected Q2	Projected Q3	Projected Q4		
Children's Safeguarding	1.942	2.398	2.798	3.064		3.145
Education & Skills	- 0.034	0.237	- 0.272	- 0.722	-	0.581
Family & Cohesion Services	- 0.081	- 0.090	- 0.579	- 0.581	-	1.109
Development, Business & Housing	-	0.752	0.048	0.049	-	0.131
Neighbourhood & Leisure Services	-	0.313	- 0.005	0.261		0.217
Care & Support	0.833	1.529	0.194	0.304		0.014
Customer & People Services	0.294	0.526	0.036	0.098		0.282
Law, Democracy & Public Protection	-	- 0.169	- 0.101	- 0.101	-	0.164
Finance, Audit & Information Governance	- 0.119	- 0.119	- 0.236	- 0.285	-	0.411
Cooperative Council Delivery Unit	-	- 0.092	- 0.092	- 0.161	-	0.278
Council Wide	- 0.200	- 0.851	- 1.492	- 1.492	-	2.642
Total Projected Variation	2.635	4.434	0.300	0.434	-	1.658
Call on corporate contingency	2.635	4.434	0.300	0.434		1.747
Total Variation	-	-	-	-	-	3.405
Carry forward to 13/14						2.500
Transfer to Budget Strategy Reserve						0.850
Final Outturn					-	0.055
Planned Use of General Fund Balances						1.390
Underspend at Year End					-	0.055
Contribution to General Fund Balances						1.335
<p>Variances are shown as Over (+) / Under (-) spends before IAS 19 pension entries and impairments and asset rentals which are technical accounting entries required by legislation for the formal Statement of Accounts and do not alter the overall position</p> <p>There were some changes in organisational structure during the year so quarterly variations are not directly comparable.</p>						

A summary of the key issues highlighted during the year is shown below:
 (A "+" is an increase in expenditure or a reduction in income, a "-" is a reduction in expenditure or an increase in income)

Service Delivery Unit	Variance £m
<u>Children's Safeguarding</u>	
Children in Care – overspend; reflects 321 CiC at 31 March 2013 (302 at 31 March 2012)	+2.101
Supported Placements/Special Guardianship and Residence Orders	+0.114
Child Protection and Assessment Staffing – overspend arising from the use of agency staff employed to cover vacancies	+0.559
Support for Children in Need and Assessments – costs for support for children in need and specific assessment requests	+0.182
Legal Costs – the costs associated with court proceedings	+0.124
Safeguarding and Family and Cohesion services have a robust cost improvement plan in place which is beginning to show impact and should come through fully in 2013-14 to bring spend back down to budget (including achieving savings target). This includes a reduction of Agency staff from 14 in Sept 2012 to 8.5 at the end of March, and a stabilising of the numbers of children in care after the rise last autumn, with some planned endings of high cost placements at the end of the financial year. Legal costs budget has been reset at a realistic level taking into account the costs and numbers of care proceedings. Applications for care proceedings have stayed at a consistent level since the rise seen nationally after Baby P in 2008	
<u>Education & Skills</u>	
Employees –impact from the restructure and vacancies	-0.193
Education Business Partnership/Lifelong Learning & Skills – loss of grant funding	+0.296
Transport – reduced costs due to efficiencies and demographic changes relating to Home to School Transport	-0.375

<u>Family & Cohesion Services</u>	
Children & Families Location Services – mainly staff savings	-0.370
Early Intervention – Teenage pregnancy; staff savings and changes in the level of service	-0.106
Transport –savings on Home to School Transport costs	-0.240
Youth & Community – additional income and other operational savings	-0.115
<u>Care & Support</u>	
Purchasing budgets – cumulative impact of the NHS cost shift resulting from the Continuing Health Care eligibility review carried out by the PCT since 2009 which has transferred £8.5m costs onto the Council. The Council has already funded £3m of this ongoing from savings to other services hence the net ongoing variation of £5.5m	+5.500
NHS/PCT Funding –one off funding only, from the PCT in relation to the shift of ongoing costs for clients previously established to have a Primary Health Need (CHC clients)	-2.700
Other NHS Funding - funds passed to the PCT by the Department of Health to support Social Care in Local Authorities. These should be used for service improvements or to offset the impact on Adult Care of overall direct Government funding cuts to local government, but are having to be used to offset the impact of the PCT’s own savings exercise which switches CHC costs onto the Council as well as local people who are ‘self funders’	-2.030
Purchasing – reduction in Homecare costs across all client groups	-0.458
Income – shortfall of client contributions from all client groups	+0.147
Employee Costs – underspend arising from vacant posts and part year appointments, mainly in the Commissioning and Substance Misuse Teams	-0.232
Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care	+0.703
Supporting People – delay in achievement of saving	+0.246

One off Funding – identified following a detailed review of available funds	-1.256
<u>Neighbourhood & Leisure Services</u>	
Winter maintenance costs in excess of budget	+0.324
Highways Maintenance – additional highways maintenance works	+0.295
Engineers – shortfall in fee income	+0.129
Public Realm – a range of underspends on operational budgets following management action	-0.370
Highways – street lighting and energy costs	-0.121
<u>Development, Business & Housing</u>	
PIP Rental Income – shortfall due to unrealistic income target in current economic climate	+0.228
Building Control & Planning Fees – shortfall due to downturn in the economy and historic unrealistic income target	+0.310
Planning – employee savings arising from vacancy management during restructure process	-0.130
Business Support – one-off underspends due to vacancies	-0.193
Property & Design – underspends relating to premises (property rationalisation savings) and supplies and services	-0.255
Employees – including restructure savings and vacancy management savings	-0.293
<u>Customer & People Services</u>	
ICT – overspend relating mainly to increased costs associated with maintenance contracts and the increase in numbers of staff using ICT and needing licences	+0.346
ICT – shortfall of printing income due to reduced printing volumes resulting in savings being made in local service budgets	+0.131
ICT – capitalisation of ICT revenue spend to support revenue position	-0.307
Education catering client account – shortfall against free school meals income due to reduced take up	+0.187

School Meals – primary school catering - shortfall in meals income due to reduced take up reflective of the economic climate	+0.106
People Services – staff savings arising from vacant posts and restructure	-0.219
NNDR Discretionary Relief – corporate variance - cost of discretionary reliefs granted (non controllable)	+0.109
Court Fee Income – corporate variance - shortfall against income target (non controllable)	+0.120
<u>Law, Democracy & Public Protection</u>	
Land Charges Income – additional search fees income	-0.146
Licensing Income – shortfall arising mainly from taxi licensing	+0.125
<u>Treasury Management</u>	
Benefit of active treasury management seeking to maximise benefits from low interest rates and lower borrowing than anticipated	-0.923
<u>Housing & Council Tax Benefit Subsidy</u>	
Benefit arising from reduced audit fee and council tax benefit overpayment recovery	-0.367
<u>Budgeted Contingency</u>	
Balance of budget contingency remaining at year end	-1.747

Single Status

Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2012/13 accounts, as was the case last year and previous years.

2.4 Final Outturn for 2012/13

Revenue

Final net service expenditure was £126.199m (before clawback of reserves, as detailed below) compared to a budget of £126.254m, an underspend of £0.055m (or -0.04%). Given the context of the Council having to make £19m of budget savings in 2012/13 it was a particularly positive outturn position which demonstrates the strong financial management in the Council. Within the overall position, provision was made to create a one-off contingency of £2.5m for 2013/14 in line with the agreed budget strategy for 2013/14.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Council	126.254	126.199	-0.055
Release of Reserves	0.000	-0.770	-0.770
Net Outturn	126.254	125.429	-0.825
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates	124.864	124.864	0.000
Contribution to (-)/from (+) balances	1.390	0.565	-0.825

This position can be reconciled with the formal Income and Expenditure Account as shown below.

Description	Expenditure £m	Income £m	Net Expenditure £m
Net Cost of Services	456,407	338,531	117,876
Trading Services	3,589	7,786	(4,197)
Pensions Adjustments under IAS 19	209	0	209
Interest Payable and Similar Charges	9,850	0	9,850
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(380)	0	(380)
Interest and Investment Income	0	1,850	(1,850)
Capital Grants and Revenue Grants Unapplied	0	(31,020)	31,020
General Grants (LSSG,LABGI)	0	693	(693)
Remove Depreciation & Impairments, REFCUS etc from Net Operating Cost	(34,418)	0	(34,418)
Accumulated Absences	88	0	88
Minimum Revenue Provision	6,978	0	6,978
Net Movement on Reserves	946	0	946
Total	443,269	317,840	125,429

See also Charts 1, 2 and 3 at the end of this section.

The outturn position has resulted in a general fund balance of £2.594m and a special fund balance of £0.527m (see Note 51 to the Core Financial Statements), giving a consolidated balance of £3.121m. The total for all reserves and usable revenue balances held by the authority is £49.1m, although almost all of this is held to meet known or likely commitments. The total amount available to support future budget strategies is estimated to be £3.7m.

Workforce Analysis

At 31 March 2013 Telford & Wrekin Council employed 3,014 people [2,354 FTEs]:

	Head Count	FTEs
Male	791	697.3
Female	2,223	1,656.7
Total	3,014	2,354.0

INTERNATIONAL ACCOUNTING STANDARD NOTE NO 19 – Retirement Benefits

The objectives of IAS 19 are to ensure that:

- financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- the operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees, and the related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

Overall the deficit on the Council's share of the pension fund has increased by £41.4m; this has been as a result of actuarial losses on liabilities (due to changes in actuarial assumptions in life expectancy, mortality rates and a reduction in the discount rate) offset by actuarial gains on assets. The estimated contributions expected to be paid into the local Government pension scheme next year is £12.175m.

Capital Accounting

Capital

The Council spent £62.784m on capital projects during the year, an underspend of £16.9m against budget within the year although this will be re-phased into future years. Detail is shown in the table below.

Priority Area	2012/13 Approved Budget £m	2012/13 Expenditure £m
Protect and Support Our Vulnerable Children & Adults	4.012	1.932
Protect and Create Jobs as a 'Business Supporting, Business Winning Council'	14.769	11.445
Improve the Health and Well Being of our Communities and Address Health Inequalities	4.435	4.216
Regenerate Those Neighbourhoods in Need and Work Hard to Ensure That Local People Have Access to Housing	9.174	5.536
Ensure That Neighbourhoods are Safe, Clean and Well Maintained	10.019	10.791
Improve Local People's Prospects through Education and Skills Training	34.904	26.161
Managing the Organisation	2.357	2.703
Total	79.670	62.784

Funded by:		
Borrowing	-1.000	-1.391
Capital Receipts	33.139	28.833
Government Grants	46.512	33.965
Revenue	-0.059	0.230
Other External Sources	1.078	1.147
Total	79.670	62.784

The Council has ready access to borrowings from both the Money Markets and PWLB who also act as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council spent £62.8m during 2012/13. There was a net reduction in borrowing by the Council of £1.4m.

Overall the Council's net indebtedness is £79.2m at 31st March 2013 which is a reduction of £15.4m from the previous year.

During the year the Council received the balance of the receipt for the sale of Civic Offices. The total gross receipt including section 106 contributions attributable to the development was £24,000,000. The Council is using this capital receipt to reduce its debt and to wholly fund its new Town Centre accommodation including the purchase of Addenbrooke House and its refurbishment together with the refurbishment of Darby House. This will deliver annual savings of £2m, including £1.1m a year savings in borrowing charges.

The Council has a 28 year PFI contract in place for the building and servicing of school and leisure facilities at Hadley Learning Community and JIGSAW (which provides Education, Health and Social Care packages) for £289m. The costs of the contract will be met from a combination of Government support, school contributions and council support. The Council has approved a budget strategy which makes provision for its commitments. In 2012/13 the authority made payments of £9,607,950 (£9,654,429 in 2011/12) in respect of this PFI contract with Interserve Limited. The authority is committed to making payments estimated at £9,071,500 per annum (index linked starting point September 2006) until the contract expiry date of 2034 and receives £5.9m from the Government to help offset this cost.

Provisions

Insurance – the accounts include a provision to meet a known insurance liability in relation to Municipal Mutual Insurance Limited (MMI) who prior to 1992 provided the majority of insurance cover to Local Authorities, including Wrekin DC and Shropshire County Council. Based on latest claims information the total known liability for Telford & Wrekin is £0.267m. There are potential future costs if the MMI situation deteriorates further. Further information is included in notes 20 and 58.

Severance Costs – the accounts include a provision to meet committed severance costs which have arisen from the ongoing restructuring programme which is part of the savings strategy. The amount in the provision at 31 March 2013 was £2.5m.

Group Accounts

The Council has no significant relationships with other bodies that would necessitate the production of Group Accounts. The Council has examined the relationship with partners including West Mercia Supplies (see note 60 to the accounts) and have concluded that group accounts do not need to be prepared.

2.5 2013/14 Commentary

The Council has a rolling financial planning process. This was updated for 2013/14 formally by reports to the Council's Cabinet in June 2012, September 2012, January 2013 and February 2013. The decisions on the medium term budget strategy at 7 March 2013 Council reflect the outcome of extensive consultation with a wide variety of stakeholders following publication of the draft strategy on the 4 January 2013.

Fundamental changes have been made to the local government finance system for 2013/14 and the Business Rates Retention Scheme has replaced the previous funding mechanism. Under the new scheme the Council will have to bear higher levels of risk relating to business rates volatility and collection. The funding settlement for 2013/14 was announced very late on the 19th December 2012 and as anticipated the Council faced a reduction in funding. The settlement for 2013/14 continues the use of a damping mechanism which results in around £1.6m of grant, that the Government calculate should come to the Council to support the needs of the area, being re-distributed to other parts of the country. Projections beyond 2014/15 have a high degree of uncertainty because of impending Comprehensive Spending Review expected in June 2013 which is likely to impose further savings targets on local government for 2015/16 as central government strive to reduce public spending.

The projected budget gap for 2013/14 was £7.1m; in addition it was agreed to create a one-off contingency of £1.3m for safeguarding pressures and to add £1.2m to the Council's severance fund. The strategy to meet this is: a savings package delivering £8.6m to general fund budgets; £0.1m generated from commercial income; and a council tax increase of 1.9%. As a result, the Council Tax for Council Services in 2013/14 (Band B) is £892 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,147).

2013/14 Net Revenue Budget - £m	
2013/14 Total Net Revenue Spend	133.830
Funded From:	
Government Grant (RSG and top up)	52.391
Retained Business Rates	31.548
Council Tax	49.591
Balances and Collection Fund	0.300
Total Funding	133.830

Looking Ahead

Full Council approved the medium term financial strategy on the 7 March 2013 (available on the Council's web site). Future projections show a budget shortfall of £3.58m in 2014/15 rising to £11.978m in 2015/16, which assumes a council tax increase of 1.9% for the next 2 years and further savings/income generation of £7.5m. Projections are difficult due to a number of factors: uncertainty around the 2014/15 provisional settlement with the potential

for funding to change; the Comprehensive Spending Review for 2015/16 is to be announced at the end of June 2013 and no information on spending totals beyond this; uncertainties relating to the impact of the new Business Rates Retention scheme following implementation in April 2013; the Council took over responsibility for the majority of public health services from the primary care trust; a national election in May 2015. However, it is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance inevitable. Also the Phoenix School became an academy on 1st June 2013 and the assets relating to it will be written out of the accounts during 2013/14.

3. FURTHER INFORMATION

Further information is contained in the Council's Service & Financial Planning Strategy, which is available from the Corporate Finance Unit, Civic Offices, Telford, [contact Bernard Morris on 01952 383702].

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

Details of all purchases made by the Council costing over £100 are published on a monthly basis on the Council's web site.

The Councillor's Code of Conduct requires that members notify the Council's Monitoring Officer of their financial and other interests, by completing a declaration of interests form. The register is open to inspection by the public and you can view copies of the [Declaration of Interest forms](#) on line from this page or they can be accessed from each individual Councillor's webpage and. For further information, please contact Democratic Services on 01952 383211.

Further information in relation to Information Governance is presented to the Council's Audit Committee which can be found via the Council's web site.

Chart 1

**Midlands Authorities 2012/13 Band D Council Tax for Equivalent Unitary Services
(Excluding Police, Fire* and Parish Precepts)**

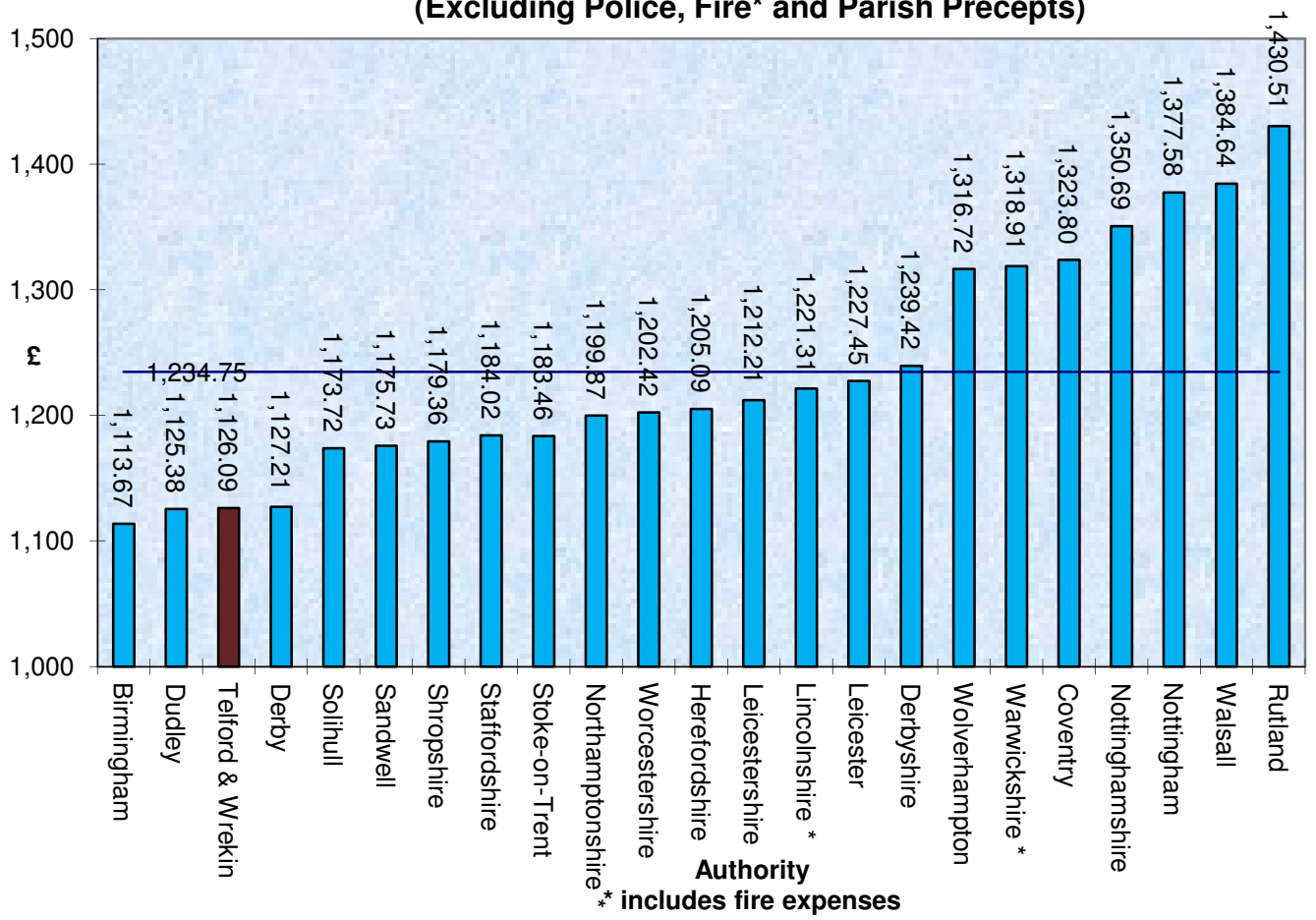


Chart 2

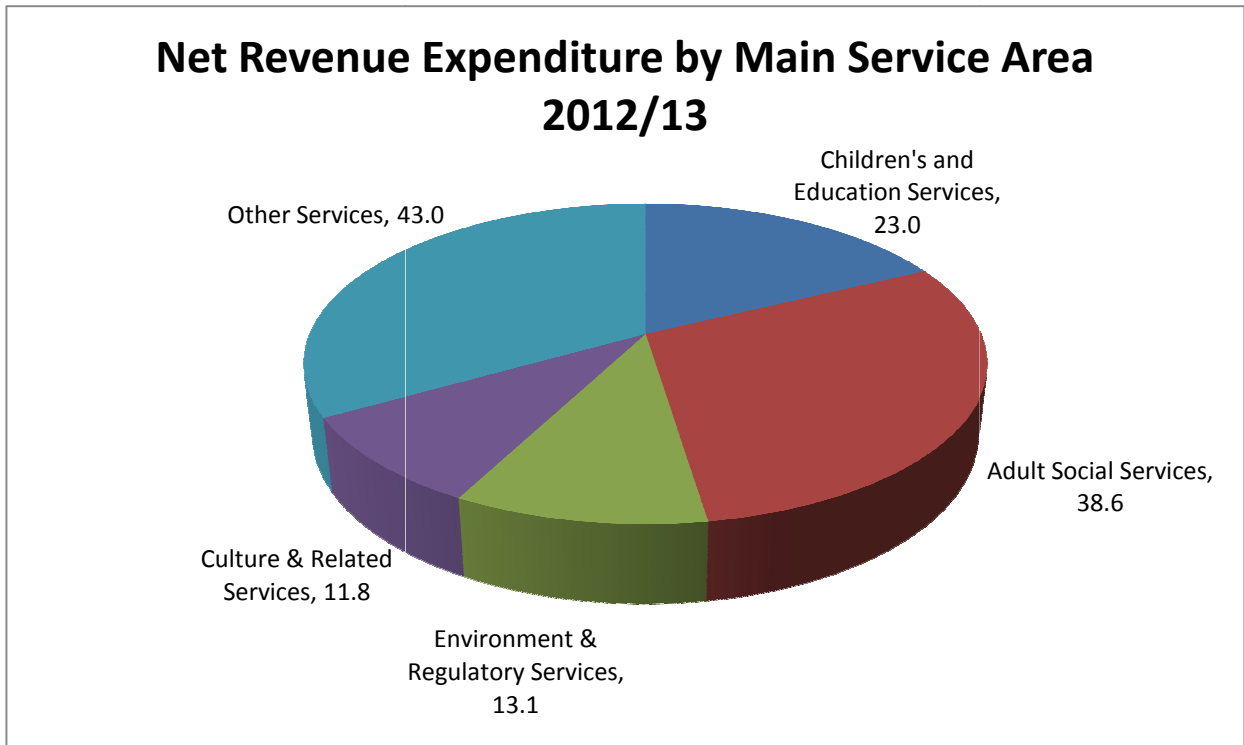


Chart 3

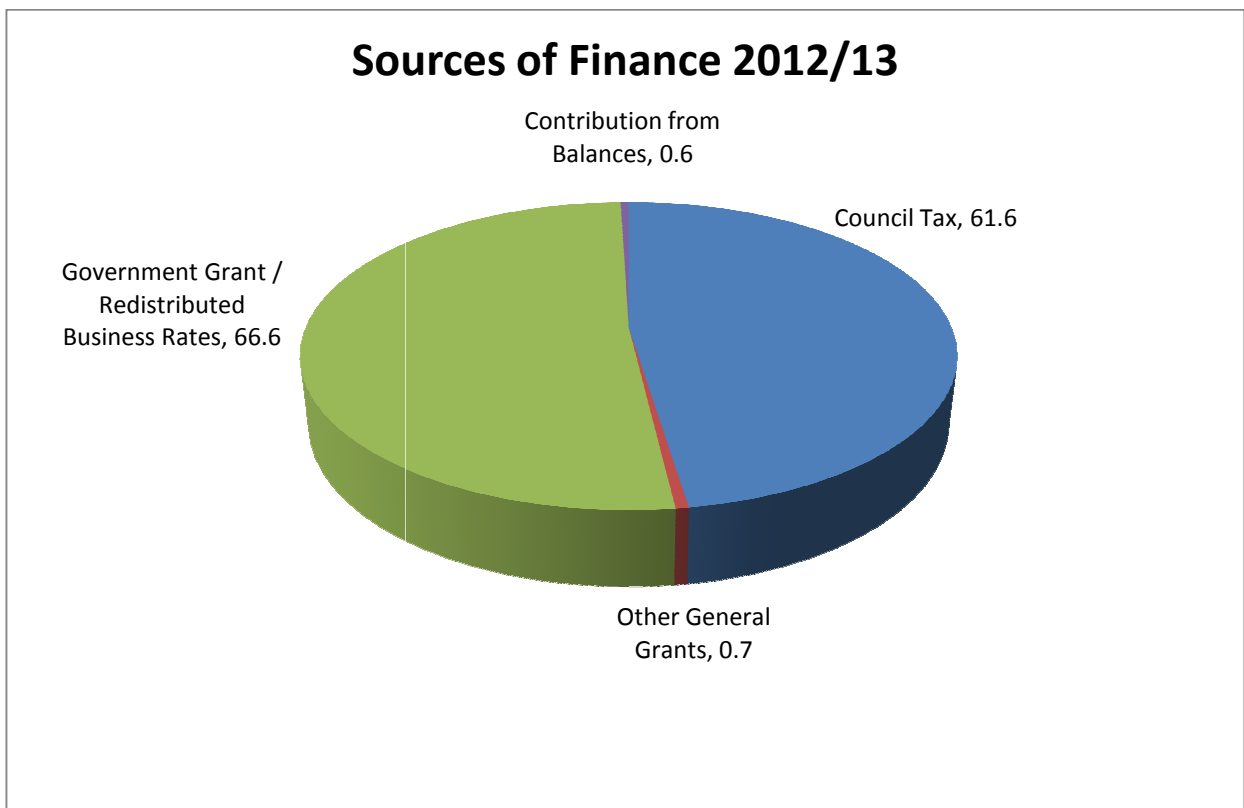


Chart 4

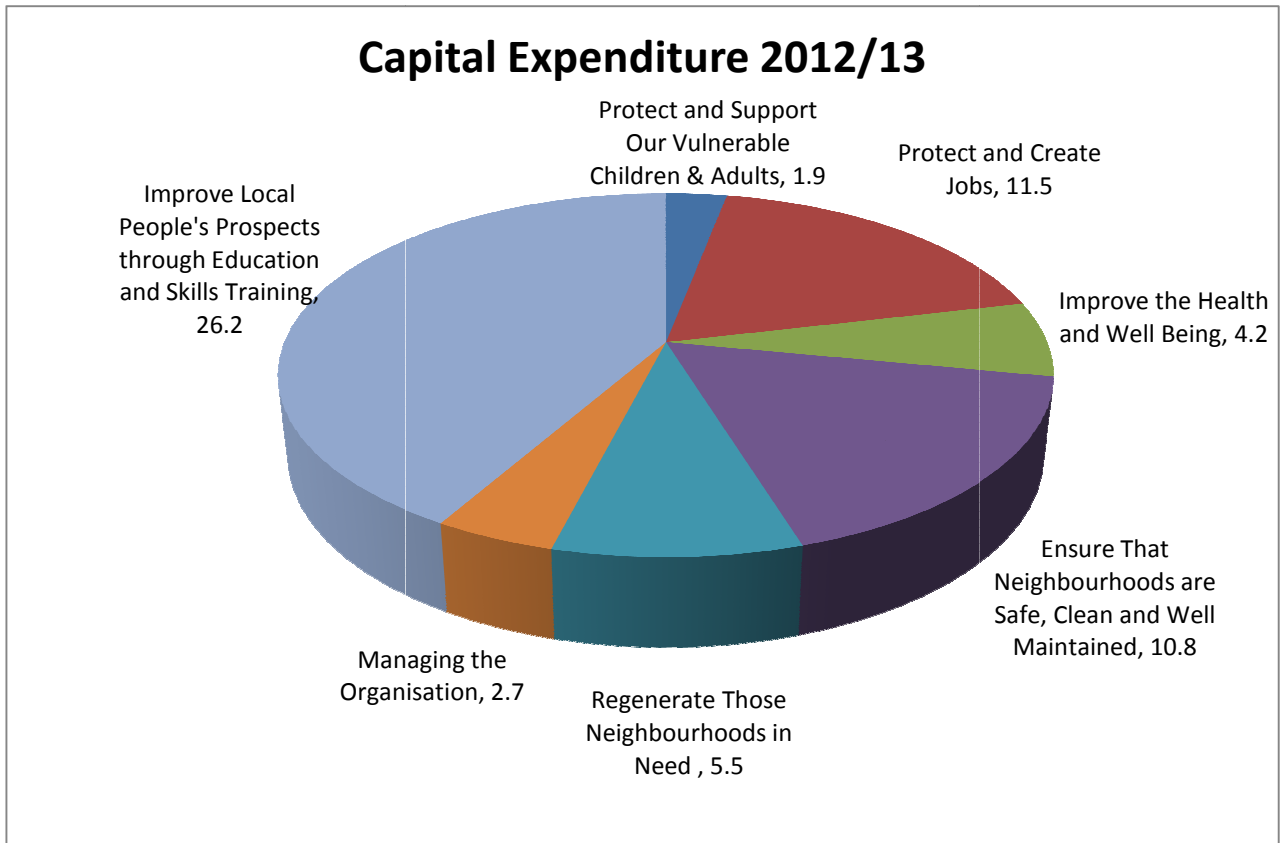
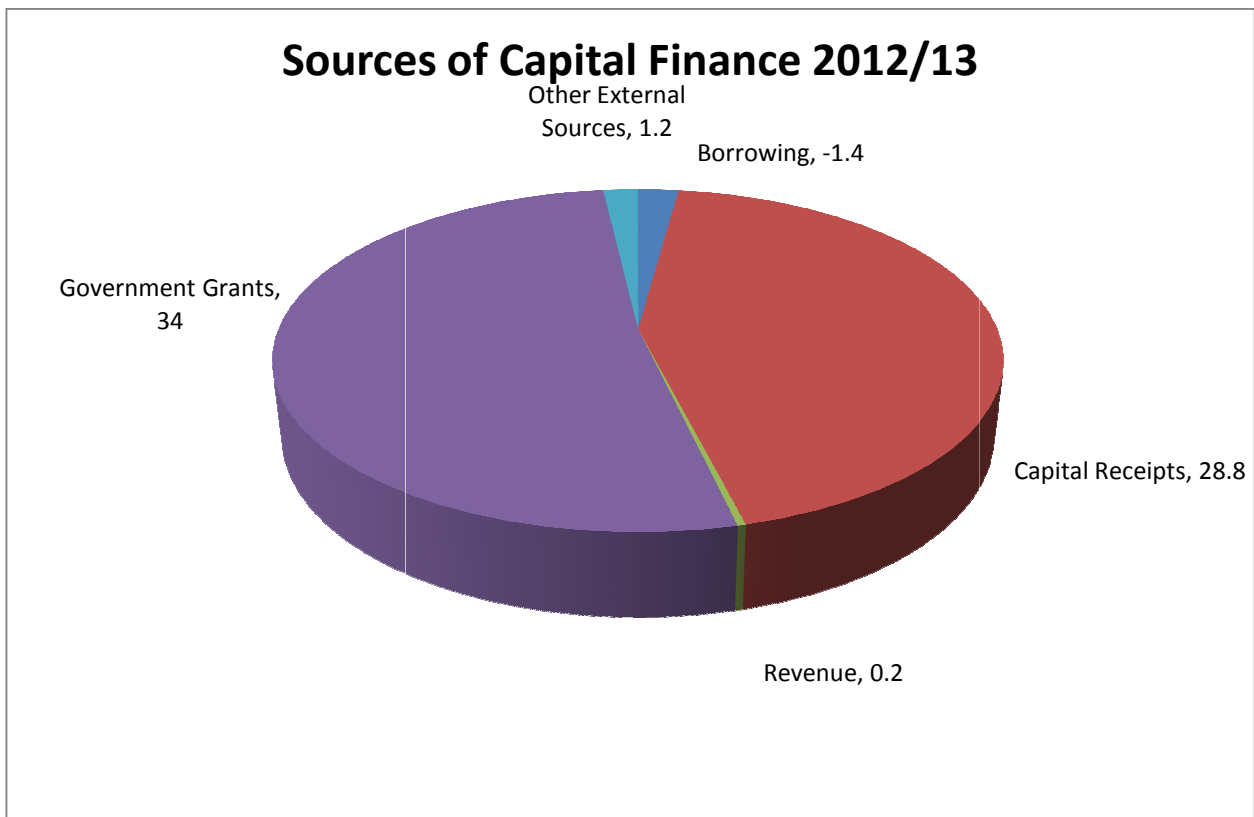


Chart 5



Statement Of Responsibilities

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Director : (Chief Finance Officer);
- to manage its affairs to secure economic, efficient and effective use of resources, safeguard its assets and to approve the Statement Of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2013.

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- signed the letter of representation for the External Auditor

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I hereby certify that the Statement of Accounts on pages 3 to 102 complies with the requirements of the Accounts and Audit Regulations 2011 as amended.

Ken Clarke CPFA,

Assistant Director

Dated: 17 September 2013

APPROVED BY AUDIT COMMITTEE

The Statement of Accounts was approved at a meeting of the Audit Committee on

Councillor

Chair of Audit Committee

Dated : 17 September 2013

ANNUAL GOVERNANCE STATEMENT 2012/13

1. Standards of Governance

1.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, Constitution, and policies of the Council as well as applicable statutory requirements.

2. Scope of Responsibility

2.1 Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively to secure continuous improvement.

2.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities\2012 edition. Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations and ensuring the effective exercise of its functions.

2.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is

based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

3.3 The governance framework has been in place at the Council for the year ended 31st March 2013 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2013/14 and beyond to support good governance, revised service delivery and organisational change.

4. The Governance Framework

4.1 The key elements of the systems and processes that comprise the authority's governance framework include:

- Vision 2026 – Transforming Telford & Wrekin: From New Town to Modern City, the Community Strategy which has been reviewed and updated during 2012/13 – 'Shaping our Future: Our Journey to 2020' to be approved by Council on 3rd May 2013;
- The Council's Medium Term Plan 2012/13 to 2014/15 which outline the Council's ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Co-operative Council principles and clear vision and values for the Council and the Community;
- Clear governance arrangements to manage the Council's change programmes and restructuring occurring across the Council and key capital projects;
- The Council has designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services and Scrutiny Officer;
- The Council's Information Governance Framework including a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- The Performance management framework and data quality systems. These provide reports to SMT, Cabinet and Scrutiny;
- Legal Services ensure that the Council operates within existing legislation and is

- aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
 - SMT meets weekly with regular management meetings with Service Delivery Managers and Group/Team Leaders;
 - Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
 - The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
 - The development of internal controls and checks within new systems and when existing systems are reviewed;
 - The Council's human resources and workforce/organisational development procedures are supported by clear recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development;
 - Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
 - Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
 - The Council's communication and consultation strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
 - The deputy Leader of the Cabinet is the lead member responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and the strategic risk register is reviewed by SMT and Cabinet;
 - The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
 - Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
 - The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
 - Internal audit review controls based on risk to provide assurance and recommendations for improvement and the Audit & Information Governance Manager has previously been measured by external Audit against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010) and this year against the CIPFA Code of practice for Internal Audit in Local Government;
 - Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
 - The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
 - A list of significant projects and their governance arrangements was agreed by SMT in April 2012 and then monitored by them;
 - Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management.
 - Awareness and training for members within their member development programme and for officers through induction, Staff news, and update sessions on any revised governance arrangements (including information governance).
- 5. Review of Effectiveness**
- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
 - b) the work of internal audit; and also
 - c) by comments made by the external auditors and other external review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to

their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.

5.3 The Council's Scrutiny function continues to review the decision making process and areas of concern. The subjects for the areas of concern are informed by community consultation, direct feedback to members from within the community and the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.

5.4 The Internal Audit plan is informed by the Council's financial, performance and risk management processes, external inspection reports, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance arrangements and internal control system. During 2012/13 the Internal Audit team achieved 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the systems of internal control.

5.5 Internal Audit report on a quarterly basis and also annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations. The Audit Committee has also reviewed benchmarking information on Internal Audit.

5.6 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on the state of the markets that influence/affect delivery of the strategy.

5.7 The Council's performance management framework has systems and procedures which drive continuous improvement in performance. This has been reviewed and developed to reflect the Government's Single Data List.

5.8 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work is required to some areas within the Constitution and management procedures and this

is included in the action plan attached to this statement (Annex 1).

5.9 The Council recognises the importance of Information Governance and has taken significant steps to improve the security of its IT, paper and handling processes to meet the compliance requirements for Data Handling in Government. Following a reorganisation of resources to co-ordinate information rights responses in October 2011 the Audit & Assurance Team was restructured in September 2012 to become the Audit & Information Governance Team, reflecting further the importance of Information Governance to the overall governance arrangements. Information Governance support has continued during 2012/13 and this has been reported to the Audit Committee including information on responses to information rights requests and data security breaches. The Council reported two data breaches to the Information Commissioners Office (ICO) in 2011/12 and in June 2012 were fined £90,000. During 2012/13 no enforcement action has been taken by the ICO despite exchanges of correspondence between the ICO and the Council due to referrals to the ICO by the public and other third parties.

5.10 ICT infrastructure upgrades during the year have further improved security, data handling and business continuity.

5.11 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.

5.12 The requirements under the Accounts and Audit (England) Regulations 2011 require a review of internal audit and the External Auditors review of Internal Audit has been used to meet this requirement. The results of the review will be presented to the Audit Committee as part of the Internal Audit Annual Report.

5.13 The External Auditor's Annual Audit Letter 2011/12 included in its headlines:

- VFM conclusion – We issued an unqualified value for money ("VFM") conclusion for 2011/12 on 27 September 2012. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
- Audit opinion - We issued an unqualified opinion on your financial statements on 27 September 2012. This means that we believe the

financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

5.14 There was an inspection of Safeguarding and Looked after Children’s Services by Ofsted and the Quality Care Commission from 25th June – 6th July 2012. The main findings are shown below but the full report is available at www.ofsted.gov.uk :

Area	Grading
Safeguarding services	
Overall effectiveness	Adequate (3)
Capacity for improvement	Adequate (3)
Services for looked after children	
Overall effectiveness	Adequate (3)
Capacity for improvement	Adequate (3)

An action plan to address the immediate, short and long term recommendations made has been developed and implementation is being monitored by SMT and members.

5.15 Ofsted also reviewed the Council’s Fostering Service on 24th January 2013. The main findings are shown below but the full report is available at www.ofsted.gov.uk

Area	Grading
Overall effectiveness	Adequate (3)
Outcomes for children and young people	Adequate (3)

An action plan to address the recommendations made has been developed and implementation is being monitored by SMT and members.

5.16 There were 3 Ofsted inspections of Children’s Centres in the Borough during 2012/13. Copies of the reports are available at www.ofsted.gov.uk but the main findings were

Location	Date	Inspection Area	Grading
Oakengates	15 - 16/11/12	Overall effectiveness	Satisfactory (3)
		Capacity for improvement	Satisfactory (3)
St Georges	17 - 18/10/12	Overall effectiveness	Inadequate (4)
		Capacity for improvement	Inadequate (4)
Dawley	3 - 4/10/12	Overall effectiveness	Inadequate (4)
		Capacity for improvement	Satisfactory (3)

These inspections occurred over a short period of time, the inspections were critical of our use of data to inform programmed activity and hence reach the right families. Significant

improvements have already been implemented in this area with action plans in place to address the remaining recommendations and these are being monitored by senior management and members. Ofsted recognises that a recent restructure of the service area is starting to have a positive impact.

5.17 Whilst T&W Council is primarily a commissioner of care services, the Council does directly provide some care services which are registered and inspected by the Care Quality Commission. In 2012/13 CQC undertook the following inspections and the outcomes were:

Intermediate Care - Domiciliary Care – All standards met – 22.2.2013

Carwood Residential Home – All standards met – 8.8.2012

Downing House Residential Home - All standards met other than a required action in respect of medication processes (though recognised that no residents had been put at risk and action plan agreed with CQC) – 22.2.2013

The following services were not inspected in 2012/13:

Shared Lives - Adult Placement Scheme – Last inspection rated “excellent”

Community Services – Learning Disability, Domiciliary Care – Last inspection rated “excellent”

5.18 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, senior managers, Internal Audit and external review, and plan to address weaknesses and ensure continuous improvement of the framework as outlined in the action plan attached as Annex 1.

Managing Director

Dated

Leader of the Council

Dated:

Chair of Audit Committee

Dated:

ACTION PLAN FOR 2012/13 AGS TO BE IMPLEMENTED 2013/14

No	Action	Lead Officer	Comments	Date
1.	Strategic management of continued organisational change in respect to the co-operative council and continued development and implementation of revised governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance).	Managing Director and SMT	Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members.	Ongoing 31/03/14
2.	Managing Decision making: a) Outstanding constitutional changes to reflect the revised organisational structures & ways of working b) Preparations for the revised external audit arrangements.	Assistant Director Law, Democracy & Public Protection and Assistant Director Finance, Audit & IG	This action develops further the implementation of previous actions in respect to the Constitution and revised external audit arrangements.	(a) 31/03/14 (b) – will need to respond to consultations on the proposed future changes during 13/14.
3.	<ul style="list-style-type: none"> Review of our Workforce Development priorities and delivery Continue to review and update the management competencies and skills required in the revised organisation. Review of HR policies and processes to support the organisational changes and People Services restructure. 	Assistant Director Customer and People Services	People Services has been fully restructured and implemented and interviews for an Organisational Development and Talent Manager will hopefully be appointed to on 15 th May. The post is critical in taking a lead on workforce development and management development. A workforce plan for children's services has already been completed in line with Ofsted requirements. A review of HR policies has commenced with priority being given to sickness absence and capability policies. A number of other policies have been redesigned and reduced to maximum of 4 pages to make them more accessible and more business relevant. Work to 'lean' the recruitment process from start to finish commences in June.	31/03/14 and on going
4.	Further develop the governance and decision making arrangements for the Health & Well Being agenda and the transferred health services including Public Health	Director: Care, Health & Well-Being	Further clarification required of the governance (including clinical governance) and decision making routes for transferred Public Health and other Health services to meet the Health & Well Being Strategy.	31/12/13
5.	Implement the action plans from the Ofsted and Care Quality Council inspection reports (Safeguarding, Services for Looked after Children, Fostering Services, Children's Centres and Adult Care Provider Services).	Director: Children & Family Services and Director: Care, Health & Well-Being	This action plan is particularly focussed on any recommendations that improve the governance arrangements in these areas.	Various dates throughout 2013/14
6.	Agree and implement the appropriate governance arrangements in respect to the Commercial Projects which form part of the income generation programme.	Managing Director	An internal Commercial Board has been set up to oversee the development and implementation of key commercial projects (including the set up and design of the associated governance arrangements).	On going during 2013/14

Auditors' Report

Report to be added after audit complete

Report to be added after audit complete

Report to be added after audit complete

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011 carried forward (restated)	3,263	33,847	12	3,018	40,140	21,946	62,086
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services (restated)	8,157	0	0	0	8,157	0	8,157
Other Comprehensive Income and Expenditure (restated)	0	0	0	0	0	(2,087)	(2,087)
Total Comprehensive Income and Expenditure (restated)	8,157	0	0	0	8,157	(2,087)	6,070
Adjustments between accounting basis & funding basis under regulations (Note 7) (restated)	(10,296)	0	(12)	15,017	4,709	(4,709)	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves (restated)	(2,139)	0	(12)	15,017	12,866	(6,796)	6,070
Transfers to/(from) Earmarked Reserves	2,562	(2,562)	0	0	0	0	0
Increase/ (Decrease) in 2011/12	423	(2,562)	(12)	15,017	12,866	(6,796)	6,070
Balance at 31 March 2012 carried forward (restated)	3,686	31,285	0	18,035	53,006	15,150	68,156

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(21,437)	0	0	0	(21,437)	0	(21,437)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(29,372)	(29,372)
Total Comprehensive Income and Expenditure	(21,437)	0	0	0	(21,437)	(29,372)	(50,809)
Adjustments between accounting basis & funding basis under regulations (Note 7)	22,174	0	53	(4,680)	17,547	(17,547)	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	737	0	53	(4,680)	(3,890)	(46,919)	(50,809)
Transfers to/(from) Earmarked Reserves	(1,302)	1,302	0	0	0	0	0
Increase/ (Decrease) in 2012/13	(565)	1,302	53	(4,680)	(3,890)	(46,919)	(50,809)
Balance at 31 March 2013 carried forward	3,121	32,587	53	13,355	49,116	(31,769)	17,347

Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

SERVICE	2011/12 Gross Expenditure restated £'000	2011/12 Income £'000	2011/12 Net Expenditure restated £'000	2012/13 Gross Expenditure £'000	2012/13 Income £'000	2012/13 Net Expenditure £'000
Children's and Education Services (note 33)	179,692	166,551	13,141	177,152	154,159	22,993
Adult Social Care	72,420	29,039	43,381	70,666	32,022	38,644
Environment & Regulatory Services	15,556	1,668	13,888	15,892	2,777	13,115
Cultural and Related Services	24,066	11,342	12,724	22,611	10,794	11,817
Planning Services	17,123	22,472	(5,349)	11,846	8,681	3,165
Highways & Transport Services	17,378	11,378	6,000	18,360	13,249	5,111
Housing Services	77,912	71,981	5,931	81,373	75,504	5,869
Court & Probation Services	260	0	260	287	2	285
Contribution re Former County Council Debt	2,123	0	2,123	2,033	0	2,033
Corporate & Democratic Core	4,895	0	4,895	3,784	0	3,784
Central Services	56,622	46,436	10,186	50,580	41,343	9,237
Non Distributed Costs	2,942	0	2,942	1,823	0	1,823
Net Cost of Services (Note 26)	470,989	360,867	110,122	456,407	338,531	117,876
Other Operating Expenditure (Note 9)			5,531			21,364
Financing and investment income and expenditure (Note 10)			9,035			11,096
Taxation & Non Specific Grant Income (Note 11)			(132,845)			(128,899)
(Surplus) or deficit on provision of services			(8,157)			21,437
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(24,203)			(4,963)
(Actuarial Gains)/Losses on Pension assets/liabilities (Note 42)			26,290			34,335
Other Comprehensive Income & Expenditure			2,087			29,372
Total Comprehensive Income and Expenditure			(6,070)			50,809

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2011 (Restated) £'000	31 March 2012 (Restated) £'000		31 March 2013 £'000	31 March 2013 £'000
314,132	339,901	Property, Plant & Equipment (Note 12)	346,896	
51,763	53,611	Investment Properties (Note 13)	52,564	
799	2,159	Intangible Assets (Note 49)	1,842	
40,033	25,033	Long Term Investments (Notes 14,45,48)	10,033	
491	592	Long Term Debtors (Note 14)	598	
407,218	421,296	Total Long Term Assets		411,933
		Current Assets		
449	358	Inventories (Note 15)	294	
21,094	28,978	Debtors (Notes 14,16)	21,182	
20,000	25,000	Investments - (short term) (Notes 14,45,48)	15,000	
5,873	25,547	Assets held for sale (Note 18)	6,874	
133	15	Landfill Allowances Asset Account (Note 61)	18	
15,489	3,651	Cash and Cash Equivalents (Note 17)	7,885	
<u>63,038</u>	<u>83,549</u>		<u>51,253</u>	
		Current Liabilities		
(1,912)	(3,161)	Provisions (Note 20)	(2,725)	
(24,382)	(37,147)	Short term borrowing (Notes 14,45)	(11,093)	
(81,262)	(69,378)	Creditors (Notes 14,19)	(76,471)	
(130)	(16)	Landfill Allowances Liability Account (Note 61)	(21)	
<u>(107,686)</u>	<u>(109,702)</u>		<u>(90,310)</u>	
(44,648)	(26,153)	Total Net Current Assets/(Liabilities)		(39,057)
(106,523)	(110,522)	Less Long Term Borrowing (Notes 14,45)		(99,521)
(62,151)	(61,443)	Less Long Term Creditors (PFI & Finance Leases) (Note 14)		(59,774)
(122,295)	(154,587)	Less Pensions Liability (Note 42)		(196,006)
(9,515)	(435)	Capital Grants Receipts in Advance (Note 34)		(228)
<u>62,086</u>	<u>68,156</u>	Net Assets		<u>17,347</u>
40,140	53,006	Usable Reserves (Note 8)		49,116
21,946	15,150	Unusable Reserves (Note 22)		(31,769)
<u>62,086</u>	<u>68,156</u>			<u>17,347</u>

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2011/12 Restated		2012/13
£000		£000
<i>(8,157)</i>	Net (surplus) or deficit on the provision of services	21,437
<i>(17,637)</i>	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 62)	(84,625)
57,473	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 63)	59,246
31,679	Net cash flows from Operating Activities (Note 23)	(3,942)
<i>(6,420)</i>	Investing Activities (Note 24)	(37,088)
<i>(13,421)</i>	Financing Activities (Note 25)	36,796
11,838	Net (increase) or decrease in cash and cash equivalents	(4,234)
15,489	Cash and cash equivalents at the beginning of the reporting period	3,651
3,651	Cash and cash equivalents at the end of the reporting period (Note 17)	7,885

Notes to the Accounts

1. Accounting Policies

a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (COP): Based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). They are further supplemented by International Public Sector Accounting Standards (IPSAS) and United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) comprising the Application of Statements of Standard Accounting Practice (SSAPs) Financial Reporting Statements (FRSs) and pronouncements of the Urgent Issues Task Force (UITF).

b) Concepts

These accounts have been prepared in accordance with the all pervading concepts of accruals and going concern, together with relevance, reliability, comparability, understandability and primacy of legal requirements as set out in the COP.

c) Accruals of Expenditure & Income

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and IAS 18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

d) Local Services Support Grant

Local Services Support Grant was introduced in 2011/12. The actual sum due for the year is shown in the accounts in line with the accruals concept.

e) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investments that are short-term, highly liquid investments held at the Balance Sheet date that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of changes in value. Under this definition investments held in call accounts would count as cash equivalents but fixed term investments and investments in notice accounts would not, as they are not readily convertible to cash.

f) Contingent Asset

A contingent asset is a possible asset that arises for a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. The Council does not recognise contingent assets, but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

g) Contingent Liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Council or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Council does not recognise a contingent liability but discloses its existence in the financial statements.

h) Employee Benefits

The accounting arrangements for Employee Benefits are covered by IAS 19. The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

The areas of remuneration that relates to the Council are as follows

Salaries and Wages

Compensated Absences (paid annual leave and sick leave)

Pensions Benefits

Termination Benefits

Salaries and Wages

The amount of salary or wage earned by an employee will be recognised in the financial year to which it relates.

Compensated Absences

The expected cost of short-term compensated absences should be recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

In relation to annual leave and time off in lieu an estimation of the value of any untaken annual leave and the time off in lieu position at the end of the financial year will be undertaken and an appropriate amount included in the accounts. Sick leave is non accumulating and is accounted for when absences occur.

Pensions Benefits

The Council participates in two formal pension schemes, the Local Government Pension Scheme, which is administered by Shropshire County Pension Fund, and the Teacher's Pension Scheme administered by the Teacher's Pension Authority.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The Comprehensive Income & Expenditure account is adjusted by IAS 19 entries.

These costs have been determined on the basis of contribution rates that are set to meet the liabilities of the Pension Fund, in accordance with relevant Government regulations.

In accordance with standard accounting practice for local authorities, the additional costs that it would have been necessary to provide for in the accounts for the period under IAS 19 are disclosed by way of a note to the Core Financial Statements.

It should be noted that with effect from April 1993 arrangements have been set in place to ensure that 100% funding is achieved.

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) additional disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2012/13 COP. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any authority's share of the assets and liabilities under the Teachers scheme.

The age profile of this Council's Local Government Pension Scheme is not currently rising significantly, so we should not see the current liabilities of the scheme rising significantly as the members approach retirement.

Termination Benefits

Any termination benefits awarded during the financial year will be included in the Comprehensive Income and Expenditure Statement in that year, where that has not been paid at the balance sheet date, a provision will be created in the accounts for that year.

i) Events After the Balance Sheet Date

Where a material post balance sheet event occurs which

- Provides additional evidence relating to conditions existing at the balance sheet date ; or
- Indicates that application of the going concern concept to a material part of the authority is not appropriate;

Changes will be made in the amounts to be included in the statement of accounts.

j) Exceptional Items and Prior Period Adjustments

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the company, and which need to be disclosed separately by virtue of their size or incidence if the financial statements are to give a true and fair view.

Prior Period Adjustments relate to corrections of errors in the financial statements of prior periods, retrospective adjustments resulting from changes to accounting policy or adoption of new accounting treatments. The correct accounting treatment for prior period adjustments for a comparative financial statement is to restate the amount to be adjusted and show the impact on the accounts. Please see Note 2.

k) Financial Instruments

Investments are shown in the Balance Sheet at amortised cost. The council has some investments managed by external fund managers and these are held as fair value through profit or loss.

Loans are shown in the accounts at amortised cost. Within the notes to the accounts the fair value of both loans and investments are shown.

l) Government Grants and Other Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is recognised in the comprehensive income and expenditure statement unless there is an outstanding condition where it is transferred to capital grant receipts in advance until the condition is met or the grant is returned.

m) Intangible Assets

An intangible asset is an *identifiable* non-monetary asset without physical substance. It must be *controlled* by the authority as a result of past events, and *future economic benefits* must be expected to flow from the intangible asset to the authority. Usually within local authorities this relates to in house developed software.

n) Inventories and long term contracts

Stocks are valued in accordance with ISA 2 at current value with an allowance made for obsolescent and slow-moving items. Any long term contracts in existence at 31 March are apportioned to the year in relation to when the work was carried out rather than the year in which the contract was completed.

o) Investment Properties

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of operations.

p) Landfill Allowances Schemes

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which applies only to WDAs in England and commenced operation on 1 April 2005. The scheme allocates tradable landfill allowances to each WDA in England. Landfill allowances are measured in the accounts at the lower of cost and net realisable value.

q) Leases

The Council accounts for leases as Finance Leases when substantially all the risks and rewards relating to the ownership of the leased asset are transferred to the Council. Leases that do not meet this definition are accounted for as Operating Leases. The Council also operates as Lessor for its Property Investment Portfolio.

The use of leasing, together with the amount of rentals paid during the year and the undischarged obligation is explained in note 37 to the Core Financial Statements.

Rentals payable under operating leases are charged to revenue on an accruals basis.

The cost of assets acquired under operating leases and the related liability for future rentals payable are not included in the balance sheet.

r) Non-current Assets Held for Sale

Assets will be classified as being held for sale if the following conditions are met

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active programme to locate a buyer is initiated
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

s) Overheads

The revenue accounts for the various services include charges for the related support services. These are agreed annually and are based on agreed criteria. Support Services are fully allocated in line with CIPFA recommended practice.

t) Private Finance Initiative

The council has one PFI scheme. An asset has been recognised and a long term financial lease creditor created to reflect the asset in the accounts and recognise the commitment to make future payments to the operator.

u) Property, Plant & Equipment

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure on property, plant and equipment is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of property, plant and equipment, which is charged direct to service revenue accounts.

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). The Council, under de minimis, excludes assets from its register with a value below £10,000. Property, plant and equipment are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value.
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties, this is normally open market value.
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

Revaluations of property, plant and equipment are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. Surpluses or deficits arising from revaluation are credited or debited to the revaluation reserve respectively as long as there is a sufficient balance on the reserve in respect of deficits, where

there is an insufficient balance or a clear consumption of economic benefits deficits are charged to the income and expenditure account as impairments.

Assets acquired under finance leases are capitalised in the Authority's accounts, together with the liability to pay future rentals. Other assets previously acquired under advance and deferred purchase schemes are also recognised and included in the balance sheet.

Income from the disposal of property, plant and equipment is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans and forms part of the capital financing account, and has not been used, is included in the balance sheet as useable capital receipts.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW for £289m.

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the property, plant and equipment used under the contracts on the Balance Sheet.

The original recognition of this property, plant and equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Property, plant and equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

Amounts payable to PFI operators are analysed into five elements. Fair value for the services received in the year (debited to the appropriate service). Finance cost (debited to interest payable and similar charges). Contingent rent – increases in the amount to be paid for the property arising during the contract (debited to interest payable and similar charges). Payment toward liability (applied to write down the Balance Sheet liability towards the PFI operator). Lifecycle replacement costs (recognised as a fixed asset on the balance sheet).

Expenditure on site clearance carried out prior to contract signature is capitalised as part of the Council's land value.

As at 31st March 2013 there were 5 significant capital contracts in place. These total £40.0m and are detailed in the notes.

v) Depreciation

Depreciation is provided for on all property, plant and equipment with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:-

- * newly acquired assets are depreciated from the start of the year, although assets in the course of construction are not depreciated until they are brought into use. No depreciation is applied in the year of disposal.
- * depreciation is calculated using the straight-line method after allowing for the residual value of the asset and its estimated life.
- * depreciation is not provided for on Investment Properties.

w) Charges to Revenue in respect of Property, Plant and Equipment

General fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all property, plant and equipment used in the provision of services. The total charge covers the annual provision for depreciation and impairments. Where there is sufficient balance in the Revaluation Reserve, impairments are charged there, otherwise they are charged to the Revenue Account. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the income and expenditure account, below net operating expenditure.

x) Provisions

The Council sets aside provisions for specific future expenses which are likely, or certain, to be incurred, based on the best estimate available.

y) Reserves

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in note 8 to the Core Financial Statements.

The current system of capital accounting also requires the maintenance of two accounts in the balance sheet:

- * the revaluation reserve, which represents principally the balance of the upward revaluations of property, plant and equipment and;
- * the capital adjustment account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on property, plant and equipment or for the repayment of external loans and certain other financing transactions.

z) Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute (formerly deferred charges) represents expenditure which may properly be capitalised, but which does not create tangible fixed assets. These are written off to the Income and Expenditure account in year.

aa) Value Added Tax

Local Authorities pay VAT on purchases and charge VAT on supplies of goods and services. Usually the amount of VAT paid on purchases is greater than that received for goods and services and the difference is reclaimed. The figures included in the statement of accounts exclude VAT except in infrequent circumstances where it is not reclaimable.

ab) Direct Revenue Financing of Capital Expenditure

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2012/13, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

ac) Interest on surplus funds and balances

All interest earned on surplus cash or funds and balances is taken to the General Fund, except appropriate interest that is credited to the school balances, section 106 agreements, commuted sums, insurance provision (Ex Shropshire Council) and certain Adult & Consumer Care balances.

ad) Capital Receipts

Capital receipts from the disposal of assets are held in the useable capital receipts account until such time as they are used to finance other capital expenditure or to repay debt.

ae) The Redemption of Debt

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008 and Explanatory Memorandum and Guidance.

The "Minimum Revenue Provision" (MRP) is calculated by setting aside 4% of the principal outstanding in relation to assets funded from Government allocations. For assets funded from prudential borrowing, MRP is calculated on the basis of the life of the asset and the ultimate funding of that asset. MRP is not charged until the year after the asset comes into operation.

af) Estimation Techniques

Estimation techniques are methods adopted by the authority to arrive at an estimated monetary amount, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at using an estimation technique.

ag) Heritage Assets

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For the Council's heritage assets no cost information is available and the cost of obtaining that value is disproportionate to the benefit.

A list of the Council's Heritage assets is included in Note 64.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

ah) Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted and Prior Period Adjustments

For 2012/13 the following new standards have been issued but not yet adopted;

- IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Liabilities). The amendments are intended to assist users of the financial statements to evaluate the effect or potential effect of netting arrangements on the Authority's financial position. However it is our view that the transfers described in the standard have not occurred within the authority.
- IAS 1 Presentation of Financial Statements–Other Comprehensive Income (June 2011 Amendments) As this standard only addresses presentation issues, no disclosure of the impact of the change is required.
- IAS 12 Deferred Tax: Recovery of Underlying Assets (December 2010 Amendments). It is our view that this is not relevant to local authority financial statements.
- IAS 19 Employee Benefits (June 2011 Amendments). We have discussed the likely implications of this amendment with the Actuary of the Council's pension Fund and have drawn the following conclusion. There will only be a relatively limited impact on the financial statements of the authority. The values shown in the balance sheet will be unchanged. The current service cost shown in the I&E would increase by £0.270m, interest on pension liability will fall by £0.270m, there is a new charge for administration expenses of £0.294m. Interest received on plan assets would reduce by £0.284m. These would be fully offset by a reduction in remeasurements of £0.578m. Giving an overall impact of nil. Some of the percentages in the statement of accounts will change fractionally.

The council undertook a full review of its asset register in the light of emerging guidance in relation to the accounting treatment of trust schools and a number of adjustments were identified. These related to schools that had become trusts in previous years and under the guidance should have been removed from the asset register through disposal for nil proceeds. Also some investment properties had been incorrectly treated in 2011/12, together with some asset swaps, although these were not material. Some of the adjustments related to years prior to 1st April 2011 and as a result some opening balances have been amended. There have been amendments to depreciation, impairment, profit/loss on disposal of fixed assets and revenue expenditure financed from capital under statute. Overall there has been a reduction in the value of Property, Plant and Equipment and an increase in the value of Investment Property. The amendments made to the statement of accounts are as follows (only the changed lines shown).

Movement In Reserves Statement

Main contribution to the change is lower level of impairment for investment properties and lower depreciation of assets in relation to trust schools no longer included in the asset register.

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Balance at 31 March 2011 – Unusable Reserves	40,728	-18,782	21,946
Balance at 31 March 2011 – Total Authority Reserves	80,868	-18,782	62,086
Movement During 2011/12 – Surplus on the provision of services – General Fund Balance	5,848	+2,309	8,157
Movement During 2011/12 – Other Comprehensive Income and Expenditure – Unusable Reserves	(1,035)	-1,052	(2,087)
Total Comprehensive Income and Expenditure – Total Authority Reserves	4,813	+1,257	6,070
Adjustments between accounting basis and funding basis under regulations – General Fund Balance	(7,987)	-2,309	(10,296)
Adjustments between accounting basis and funding basis under regulations – Total Usable Reserves	7,018	-2,309	4,709
Adjustments between accounting basis and funding	(7,018)	+2,309	(4,709)

basis under regulations – Unusable Reserves			
Net Increase/Decrease before transfer to earmarked reserves – Unusable Reserves	(8,053)	+1,257	(6,796)
Net Increase/Decrease before transfer to earmarked reserves – Total Authority Reserves	4,813	+1,257	6,070
Increase/Decrease in 2011/12 – Unusable Reserves	(8,053)	+1,257	(6,796)
Increase/Decrease in 2011/12 – Total Authority Reserves	4,813	+1,257	6,070
Balance at 31 March 2012 carried forward – Unusable Reserves	32,675	-17,525	15,150
Balance at 31 March 2012 carried forward – Total Authority Reserves	85,681	-17,525	68,156

Comprehensive Income and Expenditure Account

Description	Original Figure	Trust Schools	Other	Revised Figure
	£000	£000	£000	£000
Children's and Education Services – Gross Expenditure	180,391	-699	0	179,692
Children's and Education Services – Net Expenditure	13,840	-699	0	13,141
Planning & Development – Gross Expenditure	17,115	0	+8	17,123
Planning & Development – Net Expenditure	(5,357)	0	+8	(5,349)
Central Services Provided to the Public – Gross Expenditure	61,166	0	-44	61,122
Central Services Provided to the Public – Net Expenditure	10,230	0	-44	10,186
Net Cost of Services – Gross Expenditure	476,224	-699	-36	475,489
Net Cost of Services – Net Expenditure	110,857	-699	-36	110,122
Other Operating Expenditure	6,107	0	-576	5,531
Financing and Investment Income and Expenditure	10,033	0	-998	9,035
(Surplus) or deficit on provision of services	(5,848)	-699	-1,610	(8,157)
Surplus or deficit on revaluation of Property, Plant and Equipment Assets	(25,255)	+613	+439	(24,203)
Other Comprehensive Income & Expenditure	1,035	+613	+439	2,087
Total Comprehensive Income and Expenditure	(4,813)	-86	-1,171	(6,070)

Balance Sheet

These adjustments related to lower values because of removal of trust schools and less impairment on Investment properties.

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Property, Plant & Equipment – 31 March 2011	334,572	-20,440	314,132
Property, Plant & Equipment – 31 March 2012	360,658	-20,757	339,901
Investment Properties – 31 March 2011	50,105	+1,658	51,763
Investment Properties – 31 March 2012	50,379	+3,232	53,611
Total Long Term Assets – 31 March 2011	426,000	-18,782	407,218
Total Long Term Assets – 31 March 2012	438,821	-17,525	421,296
Net Assets – 31 March 2011	80,868	-18,782	62,086
Net Assets – 31 March 2012	85,681	-17,525	68,156
Unusable Reserves – 31 March 2011	40,728	-18,782	21,946
Unusable Reserves – 31 March 2012	32,675	-17,525	15,150
Total Reserves – 31 March 2011	80,868	-18,782	62,086
Total Reserves – 31 March 2012	85,681	-17,525	68,156

The following Notes were also amended to correspond with these changes

Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations

Note 10 – Financing and Investment Income and Expenditure

Note 12 – Property, Plant and Equipment

Note 13 – Investment Properties

Note 22 – Unusable Reserves (Revaluation Reserve and Capital Adjustment Account)

Note 26 – Amounts Reported for Resource Allocation Decisions

Note 28 – Market Undertaking and Industrial Units

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for Local Government.

However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £3.7m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £9.5m. However, the assumptions interact in complex ways.
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors for £26.770m. The Council has set aside a bad debts provision of 20.9% (£5.588m) in relation to these. It is our view that this level of provision is sufficient.	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £1.3m to be set aside as an allowance.
Single Status	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2012/13 accounts, as was the case last year.	The costs in relation to the scheme could be lower or higher than the sum provided. If the costs are lower then any excess in the provision would be transferred into the General Fund Balance. If the costs are higher than the provision then there will be an impact on general fund balances and future Council Tax increases.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

5. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items are set out in the notes.

6. Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the Assistant Director on 28 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are 3 after Balance Sheet Date events that we are aware of and they are as follows;

Public Health - as a result of the Public Health Reforms, from 1 April 2013 local authorities have responsibility for the provision of the majority of Public Health services previously provided by primary care trusts. Funding is via a ring-fenced public health grant from the Department of Health, totalling £10.6m in 2013/14 for Telford & Wrekin Council. There are no transactions in relation to Public Health in the 2012/13 accounts and subsequently no comparable years' data will be available for inclusion in the 2013/14 accounts.

Non Domestic Rates – as a result of the new business rates retention arrangements which are effective from 1 April 2013, local authorities have responsibility for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. These costs were previously funded by Central Government and include income that was paid over to Central Government under the old scheme. There is very limited information available in relation to pending appeals, however based on current estimates it is not expected to be material.

Academies – On 1st June 2013 the Phoenix School became an Academy. The net book value of this asset is £19.8m. This will be written out of the accounts during 2013/14 as a disposal for nil receipts.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2012/13	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	18,578	0	0	(18,578)
Revaluation losses on property, plant and equipment	3,681	0	0	(3,681)
Movement in the market value of Investment Properties	1,092	0	0	(1,092)
Revenue expenditure funded from capital under statute	14,748	0	0	(14,748)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the	43,518	0	0	(43,518)

Comprehensive Income and Expenditure Statement				
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(6,978)	0	0	6,978
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(30,664)	0	30,664	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(35,344)	35,344
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(28,886)	28,886	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(28,833)	0	28,833
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	380	0	0	(380)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	19,259	0	0	(19,259)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,175)	0	0	12,175
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(291)	0	0	291
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration	(88)	0	0	88

charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements				
Total Adjustments	22,174	53	(4,680)	(17,547)

2011/12 Comparative Figures	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	22,714	0	0	(22,714)
Revaluation losses on property, plant and equipment	1,799	0	0	(1,799)
Movement in the market value of Investment Properties	(564)	0	0	564
Revenue expenditure funded from capital under statute	20,413	0	0	(20,413)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,970	0	0	(1,970)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(6,397)	0	0	6,397
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(55,567)	0	55,567	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(40,550)	40,550
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,605)	1,605	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,617)	0	1,617
Adjustment primarily involving the Financial Instruments Adjustment Account:				

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	367	0	0	(367)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	18,044	0	0	(18,044)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,042)	0	0	12,042
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	623	0	0	(623)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(51)	0	0	51
Total Adjustments	(10,296)	(12)	15,017	(4,709)

8. Transfers to/from Earmarked Reserves & Balances

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011 carried forward	3,263	24,163	4,829	4,855	12	3,018	40,140
Movement / Use of reserves during 2011/12	423	(1,613)	1,555	(2,504)	(12)	15,017	12,866
Balance at 31 March 2012 carried forward	3,686	22,550	6,384	2,351	0	18,035	53,006
Movement / Use of reserves during 2012/13	(565)	666	256	380	53	(4,680)	(3,890)
Balance at 31 March 2013 carried forward	3,121	23,216	6,640	2,731	53	13,355	49,116

9. Other Operating Expenditure

2011/12		2012/13
£000		£000
2,927	Parish council precepts	3,051
2,604	(Gains)/losses on the disposal of non-current assets	18,313
5,531	Total	21,364

10. Financing and Investment Income and Expenditure

2011/12		2012/13
£000		£000
10,096	Interest payable and similar charges	9,850
5,983	Pensions interest cost and expected return on pensions assets	7,293
(2,454)	Interest receivable and similar income	(1,850)
(4,597)	Income and expenditure in relation to investment properties and changes in their fair value	(4,183)
7	Other investment income and expenditure	(14)
9,035	Total	11,096

11. Taxation and Non Specific Grant Incomes

2011/12		2012/13
£000		£000
(58,284)	Council tax income	(61,161)
(1,200)	Collection Fund Surplus/Deficit	(400)
(54,123)	Non domestic rates	(65,378)
(610)	Local Services Support Grant	(593)
(18,128)	Revenue Support Grant	(1,267)
(500)	Other grants and contributions	(100)
(132,845)	Total	(128,899)

12. Property , Plant and Equipment

Movements in 2012/13:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2012	273,192	18,840	57,411	0	14,515	363,958	59,724
Additions	16,945	3,038	12,761	0	13,162	45,906	315
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,631	56	0	0	0	1,687	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,484)	0	(27)	0	0	(5,511)	0
derecognition – disposals	(21,891)	0	0	0	0	(21,891)	0
assets reclassified (to) /from Assets Under Construction	2,755	29	0	0	(2,784)	0	0
assets reclassified (to)/from Held for Sale	(3,635)	0	0	0	0	(3,635)	0
assets reclassified (to) /from Investment Properties	(802)	0	0	0	0	(802)	0
At 31 March 2013	262,711	21,963	70,145	0	24,893	379,712	60,039
Accumulated Depreciation and Impairment							
at 1 April 2012	12,569	7,622	3,866	0	0	24,057	1,489
depreciation charge	5,858	4,737	1,401	0	0	11,996	1,374
depreciation written out to the Revaluation Reserve	(2,572)	0	0	0	0	(2,572)	0
derecognition – disposals	(665)	0	0	0	0	(665)	0

At 31 March 2013	15,190	12,359	5,267	0	0	32,816	2,863
Net Book Value							
at 31 March 2013	247,521	9,604	64,878	0	24,893	346,896	57,176
at 31 March 2012	260,623	11,218	53,545	0	14,515	339,901	58,235
Information on Assets Held at 31/3/13							
Nature of Holding							
Owned	190,345	8,468	64,878	0	24,893	288,584	
Leased	0	1,136	0	0	0	1,136	
PFI	57,176	0	0	0	0	57,176	
Total	247,521	9,604	64,878	0	24,893	346,896	

Comparative Movements in 2011/12:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2011	259,376	13,253	41,833	100	17,807	332,369	58,032
Additions	14,887	5,587	15,578	0	11,289	47,341	806
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,282	0	0	0	0	6,282	886
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,103)	0	0	0	(74)	(11,177)	0
derecognition – disposals	(3,477)	0	0	0	0	(3,477)	0
assets reclassified (to) /from Assets Under Construction	13,909	0	0	0	(13,909)	0	0
assets reclassified (to)/from Held for Sale	100	0	0	(100)	0	0	0
assets reclassified (to) /from Investment Properties	(7,852)	0	0	0	0	(7,852)	0
At 31 March 2012	1,070	0	0	0	(598)	472	0
	273,192	18,840	57,411	0	14,515	363,958	59,724

Accumulated Depreciation and Impairment							
at 1 April 2011	11,159	4,217	2,863	0	0	18,239	1,832
depreciation charge	6,738	3,405	1,003	0	0	11,146	1,373
depreciation written out to the Revaluation Reserve	(5,752)	0	0	0	0	(5,752)	(1,716)
derecognition – disposals	424	0	0	0	0	424	0
At 31 March 2012	12,569	7,622	3,866	0	0	24,057	1,489

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – 30 to 60 years
- Vehicles, Plant, Furniture & Equipment – 3 to 25 years
- Infrastructure – 25 to 40 years

Capital Commitments

At 31 March 2013, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £40.0m. Similar commitments at 31 March 2012 were £22.0m. The major commitments are:

- Ercall Wood School – £13.33m
- Phoenix School /Dawley SLC – £8.37m
- Southwater One – £11.13m
- Multi Storey Car Park – £5.89m
- Brookside Regeneration – £1.27m

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

12a. Fixed Asset Valuation

The freehold & leasehold properties that comprise the Authority's Property Portfolio have been valued at 1st April 2012 by qualified internal valuers on the basis below in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Not all of the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Assets with a value of less than £10,000 are excluded from the register.

Plant and machinery are included in the valuation of the buildings where they form an integral part of the asset, for example swimming pool filtration equipment and specialist equipment at the Ice Rink. All other vehicles, plant, furniture and equipment are valued at historic cost, less depreciation, as a proxy for current value.

Properties regarded by the Authority as operational are valued on the basis of open market value for the existing use or, where this can not be assessed because there was no market for the asset, the depreciated replacement cost.

Properties regarded by the Authority as non-operational are valued on the basis of open market value.

Community assets acquired since the introduction of capital accounting are valued at cost. Other community assets are valued on a nominal basis. This list differs from the Context Sheet in the

Council's Corporate Asset Management Plan, which only lists properties where the Council has a direct repairing liability.

Investment Properties are valued annually and their current value is £52.564m, Other Land & Buildings are valued over a 5 year rolling programme and the value of assets valued in each of the last 5 years is shown in the table below.

Year	Value
	£000
2008/09	48,354
2009/10	40,867
2010/11	59,882
2011/12	120,710
2012/13	85,058
Total	354,871

Infrastructure and Vehicles, Plant & Equipment are valued at depreciated historical cost and Community Assets are valued at historical cost.

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:-

- newly acquired assets are depreciated from the start of the year, although assets in the course of construction are not depreciated until they are brought into use. No depreciation is applied in the year of disposal.
- depreciation is calculated using the straight-line method after allowing for the residual value of the asset and its estimated life.
- depreciation is not provided for on Investment Properties.

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2011/12	2012/13
	£000	£000
Rental income from investment property	(8,577)	(7,753)
Direct operating expenses arising from investment property	4,544	2,478
Net Operational (gain)/loss	(4,033)	(5,275)
Net (gain)/loss on revaluation of properties	(564)	1,092
Total Net (gain)/loss	(4,597)	(4,183)

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

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

	2012/12	2012/13
	£000	£000
Balance at start of the year	51,763	53,611
Additions	2,230	2,349
Disposals	(474)	(3,106)
Revaluation Increases/Decreases met from net surplus /deficit on provision of services	564	(1,092)
Transfers:		
- to/from Property, Plant and Equipment	(472)	802
Balance at end of the year	53,611	52,564

14. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	2011/12	2012/13	2011/12	2012/13
	£000	£000	£000	£000
Investments				
Loans and receivables	25,033	10,033	25,000	15,000
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	25,033	10,033	25,000	15,000
Debtors				
Financial assets carried at contract amounts	0	0	28,978	21,182
Total Debtors	0	0	28,978	21,182

Borrowings					
Financial liabilities at amortised cost	110,522	99,521		37,147	11,093
Total borrowings	110,522	99,521		37,147	11,093
Other Liabilities					
PFI and finance lease liabilities	61,443	59,774		1,965	2,150
Other Creditors	0	0		67,413	74,321
Total Other Liabilities	61,443	59,774		69,378	76,471

Income, Expense, Gains and Losses

	2011/12			2012/13		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	10,046	0	10,046	9,850	0	9,850
Total expense in Surplus or Deficit on the Provision of Services	10,046	0	10,046	9,850	0	9,850
Interest income	0	(2,454)	(2,454)	0	(1,850)	(1,850)
Total income in Surplus or Deficit on the Provision of Services	0	(2,454)	(2,454)	0	(1,850)	(1,850)
Net gain/(loss) for the year	10,046	(2,454)	7,592	9,850	(1,850)	8,000

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates are based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2011/12		2012/13	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	147,670	179,988	110,614	155,204
Long-term creditors	61,443	61,443	59,774	59,774

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

	2011/12		2012/13	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	50,033	57,294	25,033	32,805
Long-term debtors	592	592	598	598

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2013) attributable to the commitment to receive interest above current market rates.

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

15. Inventories

The council had inventories that totalled £0.294m at 31/3/13 and £0.358m at 31/3/12. These mainly consist of stocks at Leisure Centres, Catering Stocks and Design and Print stocks.

16. Debtors

2011/12 £'000		2012/13 £'000
	Amounts falling due in one year:	
5,363	Government Departments	972
26,032	General Debtors	22,750
27	Car Leasing to Employees	0
2,461	Collection Fund	3,048
33,883		26,770
(4,905)	Provision for doubtful debts	(5,588)
28,978	Total	21,182

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2011/12		2012/13
£000		£000
189	Cash held by the Authority	182
435	Bank current accounts	1,310
3,027	Call Accounts	6,393
3,651	Total Cash and Cash Equivalents	7,885
0	Bank Account Overdrawn	0
3,651	Net Cash Position for Cash Flow Purposes	7,885

18. Assets Held for Sale

Current		Current
2011/12		2012/13
£000		£000
5,873	Balance outstanding at start of year	25,547
7,852	Reclassified to/from - Property, Plant and Equipment	3,635
12,799	Revaluation gains	39
(169)	Impairment losses met from the revaluation reserve	0
(224)	Impairment losses met from income and expenditure	(257)
(597)	Assets sold	(22,090)
13	Acquisitions	0
25,547	Balance outstanding at year-end	6,874

19. Creditors

2011/12		2012/13
£'000		£'000
617	Government Departments	5,749
63,704	Sundry Creditors	66,131
5,057	Receipts in advance	4,591
69,378	Total	76,471

20. Provisions

	2012/13 Opening	Transfers/ Receipts in year	Transfers/ Payments in year	2012/13 Closing
	£'000	£'000	£'000	£000
Restructure Provision	3,161	1,142	1,845	2,458
Insurance Provision	0	267	0	267
Total	3,161	1,409	1,845	2,725
<i>2011/12</i>	<i>1,912</i>	<i>3,151</i>	<i>1,902</i>	<i>3,161</i>

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2009/10. A provision to meet the one off costs associated with the re-structure was made in the 2009/10, 2010/11 and 2011/12 accounts, this has been partly used during 2012/13 and

the balance has been added to in 2012/13 to meet the costs of commitments in place at 31/03/13 and is expected to be used in 2013/14.

Also it became necessary to create in a further provision 2012/13 for Insurance costs which relates Municipal Mutual Insurance (MMI) Liabilities. MMI ceased trading in 1992 and after several years of a deteriorating solvency position it was determined that they would become insolvent and an element of claims costs would be charged to local authorities via a levy. The Scheme Administrator announced that the initial levy would be 15% of the total claims paid since 1993. This gives rise to a known liability of £0.267m.

21. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

22. Unusable Reserves

2011/12		2012/13
£000		£000
65,022	Revaluation Reserve	49,828
106,392	Capital Adjustment Account	116,391
847	Financial Instruments Adjustment Account	467
304	Deferred Capital Receipts Reserve	0
(154,587)	Pensions Reserve	(196,006)
803	Collection Fund Adjustment Account	1,094
(3,631)	Accumulated Absences Account	(3,543)
15,150	Total Unusable Reserves	(31,769)

Revaluation Reserve

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

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

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

2011/12		2012/13
£'000		£'000
41,938	Balance brought forward	65,022
26,040	Upwards revaluation of assets	7,979
(1,799)	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	(3,681)
(1,118)	Difference between fair value depreciation and historical cost depreciation	(1,095)
(39)	Accumulated gains and losses on assets sold or scrapped	(18,397)
65,022	Balance carried forward	49,828

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/12		2012/13
£'000		£'000
103,342	Balance Brought Forward	106,392
(21,032)	Charges for depreciation and impairment of non-current assets	(23,194)
	Revaluation losses on Property, Plant and Equipment	
(20,413)	Revenue Expenditure funded from Capital under Statute	(14,748)
(3,923)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(26,895)
(146)	Adjusting amounts written out of the Revaluation Reserve	3,681
1,617	Capital financing - Capital receipts	28,833
40,550	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	35,344
6,397	Minimum Revenue Provision	6,978
106,392	Balance Carried Forward	116,391

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2013 will be charged to the General Fund over the next 14 years.

2011/12		2012/13
£000		£000
1,214	Balance at 1 April	847
(367)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(380)
847	Balance at 31 March	467

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2011/12		2012/13
£000		£000
122,295	Balance at 1 April	154,587
26,290	Actuarial (gains) or losses on pensions assets and liabilities	33,709
2,083	Added Years	939
0	Entity Combination	626
15,961	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	18,320
(12,042)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,175)
154,587	Balance at 31 March	196,006

Deferred Capital Receipts Reserve

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

2011/12		2012/13
£000		£000
3	Balance at 1 April	304
304	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(304)
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
304	Balance at 31 March	0

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/12		2012/13
£000		£000
1,426	Balance at 1 April	803
(623)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	291
803	Balance at 31 March	1,094

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. There were no transactions in 2011/12 or 2012/13 in the Unequal Pay Back Pay Account and there was a nil balance at both 1 April 2012 and 31 March 2013.

Accumulated Absences Account

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

2011/12		2012/13
£000		£000
3,682	Balance at 1 April	3,631
(3,682)	Settlement or cancellation of accrual made at the end of the preceding year	(3,631)
3,631	Amounts accrued at the end of the current year	3,543
3,631	Balance at 31 March	3,543
(51)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(88)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities includes the following items:

2011/12		2012/13
£000		£000
(1,646)	Interest received	(516)
10,197	Interest paid	9,942

24. Cash Flow Statement – Investing Activities

2011/12		2012/13
Restated		
£000		£000
52,863	Purchase of property, plant and equipment, investment property and intangible assets	47,768
15,000	Purchase of short-term and long-term investments	0
876	Other payments for investing activities	754
(527)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(29,801)
(25,000)	Proceeds from short-term and long-term investments	(25,000)
(50,034)	Other receipts from investing activities	(30,809)
(6,822)	Net cash flows from investing activities	(37,088)

25. Cash Flow Statement – Financing Activities

2011/12		2012/13
£000		£000
(94,890)	Cash receipts of short- and long-term borrowing	(37,590)
578	Other receipts from financing activities	(1,974)
623	Appropriation to/from Collection Fund Adjustment Account	(291)
78,126	Repayments of short- and long-term borrowing	74,645
2,142	Cash payments in relation to finance leases and PFI agreements	2,006
(13,421)	Net cash flows from financing activities	36,796

26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Service Delivery Units. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

For 2012/13 a number of reallocations of responsibility were made from 2011/12, these included Culture, Planning, Economy & Skills and Children & Family Services. Further changes are anticipated for 2013/14 with the taking on of additional responsibilities for Public Health.

The income and expenditure of the Authority's principal [directorates] recorded in the budget reports for the year is as follows:

Service Delivery Unit Income and Expenditure

2012/13	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Adult Care & Support	12,282	63,084	75,366	24,969	7,948	32,917	42,449
Education & Skills	7,286	111,844	119,130	3,210	112,464	115,674	3,456
Children's Safeguarding	5,482	17,198	22,680	1,275	335	1,610	21,070
Family & Cohesion Services	12,081	21,934	34,015	9,665	11,439	21,104	12,911
Development, Business & Housing	8,501	16,005	24,506	26,256	36	26,292	(1,786)
Neighbourhood & Leisure Services	8,762	35,985	44,747	17,876	1,434	19,310	25,437
Customer & People Services	12,068	12,649	24,717	18,305	1,986	20,291	4,426
Law, Democracy & Public Protection	3,376	3,169	6,545	4,395	25	4,420	2,125
Finance, Audit & Information Governance	6,047	80,866	86,913	17,654	55,077	72,731	14,182
Co-Operative Council	2,601	2,049	4,650	3,265	226	3,491	1,159
Total	78,486	364,783	443,269	126,870	190,970	317,840	125,429
Less items in above table but not shown			(20,412)			(9,636)	(10,776)

under provision of services in statement of accounts							
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			33,550			30,327	3,223
Provision of services in the statement of accounts			456,407			338,531	117,876

2011/12	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Care & Support	13,670	60,333	74,003	24,421	5,995	30,416	43,587
Education, Culture & Skills	90,054	21,950	112,004	4,755	107,544	112,299	(295)
Children & Family Services	4,013	2,025	6,038	957	3,547	4,504	1,534
Children's Safeguarding	4,823	16,051	20,874	1,443	280	1,723	19,151
Family & Cohesion Services	7,935	16,206	24,141	3,674	7,447	11,121	13,020
Development, Business & Housing	11,631	18,056	29,687	34,538	58	34,596	(4,909)
Economy & Skills	2,907	2,338	5,245	868	1,827	2,695	2,550
Environment & Leisure Services	4,943	35,984	40,927	14,970	198	15,168	25,759
Planning	4,786	5,705	10,491	5,594	250	5,844	4,647
Customer & People Services	9,439	11,714	21,153	11,133	2,651	13,784	7,369
Law, Democracy and Public Protection	2,704	2,955	5,659	5,187	0	5,187	472
Finance, Audit & Information Governance	6,583	85,046	91,629	16,720	60,625	77,345	14,284
Co-Operative Council	4,856	1,859	6,715	6,241	34	6,275	440
Total	168,344	280,222	448,566	130,501	190,456	320,957	127,609
Less items in above table but not shown under provision of services in statement			(21,539)			(10,674)	(10,865)

of accounts							
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			43,962			50,584	(6,622)
Provision of services in the statement of accounts			470,989			360,867	110,122

Items within "Less items in above table but not shown under provision of services in statement of accounts" General grants including Area Based Grant reported on service lines during year but shown as general grants in the accounts, trading services not shown within provision of services in accounts, interest received shown separately in statements, IAS 19 adjustments not reported to Management Team, reserves and adjustments for support service recharges.

Items within "Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts" include items under provision of services such as, impairment of assets, revenue expenditure financed from capital under statute, PFI adjustments, accumulated absences and revenue grants.

27. Acquired and Discontinued Operations

Where operations have been acquired or discontinued in the year, paragraph 3.4.4.1(1) of the Code requires disclosure of the nature of the acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations. During 2012/13 the Council acquired the operations of Telford Trust, these transaction relate to leisure services that are now provided through Abraham Darby and are not material.

28. Market Undertaking and Industrial Units

The Council operates markets in the Town Centre, Oakengates, Madeley, Hadley, and Dawley, whose financial results were as follows:-

	2011/12	2012/13
	£'000	£'000
Income from Stallholders'		
Rents and charges	64	45
Expenditure	(71)	(31)
(Deficit)/Surplus taken to General Fund	(7)	14

The Council also operates industrial units whose financial results were as follows:-

	2011/12	2012/13
	£'000	£'000
Income from rents	7,525	7,204
Other income	631	549
Net gains/(losses) on revaluation of property	564	(1,092)
Direct operating expenses	(4,123)	(2,478)
(Deficit)/Surplus taken to General Fund	4,597	4,183
Total Trading Accounts	4,590	4,197

29. **Pooled Budgets**

During 2012/13 the Council was involved in the following pooled budgets in conjunction with Telford & Wrekin Primary Care Trust for improving life chances of all children, young people, adults and older people with learning difficulties and their families and for Integrated Community Equipment.

Pooled Budgets where Telford & Wrekin is the host.

Learning Disability Development Fund

To improve the service for users through closer working between the National Health Service and the Council. The Council's contribution to this budget for 12/13 is £168k

	2011/12	2012/13
	£000	£000
Expenditure	101	65
Income	177	168

Delayed Discharges Pooled Budget

To promote independence for older people through developing a range of services that are delivered in partnership between primary and secondary health care, Local Government services and the independent sector. The Council's contribution to this budget is £288k

	2011/12	2012/13
	£000	£000
Expenditure	303	288
Income	303	288

Intermediate Care Pooled Budget

To improve intermediate care services for users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £357k.

	2011/12	2012/13
	£000	£000
Expenditure	296	313
Income	330	357

Joint Commissioning Scheme

To ensure an effective and integrated approach to commissioning for health and social care services, which is service user focussed and reflects local need. The pool was discontinued at the end of 2011/12.

	2011/12	2012/13
	£000	£000
Expenditure	818	0
Income	896	0

ALD Pooled Budget

Funding Transferred to Local Authorities from PCT to help with Valuing People, Healthcare for All, World Class Commissioning. The Local Authority contribution is £8,254k.

	2011/12	2012/13
	£000	£000
Expenditure	13,017	14,522
Income	14,635	15,717

Pooled Budgets where Telford & Wrekin PCT is the host.

Integrated Community Equipment Services

To improve the service for equipment users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £76k.

	2011/12	2012/13
	£000	£000
Expenditure	76	76
Income	76	76

Substance Misuse

To promote a partnership approach to the development of local systems of effective drug misuse treatment. The Council's contribution to this budget is £0.

	2011/12	2012/13
	£000	£000
Expenditure	1,203	1,195
Income	1,334	1,233

30. Members' Allowances

The Authority paid the following amounts to members of the council and Co-optees during the year.

2011/12		2012/13
£000		£000
621	Allowances	615
4	Expenses	4
625	Total	619

31. Senior Officers' Remuneration

This note shows the amounts paid to Senior Officers in 2012/13 and 2011/12. Senior Officers are defined as:

- named employees whose annualised salary is £150,000 or more
- posts where the annualised salary is £50,000 or more and who are either: statutory chief officers (per the Local Government and Housing Act 1989); or non-statutory chief officers who report directly to the Head of Paid Service (Managing Director); or posts which have responsibility for management of the authority, whether solely or collectively.

2012/13

<i>Post Holder Information (Post title)</i>	<i>Notes</i>	<i>Annualised salary £</i>	<i>Salary (Including Fees & Allowances) £</i>	<i>Compensation for Loss of Office £</i>	<i>Benefit s in Kind £</i>	<i>Total Remuneration excluding Pension contributions 2012/13 £</i>	<i>Pension contributions £</i>	<i>Total Remuneration including pension contributions 2012/13 £</i>
<i>Current Posts</i>								
<i>Managing Director</i>			137,000	0	0	137,000	22,331	159,331
<i>Director of Adult & Community Services</i>		109,600	106,040	0	0	106,040	17,285	123,325
<i>Director of Children & Family Services</i>	1	109,600	97,520	0	0	97,520	15,896	113,416
<i>Interim Director of Children's Services</i>	2	94,473	10,412	0	0	10,412	1,697	12,109
<i>Assistant Director: Finance, Audit & Information Governance</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Development, Business & Housing</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Planning Specialist</i>			80,080	0	0	80,080	13,053	93,133
<i>Assistant Director: Family & Cohesion Services</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Education & Skills</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Children's Safeguarding</i>	3	77,451	75,988	0	0	75,988	12,361	88,349
<i>Assistant Director: Social Care Specialist</i>			80,080	0	0	80,080	13,053	93,133
<i>Assistant Director: Adult Care & Support</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Law, Democracy & Public Protection</i>			82,304	0	0	82,304	13,416	95,720

Assistant Director: Neighbourhood & Leisure Services			82,304	0	0	82,304	13,416	95,720
Assistant Director: Customer & People Services			82,304	0	0	82,304	13,416	95,720
Service Delivery Manager: Delivery & Planning	6	51,308	57,923	0	0	57,923	9,441	67,364
Service Delivery Manager: Policy	6	50,430	29,460	0	0	29,460	4,802	34,262
Service Delivery Manager: Community Engagement	6		58,471	0	0	58,471	9,531	68,002
Commercial Enterprise Manager	4,6	58,471	21,807	0	0	21,807	3,590	25,397
<u>Posts Made Redundant</u>								
Corporate Director	5	118,893	2,642	105,804	0	108,446	431	108,877
			1,415,855	105,804	0	1,521,659	230,799	1,752,458

Notes:

Those roles shown in bold above represent the current posts.

1) This post was appointed to on 11th May 2012

2) The interim post was from 1st April 2012 to 10th May 2012

3) This post was permanently appointed to on 4th October 2012. The post was covered in an interim basis prior to this

4) This post was appointed to on 12th November 2012

5) Corporate Director post deleted as part of Management Restructure. Post holder left 8th April 2013

6) These Service Delivery Managers posts report directly to the Managing Director

2011/12

Post Holder Information (Post title)	Notes	Annualised salary £	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Benefits in Kind £	Total Remuneration excluding Pension contributions 2011/12 £	Pension contributions £	Total Remuneration including pension contributions 2011/12 £
Current Posts								
Managing Director		137,000	27,245	0	0	27,245	4,442	31,687
Director of Adults, Community & Customer Services			118,223	0	0	118,223	19,249	137,472
Interim Director of Children's Services	1	94,473	62,982	0	0	62,982	10,266	73,248
Assistant Director: Finance, Audit & Information Governance			82,304	0	0	82,304	13,416	95,720
Assistant Director: Development, Business & Housing			82,304	0	0	82,304	13,416	95,720
Assistant Director: Planning Specialist			81,748	0	0	81,748	13,325	95,073
Assistant Director: Family & Cohesion			82,304	0	0	82,304	13,416	95,720
Assistant Director: Education & Skills			80,689	0	0	80,689	13,152	93,841
Interim Assistant Director: Children's Safeguarding	2	75,836	46,288	0	0	46,288	7,545	53,833
Assistant Director: Children's Safeguarding	3	82,304	26,926	0		26,926	4,384	31,310
Assistant Director: Adult & Children's Social Care Specialist			81,748	0	0	81,748	13,325	95,073
Assistant Director: Care & Support			82,304	0	0	82,304	13,416	95,720
Assistant Director: Law, Democracy & Public Protection			82,404	0	0	82,404	13,432	95,836
Assistant Director: Environment & Leisure Services			82,304	0	0	82,304	13,416	95,720
Assistant Director: Customer & People Services			82,304	0	0	82,304	13,416	95,720
Service Delivery Manager: Delivery & Planning	9	51,308	57,045	0	0	57,045	9,298	66,343
Service Delivery Manager: Policy	9	50,430	28,319	0	0	28,319	4,616	32,935
Service Delivery Manager: Community Engagement	9		58,471	0	0	58,471	9,531	68,002

Posts Made Redundant								
Chief Executive	4	149,000	71,310	125,000	0	196,310	11,624	207,934
Interim Chief Executive	5	149,000	42,381	0	0	42,381	6,908	49,289
Assistant Chief Executive	6	91,235	69,292	0	0	69,292	11,295	80,587
Corporate Director	7		119,017	11,401	0	130,418	19,380	149,798
Head of Economy & Skills	8	80,689	74,616	76,681	0	151,297	12,162	163,459
			1,622,528	213,082	0	1,835,610	264,426	2,100,036

Notes:

Those roles shown in bold above represent the current posts.

- 1) This is an interim appointment to this post whilst external recruitment in being undertaken
- 2) This is an interim appointment to this post to cover the substantive post holder being appointed to the Interim Director of Children's Services
- 3) This represents part year costs of the substantive post holder who was appointed to the Interim Director of Children's Services post on 1st August 2011
- 4) Includes payments for returning officer duties
- 5) This was a temporary appointment to this post pending a review of the Management Structure of the Council
- 6) Assistant Chief Executive post was deleted as part of the Management re-structure of the Council
- 7) Corporate Director post deleted after 31.03.12 as part of the Management re-structure of the Council. Post holder remained in post all year.
- 8) Head of Service post deleted as part of the Management re-structure of the Council
- 9) These Service Delivery Managers posts report directly to the Managing Director

The following table excludes Senior Officers shown above.

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 were:

	<u>Number of Employees</u> <u>2011/12</u>	<u>Number of Employees</u> <u>2012/13</u>
£50,000 - £54,999	66	43
£55,000 - £59,999	50	50
£60,000 - £64,999	32	28
£65,000 - £69,999	8	12
£70,000 - £74,999	5	2
£75,000 - £79,999	3	3
£80,000 - £84,999	2	2
£85,000 - £89,999	0	2
£90,000 - £94,999	0	0
£95,000 - £99,999	1	1
£100,000 - £104,999	0	0
£105,000 - £109,999	1	1

The 2012/13 figures include 99 school based employees (102 in 2011/12). The 2012/13 figures include 6 employees (24 in 2011/12) who left under redundancy or retired during the year.

32. External Audit Costs

The Council's accounts have been audited by KPMG in 2011/12 and 2012/13. In 2012/13 the Council incurred the following fees relating to external audit and inspection:

	2011/12 £000	2012/13 £000
Fees payable to KPMG with regard to external audit services	258	155
Fees payable to Audit Commission in respect of statutory inspection	(17)	(11)
Fees payable to KPMG for the certification of grant claims and returns	35	17
Fees payable in respect of other services provided by the appointed auditor, for 2012/13 includes £4,000 (2011/12 £2,000) paid to the Audit Commission in relation to the National Fraud Initiative	43	8

33. Disclosure of deployment of Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children Schools and Families, the Dedicated Schools Grant (DSG) which is within Children & Education Services in the Income & Expenditure Account. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012/13 are as follows:

Schools Budget Funded By Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2012/13			109,239
Brought forward from 2011/12			644
Carry forward to 2013/14 agreed in advance			0
Agreed budgeted distribution in 2012/13	9,410	100,473	109,883
In Year Adjustments	0	0	0
Final Budget Distribution for 2012/13	9,410	100,473	109,883
Actual Central Expenditure	(8,978)		(8,978)
Actual ISB deployed to Schools		(100,312)	(100,312)
Local authority contribution for 2012/13	0	0	0
Carry Forward to 2013/14	432	161	593

34. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2011/12		2012/13
£000		£000
	Credited to Taxation and Non Specific Grant Income	
18,128	Revenue Support Grant	1,267
54,123	Non Domestic Rates	65,378
610	Area Based Grant/Local Services Support Grant	593
500	Other grants	100
73,361	Total	67,338
	Credited to Services	
110,094	Dedicated Schools Grant	109,290
1,635	Standards Fund	0
64,736	Mandatory Rent Allowances Subsidy	69,566
14,189	Council Tax Benefits Subsidy	14,699
2,311	Pupil Premium Grant	4,354
8,013	Early Intervention Grant	7,933
6,641	Learning Disability and Health Reform Grant	6,824
7,522	Other grants	5,015
215,141	Total	217,681

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

2011/12		2012/13
£000		£000
	Capital Grants Receipts in Advance	
75	Rural Enterprise Investment Programme	75
360	Other grants	153
435	Total	228

35. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 26 on reporting for resources allocation decisions. Grant receipts are shown in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 30. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

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

During the year transactions with related parties arose as follows:

Councillor Stephen Burrell – his company, Peace of Mind Homecare, provided services to the Council through service contracts and received £479,105 in 2012/13.

Other Public Bodies [subject to common control by Central Government]

The Authority has a pooled budget arrangement with Shropshire Primary Care Trust. Transactions and balances outstanding are detailed in Note 29.

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2011/12		2012/13
£'000		£'000
227,287	Opening Capital Financing Requirement	249,804
	Capital Investment	
45,900	Property, Plant & Equipment	45,962
2,230	Investment Properties	2,349
13	Assets Held for Sale	0
1,526	Intangible Assets	496
20,413	Revenue Expenditure funded from Capital under Statute	14,748
692	Leased Vehicles	252
	Sources of Finance	
(1,617)	Capital Receipts	(28,833)
307	Finance Leases	(499)
(40,550)	Government Grants and Other Contributions	(35,344)
(6,397)	Revenue Provision (NB: includes MRP)	(6,978)
249,804	Closing Capital Finance Requirement	241,957
22,517	Movement for Year	(7,847)
	Explanation of movements in the year	
494	Increase in underlying need to borrow (supported by Government financial assistance)	361
22,023	Increase in underlying need to borrow (unsupported by Government financial assistance)	(8,208)
22,517	Increase/(decrease) in Capital Financing Requirement	(7,847)

The main items of capital expenditure during the year related to improving schools (including sports & learning communities, roads, local housing improvement grants and ICT, Town Centre Regeneration, Borough Towns Initiative, Brookside and Street Lighting.

At 31 March 2013 there were 5 significant contracts in place with outstanding commitments of £40.0m, as detailed in note 12.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW for £289m.

Unitary payments are being paid to the operator, and PFI credits received from the Government as a specific annual grant from 2007/08, when all of the buildings became operational. The Council has approved a budget strategy which makes provision for its future commitments. In 2012/13 the Authority made payments of £9,607,950 in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

37. Leases

Finance Leases

During 2012/13 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £251,829. Finance lease rentals of £481,942 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	Within 1 Year £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
Outstanding Obligations	252	709	34	995

The aggregate amount of finance charges in respect of finance leases was £56,223 for 2012/13 (£51,034 for 2011/12)

The Council operates a de minimis level of £10,000 for including assets in the asset register, therefore not all the assets acquired under finance leases are shown on the balance sheet within fixed assets. Within note 12 to the accounts the value of assets held within Vehicles, Plant and Equipment are shown.

Operating Leases

During 2012/13 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £19,255 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

	Within 1 Year £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
Outstanding Obligations	19	0	0	19

Hire Purchase Contracts

During 2012/13 no hire purchase payments were made to lessors. No new hire purchase agreements were entered into during the year and the total obligation outstanding at the end of the year was zero.

Building Leases

The Council owns a number of industrial units, commercial premises and offices throughout the Borough. The Council acts as lessor in respect of these properties which are rented out at commercial rates, these are classified as operating leases. The rental income received from these properties for 2012/13 amounted to £7,753,000 (£8,156,000 for 2011/12). See also note 28 Trading Accounts and note 13 in respect of the valuation of these assets as Investment Properties.

38. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Jigsaw. We have assets held of £57.2m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £61.0m as at 31st March 2013 (£62.4m as at 31st March 2012). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.2m in to the interest paid for 2012/13 (£5.3m 2011/12). Amounts due are shown in the table below:-

	2011/12				2012/13			
	Service	Lifecycle	Interest	Finance Lease	Service	Lifecycle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	2,073	270	5,192	1,627	1,925	476	5,088	1,786
2 to 5 years	5,575	4,395	19,755	8,085	5,826	4,393	19,448	8,624
6 to 10 years	6,967	6,962	22,439	13,732	7,457	6,820	21,871	14,626
11 to 15 years	9,054	6,706	18,742	19,140	8,999	7,154	17,728	20,523
16 to 20 years	13,183	4,647	12,480	26,014	13,918	4,358	10,694	27,614
21 to 25 years	9,091	1,686	2,670	18,457	5,745	1,194	1,257	12,256

39. Impairment Losses

During 2012/13, the Authority has recognised impairment losses of £6.861m in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss has been charged to the Comprehensive Income and Expenditure Statement. This is then reversed out as part of the Movement In Reserves Statement.

40. Exit Packages

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies included in the 2012/13 financial statements are set out in the table below.

Exit package cost band	Number of Compulsory Redundancies	Number of other Departures Agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band
				£'000
£0 - £20,000	16	75	91	564
£20,001 - £40,000	6	14	20	547
£40,001 - £60,000	1	4	5	255
£60,001 - £80,000	0	4	4	251
£80,001 - £100,000	0	2	2	166
£100,000 - £150,000	0	2	2	224
Total	23	101	124	2,007

An analysis of the total cost of exit packages shows:	Redundancy etc	Pension Fund Charges*	Total
	£'000	£'000	£'000
Exit Packages agreed and charged to the Income & Expenditure Account during 2012/13	555	246	801
Provisions included in the Authority's Income & Expenditure Account :			
Provision for the cost of exit packages where the authority had made a commitment at 31 March 2013 (to employees who will leave during 2013/14 but had not left at 31 March 2013)	533	469	1,002
Provision for future charges made by Shropshire Pension Fund in respect of early payment of pensions to employees who left during 2012/13	0	203	203
Total	1,088	918	2,006

* Charges made by Shropshire Pension Fund in respect of early payment of pensions

The total provision for severance costs is £2.5m which includes the costs of commitments agreed and charged to the Authority's Income & Expenditure Account in previous years

41. Pensions Schemes Accounted for as Defined Contribution Schemes

The Local Government Pension Scheme is a Defined Benefit Scheme and as such falls under IAS 19 and has resulted in transactions impacting on the Income and Expenditure Account as above. There are also further explanations and disclosures within Note 42 to the Core Financial Statements.

The Teacher's Pension Scheme is also technically a Defined Benefits Scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13 the Council paid an employer's contribution of £6,307,559 (£6,546,473 in 2011/12) representing 14.1% of Teacher's pensionable pay into the Teachers Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31st March 2010. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £6,307,559 (£6,546,473 in 2011/12) representing 14.1% of pensionable pay.

The Council also pays employer's contributions in relation to the Local Government Pension Scheme administered on our behalf by Shropshire Council. These are disclosed in the Note 42.

42. Defined Benefit Pension Schemes Participation in Pension Schemes

In accordance with International Reporting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 18 of the Accounting Policies, the Council participates in two formal schemes, the Local Government Pension Scheme, and the Teacher’s Scheme. The Council is not required to record information related to the Teacher’s Scheme as the assets and liabilities of the fund cannot be attributed to individual authorities. The Local Government Pension Scheme is administered by Shropshire Council and is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Overall the deficit on the Council’s share has increased by £41.4m; this has been as a result of actuarial losses on liabilities (due to changes in assumptions in life expectancy, mortality rates and a reduction in the discount rate) offset by actuarial gains on assets. The estimated contributions expected to be paid into the local Government pension scheme next year is £12.175m. The contribution rate is already set for 2012/13 and 2013/14 at the same level as 2011/12, with no increase currently anticipated after 2013/14, though that will be dependent on the next valuation which is as at 31/3/13, although the results won’t be known till later in 2013.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/13 the cumulative amount of actuarial losses recognised in the statements is £109.357m.

The Council’s assets and liabilities related to the Local Government Pension Scheme operated by Shropshire Council amounted to:

	2011/12	2012/13
	£000	£000
Present Value of Funded Benefit Obligations	(445,317)	(530,160)
Present Value of Unfunded Benefit Obligations	(8,564)	(8,975)
Total Present Value of Benefit Obligations	(453,881)	(539,135)
Fair Value of Pension Fund Assets	299,294	343,129
Surplus/(Deficit)	(154,587)	(196,006)

Change in Benefit Obligation during year.

	2011/12	2012/13
	£000	£000
Benefit Obligation at Beginning of Year	(416,773)	(453,881)
Current Service Cost	(9,978)	(11,027)
Interest on Pension Liabilities	(22,796)	(22,337)
Member Contributions	(4,141)	(3,952)
Entity Combinations	0	(2,079)
Actuarial Gain or (Loss) on Liabilities	(15,894)	(60,099)
Curtailment Cost	(2,888)	(939)
Settlements	1,069	0
Benefits / Transfers Paid	17,520	15,179
Surplus / (Deficit) at End of Year	(453,881)	(539,135)

Change in Plan Assets during year.

	2011/12 £000	2012/13 £000
Fair Value of Plan Assets at Beginning of Year	294,478	299,294
Expected Return on Plan Assets	16,813	15,044
Actuarial Gain or (Loss) on Assets	(10,396)	26,390
Employer Contributions	12,042	12,175
Member Contributions	4,141	3,952
Entity Combinations	0	1,453
Settlements	(264)	0
Benefits / Transfers Paid	(17,520)	(15,179)
Surplus / (Deficit) at End of Year	<u>299,294</u>	<u>343,129</u>

Statement of Gains and Losses

	2011/12 £000	%	2012/13 £000	%
Actuarial Gain/(Loss)	(26,290)	<i>5.8% of liabilities</i>	(33,709)	6.3% of liabilities
Actual Return on Plan Assets	6,416		41,434	
Experience Gains/(Losses) On Assets	(10,396)	<i>3.5% of assets</i>	26,390	7.7% of assets
Experience Gains/(Losses) On Liabilities	0	<i>0.0% of liabilities</i>	0	0.0% of liabilities

Assets are valued at fair value, principally market value for investments, and consist of:

	2011/12		2012/13	
	£000	%	£000	%
Equity Investments	158,625	53.0%	191,123	55.7%
Government Bonds	43,098	14.4%	44,950	13.1%
Other Bonds	31,127	10.4%	34,656	10.1%
Property	10,775	3.6%	10,294	3.0%
Cash/Liquidity	14,366	4.8%	16,813	4.9%
Other	41,303	13.8%	45,293	13.2%
Total	<u>299,294</u>	100.0%	<u>343,129</u>	100.0%

The expected rate of return on assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The expected returns are adjusted for risk and are appropriate to each of the asset classes weighted by the proportion of the assets in the particular asset class. The rates are shown in the table below:

	2011/12	2012/13
Equity Investments	7.0%	7.0%
Government Bonds	3.1%	2.8%
Other Bonds	4.1%	3.9%
Property	6.0%	5.7%
Cash/Liquidity	0.5%	0.5%
Other	7.0%	7.0%

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2010 and updated for the following 36 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31 March 2013, but the full analysis won't be available until later that year. The main assumptions used in the calculations are:

	2011/12	2012/13
- rate of inflation (CPI)	2.5%	2.4%
- rate of increase in salaries	4.0%	3.9%
- rate of increase in pensions	2.5%	2.4%
- proportion of employees opting to take a commuted lump sum	50%	50%
- rate for discounting scheme liabilities	4.9%	4.2%
- longevity at 65 for current pensioners		
Male	22.0	22.4
Female	24.7	25.1
- longevity at 65 for future pensioners		
Male	23.4	24.2
Female	26.2	27.1

Changes to the pension scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take advantage of this change to the pension scheme.

Scheme History

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Present Value of Liabilities	(317,604)	(448,125)	(416,773)	(453,881)	(539,135)
Fair Value of Assets	198,435	271,491	294,478	299,294	343,129
Surplus/(Deficit) on scheme	(119,169)	(176,634)	(122,295)	(154,587)	(196,006)
(Gains) and Losses on Assets	36.4%	(21.2%)	(1.0%)	3.5%	(7.7%)
Gains and (Losses) on Liabilities	0.0%	0.0%	2.5%	0.0%	0.0%

Pensions Asset/Liability Account

	2011/12	2012/13
	£000	£000
Opening Balance	(122,295)	(154,587)
Past Service Cost - Added Years	(2,083)	(939)
Current Service Cost	(9,978)	(11,027)
Interest Cost	(22,796)	(22,337)
Return On Assets	16,813	15,044
Payments to Pension Fund	12,042	12,175
Entity Combination	0	(626)
Actuarial Gain or (Loss)	(26,290)	(33,709)
Closing Balance	(154,587)	(196,006)

Pensions Reserve

	2011/12	2012/13
	£000	£000
Opening Balance	122,295	154,587
Past Service Cost - Added Years	2,083	939
Charging Pensions Costs Payable	(12,042)	(12,175)
Entity Combination	0	626
Reversing Out IAS 19 Items	15,961	18,320
Actuarial (Gain) or Loss	26,290	33,709
Closing Balance	<u>154,587</u>	<u>196,006</u>

43. Contingent Liabilities

At 31 March 2013, the Authority had no known material contingent liabilities. It should be noted however that a group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £350,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. The legal process is ongoing.

44. Contingent Assets

At 31 March 2013, the Authority had no material contingent assets.

45. Nature and Extent of Risks Arising from Financial Instruments

Fair Value of Assets & Liabilities

Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

We have worked in conjunction with Arlingclose our treasury advisors to produce the following portfolio valuation

	Nominal/ Principal	Fair Value
	£000	£000
Financial Assets		
Fixed Term Deposits	25,000	32,772
Other	33	33
	<u>25,033</u>	<u>32,805</u>
Financial Liabilities		
Money Market Loans (LOBO's)	60,000	85,588
PWLB Loans	50,522	69,524
Temporary Loans	92	92
	<u>110,614</u>	<u>155,204</u>

The assets and liabilities are shown in the balance sheet at Nominal/Principal cost. What the above table shows is that the fair value of our assets (investments) is greater than that shown on the balance sheet due mainly to accrued interest. Conversely, the fair value of our liabilities is more than the amount held on the balance sheet due mainly to the penalties we would incur if we wanted to redeem our liabilities early.

Methodology and Assumptions

The fair value of an instrument is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

Complexities of the NPV calculation

It is unlikely that the future cash instalments of an instrument will fall in equal time periods from the date of valuation, and there is likely to be a "broken" period from the valuation date to the next instalment. This means that an adjustment needs to be made to each discount factor, in order to take account of the timing inequality.

Evaluation of PWLB debt

We have used the new borrowing rate, as opposed to the premature repayment rate as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

Inclusion of accrued interest

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, we have also included accrued interest in the fair value calculation. This figure will be calculated up to and including the valuation date.

Discount rates used in NPV calculation

The rates quoted in this valuation were obtained by Sector from the market on 31st March, using bid prices where applicable.

Assumptions:

It is noted that the following assumptions do not have a material effect on the fair value of the instrument:

- Interest is calculated using the most common market convention, ACT/365
- Where interest is paid/received every 6 months on a day basis, the value of interest is rounded to 2 equal instalments
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year
- We have not adjusted the interest value and date where a relevant date occurs on a non working day

Exposure to Risk

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

- credit risk – the possibility that other parties might fail to pay amounts due to the authority

- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management on investments is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum short term rating of A+, a minimum long term rating of F1+, a minimum support rating of 3, a minimum individual rating of C and a minimum sovereign rating of AA-. In conjunction with our treasury advisors these are overlaid with credit default swaps to produce a lending list governing both value and length of investment. The authority has a policy of not lending more than 20% of its surplus balances to one institution.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2013 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2013 (rounded to 1 decimal place) %	Estimated maximum exposure to default and uncollectability £000s
	A	B	C	A * C
Deposits with banks and financial institutions	25,000	0.0	0.0	0
Other	33	0.0	0.0	0
Debtors	26,770	12.0	20.9	5,588
Total	51,803	6.2	10.8	5,588

The Council has not experienced any defaults with any of the above counterparty types in the last 10 years. No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council has a number of long term (greater than 1 year) investments, the majority of these are with UK banks that are within the UK Government Guarantee Scheme and pose no risk of default. The current market conditions are unprecedented and our position will be continually monitored.

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three-year period through a

combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	2011/12	2012/13
	£'000	£'000
Maturing in 1-2 years	11,001	11,001
Maturing in 2-5 years	13,002	3,002
Maturing in 5-10 years	3,505	2,506
Maturing in more than 10 years	83,014	83,012
	110,522	99,521

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

Market risk

Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Account.

The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of £0 of its net borrowings and investments in variable rate loans (i.e. variable rate borrowing will not exceed variable rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price risk

The authority does not generally invest in equity shares and has no shareholdings. The authority is not consequently exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

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

Financial Instruments Adjustment Account – this account holds the accumulated difference between the financial costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance.

The **Available-for-Sale Reserve** is a new revaluation reserve introduced to manage the fair value process for these financial assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

Sensitivity Analysis

At the 31st March 2013 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

The table below shows an analysis of investments and borrowing into fixed and variable together with the impact of a 1% change in interest rates.

	Investments £000	Borrowing £000	Net Total £000	1% Movement £000
Variable	(6,393)	0	(6,393)	(63.9)
Fixed	(25,033)	110,614	85,581	0.0
Total	(31,426)	110,614	79,188	(63.9)

A 1% change in interest rates would have a negative impact on the budget of £63,900, this is as a result of that at 31st March 2013 we had more variable investments than variable borrowing. The most likely next move in interest rates is upwards, although not expected before 2016, this would lead to a net increase in investment income. Other considerations are that the Council is managing ongoing maturity profiles for both investments and borrowing.

Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)	Total Outstanding	
		2011/12 £'000	2012/13 £'000
Public Works Loan Board	1.92 - 9.375	50,522	39,521
Money Market Loans (LOBOs)	3.98 - 4.50	60,000	60,000
		110,522	99,521

An analysis of loans by maturity is:

	2011/12 £'000	2012/13 £'000
Maturing in 1-2 years	11,001	11,001
Maturing in 2-5 years	13,002	3,002
Maturing in 5-10 years	3,505	2,506
Maturing in more than 10 years	83,014	83,012
	110,522	99,521

	2011/12 £'000	2012/13 £'000
Total Long Term Borrowing	110,522	99,521
Temporary Borrowing	37,147	11,093
Total Borrowing	147,669	110,614

In total fixed and temporary borrowing reduced by £37.1m, from £147.669m to £110.614m during the year. This was due to some temporary borrowing in late March 2012, which was repaid in early April 2012 as well as capital receipts and maturing investments during 2012/13 enabling a reduction in borrowing.

46. Local Services Support Grant

Local Services Support Grant (LSSG) is non ring-fenced i.e. there are no conditions on its use. The grant is therefore not income which flows into the Net Cost of Services but instead is included alongside other general sources of funding, such as Government Revenue Support Grant and Council Tax income. The total value of LSSG received by the Council in 2011/12 was £0.610m, the value of LSSG for 2012/13 is £0.593m.

47. Income & Expenditure Account Surplus/Deficit.

For 2012/13 the accounts show a deficit on the Income and Expenditure Account of £21.381m. The planned use of General Fund Balances for 2012/13 was £1.390m. The actual outturn was an underspend of £0.055m and a further £0.770m was transferred from uncommitted reserves to leave the actual contribution from General Fund Balances was £0.565m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which form part of the Movement in Reserves Statement and summarised below:

Deficit on Income & Expenditure Account	£21.437m
Less:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	£28.416m
Plus:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£6.598m
Changes in Reserves	£0.946m
Actual Contribution from General Fund Balances	£0.565m

48. Investments

In total our investments have fallen by £25.9m as a result of the approved policy to run down investments rather than incur borrowing to fund capital expenditure.

The Council has a number of long term investments in external organisations, totalling £10.033m. The majority (£10.000m) relates to fixed term investments with banks. Investments are shown in the Balance Sheet at market value.

The council also has a number of short term investments totalling £15.000m. These have reduced over the year as some of the value of investments maturing during the year is higher than the longer term investments that are nearing maturity. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

Summary of Investments

Category	2011/12	2012/13
	£000	£000
Long Term Investments		
Fixed Term Deposits	25,000	10,000
Other	33	33
Total Long Term	25,033	10,033
Short Term Investments		
Fixed Term Deposits	25,000	15,000
Total Short Term	25,000	15,000
Cash & Cash Equivalent Investments	3,027	6,393
Total Investments	53,060	31,426

Fund Managers have been valued at "fair value through profit and loss", supranational bonds as an available for sale asset at fair value and all other investments are valued as "loans and receivables". See also note 14 on fair value.

49. Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The Authority has replaced its Financial Management System, it is accounted for as an intangible asset.

The movement on Intangible Asset balances during the year is as follows

	2011/12	2012/13
	£000	£000
Balance at start of the year		
- Gross Carrying Amount	799	2,325
- Accumulated Amortisation	0	(166)
Net Carrying Amount at Start of Year	799	2,159
Additions		
- Purchases	1,526	496
Amortisation for the Period	(166)	(813)
Net Carrying Amount at Year End	2,159	1,842
Comprising		
- Gross Carrying Amount	2,325	2,821
- Accumulated Amortisation	(166)	(979)
Total	2,159	1,842

50 Usable Capital Receipts Reserve

	2011/12	2012/13
	£'000	£'000
Opening balance	12	0
Capital receipts received during year	1,605	28,886
Less		
Capital receipts used for financing during year	(1,617)	(28,833)
	<u>0</u>	<u>53</u>

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure. The balance is already earmarked to fund an element of the committed capital programme.

51 Special Fund Revenue Account

	<i>2011/12 Net Expenditure £'000</i>	<i>2012/13 Gross Expenditure £'000</i>	<i>2012/13 Income £'000</i>	<i>2012/13 Net Expenditure £'000</i>
EXPENDITURE ON SERVICES				
Cemeteries	13	101	193	(92)
Highways – footway lighting	742	676	20	656
Total expenditure on services	755	777	213	564
INCOME				
Council Tax	(825)			(731)
(Surplus) or deficit for year	(70)			(167)
Special Fund				
Balance at beginning of the year	290			360
Surplus or (deficit) for year	70			167
Balance at end of year	360			527

The Special Fund covers the cost of providing footway lighting and cemetery services in the former unparished areas of the borough (excluding the parishes of Lawley & Overdale, Oakengates, St Georges & Priorslee and Wrockwardine Wood & Trench which have taken over responsibility for the footway lighting in their parishes). The above costs for footway lighting relate to the remaining parishes of Great Dawley, Dawley Hamlets, Hollinswood & Randlay, Madeley, Stirchley & Brookside, The Gorge and Wellington.

52. School Balances

School balances do not form part of the Council's General Fund Balances. They are held separately and are solely for use by schools. The balances held are as follows:-

	<i>2011/12</i>	<i>2012/13</i>
	<i>£000</i>	<i>£000</i>
School Balances - Revenue	5,519	5,900
School Balances - Capital	865	740
Total School Balances	6,384	6,640

53. Soft Loan

During 2010/11 the Council extended for 36 months a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 0.50% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2012/13 and the balance at 31ST March is £415,000. This is shown as a debtor on the Balance sheet at a fair value of £392,000 and a notional £23,000 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place from The Ironbridge (Telford) Heritage Foundation Limited which covers the full £500,000.

54. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £4.972m and the principal repayment in respect of the PFI lease was £1.627m giving a total provision of £6.599m in 2012/13 (£6.397m in 2011/12).

55. Building Control Account 2012/13

<u>Expenditure</u>	<u>Chargeable</u>	<u>Non- Chargeable</u>	<u>Total Building Control</u>
	2012/13 £'000	2012/13 £'000	2012/13 £'000
Employee Expenses	152	78	230
Support Services	117	129	246
	269	207	476
<u>Income</u>			
Building Regulation Charges	248	202	450
	248	202	450
(Surplus)/Deficit	21	5	26
2011/12	50	1	51
(Surplus)/Deficit			

56. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2012/13 expenditure on this totalled £14.748m and grant receivable amounted to £11.617m. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been written off against the Capital Adjustment Account during the year.

57. Trust Funds

The Council operates a Common Good Fund which is used for various charitable purposes.

THE COMMON GOOD FUND	2011/12 £'000	2012/13 £'000
Balance at 1 April	9	9
Income	0	0
Expenditure	0	0
Balance at 31 March	9	9

58. Insurance Reserves

The Council has insurance reserves on its General Fund and specifically for Education.

The reserves are in existence for the following purposes:-

- to enable the Council to move towards an element of self insurance and risk management to mitigate premium increases.
- to provide for unbudgeted potentially significant increases in annual premiums and late premium adjustments in a volatile insurance market.
- to meet any potential liabilities resulting from the winding up of MMI.

An analysis of the reserves for 2012/13 indicates the following:-

	General Fund		Education	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Balance b/f	1,472	1,593	875	1,058
Charges in the Year	(814)	(791)	0	
Contributions	935	1,256	183	176
Balance c/f	1,593	2,058	1,058	1,234

The charges relate to additional premium costs and excesses and the contributions to interest. There are two general fund insurance provisions as follows:

	General Provision		Self Insurance	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Balance B/f	409	410	1,063	1,183
Charges In Year	(463)	(435)	(351)	(356)
Contributions	464	786	471	471
Balance c/f	410	761	1,183	1,298

For 2012/13 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims and £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, liable and slander and officials indemnity claims.

Historically, Municipal Mutual Insurance Limited (MMI) provided the majority of insurance cover to Local Authorities, including Wrekin DC and Shropshire County Council. MMI ceased trading in 1992 and the company is now in its 20th year of run-off with Zurich Municipal

administering outstanding and new claims. After several years of a deteriorating solvency position and an adverse judgement in the Supreme Court, at its meeting in November the MMI Board determined that they would become insolvent and confirmed that an element of claims costs would be charged via a levy to local authorities. In April 2013, the Scheme Administrator announced that the initial rate of the levy would be 15% of the total of claims paid since 1993. Based on latest claims information, the 15% levy gives a total liability for Telford & Wrekin of £0.267m. A provision has been included in the accounts to reflect this known liability. There are potential future costs if the MMI situation deteriorates further.

59. Single Status

Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2012/13 accounts, as was the case last year.

60. West Mercia Supplies Purchasing Consortium

West Mercia Supplies (WMS) is a Purchasing Consortium that was established in 1987. It is constituted as a Joint Committee (JC), Telford & Wrekin Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Shropshire Council.

Telford & Wrekin Council has reviewed the accounting treatment that should be applied and has concluded that WMS is a Joint Venture. Under International Accounting Standards, Group Accounts should be prepared unless it is considered not to be material.

The conclusion of the Council is that the exclusion of its share of WMS' assets, liabilities, income, expenditure and cash flows from the Council's own accounts will not be material to the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by a reader.

However, in the interests of transparency and accountability the unaudited 2012/13 balances of WMS are included below, along with an analysis of this Council's share of those balances based on 22.47%. The WMS balance sheet has been provided by Shropshire Council, in their capacity as Section 151 Officer to the joint committee.

On 19 April 2012, the stationery division of WMS – JC was sold with only the energy division being retained by the four member authorities. The energy division trades under the name "West Mercia Energy".

Extract from WMS Balance Sheet	2012/13	Telford & Wrekin Share
	£'000	£'000
Long Term Assets		
Property, Plant & Equipment	21	5
Current Assets		
Short Term Debtors	11,101	2,608
Cash and Cash Equivalents	4,553	1,070
Current Liabilities		
Short Term Creditors	(13,423)	(3,153)
Long Term Liabilities		
Other Long Term Liabilities	(4,611)	(1,084)
Total Assets Less Liabilities	(2359)	(554)
Financed By		
Usable Reserves	(2,359)	(554)
	(2,359)	(554)
Turnover	62,093	4,124

61. Landfill Allowances Trading Scheme (LATS)

The Landfill Allowances Trading Scheme was introduced in 2005/06 by the Department for Environment Food and Rural Affairs (DEFRA). Each Local Authority is given a landfill allowance for each year and either has to buy additional allowances if they exceed their limit or can sell any surplus allowances or carry forward for use in later years.

There was a shortfall in allowance for 2011/12 of 3,131 tonnes allowances, these allowances were purchased in the year for £626.20 a cost of £0.20 per tonne.

The values used for 2012/13 have been affected by the market for allowances which has been very low. We have decided that allowances are valued at £0.40 per tonne. For 2012/13 this authority was allocated an allowance of 24,944 tonnes (valued at £0.010m) and used 28,444 tonnes (valued at £0.011m) of the allowance. This resulted in 3,500 tonnes (valued at £0.001m) of shortfall in allowances requiring purchase in 2012/13.

The impact on the income and expenditure account is as follows. Environmental Services has additional expenditure of £11,353 and additional income of £9,978, a net cost of £1,375.

The impact on the balance sheet is as follows;

Liability to DEFRA for Landfill Usage

	2011/12 £'000	2012/13 £'000
Balance Brought Forward	(130)	(16)
Adjustment to previous year usage	(1)	0
Write out actual usage for previous year	131	16
Estimated usage for year	(16)	(21)
Balance Carried Forward	(16)	(21)

Landfill Allowances Asset Account

	2011/12 £'000	2012/13 £'000
Balance Brought Forward	133	15
Adjustment to pricing of Brought Forward Balance	(1)	0
Less Confirmed usage for previous year	(131)	(15)
Allowance for Year	14	18
Balance Carried Forward	15	18

62. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

2011/12 Restated £000		2012/13 £000
(22,714)	Impairment and depreciation of property, plant and equipment and intangible assets	(18,570)
101	(Increase)/decrease in interest creditors	92
9,857	(Increase)/decrease in creditors	(6,082)
808	Increase/(decrease) in interest/dividend debtors	1,334
5,410	Increase/(decrease) in debtors	(6,700)
(91)	Increase/(decrease) in inventories	(64)
(6,002)	Pension Liability	(7,084)
(1,249)	Contribution (to)/from provisions	436
(4,321)	Carrying amount of non current assets sold	(46,895)
564	Movement in Investment Property Values	(1,092)
0	Carrying Amount of short and long term investments sold	0
(17,637)	Total	(84,625)

63. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2011/12		2012/13
£000		£000
55,567	Capital grants credited to surplus or deficit on the provision of services	30,664
0	Proceeds from sale of short and long term investments	
1,906	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	28,582
57,473	Total	59,246

64. Heritage Assets

The council has identified a number of Heritage Assets, as listed below. These are held for the appreciation of the history of the local area. The council has no cost records for the assets and due to their nature they cannot be cost effectively valued. The assets are therefore not recognised in the balance sheet.

Asset	Location
Anstice Backwalls & Ice House	Ironbridge
Bridge Structure, Former Castle	Little Dawley
Canal & 2 Railway Bridges	Coalport
Canal & Lock Gates	Hadley
Canal Basin	Granville Park
Canal Blist Hill to Sutton Hill	Madeley
Captain Webb Memorial	Dawley
Crossing Gates, Station Platform, Sidings	Ironbridge
Furnaces	Granville Park
Incline	Ironbridge
Incline Plane	Coalbrookdale
Incline Plane	Madeley
Ladywood Brickworks	Ironbridge
Loam Hole Dingle	Jiggers Bank
Lydbrook Sandstone Outcrop	Jiggers Bank
Mining Landscape	Shortwood, Wellington
Monument	Lilleshall
Newport Canal	Newport
Norman Chapel	Town Park
Overhead Bridge, Footbridge at Low Level	Madeley
Pumping Engine House Including Reservoir Weirs	Ironbridge
Railway Bridge	Newport
Railway Bridge (Wings)	West of Newport
Shafts Compressor House	Granville Park
Slag Block Wall	Ironbridge
Station Yard	Coalport
Stirchley Chimney	Stirchley
Stirchley Railway Station	Stirchley
Stirchley Tunnels	Stirchley
Track Beds/Railway Lines	Ironbridge
Ventilation Shaft	Ironbridge
Wappenshall Canal Basin	Wappenshall
Wide waters, Canal Basin	Little Dawley

Collection Fund Account

	<i>2011/12</i> <i>£'000</i>	<i>2012/13</i> <i>£'000</i>	<i>Notes</i>
Income			
Income from Council Tax	<i>58,749</i>	60,833	<i>1</i>
Transfers from the Council's General Fund			
– Council Tax Benefits	<i>14,485</i>	14,989	
– Transitional Relief	<i>(1)</i>	(2)	
– Discounts for prompt payment	<i>0</i>	0	
Income collectable from business ratepayers	<i>61,870</i>	66,214	<i>2</i>
Contributions			
– Towards previous year's Collection Fund deficit	<i>0</i>	0	
– Adjustment of previous years' community charges	<i>0</i>	0	
	<i>135,103</i>	142,034	
Expenditure			
Precepts and demands from Unitary, Fire, Police Authority and Parish Councils	<i>73,756</i>	75,000	<i>3</i>
Business Rates			
– Payment to national pool	<i>61,653</i>	66,000	
– Costs of collection	<i>217</i>	214	
Bad and Doubtful Debts/Appeals			
– Write Offs	<i>126</i>	128	
– Provisions	<i>117</i>	340	
Contributions			
– Towards previous year's estimated Collection Fund surplus	<i>0</i>	0	
– Adjustment of previous years' community charges	<i>0</i>	0	
	<i>135,869</i>	141,682	
Movement on fund balance (Increase)/Decrease	<i>766</i>	(352)	

Notes To Collection Fund Accounts

1. Council Tax Base for 2012/13

2011/12 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
14,638	Band A	25,976	(3,933)	22,043	14,685
12,438	Band B	18,206	(2,104)	16,102	12,524
7,960	Band C	10,153	(1,046)	9,107	8,095
7,174	Band D	7,583	(363)	7,220	7,220
4,950	Band E	4,370	(274)	4,096	5,006
2,695	Band F	1,997	(109)	1,888	2,727
1,540	Band G	989	(66)	923	1,538
73	Band H	48	(14)	34	67
51,468	TOTAL	69,322	(7,909)	61,413	51,862
(513)	Adjustments for growth and losses				(517)
50,955	Taxbase for year				51,345
£1,418.60	Average Council Tax for year				£1,451.17
2011/12 £'000					2012/13 £'000
72,285	Gross Yield				74,510
(14,484)	Less Benefits and Transitional Relief				(14,987)
948	Add increase in debit net of exemptions and relief's				1,310
58,749					60,833

2. Income Collectable from Business Rate Payers	2011/12 £'000	2012/13 £'000	2012/13 £'000
Effective non-domestic rateable value for year	159,383	160,603	
Uniform Business Rate for year	43.3p	45.8p	
Gross Yield for year	69,013		73,556
Less Reductions & Transitional Rate Relief	(7,143)		(7,342)
	61,870		66,214

The rateable value was £166,783,401 at 31.3.2013

3. Precepts on the Fund	2011/12 £'000	2012/13 £'000
Telford & Wrekin Council	57,180	58,219
West Mercia Police Authority	9,292	9,238
Shropshire & Wrekin Fire Authority	4,357	4,492
Parish Councils	2,927	3,051
	73,756	75,000
4. Allocation of Fund Balance	2011/12 £'000	2012/13 £'000
Telford & Wrekin Council	(800)	(1,088)
West Mercia Police Authority	(124)	(166)
Shropshire & Wrekin Fire Authority	(58)	(80)
	(982)	(1,334)

Glossary

Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance & Accountancy and comply with the International Financial Reporting Standards (IFRS) approved by the Financial Reporting Advisory Board
Balances	See Reserves and Balances
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31 st March for Local Authorities
Budget	The financial statement reflecting the Council's policies over a period of time i.e. what the Council is going to spend to provide services.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Receipts	The proceeds from the disposal of land or buildings, or other assets. These can be used to finance new capital expenditure.
Capping	The Government has the power to tell Councils to set a lower budget requirement if it thinks the year on year increase is excessive
CIPFA CIPFA/SOLACE	The Chartered Institute of Public Finance and Accountancy CIPFA/SOLACE Delivering Good Governance in Local Government - Framework - CIPFA - the Chartered Institute of Public Finance and Accountancy, have worked with SOLACE - the Society of Local Authority Chief Executives and Senior Managers, to develop the good governance framework for local authorities based on the "The Good Governance Standards for Public Services" produced by the Office for Public Management.
Collection Fund	A separate statutory fund maintained by the Council, as billing authority, which records council tax and non-domestic rates collected, together with payments to precepting authorities (Police, Fire, Parishes), the national pool of non domestic rates and the Council's own General Fund.
Comprehensive Income & Expenditure Account (CI&E)	Summarised income and expenditure during the year by service area
Council Tax	The main source of local taxation to local authorities. Council tax is levied on dwellings within the local authority area by the billing authority.
Creditors	Represent the amount that the Council owes other parties, shown on the balance sheet at year end
Debtors	Represents the amounts owed to the Council, shown on the balance sheet at year end
Revenue Expenditure funded from Capital under Statute	This is expenditure that is classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of stock issues, expenditure on properties not owned by the authority and amounts directed by the Government.
Depreciation	The accounting term used to describe the write off of the

	reduction in value of a fixed asset due to wear and tear, passing of time
Dedicated Schools Grant (DSG)	Specific ring-fenced grant allocated by the Department for Education for the funding of schools
Discounts	The benefit obtained from re-scheduling debt
International Accounting Standard 19 (IAS19)	Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Damping	A method that is intended to provide stability in Local Authority funding. A “floor” guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Local Services Support Grant (LSSG)	Local Services Support Grant is a general grant that is not allocated to the cost of services but is shown with other grants such as RSG.
MRP	Minimum Revenue Provision – This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Outturn Pension Fund	Actual Expenditure within a particular year An employee’s pension fund is maintained in order to make pension payments on retirement to participants. It is financed from contributions from the employing authority (The Council), the employee and investment returns.
Premia	A penalty payment that may be incurred when debt is repaid early
Private Finance Initiative (PFI)	A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Formula Spending Share, also determined by Government.

Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs. For Telford & Wrekin this is the Assistant Director Finance Audit and Information Governance
Soft Loan	A loan granted at lower than the prevailing interest rate
Special Fund Revenue Account	Included in the Income And Expenditure Account but specifically summarises the cost of providing some specific services that in some areas are provided by Parish Councils but in others are provided by the Council
Trading Services	A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users.
Variance	The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend.
Virement	A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations.