

# Telford & Wrekin Council

## Statement of Accounts

2014/15

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## Telford & Wrekin Council

### Statement of Accounts

2014/15

# Financial Statements

## Explanatory Foreword

### **1. INTRODUCTION**

Telford & Wrekin Council is a Unitary Authority created in 1998. Situated in Shropshire, the Borough is a mix 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.

The Council is committed to openness and transparency and publishes details of all spending over £100 every month. The Statement of Accounts are a public record of the Council's financial position for 2014/15; 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 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 2014/15 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 £4.369m at 31<sup>st</sup> March 2015). This statement represents the authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable;
- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This statement reports on how the Authority performed financially during the year and whether its operations resulted in a surplus or deficit. This shows a surplus for the year of £61.206m compared with

the outturn report which shows an underspend of £1.145m. The reasons for this difference relate to technical transactions required to put the accounts on an IFRS basis including capital grants offset by losses on disposal of fixed assets, depreciation, Revenue Expenditure Financed from Capital Under Statute (REFCUS), impairments and pensions. **These do not impact on either General Fund Balances or Council Tax;**

- ... **The Balance Sheet** - This is a "snapshot" of the Authority's financial position which sets out the financial position of the Council on 31<sup>st</sup> March 2015 and shows net assets for the Council of £106.454m, a slight increase from £105.266m for the previous year;
- ... **The Cash Flow Statement** - summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties, analysing them into operating, investing and financing activities, and shows a net reduction in Cash and Cash Equivalents of £9.8m;
- ... **The Notes to the Core Financial Statements** - provide further information supporting the financial statements including the Statement of Accounting Policies and provide further detailed information on specific items;
- ... **The Collection Fund** - the statutory account in which income from business rates and council tax is held temporarily, pending payment to the precepting authorities. There is an increase on the council tax fund balance of £2.431m for the year and the Council's share of the surplus was £3.6m at 31<sup>st</sup> March 2015. The localisation of business rates means that we also show similar information in respect of this. The business rates show an increase in the balance on the account for the year of £3.4m and the Council's share of the surplus was £0.7m at 31<sup>st</sup> March 2015;

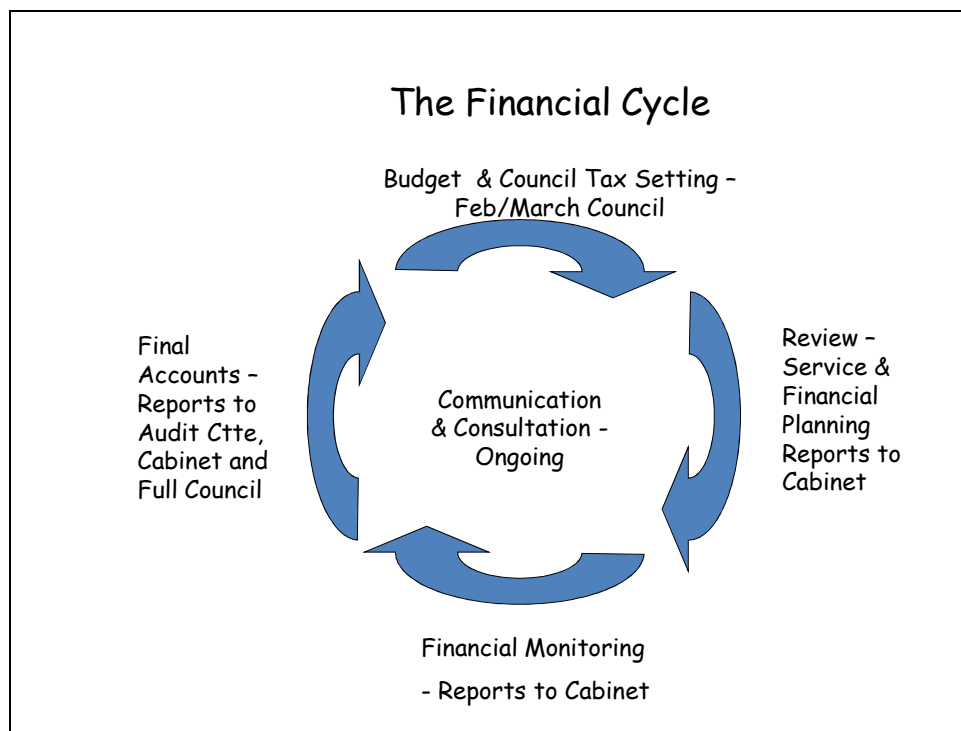
These accounts are supported by the Statement of Responsibilities, which follows this foreword.

## **2. FINANCIAL CONTEXT**

This section of the Statement of Accounts summarises the background to the Council's accounts for 2014/15. In particular it sets out

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2014/15
- Issues highlighted during 2014/15
- The final outturn for 2014/15
- A commentary on 2015/16

## 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 2014/15

The Council's 2014/15 budget was set in the context of a two year service and financial planning strategy which covered the period 2014/15 to 2015/16 (in line with the Government's Comprehensive Spending Review/Spending Round 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 2014/15 and is the second lowest in 2015/16).

Since 2010, the Council has faced unprecedented cuts in government grant whilst at the same time demand for many services, such as safeguarding children against harm or neglect and community care for older people, have been increasing. In 2014/15 £17m of budget savings were delivered, which was on top of £53m made in the previous 5 years.

Despite the financial challenges the Council has a clear mission to: attract new jobs and investment; promote growth in the borough; generate additional income including council tax, New Homes Bonus and business rates; and to work cooperatively with residents and partners.

The Cabinet published its draft service and financial planning strategy for 2014/15 to 2015/16 in January 2014 and extensive public consultation was undertaken on the proposals. The final budget strategy was approved at Council in February 2014 taking account of consultation responses.

Council tax was frozen for 2014/15. The average charge (Band B) for the Council's services was £892 per year. The table below shows how Net Revenue Spend was funded.

<b>2014/15 Net Revenue Spend - £m</b>	
<b>2014/15 Total Net Revenue Spend</b>	<b>129.235</b>
Funded From:	
Government Grant (RSG and Top Up)	44.314
Retained Business Rates	33.731
Council Tax	50.841
Collection Fund and Balances	0.349
<b>Total Funding</b>	<b>129.235</b>

The medium term planning period was one of unprecedented uncertainty with further very significant cuts expected to the public sector.

### **2.3 Issues Highlighted During 2014/15**

A summary of the year end variances against budgets reported to Cabinet is shown in the table below:

Service Area	Approved Budget	Outturn	Variance	Outturn as a % of Budget
	£	£	£	
Children's Safeguarding & Specialist Services	20,498,422	21,697,262	1,198,840	105.85%
Education & Corporate Parenting	10,884,147	11,403,743	519,596	104.77%
Family, Cohesion & Commissioning Services	9,713,047	8,808,046	(905,001)	90.68%
Development, Business & Employment	2,369,583	1,891,640	(477,943)	79.83%
Neighbourhood & Leisure Services	30,643,265	30,173,408	(469,857)	98.47%
Adult Social Services	37,528,318	38,196,188	667,870	101.78%
Public Health, Well Being & Public Protection	2,005,078	1,601,157	(403,921)	79.86%
Customer Services	4,764,596	4,113,644	(650,952)	86.34%
Law, Democracy & People Services	2,329,380	253,026	(2,076,354)	10.86%
Finance, Audit & Information Governance	9,615,330	7,249,830	(2,365,500)	75.40%
Cooperative Council Delivery Unit	1,327,580	1,207,668	(119,912)	90.97%
Council Wide (including Asset Rentals)	(2,444,216)	(4,006,398)	(1,562,182)	163.91%
<b>Total</b>	<b>129,234,530</b>	<b>122,589,214</b>	<b>(6,645,316)</b>	<b>94.86%</b>
Proposed Transfers to Reserves				
Capacity/Invest to Save Fund	0	1,000,000	1,000,000	
Severance Fund	0	2,200,000	2,200,000	
Pride in Your Community Fund (17/18)	0	1,000,000	1,000,000	
Parish Environmental Teams (17/18 and 18/19)	0	800,000	800,000	
Unemployment Initiatives	0	500,000	500,000	
<b>Total After Transfers</b>	<b>129,234,530</b>	<b>128,089,214</b>	<b>(1,145,316)</b>	

Variances are after IAS 19 Pension entries and asset rental charges but before impairment charges which are technical entries required in the formal statement of accounts but do not impact on the Council's General Fund Balances.

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 Area	Variance £m
<b><u>Children’s Safeguarding &amp; Specialist Services</u></b>	
<p><b>Children in Care Placements (CiC)</b> – the overspend reflects 293 CiC (309 at 31 March 2014, peak of 323 during last financial year). The financial strategy for 2014/15 included an additional “draw-down” budget for Safeguarding to help meet the ongoing pressures on the service (see below). All placements are scrutinised and reviewed in line with the Action Plan and Placement Strategy to secure best value. The Cost Improvement Plan for 2015/16 includes further cost reductions in this area.</p>	+1.558
<p><b>Draw down budget</b> – £1.2m set aside when the budget was set to meet CiC pressures.</p>	-1.200
<p><b>Care Leavers</b> – overspend relating to the cost of supporting 16-18 year olds as they leave care. This represents a significant improvement on the position in 2013/14.</p>	+0.166
<p><b>Internal Foster Carer Costs</b> – payments to Foster Carers including transport costs.</p>	+0.164
<p><b>Staffing (Specialist Services)</b> – underspends from vacancies held in the service area.</p>	-0.116
<p><b>Staffing (Safeguarding)</b> – including the cost of agency social workers.</p>	+0.237
<p><b>Direct Payments</b> – payments relating to personal care for children with disabilities.</p>	+0.105
<p><b>Children not in Care</b> – costs relating to adoption fees and other costs made to carers to support placing children with families and avoiding higher care related costs.</p>	+0.190
<p>In year savings total £0.080m.</p>	
<b><u>Education &amp; Corporate Parenting</u></b>	
<p><b>School Improvement Advisory Service</b> – lower costs due to in year vacancies and additional income from trading following a restructure.</p>	-0.246
<p><b>Education Services Grant (ESG)</b> – fewer in-year conversions to academies than anticipated resulting in less reduction in ESG for the local authority.</p>	-0.105
<p>In year savings total £0.130m.</p>	

<p><b><u>Family, Cohesion Services &amp; Commissioning</u></b></p> <p><b>Cohesion</b> – a combination of salary savings from temporary vacancies and other savings within the service.</p> <p><b>Contracting &amp; Commissioning</b> – mainly due to the transfer of Supporting People from Adult Social Services which is forecast to overspend by £0.384m, partially offset by restructure savings.</p> <p>In year savings total £0.909m.</p>	<p>-0.206</p> <p>+0.303</p>
<p><b><u>Adult Social Services</u></b></p> <p><b>Purchasing budgets</b> – an overspend of £5.6m which is after the delivery of £2m savings already achieved.</p> <p><b>One off Funds</b> – includes £0.9m Service balances plus £2.24m of the one off draw down budget set aside at year end.</p> <p><b>Transport</b> – impact of the budget reductions following a transport review. A project group has been set up to review transport expenditure in 2015/16 and address the overspend.</p> <p><b>Employees</b> – savings arising from vacant posts within Adult Social Services.</p> <p><b>Income</b> – a combination of additional income from the Government to support work on winter pressures and reducing the delay to people leaving hospital, together with funds to support the implementation of the Care Act and additional client contributions.</p>	<p>+5.573</p> <p>-3.140</p> <p>+0.179</p> <p>-0.304</p> <p>-1.742</p>
<p><b><u>Public Health, Wellbeing &amp; Public Protection</u></b></p> <p><b>Employees</b> – arising from part year vacancies and underspends on other employee budgets.</p> <p><b>Smoking Cessation Project</b> – saving arising from reduced demand and use of service.</p> <p><b>Substance Misuse</b> – saving from across the Drugs and Alcohol service including inpatient detox.</p> <p><b>Public Protection &amp; Civil Resilience</b> – saving arising from employee vacancies during the year.</p> <p>In year savings total £0.200m.</p>	<p>-0.102</p> <p>-0.231</p> <p>-0.252</p> <p>-0.145</p>

<b><u>Neighbourhood &amp; Leisure Services</u></b>	
<b>Highways &amp; Engineering</b> – costs associated with restructure.	+0.200
<b>Highways &amp; Engineering</b> – additional income which cover costs associated with restructure.	-0.307
<b>Drain Clearing</b> – additional costs of gully emptying; offset by underspends elsewhere in the service.	+0.143
<b>Concessionary Travel</b> – saving as a result of reduced passenger numbers.	-0.126
<b>Highways &amp; Transport Strategic Policy</b> – savings arising from vacant posts.	-0.225
<b>Highways &amp; Transport Strategic Policy</b> – income shortfall mitigated by above saving.	+0.169
<b>Leisure Facilities &amp; Services</b> – income shortfall at Oakengates Leisure Centre and Horsehay Golf Complex.	+0.175
<b>Arthog</b> – additional income relating to increased school visits and increased occupancy.	-0.138
<b>Oakengates Theatre</b> – additional income relating to the success of the pantomime and other productions during the year.	-0.100
In year savings total £0.185m.	
<b><u>Development, Business &amp; Employment</u></b>	
<b>Regeneration &amp; Investments</b> – loss in Property Investment Portfolio investment income arising from the longer-term rationalisation of the property portfolio to secure a more sustainable income position ongoing, short-term income pressures at Southwater car park and service charge voids.	+0.575
<b>Business &amp; Development Planning</b> – one off savings arising from vacancy management.	-0.123
<b>Development Management</b> – one off benefit from increased planning applications due to the current housing market and “Invest in Telford” campaign.	-0.218
<b>Property &amp; Design</b> – one off savings arising from vacancy management.	-0.126
<b>Property &amp; Design</b> – reduced spend on consultancy services.	-0.114
<b>Property &amp; Design</b> – additional property related costs including utilities and maintenance costs.	+0.216

<p><b>Regeneration &amp; Investment</b> – one off savings arising from vacancy management.</p> <p>In year savings total £0.440m.</p>	<p>-0.147</p>
<p><b><u>Customer Services</u></b></p>	
<p><b>Care &amp; Enablement</b> – savings identified from staffing restructures and the cessation of the enablement service which together with one off funds have covered residential and community support overspends.</p>	<p>-0.251</p>
<p><b>ICT</b> – the net impact of the reallocation of savings together with additional restructure savings.</p>	<p>-0.134</p>
<p><b>Cleaning</b> – additional income generated and reduced employee costs.</p> <p>Customer Services overall position includes £600k additional funding achieved through increased council tax and business rates. Due to accounting regulations this is not available to the Council in 2014/15 and will be met from one-off funds until 2015/16.</p> <p>In year net savings total £0.256m.</p>	<p>-0.102</p>
<p><b><u>Finance, Audit &amp; Information Governance</u></b></p>	
<p><b>Treasury</b> – the majority of this saving relates to the benefit of extending the change in the calculation of the Minimum Revenue Provision applied in 2013/14 to include supported debt (government allocations), which is made up of a back-dated element of £1.1m and an ongoing benefit. The revenue impact of changes to the level of anticipated capital receipts is also reflected in this position as is a benefit from capitalisation of interest on projects under construction at year end.</p>	<p>-2.149</p>
<p><b><u>Law, Democracy &amp; People Services</u></b></p>	
<p><b>Single Status</b> - the budget for 2014/15 allowed for implementation of the single status settlement during the year. This is unlikely to happen during this financial year and as such a net benefit of £1.9m will arise during this year.</p> <p>In year net savings total £1.917m.</p>	<p>-1.950</p>
<p><b><u>Co-operative Council Delivery Unit</u></b></p>	
<p><b>Delivery &amp; Planning</b> – underspends relating to vacant posts.</p> <p>In year savings total £0.087m.</p>	<p>-0.101</p>

<b>Purchase Rebates</b> Surplus dividend from West Mercia Energy relating to 2013/14 outturn performance.	-0.132
<b>Litigation Costs</b> Provision for the estimated costs associated with an ongoing litigation claim affecting a number of Councils across the country.	+0.259
<b>Housing Benefit Subsidy</b> Higher than budgeted housing benefit subsidy which includes the impact of a reduction in the level of overpayments made during the last part of the year.	-0.211

## 2.4 **Final Outturn for 2014/15**

### Revenue

Final net service expenditure was £128.089m, after the transfers to reserves mentioned above, compared to a budget of £129.234m, an underspend of £1.145m (or -0.89%). Given the context of the Council having to make £17m of budget savings in 2014/15, on top of £53m delivered in previous years, it was a particularly positive outturn position which demonstrates the strong financial management in the Council.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Overall Totals	129.234	128.089	-1.145
Funding Variance	0.000	-0.200	-0.200
Contribution to (-)/from (+) balances	-0.049	-0.049	0.000
Service Outturn	129.185	127.840	-1.345
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances	-129.185	-128.985	+0.200
Net General Fund position	0.000	-1.145	-1.145

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	437.470	376.516	60.954
Trading Services	3.716	6.156	(2.440)
Pensions Adjustments under IAS 19	(1.633)	0.000	(1.633)
Interest Payable and Similar Charges	8.935	0.000	8.935
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(0.370)	0.000	(0.370)
Interest and Investment Income	0.000	0.176	(0.176)
Capital Grants and Revenue Grants Unapplied	0.000	(88.033)	88.033
General Grants (LSSG, Section 31)	0.000	0.070	(0.070)
Remove Depreciation & Impairments, REFCUS etc from Net Operating Cost	(33.899)	0.000	(33.899)
Accumulated Absences	(0.157)	0.000	(0.157)
Minimum Revenue Provision	4.403	0.000	4.403
Net Movement on Reserves	4.260	0.000	4.260
<b>Total</b>	<b>422.725</b>	<b>294.885</b>	<b>127.840</b>

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

The outturn position has resulted in a general fund balance of £3.783m and a special fund balance of £0.586m (see Note 56 to the Core Financial Statements), giving a consolidated balance of £4.369m. The total for all reserves and usable revenue balances held by the Authority is £63.3m, 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 £4.3m.

### **Workforce Analysis**

At 31 March 2015 Telford & Wrekin Council employed 2,997 people [2,319 FTEs]. At 31 March 2014 the comparative figures were 2,981 people [2,308 FTEs]:

	31 March 2014		31 March 2015	
	Head Count	FTEs	Head Count	FTEs
Male	780	684.8	797	697.5
Female	2,201	1,623.5	2,200	1,621.4
<b>Total</b>	<b>2,981</b>	<b>2,308.3</b>	<b>2,997</b>	<b>2,318.9</b>

## **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 £72.06m; this has been as a result of a change to actuarial assumptions to calculate the future value of scheme liabilities (mainly as a result of the discount rate being reduced, which has the impact of increasing the value of future liabilities). The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £12.910m (comprising contributions of £10.090m plus a lump sum payment of £2.82m). The contribution rate was set for 2013/14 at 16.3%. Following the valuation at 31/3/13 the contribution rate was reduced to 12.6% for 2014/15 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2015/16 is estimated at 17.0% slightly higher than 2014/15.

### **Capital Accounting**

#### **Capital**

The Council spent £115.3m on capital projects during the year, an underspend of £26.3m against budget within the year although, this will be re-phased into future years. Detail is shown in the table below.

Policy Area	2014/15 Approved Budget £m	2014/15 Expenditure £m
Education and Corporate Parenting	64.8	58.0
Development Business and Employment	37.2	22.6
Neighbourhood and Leisure Services	31.3	28.8
Adult Social Services	1.8	0.4
Customer Services	2.4	1.8
Corporate Delivery Unit	4.0	3.7
Corporate	0.1	0.0
<b>Total</b>	<b>141.6</b>	<b>115.3</b>
<b>Funded by:</b>		
Supported Borrowing	0.2	0.1
Prudential Borrowing	46.4	28.0
Capital Receipts	2.5	3.1
Government Grants	86.9	79.1
Revenue	0.9	0.7
Other External Sources	4.7	4.3
<b>Total</b>	<b>141.6</b>	<b>115.3</b>

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 £115.26m during 2014/15.

Overall the Council's net indebtedness is £112.8m at 31<sup>st</sup> March 2015 which is an increase of £10.8m from the previous year.

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 2014/15 the Authority made payments of £9,883,380 (£9,718,789 in 2013/14) 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 per annum from the Government to help offset this cost.

### **Provisions (see Note 26)**

**Severance Costs** – the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2015 was £0.1m.

**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<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2014/15 accounts, as was the case last year and previous years. The amount in the provision at 31 March 2015 was £16.3m (£4.3m relates to schools).

**NDR Appeals** – under the new arrangements for the retention of business rates authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £4.9m is estimated as the amount required to set aside for this purpose at the end of 2014/15. Telford & Wrekin Council's proportion of this is £2.4m (49%).

**Litigation Costs** – A provision has been created in respect of Litigation Costs for 2014/15. This is to cover the anticipated costs of refunds being claimed by a number of private local search companies.

**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 Energy (see note 60 to the accounts) and have concluded that group accounts do not need to be prepared. During 2015/16 NuPlace, a wholly owned Housing Investment Company, has been established and group accounts will therefore be required in the future.

## 2.5 2015/16 Commentary

The Council has a rolling financial planning process. This was updated for 2015/16 formally by reports to the Council's Cabinet in January 2015 and February 2015. The decisions on the medium term budget strategy at 5 March 2015 Council reflect the outcome of extensive consultation with a wide variety of stakeholders following publication of the draft strategy on the 5 January 2015.

The provisional funding settlement for 2015/16 was announced very late on the 18th December 2014, followed by the final settlement on the 4<sup>th</sup> February 2015; as anticipated the Council faced a very significant reduction in funding. After delivering £70m of savings over the previous 6 years, further savings of over £9m were required in 2015/16. Projections beyond 2015/16 have a degree of uncertainty because of the impending Comprehensive Spending Review, which is likely to impose further savings targets on local government as central government strive to reduce public spending.

The agreed strategy for 2015/16 to meet the savings requirement and to continue to invest in the area to support both the community and businesses is:

- additional savings package delivering £5.5m to general fund budgets;
- additional business rates income of £1.1m;
- creation of additional ring fenced funding of £0.75m for safeguarding pressures;
- creation of additional ring fenced funding of £2.5m for adult social services;
- funding for unavoidable service pressures totalling £1.5m;
- investments totalling £1.95m, funded from the anticipated 2014/15 underspend, to support free swimming for the over 50's; invigoration and promotion of High Streets; fund an environmental investment programme;
- planned use of balances carried forward from the 2014/15 underspend of £0.8m.

The decision has been made to freeze council tax for 2015/16 (and also for 2016/17) and as a result, the Council Tax for Council Services in 2015/16 (Band B) remains at £892 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,147).

<b>2015/16 Net Revenue Budget - £m</b>	
<b>2015/16 Total Net Revenue Spend</b>	<b>123.062</b>
Funded From:	
Government Grant (including RSG)	33.887
Retained Business Rates	35.655
Council Tax	51.857
Balances and Collection Fund	1.663
<b>Total Funding</b>	<b>123.062</b>

### **Looking Ahead**

Full Council approved the medium term financial strategy on the 5 March 2015 (available on the Council's web site). Current future projections show that further savings of around £10m-£12m per annum are likely for next 3 years. Projections are difficult due to a number of factors; uncertainty around the Comprehensive Spending Review and no information on national spending totals beyond 2015/16. It is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance being inevitable.

### **3. FURTHER INFORMATION**

Further information is contained in the Council's Service & Financial Planning Strategy, which is available from the Corporate Finance Unit, Addenbrooke House, 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

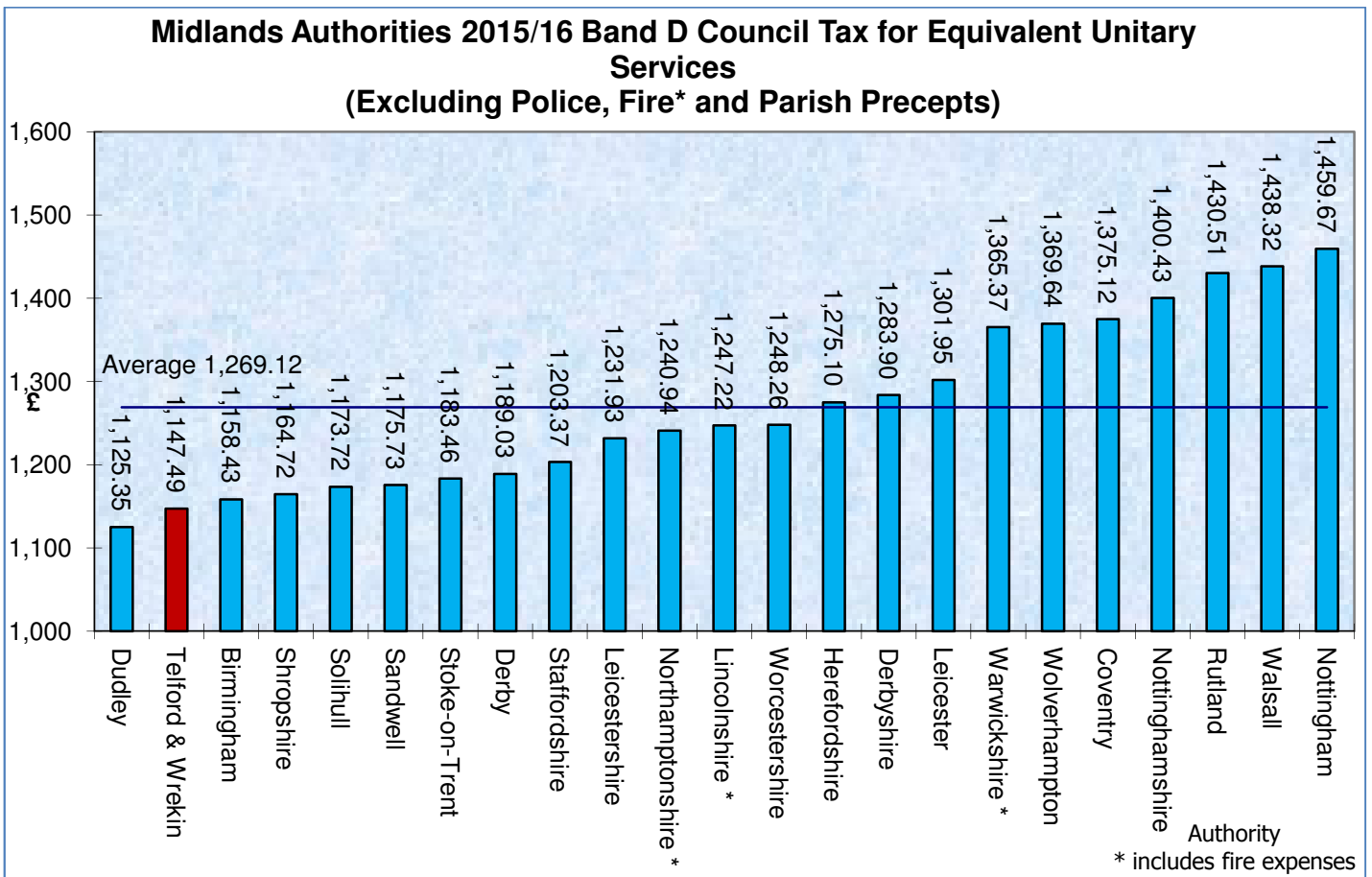
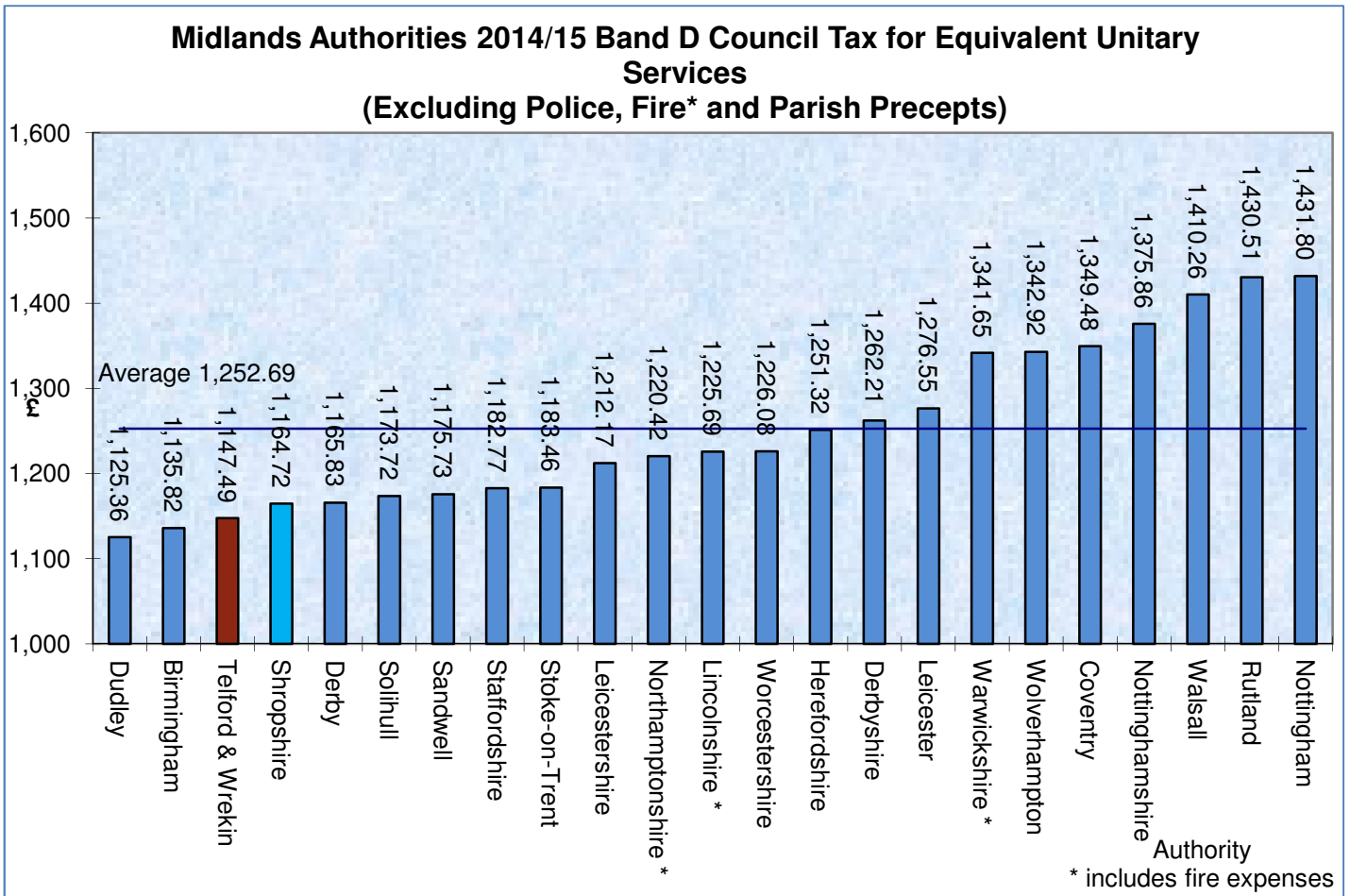


Chart 2

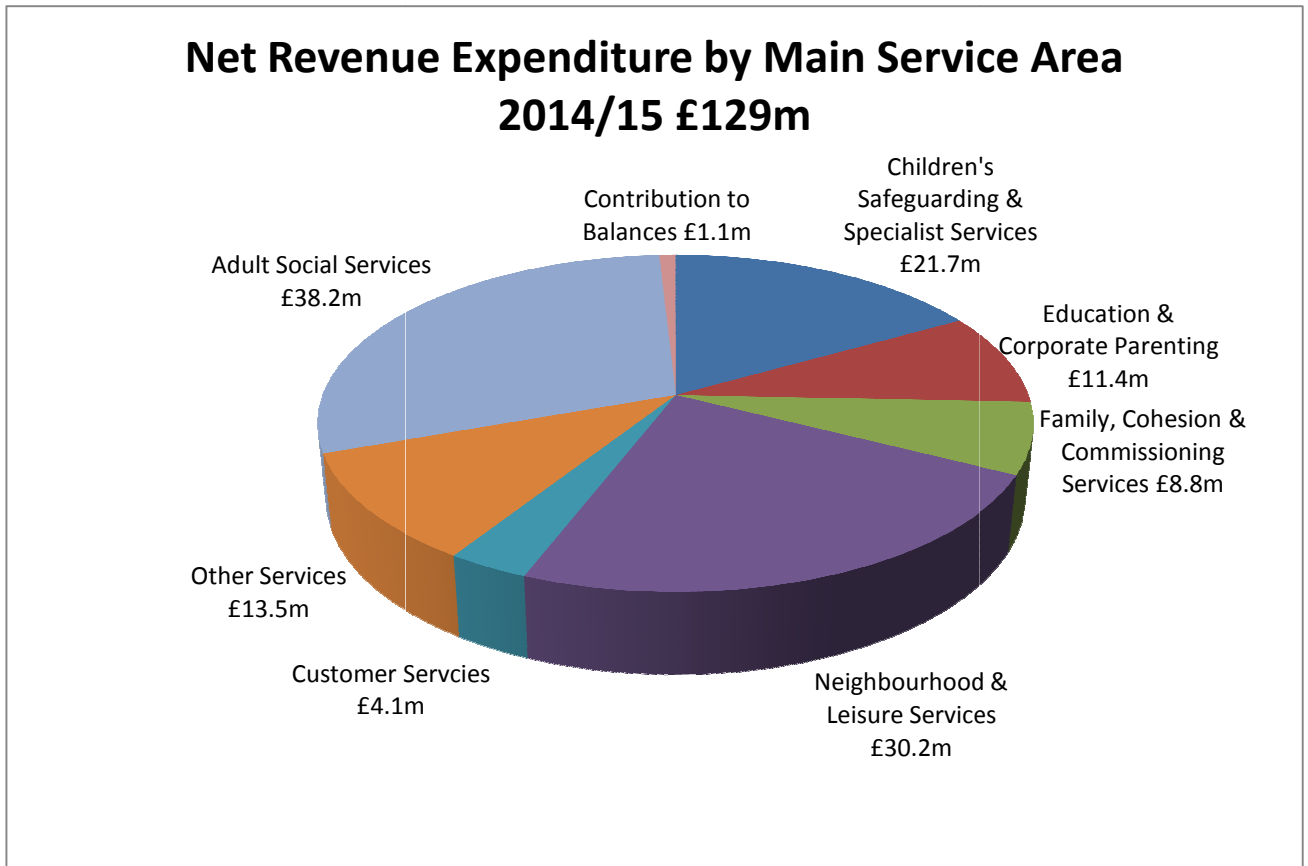


Chart 3

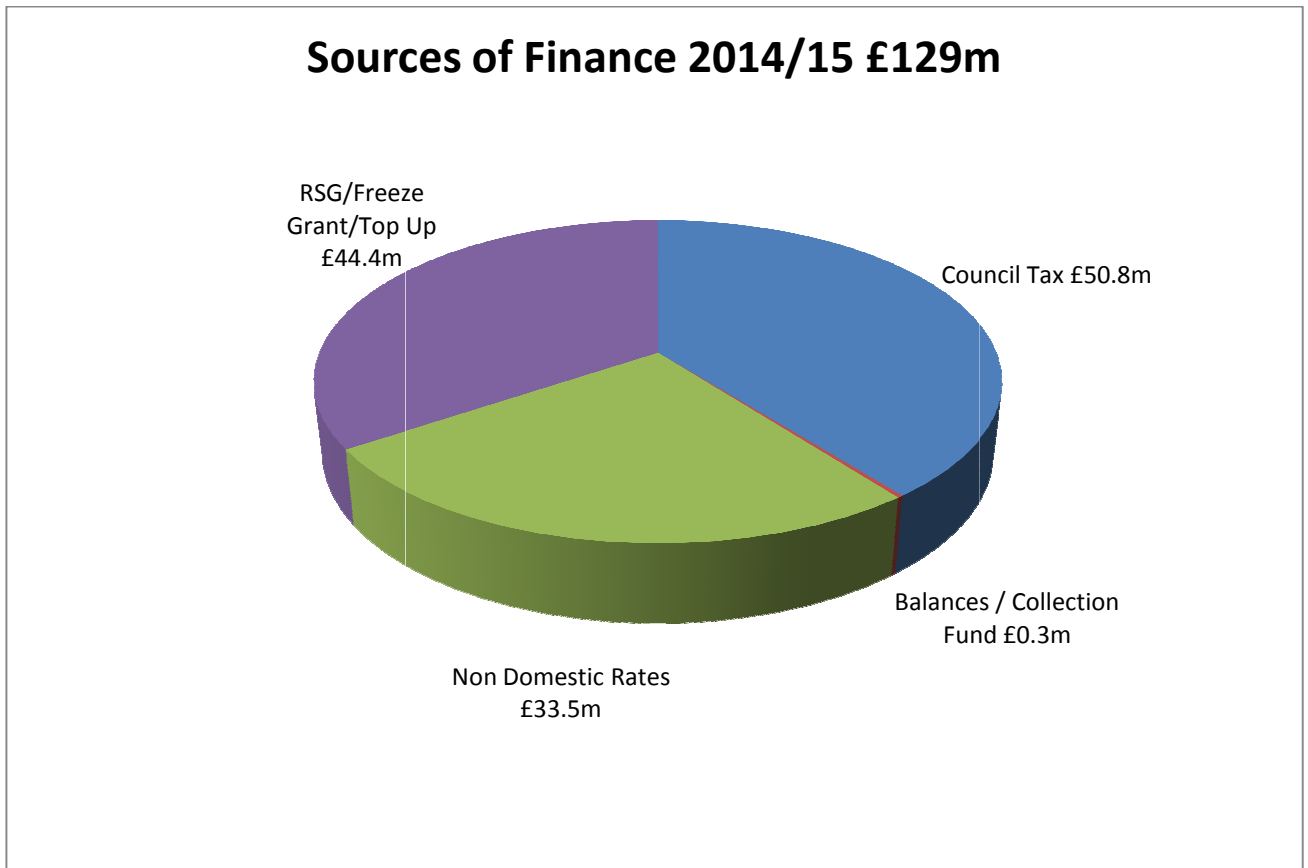


Chart 4

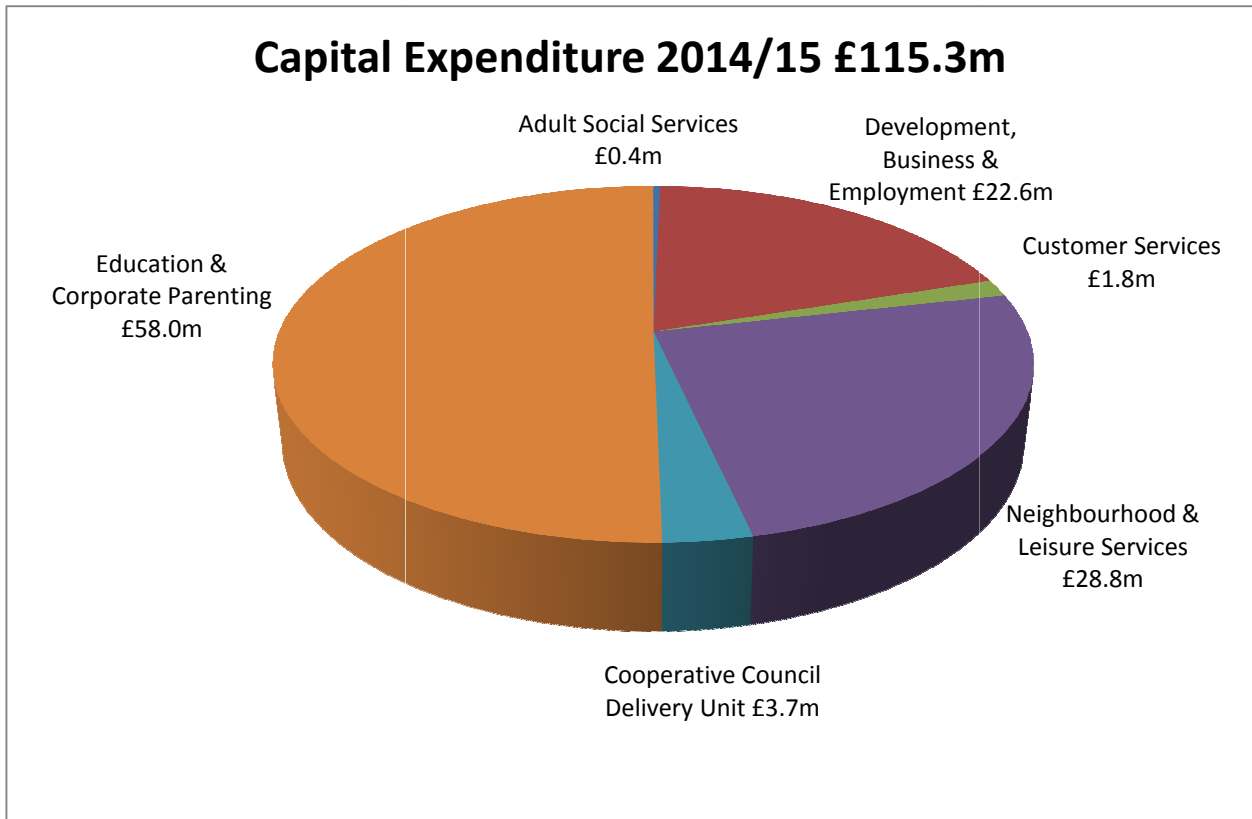
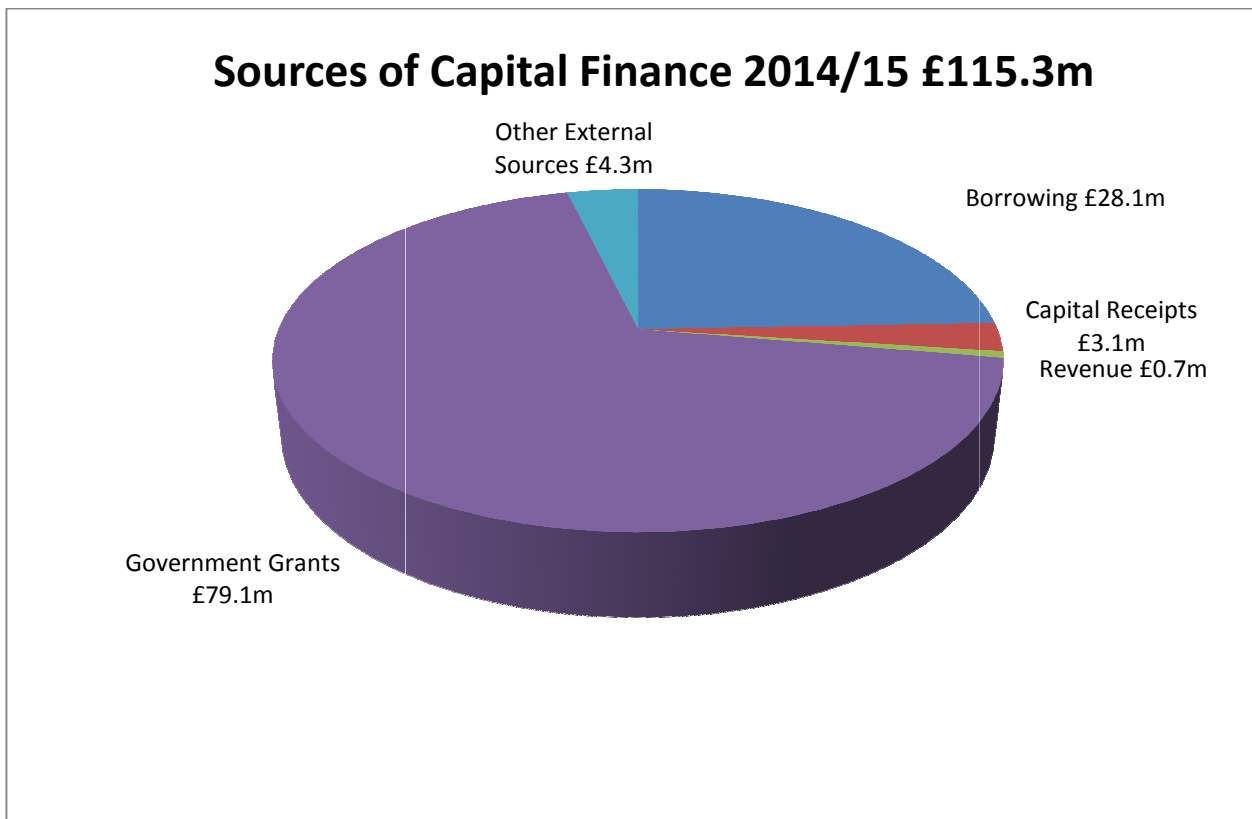


Chart 5



## **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 : Finance, Audit & Information Governance (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 the United Kingdom ('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 31<sup>st</sup> March 2015.

#### **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 104 complies with the requirements of the Accounts and Audit Regulations 2011 as amended.

Ken Clarke CPFA,  
Assistant Director  
**Dated: 18 June 2015**

### **APPROVED BY AUDIT COMMITTEE**

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

Councillor Rob Sloan  
Chair of Audit Committee  
**Dated: 30 June 2015**

## **ANNUAL GOVERNANCE STATEMENT 2014/15**

### **1. Introduction**

- 1.1 Under the Accounts and Audit (England) Regulations 2011 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee (those charged with governance). The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

### **2. Standards of Governance**

- 2.1 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.

### **3. Scope of Responsibility**

- 3.1 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.
- 3.2 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) is responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations<sup>1</sup> and ensuring the effective exercise of its functions.
- 3.3 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.

### **4. The Purpose of the Governance Framework**

- 4.1 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.
- 4.2 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.
- 4.3 The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2015/16 and beyond to support good governance, revised service delivery and organisational change.

### **5. The Governance Framework**

- 5.1 The key elements of the systems and processes that comprise the authority's governance framework (which is underpinned by the Council's values<sup>2</sup>) include:

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<sup>1</sup> Regulations 4(2), 4 (3) and 4(4) of the Accounts and Audit (England) Regulations 2011

<sup>2</sup> Co-operative values of ownership – openness & honesty; involvement, fairness and respect

- Community Strategy - Shaping Our Future – Telford & Wrekin’s Journey to 2020 - approved by Council on 2 May 2013;
- The Council’s Medium Term Plan 2013/14 to 2015/16 which outlines 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;
- Designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children’s Services, Director of Adult Social Services, Director of Public Health and Scrutiny Officer;
- The Council’s Information Governance arrangements include a Caldicott Guardian and an Information Governance Framework sponsored by 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<sup>3</sup>, Cabinet and Scrutiny;
- A Legal Services team to 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;
- The Adults and Children’s Safeguarding Boards and their associated accountability with an independent Chair;
- 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 People Services and workforce/organisational development procedures<sup>4</sup> 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<sup>5</sup> Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council’s communication, consultation and engagement 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

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<sup>3</sup> Senior Management Team – Managing Director, Directors and Assistant Directors.

<sup>4</sup> Further development work is continuing on these during 2014/15 to reflect the implementation of the People Services reorganisation and the Councils priority of Business Supporting, Business Winning Council

<sup>5</sup> The Employee Code of Conduct and was re-issued in April 2013.

management is the Managing Director. The service and financial planning process incorporates risk management and strategic risks are reviewed by SMT and agreed by the 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;
- A process for the completion and approval of business cases for use of the Capacity fund, Invest to Save fund and use of consultants;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit operates to the Public Sector Internal Audit Standards and on a risk basis reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Audit & IG Manager operates to meet the requirements of the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
- 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;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management;
- Governance 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).

## **6. Review of Effectiveness**

- 6.1 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.
- 6.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information 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.
- 6.3 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, 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.
- 6.4 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance risk and internal control arrangements. During 2014/15 the Internal Audit team achieved just under 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

adequacy and effectiveness of the Council's governance, risk management and internal control framework.

- 6.5 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.
- 6.6 Internal Audit has continued to provide support to Adult Social Services in respect to financial processes and systems and there were updates to the June 2014 and March 2015 Audit Committees. Senior Management changes have been implemented and external support has been commissioned to inform the future operating model. Adult Social Services phase 2 restructure will be launched in late June 2015.
- 6.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up policy. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Speak Up policy supports this. Internal Audit undertakes proactive fraud work based on a fraud risk register and will be re-reviewing the Council's anti-fraud activities against best practice (issued by CIPFA Autumn 2014 with guidance June 2015) during 2015/16. Other specific anti-fraud and corruption activities are undertaken by Revenues & Benefits and Trading Standards. An annual report on these activities is presented to the Audit Committee.
- 6.8 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 factors that influence/affect delivery of the strategy.
- 6.9 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.
- 6.10 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).
- 6.11 The Council recognises the importance of Information Governance and formalised its Information Governance framework in 2014/15. It 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. The Information Governance team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2014/15 no enforcement action has been taken by the ICO against the Council despite exchanges of correspondence between the ICO and the Council due to referrals to the ICO by the public and other third parties.
- 6.12 ICT infrastructure upgrades during the year have further improved security, data handling and business continuity. Further infrastructure improvement are planned for 2015/16 and 2016/17. A full review of the ICT strategy was undertaken in 2014/15 and was agreed by SMT.
- 6.13 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.

- 6.14 The Accounts and Audit (England) Regulations 2011 require a review of the effectiveness of internal audit and in addition to customer feedback the External Auditors review of the work of Internal Audit and their compliance with the Public Sector Internal Audit Standards has contributed to meet this requirement. The Internal Audit Annual Report 2014/15 sets out the internal audit opinion and that the External Auditor has reviewed and relied upon the work of Internal Audit in respect to the key financial systems for the 2014/15 final accounts audit.
- 6.15 The External Auditor’s Annual Audit Letter 2013/14 included in its headlines:
- Value for Money conclusion – we issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2013/14 on 16 September 2014. This means we are satisfied that you have proper arrangements for securing 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 16 September 2014. 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.
- 6.16 In 2014/15 Children’s Centre inspections by Ofsted were realigned to localities. There was an inspection of the Wrekin locality 2014/15. Copies of the reports are available at [www.ofsted.gov.uk](http://www.ofsted.gov.uk) but the main findings were:-

Location	Date	Grading <sup>6</sup>
Wrekin locality	May 2014	Requires improvement (3)

Improvements have already been made and action plans have been agreed and are in place to address remaining recommendations and these are being monitored by senior management and members.

- 6.17 To support the significant challenges in Adult Social Care (reduced spend, increasing demographic pressures, the implementation of the Care Act 2014 and a budget deficit) and to confirm and inform the savings programme, following procurement, Capita were invited to review our service in July /August 2014 and provide a portfolio of opportunities for us to consider. Below is a summary of the opportunities identified that could deliver the savings over the next 2 years:
- Improving and enhancing the **Information & Advice Service**.
  - A multi-disciplinary, centralised **Access and Assessment Hub** to provide a much more effective management of demand.
  - Managing **Safeguarding Alerts and Referrals** more effectively.
  - **Evaluate and remodel the reablement function**.
  - More effective targeting of **Telecare & Assistive Technology**.
  - **“Floating Out” Support Planning and Brokerage** function and separating it from the assessment process.
  - More **effective approaches to Reviews**.

In addition John Bolton, who over the last 3 years has led a national review looking at efficiencies achieved by local authorities in delivering adult social care, was invited in December 2014 to review our progress against the national and local challenges facing adult social services. His key messages to the Council are summarised below:

- Need strong, clear Vision/Commitment statement owned by all stakeholders, signed off and led by Councillors.

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<sup>6</sup> Grades are 1 = Outstanding; 2 = Good; 3 = Requires improvement; 4 = Inadequate

- Ensure all staff are fully signed up to Vision and culture to deliver – workforce development.
- Move from “understanding” to “doing”.
- Reducing spend is dependent on managing down demand.
- Front door is key, including an integrated approach with NHS.
- Commissioning for outcomes and promoting independence – in particular all home care and any residential based crisis/discharge to assess/enablement support.
- Older People - No admission to residential/nursing home care without crisis interventions to support at home. Where admitted to “crisis” beds, they must be commissioned for “promoting independence” outcomes.
- Learning Disability – Need to significantly review and reduce existing use of residential provision.
- Performance Management Information – need focus on information which helps understand and manage flow and reducing demand.
- In-house provider – must be competitive and lead by example in promoting independence.

The Council is making good progress against the recommendations from both the Capita and John Bolton reviews, together with the previous recommendations from the Adults Peer Challenge in 2013.

- 6.18 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.

Richard Partington  
 Managing Director  
**Dated**

Kuldip Sahota  
 Leader of the Council  
**Dated:**

Rob Sloan  
 Chair of Audit Committee  
**Dated:**

## AGS ACTION PLAN FOR 2014/15 TO BE IMPLEMENTED 2015/16

No	Action	Lead Officer	Comments	Date
1.	Continued strategic management of organisational change in respect to revised structures, and commercial/ business approach which links to the continued development and implementation of revised governance framework (encompassing information security, information technology, partnership and project governance).	Managing Director and SMT	Agreeing the revised governance requirements and incorporating any changes into to the Constitution, strategies and policies. Change management processes have been adjusted to reflect the different phase of change which the council is currently in endorsing and delivering an awareness programme for officers and members. Updated Constitution effective from May 2015.	On-going 31/03/16
2.	Preparations for the revised external audit arrangements.	AD Finance, Audit & IG	Local Audit and Accountability Act 2014 enacted but is not yet fully in force. Further secondary legislation and guidance to be published. External audit procurement – planning may need to commence early 2016 if contracts not extended.  Planning for revised final accounts deadlines for 2017/18 to commence in 2015/16 so there can be phased changes to practices. Draft accounts by 31 <sup>st</sup> May (instead of 30 <sup>th</sup> June) and audited accounts by 31 <sup>st</sup> July instead of 30 <sup>th</sup> September.	On going – as required Procurement – possibly from January 2016.  Working towards updated final accounts timetable for 2016/17 onwards.
3.	Complete the review and implementation of Workforce Development priorities and delivery. Continue to review and update the management competencies and skills required in the revised organisation. Review of People Services policies and procedures to support the priorities and organisational change.	AD – Law, Democracy & People Services	The key leadership, management and workforce requirements have been identified and the Council’s development programme now reflects these. The programme is revised on a rolling basis. People policies have been prioritised and are being revised and renegotiated in line with these priorities.	On going as agreed with SMT (31/03/16).
4.	Deliver the improved processes and associated governance to deliver savings and service improvements in Adult Social Services alongside the development of the processes and Council governance arrangements for the revised Social Care and Health agendas and changes proposed for 2014/15 and beyond.	Interim Director: Care, Health & Wellbeing; Interim AD – Adult Social Services	The process and system for community care financial control has been implemented. This will ensure accurate data and appropriate financial control, and includes clearly defined roles and responsibilities of teams and individuals for entering data for all practitioners and SDS&BT, and via agreed communications channels. Cost improvement plan is being implemented along with recommendations from Capita and John Bolton reviews. This has delivered savings during 14/15 which will continue into 15/16 and beyond. Robust action plans and ownership in place, which is monitored on a monthly basis. Challenge in place via Members, MD, and Director. Care Act Implementation programme completed for 1 <sup>st</sup> April 2015 and then to be implemented for 1 <sup>st</sup> April 2016. Chair – Director. Programme Lead – Clare Hall-Salter	31/03/16 and beyond

No	Action	Lead Officer	Comments	Date
5.	Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges.	Director: Children & Family Services & Interim Director: Care, Health & Wellbeing	This action plan is particularly focussed on any recommendations from external reviews that improve the governance arrangements in these areas.	Various dates throughout 2015/16
6.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director/ Monitoring Officer/CFO/ AD Development Business & Employment	Continued support and review of the separate company arrangements and associated governance issues.  Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval.	On-going during 2015/16

# Auditors' Report

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## 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
<b>Balance at 31 March 2013 carried forward restated</b>	3,121	32,087	53	13,355	48,616	18,165	66,781
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services restated	(13,517)	0	0	0	(13,517)	0	(13,517)
Other Comprehensive Income and Expenditure restated	0	0	0	0	0	52,002	52,002
<b>Total Comprehensive Income and Expenditure restated</b>	<b>(13,517)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,517)</b>	<b>52,002</b>	<b>38,485</b>
Adjustments between accounting basis & funding basis under regulations (Note 7) restated	25,240	0	(53)	(6,239)	18,948	(18,948)	0
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves restated</b>	<b>11,723</b>	<b>0</b>	<b>(53)</b>	<b>(6,239)</b>	<b>5,431</b>	<b>33,054</b>	<b>38,485</b>
Transfers to/(from) Earmarked Reserves	(11,620)	11,620	0	0	0	0	0
<b>Increase/ (Decrease) in 2013/14 restated</b>	<b>103</b>	<b>11,620</b>	<b>(53)</b>	<b>(6,239)</b>	<b>5,431</b>	<b>33,054</b>	<b>38,485</b>
<b>Balance at 31 March 2014 carried forward restated</b>	<b>3,224</b>	<b>43,707</b>	<b>0</b>	<b>7,116</b>	<b>54,047</b>	<b>51,219</b>	<b>105,266</b>

	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 2014/15**

Surplus or (deficit) on the provision of services	61,206	0	0	0	61,206	0	61,206
Other Comprehensive Income and Expenditure	0	0	0	0	0	(60,018)	(60,018)
<b>Total Comprehensive Income and Expenditure</b>	<b>61,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,206</b>	<b>(60,018)</b>	<b>1,188</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(53,723)	0	0	1,813	(51,910)	51,910	0
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>7,483</b>	<b>0</b>	<b>0</b>	<b>1,813</b>	<b>9,296</b>	<b>(8,108)</b>	<b>1,188</b>
Transfers to/(from) Earmarked Reserves	(6,338)	6,338	0	0	0	0	0
<b>Increase/ (Decrease) in 2014/15</b>	<b>1,145</b>	<b>6,338</b>	<b>0</b>	<b>1,813</b>	<b>9,296</b>	<b>(8,108)</b>	<b>1,188</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>4,369</b>	<b>50,045</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>	<b>43,111</b>	<b>106,454</b>

It can be seen from this table that of the total £106.5m reserves, only £4.4m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances, See note 29, 30 and 31.

## 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	2013/14 Gross Expenditure £000	2013/14 Income £000	2013/14 Net Expenditure £000	2014/15 Gross Expenditure £000	2014/15 Income £000	2014/15 Net Expenditure £000
Children's and Education Services (note 8) (restated for 13/14)	160,567	144,771	15,796	161,361	178,364	(17,003)
Adult Social Care	64,163	20,850	43,313	65,705	25,656	40,049
Environmental & Regulatory Services	15,923	1,974	13,949	15,997	3,409	12,588
Cultural and Related Services	22,024	10,239	11,785	24,330	13,007	11,323
Planning Services	12,377	12,071	306	10,643	17,532	(6,889)
Highways & Transport Services	18,574	18,572	2	21,848	22,120	(272)
Housing Services	80,828	75,051	5,777	84,441	81,651	2,790
Court & Probation Services	279	2	277	267	0	267
Contribution re Former County Council Debt	2,004	0	2,004	1,876	0	1,876
Corporate & Democratic Core	3,695	0	3,695	3,610	0	3,610
Central Services	29,740	22,782	6,958	34,164	23,848	10,316
Non Distributed Costs	2,218	0	2,218	1,964	0	1,964
Public Health (note 43)	10,807	10,616	191	11,264	10,929	335
<b>Net Cost of Services (Note 42) (restated for 2013/14)</b>	<b>423,199</b>	<b>316,928</b>	<b>106,271</b>	<b>437,470</b>	<b>376,516</b>	<b>60,954</b>
Other Operating Expenditure (Note 9) (restated for 2013/14)			32,825			1,133
Financing and Investment Income and Expenditure (Note 10)			11,850			12,738
Taxation & Non Specific Grant Income and Expenditure (Note 11)			(137,429)			(136,031)
<b>(Surplus) or deficit on provision of services restated for 2013/14</b>			<b>13,517</b>			<b>(61,206)</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets (restated for 2013/14)			4,181			(3,994)
Remeasurements of the net defined benefit pension liability (Note 12)			(56,183)			64,012
<b>Other Comprehensive Income &amp; Expenditure (restated for 2013/14)</b>			<b>(52,002)</b>			<b>60,018</b>
<b>Total Comprehensive Income and Expenditure (restated for 2013/14)</b>			<b>(38,485)</b>			<b>(1,188)</b>

## 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'.

<b>31 March 2013 restated £000</b>	<b>31 March 2014 restated £000</b>		<b>31 March 2015 £000</b>	<b>31 March 2015 £000</b>
396,830	413,710	Property, Plant & Equipment (Note 14)	483,852	
52,564	54,275	Investment Properties (Note 15)	59,329	
1,842	1,627	Intangible Assets (Note 16)	2,065	
10,033	33	Long Term Investments (Notes 22,23,24)	33	
598	573	Long Term Debtors (Note 22)	614	
<b>461,867</b>	<b>470,218</b>	<b>Total Long Term Assets</b>		<b>545,893</b>
		<b>Current Assets</b>		
294	298	Inventories (Note 20)	297	
21,182	20,731	Debtors (Notes 21,22)	19,706	
15,000	10,000	Investments - (short term) (Notes 22,23,24)	0	
6,874	4,842	Assets Held for Sale (Note 17)	14,468	
18	0	Landfill Allowances Asset Account	0	
7,885	14,467	Cash and Cash Equivalents (Note 25)	4,657	
51,253	50,338		39,128	
		<b>Current Liabilities</b>		
(18,697)	(18,654)	Provisions (Note 26)	(19,053)	
(11,093)	(37,063)	Short term Borrowing (Notes 22,23)	(29,093)	
(60,999)	(62,521)	Creditors (Notes 22,27)	(64,166)	
(21)	(0)	Landfill Allowances Liability Account	(0)	
(90,810)	(118,238)		(112,312)	
<b>(39,557)</b>	<b>(67,900)</b>	<b>Total Net Current Assets/(Liabilities)</b>		<b>(73,184)</b>
(99,521)	(88,520)	Less Long Term Borrowing (Notes 22,23)		(87,520)
(59,774)	(58,274)	Less Long Term Creditors (PFI & Finance Leases) (Note 22,28)		(56,488)
(196,006)	(150,183)	Less Pensions Liability (Note 12)		(222,247)
(228)	(75)	Capital Grants Receipts in Advance (Note 41)		(0)
<b>66,781</b>	<b>105,266</b>	<b>Net Assets</b>		<b>106,454</b>
48,616	54,047	Usable Reserves (Note 29)		63,343
18,165	51,219	Unusable Reserves (Note 31)		43,111
<b>66,781</b>	<b>105,266</b>	<b>Net Reserves</b>		<b>106,454</b>

## 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.

<b>2013/14 restated</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>13,517</b>	Net (surplus) or deficit on the provision of services	<b>(61,206)</b>
<b>(67,845)</b>	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 36)	<b>(30,745)</b>
<b>47,992</b>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 37)	<b>89,054</b>
<b>(6,336)</b>	<b>Net cash flows from Operating Activities (Note 40)</b>	<b>(2,897)</b>
<b>13,970</b>	Investing Activities (Note 38)	<b>6,183</b>
<b>(14,216)</b>	Financing Activities (Note 39)	<b>6,524</b>
<b>(6,582)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>9,810</b>
<b>7,885</b>	Cash and cash equivalents at the beginning of the reporting period	<b>14,467</b>
<b>14,467</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 25)</b>	<b>4,657</b>

# 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 2014/15 (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 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 relate 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 three formal pension schemes, the Local Government Pension Scheme, which is administered by Shropshire County Pension Fund, the National Health Service Pension Scheme 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 2014/15 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 or the National Health Service 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 disclosed in the Balance Sheet at amortised cost.

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 IAS 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) 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 51 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.

**q) Non-current Assets Held for Sale**

Assets are 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

**r) 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.

### **s) 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.

### **t) 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 usable 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 on the Balance Sheet the property, plant and equipment used under the contracts.

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 31<sup>st</sup> March 2015 there were 8 significant capital contracts in place. These total £29.6m and are detailed in note 14.

#### **u) 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 after they are acquired, assets in the course of construction are not depreciated until the year after they are brought into use. 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.

#### **v) 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.

#### **w) Provisions**

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

#### **x) 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 29, 30 & 31 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.

**y) 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.

**z) 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.

**aa) 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 2014/15, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

**ab) 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.

**ac) Capital Receipts**

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

**ad) 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.

**ae) 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.

**af) 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 18.

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

**ag) Carbon Reduction Commitment Scheme**

The Authority no longer falls within the CRC scheme.

**ah) Capitalisation Of Interest**

Following a change in guidance the Council amended its policy on capitalisation of interest in 2013/14. Previously all interest has been charged to revenue in the year incurred, however, part of this interest cost relates to capital schemes under construction. With effect from 1 April 2013, interest costs relating to assets under construction will be capitalised, but only during the construction phase of the scheme. A threshold of £1m will be applied to this policy i.e. interest will only be capitalised for programme items where prudential borrowing exceeds £1m in year. This change in policy will generate revenue savings in the short term, but these will be offset by higher debt repayments in future years. For 2014/15 a total of £0.246m (£0.252m for 2013/14) was charged to capital rather than revenue.

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

For 2014/15 the following new standards have been issued, but not yet adopted;

- IFRS 13 Fair Value Measurement (May 2011). This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require valuation at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non current assets held for sale) to be valued at market value rather than value in existing use, as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.
- IFRIC 21 Levies (May 2013). This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- Annual Improvements to IFRS's (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

### **Prior Period Adjustments**

IFRS 10 Consolidated Financial Statements (May 2011). Identifies control as the basis for consolidation and inclusion in the accounts. As a result of this we have changed how we report several of our schools. The following groups of schools have been added to the balance sheet. 3 Foundation schools, 8 Foundation Trusts and 6 Voluntary Controlled schools. This has resulted in the following prior period adjustments and a net increase in Assets of £56.401m at 31 March 2014.

### **Movement In Reserves Statement**

The change relates to the impact of bringing Foundation and Voluntary Controlled Schools back onto the Balance Sheet.

<b>Description</b>	<b>Original Figure £000</b>	<b>Adjustment £000</b>	<b>Revised Figure £000</b>
Total Usable Reserves – Balance at 31/3/13	(31,769)	+49,934	18,165
Total Authority Reserves – Balance at 31/3/13	16,847	+49,934	66,781
Movement During 2013/14 – Surplus or Deficit on the provision of services – General Fund Balance	(22,634)	+9,117	(13,517)
Movement During 2013/14 – Surplus or Deficit on the provision of services – Total Usable Reserves	(22,634)	+9,117	(13,517)
Movement During 2013/14 – Surplus or Deficit on the provision of services – Total Authority Reserves	(22,634)	+9,117	(13,517)
Movement During 2013/14 – Other Comprehensive Income and Expenditure – Unusable Reserves	54,652	-2,650	52,002
Movement During 2013/14 – Other Comprehensive Income and Expenditure – Total Authority Reserves	54,652	-2,650	52,002
Total Comprehensive Income and Expenditure – General Fund Balance	(22,634)	+9,117	(13,517)
Total Comprehensive Income and Expenditure – Total Usable Reserves	(22,634)	+9,117	(13,517)

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Total Comprehensive Income and Expenditure – Unusable Reserves	54,652	-2,650	52,002
Total Comprehensive Income and Expenditure – Total Authority Reserves	32,018	+6,467	38,485
Adjustments between accounting basis and funding basis under regulations – General Fund Balance	34,357	-9,117	25,240
Adjustments between accounting basis and funding basis under regulations – Total Usable Reserves	28,065	-9,117	18,948
Adjustments between accounting basis and funding basis under regulations – Unusable Reserves	(28,065)	+9,117	(18,948)
Net Increase / (Decrease) before Transfers to Earmarked Reserves – Unusable Reserves	26,587	+6,467	33,054
Net Increase / (Decrease) before Transfers to Earmarked Reserves – Unusable Reserves	32,018	+6,467	38,485
Increase / (Decrease) in 2013/14 – Unusable Reserves	26,587	+6,467	33,054
Increase / (Decrease) in 2013/14 – Total Authority Reserves	32,018	+6,467	38,485
Balance at 31/3/14 carried forward – Total Unusable Reserves	(5,182)	+56,401	51,219
Balance at 31/3/14 carried forward – Total Authority Reserves	48,865	+56,401	105,266

### Comprehensive Income and Expenditure Account

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Children's and Education Services – Gross Expenditure	168,489	-7,922	160,567
Children's and Education Services – Net Expenditure	23,718	-7,922	15,796
Net Cost of Services – Gross Expenditure	431,121	-7,922	423,199
Net Cost of Services – Net Expenditure	114,193	-7,922	106,271
Other Operating Expenditure	34,020	-1,195	32,825
(Surplus) or deficit on provision of services	22,634	-9,117	13,517
(Surplus) or deficit on revaluation of Property, Plant and equipment Assets	1,531	+2,650	4,181
Other Comprehensive Income & Expenditure	(54,652)	+2,650	(52,002)
Total Comprehensive Income & Expenditure	(32,018)	-6,467	(38,485)

## Balance sheet

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Property, Plant and Equipment	357,309	+56,401	413,710
Total Long Term Assets	413,817	+56,401	470,218
Net Assets	48,865	+56,401	105,266
Unusable Reserves	(5,182)	+56,401	51,219
Net Reserves	48,865	+56,401	105,266

## Cashflow

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Net (surplus) or deficit on the provision of services	22,634	-9,117	13,517
Adjustment to net surplus or deficit on the provision of services for non-cash movements	(67,461)	-384	(67,845)
Net cash flows from Operating Activities	3,165	-9,501	-6,336
Investing Activities	4,469	+9,501	13,970

### The following Notes were also amended to correspond with these changes

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

Note 9 – Other Operating Expenditure

Note 14 – Property, Plant and Equipment

Note 31 – Unusable Reserves

Note 34 – Capital Expenditure & Capital Financing

Note 37 – Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

Note 38 – Cash Flow Statement – Investing Activities

### 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 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Property, Plant and Equipment</b>	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 and equipment would increase by £3.7m for every year that useful lives had to be reduced.
<b>Pensions Liability</b>	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 pension's 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 £12.1m. However, the assumptions interact in complex ways.
<b>Arrears</b>	At 31 March 2015, the Authority had a balance of £27.220m for sundry debtors. The Council has set aside a bad debts provision of 27.6% (£7.514m) 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 £1.4m to be set aside as an allowance.
<b>Single Status</b>	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 <sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2014/15 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 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 18 June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no material after Balance Sheet Date events that we are aware of.

## **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.

<b>2014/15</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	<b>24,529</b>	<b>0</b>	<b>0</b>	<b>(24,529)</b>
Movement in the market value of Investment Properties	<b>705</b>	<b>0</b>	<b>0</b>	<b>(705)</b>
Revenue expenditure funded from capital under statute	<b>8,665</b>	<b>0</b>	<b>0</b>	<b>(8,665)</b>
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	<b>907</b>	<b>0</b>	<b>0</b>	<b>(907)</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	<b>(4,403)</b>	<b>0</b>	<b>0</b>	<b>4,403</b>
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	<b>(85,955)</b>	<b>0</b>	<b>85,955</b>	<b>0</b>

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(84,142)	84,142
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,099)	3,099	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,099)	0	3,099
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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	370	0	0	(370)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	20,570	0	0	(20,570)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,518)	0	0	12,518
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	(3,651)	0	0	3,651
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	157	0	0	(157)
<b>Total Adjustments</b>	<b>(53,723)</b>	<b>0</b>	<b>1,813</b>	<b>51,910</b>

<b>2013/14 Comparative Figures</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	27,143	0	0	(27,143)
Movement in the market value of Investment Properties	(761)	0	0	761
Revenue expenditure funded from capital under statute	4,520	0	0	(4,520)
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	33,693	0	0	(33,693)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(1,686)	0	0	1,686
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(43,913)	0	43,913	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(50,152)	50,152
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,079)	4,079	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,132)	0	4,132
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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	469	0	0	(469)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	23,614	0	0	(23,614)

2013/14 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,254)	0	0	13,254
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	393	0	0	(393)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	(899)	0	0	899
<b>Total Adjustments</b>	<b>25,240</b>	<b>(53)</b>	<b>(6,239)</b>	<b>(18,948)</b>

## 8. Disclosure of deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2011. 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 2014/15 are as follows:

<b>Schools Budget Funded By Dedicated Schools Grant</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2014/15			<b>122,652</b>
Brought forward from 2013/14			<b>458</b>
Academy Figure recouped for 14/15			<b>(22,162)</b>
<b>Agreed budgeted distribution in 2014/15</b>	<b>12,919</b>	<b>88,029</b>	<b>100,948</b>
In Year Adjustments	<b>0</b>	<b>438</b>	<b>438</b>
<b>Final Budget Distribution for 2014/15</b>	<b>12,919</b>	<b>88,467</b>	<b>101,386</b>
Actual Central Expenditure	(12,807)		<b>(12,807)</b>
Actual ISB deployed to Schools		(87,727)	<b>(87,727)</b>
<b>Carry Forward to 2015/16</b>	<b>112</b>	<b>740</b>	<b>852</b>

The in-year adjustment of £438,000 includes a £206,000 Early Years adjustment which is paid after the year end.

## 9. Other Operating Expenditure

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>2,695</b>	Parish Council precepts	<b>2,898</b>
<b>516</b>	Payment of RSG to Parishes	<b>427</b>
<b>29,989</b>	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	<b>0</b>
<b>(375)</b>	(Gains)/losses on the disposal of non-current assets – Other Assets	<b>(2,192)</b>
<b>32,825</b>	<b>Total</b>	<b>1,133</b>

## **10. Financing and Investment Income and Expenditure**

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>9,373</b>	Interest payable and similar charges	<b>8,935</b>
<b>7,955</b>	Pensions interest cost and expected return on pensions assets	<b>6,419</b>
<b>(1,581)</b>	Interest receivable and similar income	<b>(176)</b>
<b>(3,906)</b>	Income and expenditure in relation to investment properties and changes in their fair value	<b>(2,478)</b>
<b>9</b>	Other investment income and expenditure	<b>38</b>
<b>11,850</b>	<b>Total</b>	<b>12,738</b>

## **11. Taxation and Non Specific Grant Income and Expenditure**

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>(52,827)</b>	Council tax income	<b>(55,718)</b>
<b>(300)</b>	Collection Fund Surplus/Deficit	<b>(300)</b>
<b>(30,614)</b>	Non domestic rates	<b>(33,615)</b>
<b>(2,037)</b>	Non domestic rates Top Up Grant	<b>(2,076)</b>
<b>(183)</b>	Local Services Support Grant	<b>(70)</b>
<b>(50,871)</b>	Revenue Support Grant	<b>(42,071)</b>
<b>(597)</b>	Section 31 Grant	<b>(1,575)</b>
<b>(0)</b>	Council Tax Freeze Grant	<b>(606)</b>
<b>(137,429)</b>	<b>Total</b>	<b>(136,031)</b>

## **12. Defined Benefit Pension Schemes Participation in Pension Schemes**

In accordance with International Accounting 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 1(h) of the Accounting Policies, the Council participates in three formal schemes, the Local Government Pension Scheme, National Health Service Scheme and the Teacher’s Scheme. The Council is not required to record information related to the Teacher’s Scheme and National Health Service 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 £72.1m; this has been as a result of remeasurements on liabilities (due to changes in assumptions as a result in the amendments to the Local Government Pension Scheme and a higher discount rate) and remeasurements (actuarial gains) on assets.

The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The weighted average duration of the defined benefit obligation for scheme members is 19 years. (19 years 2013/14).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £12.910m (comprising contributions of £10.090m plus a lump sum payment of £2.820m).

The contribution rate was set for 2014/15 at 12.6%, plus a lump sum. The combined rate for 2015/16 is estimated at 17.0%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/15 the cumulative amount of actuarial losses recognised in the statements is £117.186m.

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

<b>2013/14 £000</b>		<b>2014/15 £000</b>
(519,302)	Present Value of Funded Benefit Obligations	(633,181)
(10,241)	Present Value of Unfunded Benefit Obligations	(10,873)
(529,543)	Total Present Value of Benefit Obligations	(644,054)
379,360	Fair Value of Pension Fund Assets	421,807
(150,183)	Surplus/(Deficit)	(222,247)

Change in Benefit Obligation during year.

<b>2013/14 £000</b>		<b>2014/15 £000</b>
(539,135)	Benefit Obligation at Beginning of Year	(529,543)
(14,300)	Current Service Cost	(13,070)
(22,404)	Interest on Pension Liabilities	(23,514)
(4,024)	Member Contributions	(4,297)
35,888	Remeasurements (Liabilities)	(91,188)
(1,042)	Curtailment Cost	(742)
15,474	Benefits / Transfers Paid	18,300
(529,543)	Surplus / (Deficit) at End of Year	(644,054)

Change in Plan Assets during year.

<b>2013/14 £000</b>		<b>2014/15 £000</b>
343,129	Fair Value of Plan Assets at Beginning of Year	379,360
14,449	Expected Return on Plan Assets	17,095
20,295	Remeasurements (Assets)	27,176
13,254	Employer Contributions	12,518
4,024	Member Contributions	4,297
(317)	Administration Expenses	(339)
(15,474)	Benefits / Transfers Paid	(18,300)
379,360	Surplus / (Deficit) at End of Year	421,807

## Statement of Gains and Losses

	2013/14 £000	%	2014/15 £000	%
Actuarial Gain/(Loss)	56,183	10.6% of liabilities	64,012	9.9% of liabilities
Actual Return on Plan Assets	27,125		44,271	
Experience Gains/(Losses) On Assets	20,295	5.3% of assets	27,176	6.4% of assets
Experience Gains/(Losses) On Liabilities	4,901	0.9% of liabilities	0	0% of liabilities

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

2013/14			2014/15	
£000	%		£000	%
207,207	54.6%	Equity Investments	219,382	52.0%
38,011	10.0%	Government Bonds	46,821	11.1%
52,997	14.0%	Other Bonds	60,824	14.4%
15,061	4.0%	Property	17,294	4.1%
9,294	2.4%	Cash/Liquidity	13,118	3.1%
56,790	15.0%	Other	64,368	15.3%
379,360	100.0%	Total	421,807	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:

2013/14		2014/15
7.0%	Equity Investments	6.5%
3.4%	Government Bonds	2.2%
4.3%	Other Bonds	2.9%
6.2%	Property	5.9%
0.5%	Cash/Liquidity	0.5%
7.0%	Other	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 2013 and updated for the following 24 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31 March 2016. The main assumptions used in the calculations are:

2013/14		2014/15
2.4%	- rate of inflation (CPI)	2.0%
3.9%	- rate of increase in salaries	3.5%
2.4%	- rate of increase in pensions	2.0%
50%	- proportion of employees opting to take a commuted lump sum	50%
4.5%	- rate for discounting scheme liabilities	3.3%
	- longevity at 65 for current pensioners	
23.8	Male	23.9
26.1	Female	26.3
	- longevity at 65 for future pensioners	
26.0	Male	26.1
29.0	Female	29.1

Changes to the pension scheme permit employees retiring on or after 6<sup>th</sup> 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 maximum cash and 50% will take 3/80ths cash.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

#### Sensitivity Analysis as at 31/3/2015

Disclosure Item	Central	Sensitivity 1 +0.1%p.a. discount rate	Sensitivity 2 +0.1%p.a. inflation/ pensions	Sensitivity 3 +0.1%p.a. pay growth	Sensitivity 4 1 year increase in life expectancy
	£000	£000	£000	£000	£000
Liabilities	644,054	631,972	656,367	646,800	656,242
Assets	(421,807)	(421,807)	(421,807)	(421,807)	(421,807)
Deficit/(Surplus)	222,247	210,165	234,560	224,993	234,435
Projected Net Interest Cost for next year	7,134	6,940	7,553	7,237	7,549

#### Scheme History

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present Value of Liabilities	(416,773)	(453,881)	(539,135)	(529,543)	(644,054)
Fair Value of Assets	294,478	299,294	343,129	379,360	421,807
Surplus/(Deficit) on scheme	(122,295)	(154,587)	(196,006)	(150,183)	(222,247)
(Gains) and Losses on Assets	(1.0%)	3.5%	(7.7%)	(7.2%)	(10.5%)
Gains and (Losses) on Liabilities	2.5%	0.0%	0.0%	0.9%	0.0%

### **Pensions Asset/Liability Account**

<b>2013/14 £000</b>		<b>2014/15 £000</b>
(196,006)	Opening Balance	(150,183)
(1,042)	Past Service Cost - Added Years	(742)
(14,300)	Current Service Cost	(13,070)
(22,404)	Interest Cost	(23,514)
14,449	Return On Assets	17,095
13,254	Payments to Pension Fund	12,518
(317)	Administration Expenses	(339)
56,183	Actuarial Gain or (Loss)	(64,012)
(150,183)	Closing Balance	(222,247)

### **Pensions Reserve**

<b>2013/14 £000</b>		<b>2014/15 £000</b>
196,006	Opening Balance	150,183
1,042	Past Service Cost - Added Years	742
(13,254)	Charging Pensions Costs Payable	(12,518)
22,572	Reversing Out IAS 19 Items	19,828
(56,183)	Actuarial (Gain) or Loss	64,012
150,183	Closing Balance	222,247

### **13. 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 12 to the Core Financial Statements.

The Teacher's and NHS Pension Schemes are also technically a Defined Benefits Scheme. However, the Schemes are unfunded and the Department for Education and NHS use 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.

Teachers Pensions Authority:

In 2014/15 the Council paid an employer's contribution of £5,493,481 (£5,468,791 in 2013/14) 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 31<sup>st</sup> March 2013. 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 £6,213,667 (£6,360,863 in 2013/14) representing 16.4% of pensionable pay.

#### National Health Service Pension Scheme:

In 2014/15 the Council paid an employer's contribution of £45,390 (£42,669 in 2013/14) representing 14.0% (14.0% in 2013/14) of pensionable pay into the NHS Pension Scheme. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quadrennial actuarial valuations, the last review being at 31<sup>st</sup> March 2012. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

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 £45,390 representing 14.0% of pensionable pay.

## 14. Property, Plant and Equipment

Movements in 2014/15:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2014</b>	<b>309,686</b>	<b>22,879</b>	<b>87,297</b>	<b>37,115</b>	<b>456,977</b>	<b>60,618</b>
Additions	20,779	5,604	27,051	51,541	<b>104,975</b>	326
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,500)	0	0	0	<b>(1,500)</b>	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,270)	0	0	0	<b>(10,270)</b>	0
derecognition – disposals	(150)	0	0	0	<b>(150)</b>	0
assets reclassified (to) /from Assets Under Construction	31,104	2,668	0	(33,772)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	(6,870)	0	0	0	<b>(6,870)</b>	0
assets reclassified (to) /from Investment Properties	(4,727)	0	0	0	<b>(4,727)</b>	0
<b>At 31 March 2015</b>	<b>338,052</b>	<b>31,151</b>	<b>114,348</b>	<b>54,884</b>	<b>538,435</b>	<b>60,944</b>
<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2014	<b>19,636</b>	<b>16,649</b>	<b>6,982</b>	<b>0</b>	<b>43,267</b>	<b>4,243</b>
depreciation charge	8,082	2,824	2,156	0	<b>13,062</b>	1,393
depreciation written out to the Revaluation Reserve	(1,746)	0	0	0	<b>(1,746)</b>	0
derecognition – disposals	0	0	0	0	<b>0</b>	0
<b>At 31 March 2015</b>	<b>25,972</b>	<b>19,473</b>	<b>9,138</b>	<b>0</b>	<b>54,583</b>	<b>5,636</b>
<b>Net Book Value</b>						
<b>at 31 March 2015</b>	<b>312,080</b>	<b>11,678</b>	<b>105,210</b>	<b>54,884</b>	<b>483,852</b>	<b>55,308</b>
<b>at 31 March 2014</b>	<b>290,050</b>	<b>6,230</b>	<b>80,315</b>	<b>37,115</b>	<b>413,710</b>	<b>56,375</b>
<b>Information on Assets Held at 31/3/15</b>						
Nature of Holding						
Owned	256,772	10,512	105,210	54,884	<b>427,378</b>	
Leased	0	1,166	0	0	<b>1,166</b>	
PFI	55,308	0	0	0	<b>55,308</b>	
<b>Total</b>	<b>312,080</b>	<b>11,678</b>	<b>105,210</b>	<b>54,884</b>	<b>483,852</b>	

Comparative Movements in 2013/14:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2013	<b>311,270</b>	<b>21,963</b>	<b>70,145</b>	<b>27,276</b>	<b>430,654</b>	<b>60,039</b>
Additions	20,467	916	17,152	39,787	<b>78,322</b>	579
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(7,967)	0	0	0	<b>(7,967)</b>	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,749)	0	0	(672)	<b>(12,421)</b>	0
derecognition – disposals	(30,134)	0	0	0	<b>(30,134)</b>	0
assets reclassified (to) /from Assets Under Construction	29,276	0	0	(29,276)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	(543)	0	0	0	<b>(543)</b>	0
assets reclassified (to) /from Investment Properties	(934)	0	0	0	<b>(934)</b>	0
At 31 March 2014	<b>309,686</b>	<b>22,879</b>	<b>87,297</b>	<b>37,115</b>	<b>456,977</b>	<b>60,618</b>

Accumulated Depreciation and Impairment						
at 1 April 2013	<b>16,198</b>	<b>12,359</b>	<b>5,267</b>	<b>0</b>	<b>33,824</b>	<b>2,863</b>
depreciation charge	7,410	4,290	1,715	0	<b>13,415</b>	1,380
depreciation written out to the Revaluation Reserve	(3,964)	0	0	0	<b>(3,964)</b>	0
derecognition – disposals	(8)	0	0	0	<b>(8)</b>	0
<b>At 31 March 2014</b>	<b>19,636</b>	<b>16,649</b>	<b>6,982</b>	<b>0</b>	<b>43,267</b>	<b>4,243</b>

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 2015, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £29.6m. Similar commitments at 31 March 2014 were £92.9m. The major commitments are:

- Ercall Wood School - £1.6m
- Lawley Village Primary School - £3.1m
- Burton Borough School - £1.5m
- Charlton School - £7.6m
- Holy Trinity Academy - £3.3m
- Lakeside Learning Community - £7.8m
- Telford Co-Operative Academy - £2.4m
- Ironbridge Gorge Stability - £2.3m

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.

### **14a. Fixed Asset Valuation**

The Council's property was valued on 1 April 2014 by internal valuers, James Dunn MRICS, Dylan Webster MRICS and David Scrimgeour MRICS, all Registered Valuers of Telford & Wrekin Council.

The valuations were carried out in accordance with the requirements of the RICS Valuation Standards 2012 Edition, IVS 300, FRS 15, the International Valuation Standards Council (IVSC) and SSAP 19.

The valuation of the property was on the basis of:-

- existing use value (EUV) assuming that the property would be sold as part of the continuing business and subject to the following special assumptions:
- fair value (which equates to market value for accounting purposes) for investment property assuming that it would be sold subject to any existing leases and subject to the following special assumptions:
- Market Value assuming that the property would be sold with vacant possession in its existing condition and subject to the following special assumptions:

Special assumptions – Operational Property:-

- There would be no bids from Special Purchasers.
- There are no impending changes in the physical circumstances of the property, such as a new building to be constructed, or an existing building to be refurbished or demolished.
- There are no anticipated changes in the mode of occupation or trade at the property.
- Unless a property is empty, and available for sale, no account will be taken of any unresolved planning applications, unless realistically obtainable and with limited conditions.
- Alterations and improvements carried out under the terms of a lease will be ignored.
- A property is let on defined terms when, in reality, at the date of valuation it is vacant.

Special assumptions – Property Investment Portfolio (PIP) & Groups of Properties:-

- Where physically adjoining properties have been acquired separately by the Council for site assembly for future development/regeneration, the proposed development scheme will be used as the basis for valuation for the assembled site(s).
- No account will be made where the ownership of a number of separate properties would be of particular advantage to the Council as a single owner, such as drop in or contact centres, libraries, schools, etc.

- No account will be made where individual properties are used collectively or are an essential component of the Council's operation, even though they may cover a large geographical area.
- We have not been told of any groups of properties that do not want valuing together.
- We will value units within industrial estates, office complexes and local shopping centres within the PIP as groups of properties.

The valuer's opinion of Fair Value was primarily derived using:-

- The Comparable method for types of property where there is good evidence of previous sales on arms-length terms.
- Investment method for most commercial (and residential) property that is producing, or has potential to produce, future cash flows through letting of the property.
- Depreciated replacement cost approach, because the specialised nature of the asset means that there is no market transactions of this type of asset, except as part of the business or entity.

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.

Investment Properties are valued annually and their current value is £59.329m, 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
2010/11	59,882
2011/12	120,710
2012/13	85,058
2013/14	27,555
2014/15	37,504
Total	330,709

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 following year, assets in the course of construction are not depreciated until they are brought into use.
- 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.

## 15. 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:-

2013/14 £000		2014/15 £000
(6,754)	Rental income from investment property	(6,120)
3,609	Direct operating expenses arising from investment property	2,937
(3,145)	<b>Net Operational (gain)/loss</b>	(3,183)
(761)	Net (gain)/loss on revaluation of properties	705
(3,906)	<b>Total Net (gain)/loss</b>	(2,478)

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:-

2013/14 £000		2014/15 £000
52,564	Balance at start of the year	54,275
1,604	Additions	2,891
(1,588)	Disposals	(1,859)
761	Revaluation Increases/Decreases met from net surplus /deficit on provision of services	(705)
	Transfers:-	
934	- to/from Property, Plant and Equipment	4,727
54,275	Balance at end of the year	59,329

## 16. 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 movement on Intangible Asset balances during the year is as follows

2013/14 £000		2014/15 £000
	Balance at start of the year	
<b>2,821</b>	- Gross Carrying Amount	<b>3,665</b>
<b>(979)</b>	- Accumulated Amortisation	<b>(2,038)</b>
<b>1,842</b>	Net Carrying Amount at Start of Year	<b>1,627</b>
	Additions	
<b>845</b>	- Purchases	<b>1,328</b>
<b>(1,060)</b>	Amortisation for the Period	<b>(890)</b>
<b>1,627</b>	Net Carrying Amount at Year End	<b>2,065</b>
	Comprising	
<b>3,665</b>	- Gross Carrying Amount	<b>4,993</b>
<b>(2,038)</b>	- Accumulated Amortisation	<b>(2,928)</b>
<b>1,627</b>	Total	<b>2,065</b>

## 17. Assets Held for Sale

Current 2013/14 £000		Current 2014/15 £000
<b>6,874</b>	<b>Balance outstanding at start of year</b>	<b>4,842</b>
<b>543</b>	Reclassified from - Property, Plant and Equipment	<b>6,870</b>
<b>0</b>	Revaluation gains	<b>5,196</b>
<b>(178)</b>	Impairment losses met from the revaluation reserve	<b>(1,448)</b>
<b>(247)</b>	Impairment losses met from income and expenditure	<b>(308)</b>
<b>(2,194)</b>	Assets sold	<b>(700)</b>
<b>44</b>	Acquisitions	<b>16</b>
<b>4,842</b>	<b>Balance outstanding at year end</b>	<b>14,468</b>

## **18. 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.

<b>Asset</b>	<b>Location</b>
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 Blists 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

## **19. Impairment Losses**

During 2014/15, the Authority has recognised impairment losses of £11.282m (2013/14 £11.910m) 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.

## **20. Inventories**

The Council had inventories that totalled £0.297m at 31/3/15 and £0.298m at 31/3/14. These mainly consist of stocks at Leisure Centres, Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

## 21. Debtors

2013/14 £000		2014/15 £000
	Amounts falling due in one year:	
873	Central Government	1,625
1,174	Other Local Authorities	498
5,190	NHS Bodies	832
1,045	Public Corporations and Trading Funds	1,085
19,422	Other Entities and Individuals	23,180
27,704	<b>Gross Debtors</b>	27,220
(6,973)	Provision for doubtful debts	(7,514)
20,731	<b>Total</b>	19,706

## 22. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
<b>Investments</b>				
Loans and receivables	33	33	10,000	0
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total investments</b>	33	33	10,000	0
<b>Debtors</b>				
Financial assets carried at contract amounts	573	614	20,731	19,706
<b>Total Debtors</b>	573	614	20,731	19,706
<b>Borrowings</b>				
Financial liabilities at amortised cost	88,520	87,520	37,063	29,093
<b>Total borrowings</b>	88,520	87,520	37,063	29,093
<b>Other Liabilities</b>				
PFI and finance lease liabilities	58,274	56,488	2,186	2,476
Other Creditors	0	0	60,335	64,166
<b>Total Other Liabilities</b>	58,274	56,488	62,521	66,642

## Income, Expense, Gains and Losses

	2013/14			2014/15		
	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	9,373	0	9,373	8,935	0	8,935
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,373</b>	<b>0</b>	<b>9,373</b>	<b>8,935</b>	<b>0</b>	<b>8,935</b>
Interest income	0	(1,581)	(1,581)	0	(176)	(176)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(1,581)</b>	<b>(1,581)</b>	<b>0</b>	<b>(176)</b>	<b>(176)</b>
<b>Net gain/(loss) for the year</b>	<b>9,373</b>	<b>(1,581)</b>	<b>7,792</b>	<b>8,935</b>	<b>(176)</b>	<b>8,759</b>

### 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:

	2013/14		2014/15	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	125,583	156,779	116,613	178,453
Long-term creditors	58,274	58,274	56,488	56,488

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 2015) arising from a commitment to pay interest to lenders above current market rates.

	2013/14		2014/15	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	10,033	13,186	33	33
Long-term debtors	573	573	614	614

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 2015) 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.

## **23. 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 31/3/15 £000	Fair Value 31/3/15 £000
<b>Financial Assets</b>		
Fixed Term Deposits	0	0
Other	33	33
	33	33
<b>Financial Liabilities</b>		
Money Market Loans (LOBO's)	60,000	95,208
PWLB Loans	28,520	55,152
Temporary Loans	28,093	28,093
	116,613	178,453

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.

	<b>Amount at 31 March 2015</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions at 31 March 2015 (rounded to 3 decimal place)</b>	<b>Estimated maximum exposure to default and uncollectability</b>
	<b>£000s</b>	<b>%</b>	<b>%</b>	<b>£000s</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>A * C</b>
Deposits with banks and financial institutions	0	0.0	0.000	0
Other	33	0.0	0.000	0
Debtors	27,220	12.0	27.604	7,514
Total	27,253	12.0	27.571	7,514

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:

2013/14 £000		2014/15 £000
1,001	Maturing in 1-2 years	1,001
3,002	Maturing in 2-5 years	3,003
1,506	Maturing in 5-10 years	507
83,011	Maturing in more than 10 years	83,009
<b>88,520</b>		<b>87,520</b>

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 revaluation reserve used 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 31<sup>st</sup> March 2015 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.

	<b>Investments</b>	<b>Borrowing</b>	<b>Net Total</b>	<b>1% Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Variable	(3,745)	29,093	25,348	253.5
Fixed	(33)	87,520	87,487	0.0
Total	(3,778)	116,613	112,835	253.5

A 1% change in interest rates would have an impact on the budget of £253,480, this is as a result of, that at 31<sup>st</sup> March 2015 we had more variable borrowing than variable investments. The most likely next move in interest rates is upwards, although not expected before mid 2016, this would lead to a net increase in borrowing costs based on the position at 31<sup>st</sup> March 2015. 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	
				2013/14 £000	2014/15 £000
Public Works Loan Board	1.92	-	9.375	28,520	27,520
Money Market Loans (LOBOs)	3.98	-	4.50	60,000	60,000
				<b>88,520</b>	<b>87,520</b>

An analysis of loans by maturity is:					
			2013/14 £000		2014/15 £000
Maturing in 1-2 years			1,001		1,001
Maturing in 2-5 years			3,002		3,003
Maturing in 5-10 years			1,506		507
Maturing in more than 10 years			83,011		83,009
			<b>88,520</b>		<b>87,520</b>

			2013/14 £000		2014/15 £000
Total Long Term Borrowing			88,520		87,520
Temporary Borrowing			37,063		29,093
Total Borrowing			<b>125,583</b>		<b>116,613</b>

In total fixed and temporary borrowing reduced by £9.0m, from £125.583m to £116.613m during the year. This was due to holding less investments at 31/3/15 than we did at 31/3/14.

## 24. Investments

In total our investments have been reduced by £19.8m as a result of the approved policy to run down investments rather than incur borrowing to fund capital expenditure.

The Council has a small long term investment, totalling £0.033m. Investments are shown in the Balance Sheet at market value.

The Council now has no short term investments as the final one of these matured during 2014/15. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

### Summary of Investments

2013/14 £000	Category	2014/15 £000
	<b>Long Term Investments</b>	
0	Fixed Term Deposits	0
33	Other	33
<b>33</b>	<b>Total Long Term</b>	<b>33</b>
	<b>Short Term Investments</b>	
10,000	Fixed Term Deposits	0
<b>10,000</b>	<b>Total Short Term</b>	<b>0</b>
<b>13,477</b>	<b>Cash &amp; Cash Equivalent Investments</b>	<b>3,745</b>
<b>23,510</b>	<b>Total Investments</b>	<b>3,778</b>

Investments are valued as "loans and receivables". See also note 22 on fair value.

## 25. Cash and Cash Equivalents

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

2013/14 £000		2014/15 £000
165	Cash held by the Authority	163
825	Bank current accounts	749
13,477	Call Accounts	3,745
14,467	<b>Total Cash and Cash Equivalents</b>	<b>4,657</b>
0	<b>Bank Account Overdrawn</b>	<b>0</b>
14,467	<b>Net Cash Position for Cash Flow Purposes</b>	<b>4,657</b>

## 26. Provisions

	2014/15 Opening £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	2014/15 Closing £000
Restructure Provision	367	90	(329)	128
Single Status Provision – Non Schools	11,947	0	(30)	11,917
Single Status Provision – Schools	4,329	19	(0)	4,348
NDR Appeals Provision	2,011	2,401	(2,011)	2,401
Litigation Costs	0	259	(0)	259
<b>Total</b>	<b>18,654</b>	<b>2,769</b>	<b>(2,370)</b>	<b>19,053</b>
2013/14	18,697	2,522	(2,565)	18,654

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, 2011/12 and 2012/13 accounts. The balance at 1 March 2013 was mainly used during 2013/14. Further restructures took place in 2013/14 and an additional provision was created for these costs as at 31 March 2014. This balance was mainly used during 2014/15 and an additional provision was created for the one off costs at 31 March 2015. It is anticipated that there will be further restructures as the cuts to Local Government funding continue.

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<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2014/15 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2015 was £16.3m.

NDR Appeals – under the new arrangements for the retention of business rates, authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £4.9m is estimated as the amount required to set aside for this purpose in the 2014/15 accounts (£4.1m 2013/14). Telford & Wrekin Council's proportion of this is £2.4m (49%) (£2.0m 2013/14).

A provision has been created in respect of Litigation Costs for 2014/15. This is to cover the anticipated costs of refunds being claimed by a number of private local search companies.

## 27. Creditors

2013/14 £000		2014/15 £000
6,629	Central Government	5,877
514	Other Local Authorities	844
306	NHS Bodies	246
883	Public Corporations and Trading Funds	829
52,003	Other Entities and Individuals	53,894
2,186	PFI and Leases	2,476
62,521	<b>Total</b>	64,166

## 28. 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 £55.3m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £58.04m as at 31<sup>st</sup> March 2015 (£59.7m as at 31<sup>st</sup> March 2014). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.4m to the interest paid for 2014/15 (£5.1m 2013/14). Amounts due are shown in the table below:-

	2013/14				2014/15			
	Service £000	Lifecycle £000	Interest £000	Finance Lease £000	Service £000	Lifecycle £000	Interest £000	Finance Lease £000
Within 1 year	2,177	284	4,971	1,959	1,546	976	4,861	2,127
2 to 5 years	6,057	4,416	19,098	9,213	6,824	3,912	18,679	9,877
6 to 10 years	7,765	6,869	21,225	15,606	8,117	6,883	20,500	16,673
11 to 15 years	9,166	7,391	16,628	22,000	9,630	7,342	15,403	23,466
16 to 20 years	14,506	4,227	8,757	29,366	13,652	4,522	6,584	29,540
21 to 25 years	2,274	732	320	5,498	0	0	0	0

## 29. Usable Reserves - Transfers to/from Earmarked Reserves & Balances

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

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 2014/15.

	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 2013 carried forward	3,121	22,716	6,640	2,731	53	13,355	48,616
Movement / Use of reserves during 2013/14	103	13,468	(627)	(1,221)	(53)	(6,239)	5,431
Balance at 31 March 2014 carried forward	3,224	36,184	6,013	1,510	0	7,116	54,047
Movement / Use of reserves during 2014/15	1,145	3,312	948	2,078	0	1,813	9,296
Balance at 31 March 2015 carried forward	4,369	39,496	6,961	3,588	0	8,929	63,343

## 30. 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:-

2013/14 £000		2014/15 £000
5,419	School Balances - Revenue	6,341
594	School Balances - Capital	620
<b>6,013</b>	<b>Total School Balances</b>	<b>6,961</b>

### 31. Unusable Reserves

2013/14 £000		2014/15 £000
48,493	Revaluation Reserve	51,513
154,854	Capital Adjustment Account	212,666
(2)	Financial Instruments Adjustment Account	(372)
(150,183)	Pensions Reserve	(222,247)
701	Collection Fund Adjustment Account	4,352
(2,644)	Accumulated Absences Account	(2,801)
51,219	<b>Total Unusable Reserves</b>	<b>43,111</b>

#### 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.

2013/14 £000		2014/15 £000
54,293	<b>Balance brought forward</b>	48,493
4,986	Upwards revaluation of assets	8,753
(9,167)	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	(4,759)
(1,164)	Difference between fair value depreciation and historical cost depreciation	(1,132)
(455)	Accumulated gains and losses on assets sold or scrapped	158
48,493	<b>Balance carried forward</b>	<b>51,513</b>

## 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.

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>161,861</b>	<b>Balance Brought Forward</b>	<b>154,854</b>
<b>(26,083)</b>	Charges for depreciation and impairment of non-current assets	<b>(23,640)</b>
<b>(1,060)</b>	Amortisation of intangible assets	<b>(890)</b>
<b>(4,520)</b>	Revenue expenditure funded from capital under statute	<b>(8,665)</b>
<b>(33,693)</b>	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	<b>(906)</b>
<b>1,618</b>	Adjusting amounts written out of the Revaluation Reserve	<b>974</b>
<b>4,132</b>	Capital financing - Capital receipts	<b>3,099</b>
<b>50,152</b>	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>84,142</b>
<b>1,686</b>	Minimum Revenue Provision	<b>4,403</b>
<b>761</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>(705)</b>
<b>154,854</b>	<b>Balance Carried Forward</b>	<b>212,666</b>

## 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 2015 will be charged to the General Fund over the next 13 years.

2013/14 £000		2014/15 £000
467	<b>Balance at 1 April</b>	(2)
(469)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(370)
(2)	<b>Balance at 31 March</b>	(372)

## 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.

2013/14 £000		2014/15 £000
196,006	<b>Balance at 1 April</b>	150,183
(56,183)	Actuarial (gains) or losses on pensions assets and liabilities	64,012
1,042	Added Years	742
0	Entity Combination	0
22,572	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	19,828
(13,254)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,518)
150,183	<b>Balance at 31 March</b>	222,247

### 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.

2013/14 £000		2014/15 £000
1,094	<b>Balance at 1 April</b>	701
(393)	Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	3,651
701	<b>Balance at 31 March</b>	4,352

### 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.

2013/14 £000		2014/15 £000
(3,543)	<b>Balance at 1 April</b>	(2,644)
3,543	Settlement or cancellation of accrual made at the end of the preceding year	2,644
(2,644)	Amounts accrued at the end of the current year	(2,801)
(2,644)	<b>Balance at 31 March</b>	(2,801)
899	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	(157)

### **32. 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 2014/15 expenditure on this totalled £8.665m and grant receivable amounted to £7.292m. 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.

### 33. Usable Capital Receipts Reserve

2013/14 £000		2014/15 £000
53	Opening balance	0
4,079	Capital receipts received during year	3,099
(4,132)	Less Capital receipts used for financing during year	(3,099)
<b>0</b>		<b>0</b>

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure. The balance was nil at 31<sup>st</sup> March.

### 34. 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.

2013/14 £000		2014/15 £000
241,957	<b>Opening Capital Financing Requirement</b>	271,106
	<b>Capital Investment</b>	
78,321	Property, Plant & Equipment	104,976
1,604	Investment Properties	2,891
44	Assets Held for Sale	16
846	Intangible Assets	1,327
4,520	Revenue Expenditure funded from Capital under Statute	8,665
69	Leased Vehicles	528
	<b>Sources of Finance</b>	
(4,132)	Capital Receipts	(3,099)
(285)	Finance Leases & Deminimus Capital Expenditure	(2,330)
(50,152)	Government Grants and Other Contributions	(84,142)
(1,686)	Revenue Provision (NB: includes MRP)	(4,403)
<b>271,106</b>	<b>Closing Capital Finance Requirement</b>	<b>295,535</b>
29,149	Movement for Year	24,429
	Explanation of movements in the year	
474	Increase in underlying need to borrow (supported by Government financial assistance)	79
28,675	Increase in underlying need to borrow (unsupported by Government financial assistance)	24,350
29,149	Increase/(decrease) in Capital Financing Requirement	24,429

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, Pride in Your Community, Solar Farm, Brookside and Street Lighting.

At 31 March 2015 there were 8 significant contracts in place with outstanding commitments of £29.6m, as detailed in note 14.

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 2014/15 the Authority made payments of £9,883,380 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.

### **35. 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 £3.515m, this was offset by an adjustment to prior years MRP of £1.420m, the principal repayment in respect of leases was £0.349m and the principal repayment in respect of the PFI lease was £1.959m giving a total provision of £4.403m in 2014/15 (£1.686m in 2013/14).

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

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>(27,143)</b>	Impairment and depreciation of property, plant and equipment and intangible assets	<b>(24,530)</b>
<b>92</b>	(Increase)/decrease in interest creditors	<b>39</b>
<b>4,335</b>	(Increase)/decrease in creditors	<b>4,344</b>
<b>(3,459)</b>	Increase/(decrease) in interest/dividend debtors	<b>(3,043)</b>
<b>1,576</b>	Increase/(decrease) in debtors	<b>2,508</b>
<b>4</b>	Increase/(decrease) in inventories	<b>(1)</b>
<b>(10,360)</b>	Pension Liability	<b>(8,052)</b>
<b>43</b>	Contribution (to)/from provisions	<b>(399)</b>
<b>(33,694)</b>	Carrying amount of non current assets sold	<b>(906)</b>
<b>761</b>	Movement in Investment Property Values	<b>(705)</b>
<b>(67,845)</b>	<b>Total</b>	<b>(30,745)</b>

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

2013/14 £000		2014/15 £000
43,913	Capital grants credited to surplus or deficit on the provision of services	85,955
0	Proceeds from sale of short and long term investments	0
4,079	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,099
47,992	<b>Total</b>	<b>89,054</b>

**38. Cash Flow Statement – Investing Activities**

2013/14 £000		2014/15 £000
75,072	Purchase of property, plant and equipment, investment property and intangible assets	105,435
0	Purchase of short-term and long-term investments	0
966	Other payments for investing activities	348
(2,667)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,589)
(15,000)	Proceeds from short-term and long-term investments	(10,000)
(44,401)	Other receipts from investing activities	(86,011)
13,970	<b>Net cash flows from investing activities</b>	<b>6,183</b>

**39. Cash Flow Statement – Financing Activities**

2013/14 £000		2014/15 £000
(117,500)	Cash receipts of short and long term borrowing	(105,100)
(714)	Other receipts from financing activities	(2,775)
(541)	Appropriation to/from Collection Fund Adjustment Account	(1,979)
102,531	Repayments of short and long term borrowing	114,070
2,008	Cash payments in relation to finance leases and PFI agreements	2,308
(14,216)	<b>Net cash flows from financing activities</b>	<b>6,524</b>

**40. Cash Flow Statement – Operating Activities**

The cash flows for operating activities includes the following items:

2013/14 £000		2014/15 £000
(5,040)	Interest received	(3,219)
9,281	Interest paid	8,896

#### 41. Grant Income

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

2013/14 £000		2014/15 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
50,871	Revenue Support Grant	40,071
2,037	Non Domestic Rates Top Up Grant	2,076
183	Local Services Support Grant	70
597	Section 31 Grant	1,575
0	Council Tax Freeze Grant	606
<b>53,688</b>	<b>Total</b>	<b>44,398</b>
	<b>Credited to Services</b>	
99,200	Dedicated Schools Grant	101,535
69,349	Mandatory Rent Allowances Subsidy	71,103
10,616	Public Health Grant	10,913
5,740	Pupil Premium Grant	7,747
2,856	Education Services Grant	3,069
2,542	New Homes Bonus	3,437
0	Universal Free School Meals	1,143
6,468	Other grants	6,113
<b>196,771</b>	<b>Total</b>	<b>205,060</b>

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 if the conditions are not met. The balances at the year-end are as follows:

2013/14 £000		2014/15 £000
	<b>Capital Grants Receipts in Advance</b>	
75	Rural Enterprise Investment Programme	0
<b>75</b>	<b>Total</b>	<b>0</b>

#### 42. 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.

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

2014/15	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 Social Services	6,260	54,313	60,573	18,678	3,774	22,452	38,121
Education & Corporate Parenting	6,313	104,354	110,667	5,011	100,476	105,487	5,180
Children's Safeguarding & Specialist Services	9,098	19,373	28,471	3,662	3,443	7,105	21,366
Family, Cohesion & Commissioning	9,186	11,987	21,173	9,789	2,993	12,782	8,391
Development, Business & Employment	7,317	15,900	23,217	22,078	2,478	24,556	(1,339)
Neighbourhood & Leisure Services	9,381	42,938	52,319	22,543	2,049	24,592	27,727
Customer Services	10,565	7,471	18,036	11,929	2,537	14,466	3,570
Law, Democracy & People Services	3,452	2,468	5,920	5,458	212	5,670	250
Finance, Audit & Information Governance	5,797	84,795	90,592	10,761	58,060	68,821	21,771
Health, Well Being & Public Protection	2,001	5,342	7,343	51	5,691	5,742	1,601
Co-Operative Council	2,861	1,553	4,414	3,061	151	3,212	1,202
<b>Total</b>	<b>72,231</b>	<b>350,494</b>	<b>422,725</b>	<b>113,021</b>	<b>181,864</b>	<b>294,885</b>	<b>127,840</b>
Less items in above table but not shown under provision of services in statement of accounts			(20,944)			(6,332)	(14,612)
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			35,689			87,963	(52,274)
<b>Provision of services in the statement of accounts</b>			<b>437, 470</b>			<b>376,516</b>	<b>60,954</b>

<b>2013/14</b>	<b>Employee expenses</b>	<b>Other service expenses</b>	<b>Total Expenditure</b>	<b>Fees, charges &amp; other service income</b>	<b>Government grants</b>	<b>Total Income</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adult Social Services</b>	<b>12,776</b>	<b>60,610</b>	<b>73,386</b>	<b>23,942</b>	<b>1,276</b>	<b>25,218</b>	<b>48,168</b>
<b>Education &amp; Corporate Parenting</b>	<b>4,121</b>	<b>97,830</b>	<b>101,951</b>	<b>3,894</b>	<b>92,563</b>	<b>96,457</b>	<b>5,494</b>
<b>Children's Safeguarding &amp; Specialist Services</b>	<b>4,880</b>	<b>17,742</b>	<b>22,622</b>	<b>2,745</b>	<b>1,006</b>	<b>3,751</b>	<b>18,871</b>
<b>Family, Cohesion &amp; Commissioning</b>	<b>11,946</b>	<b>23,543</b>	<b>35,489</b>	<b>11,426</b>	<b>9,617</b>	<b>21,043</b>	<b>14,446</b>
<b>Development, Business &amp; Employment</b>	<b>7,152</b>	<b>12,011</b>	<b>19,163</b>	<b>18,844</b>	<b>2,235</b>	<b>21,079</b>	<b>(1,916)</b>
<b>Neighbourhood &amp; Leisure Services</b>	<b>9,541</b>	<b>37,116</b>	<b>46,657</b>	<b>18,971</b>	<b>1,471</b>	<b>20,442</b>	<b>26,215</b>
<b>Customer Services</b>	<b>5,512</b>	<b>5,549</b>	<b>11,061</b>	<b>6,857</b>	<b>2,198</b>	<b>9,055</b>	<b>2,006</b>
<b>Law, Democracy &amp; People Services</b>	<b>3,723</b>	<b>2,881</b>	<b>6,604</b>	<b>4,530</b>	<b>209</b>	<b>4,739</b>	<b>1,865</b>
<b>Finance, Audit &amp; Information Governance</b>	<b>6,521</b>	<b>83,591</b>	<b>90,112</b>	<b>9,324</b>	<b>63,811</b>	<b>73,135</b>	<b>16,977</b>
<b>Health, Well Being &amp; Public Protection</b>	<b>652</b>	<b>5,623</b>	<b>6,275</b>	<b>0</b>	<b>6,075</b>	<b>6,075</b>	<b>200</b>
<b>Co-Operative Council</b>	<b>2,874</b>	<b>1,476</b>	<b>4,350</b>	<b>2,930</b>	<b>15</b>	<b>2,945</b>	<b>1,405</b>
<b>Total</b>	<b>69,698</b>	<b>347,972</b>	<b>417,670</b>	<b>103,463</b>	<b>180,476</b>	<b>283,939</b>	<b>133,731</b>
<b>Less items in above table but not shown under provision of services in statement of accounts</b>			<b>(26,879)</b>			<b>(9,073)</b>	<b>(17,806)</b>
<b>Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts</b>			<b>40,330</b>			<b>42,062</b>	<b>(1,732)</b>
<b>Provision of services in the statement of accounts</b>			<b>431,121</b>			<b>316,928</b>	<b>114,193</b>

Items within "Less items in above table but not shown under provision of services in statement of accounts" General grants 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.

#### **43. 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. There have been no acquired or discontinued operations during the year.

#### **44. Market Undertaking and Industrial Units**

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

<b>2013/14 £000</b>		<b>2014/15 £000</b>
43	Income from Stallholders' Rents and charges	36
(52)	Expenditure	(74)
<b>(9)</b>	<b>(Deficit)/Surplus taken to General Fund</b>	<b>(38)</b>

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

<b>2013/14 £000</b>		<b>2014/15 £000</b>
6,166	Income from rents	5,085
588	Other income	1,035
761	Net gains/(losses) on revaluation of property	(705)
(3,609)	Direct operating expenses	(2,937)
<b>3,906</b>	<b>(Deficit)/Surplus taken to General Fund</b>	<b>2,478</b>
<b>3,897</b>	<b>Total Trading Accounts</b>	<b>2,440</b>

#### **45. Pooled Budgets**

During 2014/15 the Council was host for the following pooled budgets in conjunction with Telford & Wrekin CCG 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.**

###### Carers Pooled Budget

The Authority has entered into a pooled budget arrangement with Telford & Wrekin CCG to improve services provided to Carers through closer working between the Health Service and the Council. Telford & Wrekin Council hosts this arrangement. Under/overspends are divided between the organisations in proportion to the Partners contributions which equates to; Telford & Wrekin Council 62.1%(2013/14: 62.1%), Telford & Wrekin CCG 37.9%(2013/14 : 37.9%)

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>385</b>	Expenditure	<b>550</b>
<b>516</b>	Income	<b>646</b>

#### Intermediate Care Pooled Budget

The Authority has entered into a pooled budget arrangement with Telford & Wrekin CCG to improve intermediate care services for users through closer working between the National Health Service and the Council. Telford & Wrekin Council hosts this arrangement. Under/overspends are divided between the organisations in proportion to the Partners contributions which equate to; Telford & Wrekin Council 13.7%(2013/14 : 14.2%), Telford & Wrekin CCG 86.3%(2013/14 : 85.8%)

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>313</b>	Expenditure	<b>392</b>
<b>368</b>	Income	<b>392</b>

#### Mental Health Residential Rehabilitation Pooled Budget

The Authority has entered into a pooled budget arrangement with Telford & Wrekin CCG to improve services provided to mental health patients through closer working between the Health Service and the Council. Telford & Wrekin Council hosts this arrangement. Under/overspends are divided between the organisations in proportion to the Partners contributions which equate to; Telford & Wrekin Council 65.6%, Telford & Wrekin CCG 34.4%

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>0</b>	Expenditure	<b>204</b>
<b>0</b>	Income	<b>204</b>

#### **46. Members' Allowances**

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

<b>2013/14 £000</b>		<b>2014/15 £000</b>
<b>616</b>	Allowances	<b>611</b>
<b>3</b>	Expenses	<b>2</b>
<b>619</b>	Total	<b>613</b>

#### 47. Senior Officers' Remuneration & Employee Remuneration In Bands

This note shows the amounts paid to Senior Officers in 2014/15 and 2013/14. Senior Officers are defined as:-

- named employees whose annualised salary is £150,000 or more (Nil in the case of this Council)
- 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.

#### 2014/15

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 2014/15 £	Pension contributions £	Total Remuneration including pension contributions 2014/15 £
<b>Managing Director</b>			137,000			<b>137,000</b>	16,994	<b>153,994</b>
<b>Director of Children &amp; Family Services</b>			109,600			<b>109,600</b>	13,810	<b>123,410</b>
Director of Development, Business & Customer Services	1	109,600	98,509			<b>98,509</b>	12,412	<b>110,921</b>
<b>Interim Director of Neighbourhood, Customer &amp; Cultural Services</b>	5	109,600	17,940			<b>17,940</b>	2,261	<b>20,201</b>
<b>Interim Director of Care, Health &amp; Wellbeing</b>			109,600			<b>109,600</b>	13,810	<b>123,410</b>
<b>Assistant Director: Finance, Audit &amp; Information Governance</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Development, Business &amp; Employment</b>			76,215			<b>76,215</b>	9,603	<b>85,818</b>
<b>Assistant Director: Planning Specialist</b>		83,950	80,480			<b>80,480</b>	10,141	<b>90,621</b>
<b>Assistant Director: Family, Cohesion &amp; Commissioning</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Education &amp; Corporate Parenting</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Children's Safeguarding &amp; Specialist Services</b>			79,468			<b>79,468</b>	10,013	<b>89,481</b>
<b>Assistant Director: Law, Democracy &amp; People Services</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
Assistant Director: Neighbourhood & Leisure Services		83,950	68,974			<b>68,974</b>	8,691	<b>77,665</b>

<b>Assistant Director: Neighbourhood &amp; Customer Services</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Health, Wellbeing &amp; Public Protection</b>			82,716			<b>82,716</b>	11,580	<b>94,296</b>
<b>Assistant Director: Adult Social Services</b>			75,677			<b>75,677</b>	0	<b>75,677</b>
<b>Assistant Director: Leisure, Culture &amp; Facilities Management</b>	2	75,704	9,238			<b>9,238</b>	1,164	<b>10,402</b>
<b>Service Delivery Manager: Delivery &amp; Planning</b>	3		58,763			<b>58,763</b>	7,404	<b>66,167</b>
<b>Service Delivery Manager: Co-Operative &amp; Commercial Projects</b>	3	52,961	38,023			<b>38,023</b>	4,791	<b>42,814</b>
<b>Service Delivery Manager: Community Participation</b>	3		58,763			<b>58,763</b>	7,404	<b>66,167</b>
			<b>1,514,546</b>			<b>1,514,546</b>	<b>182,188</b>	<b>1,696,734</b>

**Notes:**

Those roles shown in bold above represent the current posts.

- 1) This post holder left the organisation on 22nd February 2015
- 2) This post was appointed to on 16th February 2015
- 3) These Service Delivery Managers posts report directly to the Managing Director
- 4) No compensation for loss of office was paid to any of the above officers during the year.
- 5) The post holder secured the post of Interim Director Development, Business & Customer Services on 2nd February 2015

2013/14

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 2013/14 £	Pension contributions £	Total Remuneration including pension contributions 2013/14 £
<b>Current Posts</b>								
<b>Managing Director</b>			137,000	0	0	<b>137,000</b>	22,331	<b>159,331</b>
<b>Director of Children &amp; Family Services</b>			109,600	0	0	<b>109,600</b>	17,865	<b>127,465</b>
<b>Director of Development, Business &amp; Customer Services</b>	1	109,600	100,467			<b>100,467</b>	16,376	<b>116,843</b>
<b>Interim Director of Care, Health &amp; Wellbeing</b>	2	109,600	80,727	0	0	<b>80,727</b>	13,158	<b>93,885</b>
<b>Assistant Director: Finance, Audit &amp; Information Governance</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
Assistant Director: Development, Business & Housing	3	82,304	6,859	0	0	<b>6,859</b>	1,118	<b>7,977</b>
<b>Assistant Director: Development Business &amp; Employment</b>	4	75,836	59,995	0	0	<b>59,995</b>	9,779	<b>69,774</b>
<b>Assistant Director: Planning Specialist</b>		82,304	80,080	0	0	<b>80,080</b>	13,053	<b>93,133</b>
<b>Assistant Director: Family Cohesion &amp; Commissioning</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
<b>Assistant Director: Education &amp; Corporate Parenting</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
<b>Assistant Director: Children's Safeguarding &amp; Specialist Services</b>		79,073	77,451	0	0	<b>77,451</b>	12,624	<b>90,075</b>
<b>Assistant Director: Adult Social Services</b>			82,304	71,033	0	<b>153,337</b>	13,416	<b>166,753</b>
<b>Assistant Director: Health Wellbeing &amp; Public Protection</b>	5	82,304	41,381	0	0	<b>41,381</b>	5,793	<b>47,174</b>
<b>Interim Assistant Director: Health &amp; Wellbeing</b>	6	74,220	24,740	0	0	<b>24,740</b>	3,464	<b>28,204</b>
<b>Assistant Director: Law, Democracy &amp; People Services</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
<b>Assistant Director: Neighbourhood &amp; Leisure Services</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
<b>Assistant Director: Customer Services</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
<b>Service Delivery Manager: Delivery &amp; Planning</b>	7	58,471	58,456	0	0	<b>58,456</b>	9,528	<b>67,984</b>
<b>Service Delivery Manager: Policy</b>	7	52,821	37,168	0	0	<b>37,168</b>	6,058	<b>43,226</b>

<b>Service Delivery Manager: Community Engagement</b>	7		58,471	0	0	<b>58,471</b>	9,531	<b>68,002</b>
<b><u>Posts No Longer Within Council Structure</u></b>								
Director: Adult & Community Services	8	109,600	27,089	88,745	0	<b>115,834</b>	4,415	<b>120,249</b>
Assistant Director: Social Care Specialist	9	82,304	21,096	0	0	<b>21,096</b>	3,439	<b>24,535</b>
Commercial Enterprise Manager	7,10	58,471	31,946	0	0	<b>31,946</b>	4,842	<b>36,788</b>
			<b>1,528,654</b>	<b>159,778</b>	<b>0</b>	<b>1,688,432</b>	<b>247,286</b>	<b>1,935,718</b>

**Notes:**

**Those roles shown in bold above represent the current posts.**

- 1) This post was appointed to on 1st May 2013
- 2) This post was appointed from 6<sup>th</sup> July 2013
- 3) The postholder secured the post of Director: Development Business & Employment on 1<sup>st</sup> May 2013
- 4) This post was appointed to on 10th June 2013
- 5) This post was appointed to on 30th September 2013
- 6) This was an interim position whilst the post was recruited to permanently
- 7) These Service Delivery Managers posts report directly to the Managing Director
- 8) Corporate Director left the organisation on 5<sup>th</sup> July. Post was deleted
- 9) This post was only occupied to 5<sup>th</sup> July 2013
- 10) This postholder left on 4<sup>th</sup> October 2013

The following table excludes Senior Officers shown above.

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

Number of Employees 2013/14	Salary Band	Number of Employees 2014/15
43	£50,000 - £54,999	42
48	£55,000 - £59,999	39
22	£60,000 - £64,999	28
11	£65,000 - £69,999	19
5	£70,000 - £74,999	7
2	£75,000 - £79,999	2
3	£80,000 - £84,999	3
1	£85,000 - £89,999	2
0	£90,000 - £94,999	0
1	£95,000 - £99,999	0
0	£100,000 - £104,999	0
1	£105,000 - £109,999	1

The 2014/15 figures include 89 school based employees (80 in 2013/14). The 2014/15 figures include 13 employees (11 in 2013/14) who left under redundancy or retired during the year.

#### 48. 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 2014/15 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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£000	£000
£0 - £20,000	3	9	37	52	40	61	320,226	499,029
£20,001 - £40,000	0	5	17	14	17	19	463,129	548,630
£40,001 - £60,000	0	0	6	3	6	3	308,945	147,998
£60,001 - £80,000	1	0	1	2	2	2	137,448	131,896
£80,001 - £100,000	0	0	2	2	2	2	173,053	175,843
£100,000 - £150,000	0	0	2	2	2	2	346,779	218,790
Total	4	14	65	75	69	89	1,749,580	1,722,186

An analysis of the total cost of exit packages shows:	Redundancy etc £000	Pension Fund Charges* £000	Total £000
Exit Packages agreed and charged to the Income & Expenditure Account during 2014/15	1,065,553	528,319	1,593,872
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 2015 (i.e. employees who had received formal notice at 31 March 2015 and will leave during 2015/16)	85,524	42,790	128,314
<b>Total</b>	<b>1,151,077</b>	<b>571,109</b>	<b>1,722,186</b>

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

#### **49. External Audit Costs**

The Council's accounts have been audited by KPMG in 2013/14 and 2014/15. In 2014/15 the Council incurred the following fees relating to external audit and inspection:

2013/14 £000		2014/15 £000
<b>155</b>	Fees payable to KPMG with regard to external audit services	<b>156</b>
<b>(18)</b>	Fees payable to Audit Commission in respect of statutory inspection	<b>(13)</b>
<b>16</b>	Fees payable to KPMG for the certification of grant claims and returns	<b>16</b>
<b>9</b>	Fees payable in respect of other services provided by the appointed auditor, for 2014/15 this includes £3,650 paid to the Audit Commission in relation to the National Fraud Initiative	<b>4</b>

## 50. 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 42 on reporting for resources allocation decisions. Grant receipts are shown in Note 41.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 46. 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.

During the year transactions with related parties arose as follows:

**Councillor Stephen Burrell** is a Director of Peace of Mind Homecare a company that provided services to the Council through service contracts and received £306,916 in 2014/15.

**Councillor Rae Evans** received a Repair and Renewal Grant on a property of £3,709 and received reimbursement of lost rent on a property for £4,676 in 2014/15.

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

The Authority has pooled budget arrangement with Telford & Wrekin CCG. Transactions and balances outstanding are detailed in Note 45.

## 51. Leases

### Finance Leases

During 2014/15 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £528,074. Finance lease rentals of £411,137 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	<b>Within 1 Year £000</b>	<b>2 to 5 years £000</b>	<b>Over 5 years £000</b>	<b>Total £000</b>
Outstanding Obligations	318	625	0	943

The aggregate amount of finance charges in respect of finance leases was £29,118 for 2014/15 (£37,691 for 2013/14)

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 14 to the accounts the value of assets held financed by leasing is shown within Vehicles, Plant and Equipment.

### Operating Leases

During 2014/15 the value of vehicles, plant and equipment acquired under operating leases amounted to £32,971. Operating lease rentals of £10,100 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

	<b>Within 1 Year £000</b>	<b>2 to 5 years £000</b>	<b>Over 5 years £000</b>	<b>Total £000</b>
Outstanding Obligations	10	10	0	20

### Hire Purchase Contracts

During 2014/15 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 and other income received from these properties for 2014/15 amounted to £6,120,000 (£6,754,000 for 2013/14). See also note 44 Market Undertaking and Industrial Units and note 15 in respect of the valuation of these assets as Investment Properties.

## **52. Contingent Liabilities**

At 31 March 2015, the Authority had no known material contingent liabilities.

## **53. Contingent Assets**

At 31 March 2015, the Authority had no material contingent assets.

## **54. 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 2013/14 was £0.183m, the value of LSSG for 2014/15 is £0.070m.

## 55. Income & Expenditure Account Surplus/Deficit

For 2014/15 the accounts show a surplus on the Income and Expenditure Account of £61.206m. There was no planned use of General Fund Balances for 2014/15. The actual outturn was an underspend of £1.145m and the actual contribution to General Fund Balances of £1.145m. 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:-

	£m
(Surplus) / Deficit on Income & Expenditure Account	(61.206)
Plus:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	51.768
Plus:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	4.033
Changes in Reserves	4.260
Actual Contribution (to)/from General Fund Balances	(1.145)

## 56. Special Fund Revenue Account

2013/14 Net Expenditure £000		2014/15 Gross Expenditure £000	2014/15 Income £000	2014/15 Net Expenditure £000
	<b>EXPENDITURE ON SERVICES</b>			
(51)	Cemeteries	131	237	(106)
730	Highways – footway lighting	662	22	640
<b>679</b>	<b>Total expenditure on services</b>	<b>793</b>	<b>259</b>	<b>534</b>
	<b>INCOME</b>			
(628)	Council Tax			(644)
<b>51</b>	<b>(Surplus) or deficit for year</b>			<b>(110)</b>
	<b>Special Fund</b>			
527	Balance at beginning of the year			476
(51)	Surplus or (deficit) for year			110
<b>476</b>	<b>Balance at end of year</b>			<b>586</b>

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.

### **57. Soft Loan**

During 2013/14 the Council extended for 10 years a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 2.85% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2013/14 and 2014/15 and the balance at 31<sup>st</sup> March is £353,020. This is shown as a debtor on the Balance sheet at a fair value of £298,488 and a notional £54,532 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 outstanding amount of the loan.

### **58. Building Control Account 2014/15**

<b><u>Expenditure</u></b>	<b>Chargeable</b>	<b>Non- Chargeable</b>	<b>Total Building Control</b>
	<b>2014/15 £000</b>	<b>2014/15 £000</b>	<b>2014/15 £000</b>
Employee Expenses	103	158	261
Support Services	64	90	154
	167	248	415
<b><u>Income</u></b>			
Building Regulation Charges	(292)	(144)	(436)
<b>(Surplus)/Deficit</b>	<b>(125)</b>	<b>104</b>	<b>(21)</b>
<b>2013/14 (Surplus)/Deficit</b>	<b>(117)</b>	<b>98</b>	<b>(19)</b>

## 59. 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 2014/15 indicates the following:-

	General Fund		Education	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Balance b/f	2,058	1,936	1,234	947
Charges in the Year	(1,001)	(661)	(87)	(2)
Transfers to other reserves	0	0	(200)	0
Contributions	879	795	0	0
<b>Balance c/f</b>	<b>1,936</b>	<b>2,070</b>	<b>947</b>	<b>945</b>

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	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
Balance b/f	760	469	1,298	1,467
Charges In Year	(699)	(323)	(302)	(338)
Contributions	408	324	471	471
<b>Balance c/f</b>	<b>469</b>	<b>470</b>	<b>1,467</b>	<b>1,600</b>

For 2014/15 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, £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, libel and slander and officials indemnity claims.

## 60. West Mercia Energy Joint Committee

West Mercia Energy (WME) is a Purchasing Consortium (formerly West Mercia Supplies (WMS) established in 1987) which is 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. 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".

Telford & Wrekin Council has reviewed the accounting treatment that should be applied and has concluded that WME 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 WME's 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 2014/15 balances of WME - JC are included below, along with an analysis of this Council's proportion of those balances based on an estimated share of 23.8%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

<b>Extract from WME Balance Sheet</b>	<b>2014/15</b>	<b>Telford &amp; Wrekin Share</b>
	£000	£000
<b>Long Term Assets</b>		
Property, Plant & Equipment	25	6
<b>Current Assets</b>		
Short Term Debtors	10,714	2,550
Cash and Cash Equivalents	5,584	1,329
<b>Current Liabilities</b>		
Short Term Creditors	(13,625)	(3,243)
<b>Long Term Liabilities</b>		
Other Long Term Liabilities	(5,361)	(1,276)
<b>Total Assets Less Liabilities</b>	<b>(2,663)</b>	<b>(634)</b>
<b>Financed By</b>		
Usable Reserves	2,673	636
Unusable Reserves	(5,336)	(1,270)
	<b>(2,663)</b>	<b>(634)</b>
Turnover	70,258	4,283

## Collection Fund Account

	NDR 2013/14 £000	Council Tax 2013/14 £000	Total 2013/14 £000	NDR 2014/15 £000	Council Tax 2014/15 £000	Total 2014/15 £000
<b>Income</b>						
Income from Council Tax (Note 1)		66,332	66,332		68,658	68,658
Transfers from the Council's General Fund						
– Council Tax Benefits		0	0		0	0
– Transitional Relief	(353)	0	(353)	(333)	0	(333)
Income collectable from business ratepayers (Note 2)	68,497		68,497	70,521		70,521
<b>Contributions</b>						
Adjustment of previous years' community charges		0	0		0	0
<b>Total Income</b>	<b>68,144</b>	<b>66,332</b>	<b>134,476</b>	<b>70,188</b>	<b>68,658</b>	<b>138,846</b>
<b>Expenditure</b>						
Precepts, demands and Shares						
Telford & Wrekin Council	31,548	49,891	81,439	31,944	51,141	83,085
West Mercia Police Authority		7,769	7,769		8120	8,120
Shropshire & Wrekin Fire Authority	644	3,854	4,498	652	4,028	4,680
Parish Councils		2,695	2,695		2,898	2,898
Central Government	32,192		32,192	32,595		32,595
Cost of Collection	213		213	210		210
Bad and Doubtful Debts/Appeals						
– Write Offs	1,098	155	1,253	489	251	740
– Provisions	4,356	1,303	5,659	894	(211)	683
<b>Contributions</b>						
Adjustment of previous years' community charge		0	0		0	0
<b>Total Expenditure</b>	<b>70,051</b>	<b>65,667</b>	<b>135,718</b>	<b>66,784</b>	<b>66,227</b>	<b>133,011</b>
<b>Movement on fund balance (Increase)/Decrease</b>	<b>1,907</b>	<b>(665)</b>	<b>1,242</b>	<b>(3,404)</b>	<b>(2,431)</b>	<b>(5,835)</b>

## Notes To Collection Fund Accounts

### 1. Council Tax Base for 2014/15

2013/14 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
9,787	Band A	26,105	(10,828)	15,277	10,177
10,513	Band B	18,601	(4,729)	13,872	10,789
7,573	Band C	10,556	(1,794)	8,762	7,788
6,989	Band D	7,732	(614)	7,118	7,118
4,920	Band E	4,444	(370)	4,074	4,979
2,709	Band F	2,033	(136)	1,897	2,740
1,533	Band G	995	(72)	923	1,538
70	Band H	50	(12)	38	76
<b>44,094</b>	<b>TOTAL</b>	<b>70,516</b>	<b>(18,555)</b>	<b>51,961</b>	<b>45,205</b>
(877)	Adjustments for growth and losses				(899)
43,217	Taxbase for year				44,306
£1,477.23	Average Council Tax for year				£1,485.60
2013/14 £000					2014/15 £000
63,841	Gross Yield				65,821
0	Less Benefits and Transitional Relief				0
2,491	Add increase in debit net of exemptions and reliefs				2,837
<b>66,332</b>					<b>68,658</b>

2. <u>Income Collectable from Business Rate Payers</u>	2013/14 £000	2014/15 £000	2014/15 £000
Effective non-domestic rateable value for year	162,306	163,656	
Uniform Business Rate for year	47.1p	48.2p	
Gross Yield for year	76,446		78,882
Less Reductions & Transitional Rate Relief	(7,949)		(8,361)
	<b>68,497</b>		<b>70,521</b>

The rateable value was £171,847,808 at 31.3.2015

3. <u>Allocation of Fund Balance (Council Tax)</u>	2013/14 £000	2014/15 £000
Telford & Wrekin Council	(1,633)	(3,614)
West Mercia Police Authority	(245)	(545)
Shropshire & Wrekin Fire Authority	(121)	(271)
	<b>(1,999)</b>	<b>(4,430)</b>

4. <u>Allocation of Fund Balance (NDR)</u>	2013/14 £000	2014/15 £000
Telford & Wrekin Council	934	(734)
Shropshire & Wrekin Fire Authority	19	(15)
Central Government	954	(748)
	<b>1,907</b>	<b>(1,497)</b>

## 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 <sup>st</sup> March for Local Authorities.
Business Rates	This is the income collected from business premises in respect of National Non Domestic Rates. Also known as Non Domestic Rates (NDR) and Retained Business Rates.
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 council tax 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 Government and the Council's own General Fund.
Comprehensive Income & Expenditure Statement (CIES)	Summarised income and expenditure during the year by service area. Includes both revenue and capital items.
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.
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 <b>operating lease</b> is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. <b>Finance leases</b> are more akin to borrowing and do fall within the capital system.
LOBO	A LOBO is a market loan to the Authority. LOBO stands for Lenders Option Borrowers Option. What this means is that the loan has a fixed interest rate but the lender has the option to increase that rate at specified intervals. If they exercise that option then the Authority has to option to either accept the new rate or repay the loan.
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.
Non Domestic Rates (NDR)	This is the income collected from business premises in respect of National Non Domestic Rates (NNDR). Also known as Non Domestic Rates (NDR), Business Rates and Retained Business Rates.
Outturn Pension Fund	Actual Expenditure and Income 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 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.
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 Settlement Funding Assessment, 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 (The Chief Financial Officer). 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.