

Unaudited Statement of Accounts

2016/17

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Telford & Wrekin Council

Unaudited Statement of Accounts

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Financial Statements

Note: This Statement of Accounts is unaudited and may be subject to change.

Chief Financial Officer's Narrative Statement

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 (www.telford.gov.uk/info/20110/budgets_and_spending/55/expenditure_over_100). The Statement of Accounts are a public record of the Council's financial position for 2016/17; 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 five main statements reporting on the Council's core activities plus Group Accounts:

- the Expenditure and Funding Analysis;
- the Movement in Reserves Statement;
- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Cash Flow Statement plus;
- Group Accounts;

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

The main statements are supplemented by the Collection Fund Account, which receives all council tax and business rates income before passing this income to the Council, the Government, Shropshire Combined Fire Authority and the West Mercia Police & Crime Commissioner as appropriate.

The Council's accounts for the year 2016/17 are set out in the remainder of the report. They consist of:

- ... **The Expenditure and Funding Analysis** - shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This shows an adjustment of £8.196m to move from an underspend of £0.167m to a deficit of £8.029m in the Comprehensive Income and Expenditure Statement.
- ... **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 deficit for the year of £8.029m compared with the outturn report which shows an underspend of £0.167m. 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 adjustments do not impact on either General Fund Balances or Council Tax.**
- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £4.657m at 31st March 2017). This statement represents the authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable.
- ... **The Balance Sheet** - This is a "snapshot" of the Authority's financial position which sets out the financial position of the Council on 31st March 2017 and shows net assets for the Council of £41.865m, a decrease from £99.159m 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 increase in Cash and Cash Equivalents of £12.747m.
- ... **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 a decrease on the council tax fund balance of £0.909m for the year and the Council's share of the surplus was £2.981m at 31st March 2017. The localisation of business rates means that we also show similar information in respect of this. The business rates show an decrease in the balance on the account for the year of £0.023m and the Council's share of the surplus was £1.653m at 31st March 2017.
- ... **Group Accounts** - consolidates the Council's accounts with those of NuPlace Ltd, the Council's wholly owned Housing Investment Company, to give an overall picture of the Council's activities.

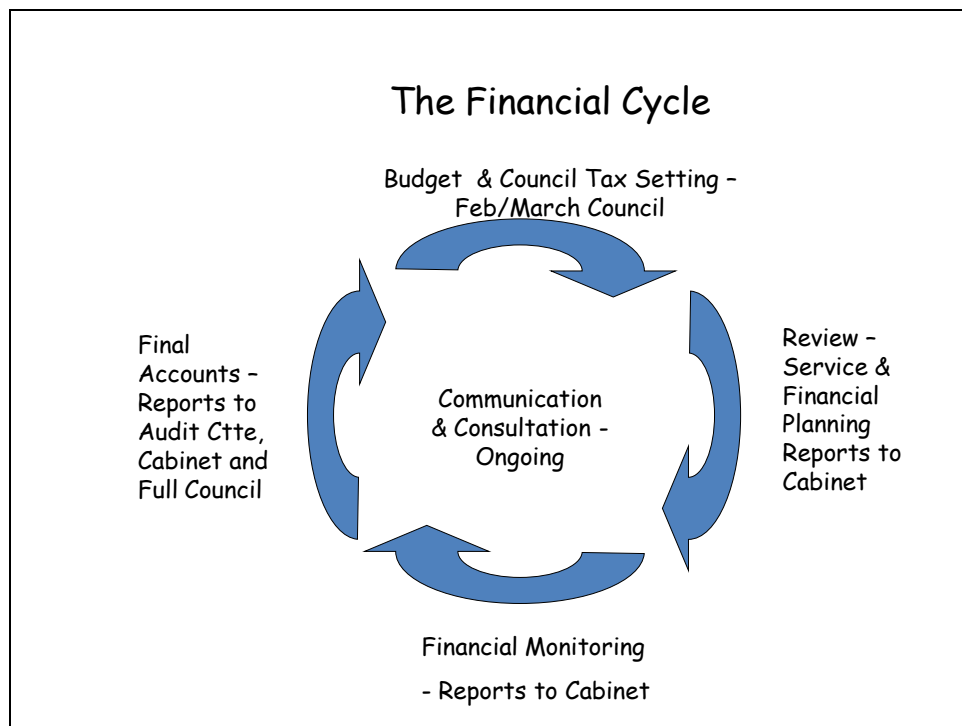
These accounts are supported by the Statement of Responsibilities, which follows this narrative statement.

2. **Financial Context**

This section of the Statement of Accounts summarises the background to the Council's accounts for 2016/17. In particular it sets out:

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2016/17
- Issues highlighted during 2016/17
- The final outturn for 2016/17
- Achievements and Performance During 2016/17
- Strategic Risks
- A commentary on 2017/18

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 2016/17**

The Council's 2016/17 budget was set in the context of a two year service and financial planning strategy which covered the period 2016/17 to 2017/18. The budget is the financial expression of the Council's priorities and plans linked to the available funding. 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 2016/17 and is the third lowest in 2017/18).

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 care for older people, have been increasing. In 2016/17 £16m of budget savings were delivered, which was on top of £80m made in the previous 7 years. A further £13m of savings needed to be made in 2017/18.

Despite the financial challenges the Council has a clear mission to attract new jobs and investment and promote growth in the borough; to protect, as far as possible, priority front line services; to reduce dependency on Government grant and work with partners and the community; and operating in a more commercial way.

The Cabinet published its draft service and financial planning strategy for 2016/17 to 2017/18 in January 2016 and extensive public consultation was undertaken on the proposals. The final budget strategy was approved at Council in March 2016 taking account of consultation responses.

Council tax was increased by 3.2% in 2016/17 which was a combination of the Government's 2% Adult Social Care Precept and 1.2% general increase. The average charge (Band B) for the Council's services was £921 per year. The table below shows how Net Revenue Spend was funded.

2016/17 Budgeted Net Revenue Spend - £m	
2016/17 Total Net Revenue Spend	122.279
Funded From:	
Government Grant (RSG and Top Up)	26.814
Retained Business Rates	36.295
Council Tax	55.641
Collection Fund and Balances	3.529
Total Funding	122.279

The medium term planning period was one of continuing uncertainty with the start of a review of the business rates system and a business rates revaluation due in April 2017.

2.3 Issues Highlighted During 2016/17

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

Service Area	Service Budget	Service Outturn	Service Variation
Development Business & Employment	(163,536)	(535,686)	(372,150)
Finance & Human Resources	8,411,791	3,416,150	(4,995,641)
Cooperative Council Team	1,446,541	1,255,998	(190,543)
Children's safeguarding	22,052,836	26,143,713	4,090,877
Education & Corporate Parenting	5,100,637	5,157,485	56,848
Early Help & Support	42,592,082	46,488,265	3,896,183
Legal, Procurement & Commissioning	3,578,679	3,049,172	(529,507)
Health & Wellbeing	1,839,839	1,720,723	(119,116)
Customer & Neighbourhood Services	29,048,816	28,339,363	(709,453)
Commercial Services	49,241	44,890	(4,351)
Council Wide	8,321,684	205,070	(8,116,614)
Transfers to Reserve	0	6,827,000	6,827,000
Total	122,278,610	122,112,143	(166,467)

Variances exclude IAS 19 Pension entries and asset 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, with variances over £100,000, 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
<u>Business, Development & Employment</u>	
Skills – National Careers Contract; benefit from contract changes resulting in additional one off income and more effective service delivery.	-0.144
Development Management – Planning Determination; cost of planning appeals	+0.152
Development Management – employee cost saving due to vacant posts.	-0.116
<u>Finance & HR</u>	
Treasury – this includes the benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year.	-4.011
PFI Sinking Fund – Updated sinking fund assumptions to reflect current projections.	-0.700
<u>Children’s Safeguarding & Independent Review</u>	
Children in Care Placements (CiC) – £3.489m overspend in 2016/17 which compared to £1.7m reported at 2015/16 year end. The total number of Looked After Children at the end of the year was 381 which is an increase of 82 within the financial year. Considerable investment has been made in this area as part of the 2017/18 budget strategy and the service has a 4 year placement model in place to manage costs.	+3.489
Internal Foster Carer Costs – payments to Foster Carers including transport costs and foster carer training.	+0.158
Staffing (Safeguarding) – includes the cost of agency social workers.	+0.512
One off Service Balances – use of one off service balances to support Safeguarding pressures.	-0.500
Assessment – the overspend reflects a significant increase in the volume of activity i.e. Children in Need and Child Protection Plans	+0.271
Legal – the overspend reflects an increase in the volume of activity and an increase in the use of external barristers.	+0.152
<u>Education & Corporate Parenting</u>	
Specialist Services – savings target not fully met.	+0.104

<p>Advisory Management/School Improvement traded Advisory Service – shortfall against additional income target; the position will be kept under review as the impact of new arrangements following restructure becomes clearer.</p>	+0.221
<p>School Transport – the overspend relates to 2016/17 savings targets not achieved together with an increase in the number of high needs students requiring transport.</p>	+0.111
<p>Education Services Grant – fewer academy conversions than forecast resulting in less grant being lost.</p>	-0.212
<p>Contribution from Reserves – one off balances</p>	-0.200
<p><u>Early Help & Support</u></p>	
<p>Purchasing budgets – the pressure experienced during 2015/16 is continued in 2016/17. A cost improvement plan is in place which includes a number of strategies to reduce demand and deliver care differently which should result in lower costs.</p>	+6.121
<p>Contingency – included in the budget strategy for 2016/17 and 2017/18 to allow time for the service delivery changes to embed.</p>	-2.500
<p>Income – higher numbers in residential and nursing care than anticipated has resulted in higher client contributions during 2016/17.</p>	-0.579
<p>Other Income – largely relates to a shortfall of income generated from the CCG arising from an agreement to Joint Fund Packages of Care.</p>	+1.335
<p>Employee Costs – savings from vacancies held in year pending the service restructure.</p>	-0.467
<p>Transfer to Reserves in relation to Better Care Fund Pooled budget and other CCG arrangements.</p>	+0.816
<p>Use of One off Resources identified</p>	-0.200
<p><u>Governance, Procurement & Commissioning</u></p>	
<p>Employee and Team Budgets – linked to vacancies in the Procurement and Contracts team.</p>	-0.332
<p><u>Health & Wellbeing</u></p>	
<p>Living Well Support Services – vacancies have been carried within the provider services for Healthy Trainer and Healthy Lifestyle Hub.</p>	-0.109
<p>Public Health Commissioned – grant income applied to Public Health Devolved Services.</p>	+0.313
<p>Contribution from Public Health Reserve.</p>	-0.129
	+0.210

Transfer to Reserves – required for the re-commissioning of Drugs and Alcohol Recovery Service and to support Social Prescribing Neighbourhood working.	
<u>Customer & Neighbourhood Services</u>	
Structures & Geotechnics – shortfall against income target due a number of fee earning posts being vacant restricting fee earning opportunities.	+0.185
Structures & Geotechnics – employee savings due to vacant posts.	-0.102
Transfer to Reserves – to cover shortfall in the above income target pending the outcome of a service review.	+0.150
Highways Footway Lighting – reduction in spend against planned maintenance due to planned upgrade of street lights in 2017/18.	-0.185
Concessionary Travel – reduction in the number of concessionary passes being issued.	-0.125
Benefits Service – additional government grant received in respect of Welfare Reforms.	-0.188
Housing Benefit Subsidy – reduced costs arising from proactive review work leading to recovery of overpayments and reduced ongoing benefit costs.	-0.107
<u>Commercial Services</u>	
ICT – pressure arising from a combination of factors including: the increased number of Microsoft licenses required across the council; storage and back-up costs and purchase of equipment all required as the use of technology grows.	+0.316
Employee Costs – one off capitalisation of salary costs relating to ICT projects.	-0.124
Facilities Management – one off saving due to vacancies and part year impact of restructure.	-0.112
Property & Design – benefit from early closure of properties together with reduced spend on repairs and maintenance and utilities.	-0.139
Transfer to Reserves – to fund a replacement schools cashless catering system.	+0.175

2.4 **Final Outturn for 2016/17**

Revenue

Final net service expenditure was £122.112m, after transfers to reserves, compared to a budget of £122.279m, an underspend of £0.167m (or -0.1%). Given the context of the Council having to make £16m of budget savings in 2016/17, on top of £80m delivered in

previous years, it was a particularly positive outturn position which demonstrates the continuing long track record of strong financial management in the Council.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Overall Totals (see page 6)	122.279	122.112	-0.167
Funding Variance	0.000	0.167	0.167
Contribution to (+)/from (-) balances	0.000	0.000	0.000
Service Outturn (see page 10)	122.279	122.279	0.000
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances	-122.279	-122.446	-0.167
Net General Fund position	0.000	-0.167	-0.167

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 (See Comprehensive Income and Expenditure Account on page 37)	434.563	319.385	115.178
Trading Services	11.134	7.384	3.750
Pensions Adjustments under IAS 19	(3.619)	0.000	(3.619)
Interest Payable and Similar Charges	8.656	0.000	8.656
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(0.393)	0.000	(0.393)
Interest and Investment Income	0.000	0.020	(0.020)
Capital Grants and Revenue Grants Unapplied	0.000	(35.500)	35.500
General Grants (LSSG, Section 31)	0.000	0.026	(0.026)
Remove Depreciation & Impairments, REFCUS etc. from Net Operating Cost	(45.013)	0.000	(45.013)
Accumulated Absences	(0.771)	0.000	(0.771)
Minimum Revenue Provision	0.395	0.000	0.395
Net Movement on Reserves	8.642	0.000	8.642
Total Service Outturn (see table on page 10)	413.594	291.315	122.279

See also Charts 1, 2 and 3 at the end of this section. Total expenditure is £122.279 from the above table plus the contribution to balances of £0.167m giving a total of £122.446m.

The outturn position has resulted in a general fund balance of £3.683m and a special fund balance of £0.974m, giving a consolidated balance of £4.657m. The total for all reserves and

usable revenue balances held by the Authority is £71.2m, although almost all of this is held to meet known or likely commitments.

Workforce Analysis

As at 31 March 2017 Telford & Wrekin Council employed 2,674 people [2,045 FTEs]. At 31 March 2016 the comparative figures were 2,842 people [2,238 FTEs]:

	31 March 2016		31 March 2017	
	Head Count	FTEs	Head Count	FTEs
Male	750	675.12	690	609.15
Female	2,092	1,562.81	1,984	1,435.90
Total	2,842	2,237.93	2,674	2,045.05

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 £62.9m; this has been as a result of a change to actuarial assumptions to calculate the future value of scheme liabilities. The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £16.869m (comprising contributions of £13.280m plus a lump sum payment of £3.589m). Following the valuation at 31/3/16 the contribution rate was increased to 14.1% for 2017/18 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2017/18 is estimated at 18.9%, higher than 2016/17.

Capital Accounting

Capital

The Council spent £73.67m on capital projects during the year, an underspend of £13.41m against budget within the year, although this will be re-phased into future years. Detail is shown in the table below:

Policy Area	2016/17 Approved Budget £m	2016/17 Expenditure £m
Education and Corporate Parenting	15.39	10.32
Development Business and Employment	28.77	24.11
Customer & Neighbourhood Services	28.03	29.14
Early Help & Support	0.97	0.05
Governance, Procurement & Commissioning	0.13	0.14

Commercial Services	6.75	4.17
Co-Operative Council	0.30	0.15
Health & Well-being	0.76	0.34
Finance & Human Resources	5.98	5.25
Total	87.08	73.67
Funded by:		
Supported Borrowing	1.28	1.27
Prudential Borrowing	37.73	28.48
Capital Receipts	7.40	8.70
Government Grants	33.83	30.14
Revenue	0.79	0.90
Other External Sources	6.05	4.18
Total	87.08	73.67

The Council has ready access to borrowings from both the Money Markets and Public Works Loans Board (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 £73.67m on capital projects during 2016/17.

Overall the Council's net indebtedness is £193.7m at 31st March 2017 which is an increase of £40.3m 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 Queensway (which provides Education, Health and Social Care packages) for £289m. The costs of the contract is being 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 2016/17 the Authority made payments of £10,019,382 (£10,000,492 in 2015/16) 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 27)

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 2017 was £0.5m.

Single Status – Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2016/17 accounts, as was the case last year and previous years. The amount in the provision at 31 March 2017 was £16.0m (£3.6m relates to schools).

NDR Appeals – under the current 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, £6.7m is estimated as the amount

required to set aside for this purpose at the end of 2016/17. Telford & Wrekin Council's proportion of this is £3.3m (49%).

Litigation Costs – A provision has been created for 2016/17 in respect of Litigation Costs. This is to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group.

Commentary on the Accounts for 2016/17

Expenditure & Funding Analysis – This is a new statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Group Accounts – The Council's wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015. The Statement of Accounts for 2015/16 included Group Accounts for the first time. These consolidate the Council and NuPlace's financial statements for both 2015/16 and 2016/17. The accounts for 2016/17 include an increased number of transactions as NuPlace's trading continues to grow. The Council has examined the relationship with other partners including West Mercia Energy (see note 59 to the accounts) and have concluded that group accounts only need to be prepared in respect of NuPlace.

Highways Network Asset – Following a review by Chartered Institute of Public Finance and Accountancy Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) they decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities.

2.5 Achievements & Performance During 2016/17

Throughout 2016/17 Telford & Wrekin Council continued to drive the efficiency and effectiveness of its services:

People

Children and Adults

- Demand for children's services through Family Connect continues to grow – reflecting an ongoing trend seen over a number of years. This pressure has seen the number of looked after children by the authority increase from 300 to around 370 in 2016/17. An OFSTED inspection of Children's Safeguarding in June 2016 found that the service keeps young people safe and that thresholds for the service were correct. Importantly, this inspection found that "work with children & young people at risk of sexual exploitation is very strong [...] a champion for tackling this issue" a core priority for the Council and its partners.

- Educational attainment:
 - KS1 the achievement rate for Key Stage 1 has improved across all three themes Reading, Writing and Maths and is higher than the national rate for each measure.
 - KS2 continues to improve and is higher than the national figure.
 - KS4 saw a small improvement but remains below the national rate.
 - A key challenge remains ensuring that all pupils whatever their background maximise their attainment.

- The Government has set targets which have been adopted by the Council to work with families which need additional support through the “Troubled Families” programme. This target of 380 families worked with was achieved in 2016/17. Importantly, this model of working has been embedded into the new Early Help & Support Service (see below).

- Our Adult Social Care Outcomes Framework (ASCOF) performance saw improvements from 2015/16 in general sustained. In particular, early indications show quality of life, remains comparable to the national position. There was significant improvement around enablement (helping adults relearn or regain skills lost because of poor health, disability or a period in hospital) to the best levels of performance recorded by the service – however, more work needs to be done to improve to the national average.

Health

- Improving the health and lifestyle of the population remains a significant challenge in the Borough. Although still areas of challenge, progress continues to be made with breastfeeding initiation, reducing smoking and reducing excess weight.

Places

- Household recycling continues to increase with the overall rate rising to 47% from 46% in 2015/16. Following the establishment of a “waste transfer station” in October and the closure of the Borough’s remaining landfill site, the diversion from landfill rate has risen from 50% (2015/16) to 78.3% in 2016/17 (part year). Part of this increase can be attributed to the development of new approaches to Household Recycling Centres. For example, Veolia (the Council’s contractor) have entered into partnership with Revive – an “upcycling” organisation who focus on furniture and household goods.

- The Council continues to invest and seek funding to improve the infrastructure of the Borough and its communities. Key examples in 2016/17 include
 - Investment in new footways in Ironbridge – an important part of “Destination Telford” working to attract leisure and commercial visitors into the Borough.

- In the Town Centre, the dualling of Rampart Way to link the Eastern Primary with the M54 and as part of this the gateway into the Town Centre will be enhanced through a new iconic footbridge from Telford railway station. The town centre bus station renewal project is also underway.
- As well as direct investment the Council continues to work ever more closely with partners, particularly at the community level, to develop different service delivery models to sustain services such as Town & Parish Councils, community groups and organisations:
 - Libraries
 - Community centres
 - Markets
 - Children centres
 - Youth provision
- Pride in your High Street Fund grants were awarded to 21 projects to revitalise the high streets and help businesses grow. These include:
 - Social Enterprise Wavelength Pop Up Shops – this first round bid proposed to create pop up shops in four high streets with a focus on supporting disabled and disadvantaged people.
 - Madeley Town Council Russell Green and War Memorial Project. The project involved the enhancement of a civic square on the edge of Russell Green and the redesign of this space.
 - Good2Great Business support programme – this programme addresses the lack of business support focussed on retailers aiming to deliver across 7 High Streets.
 - Newport Italian Food Festival and Newport Food Frenzy – held in summer 2016 was a great success, with both events creating a foundation and legacy for building a much bigger annual event.
 - The Oakengates Carnival in July 2016 attracted almost 10,000 people to celebrate life in the town.
- In 2015/16, a £5.6m Super-Fast Broadband roll out programme was commenced. This is now ahead of schedule and has been rephrased to increase the number of households and businesses that can benefit. Take up of this new service has doubled over this period from 10% to 20% and continues to grow.

Economy

- In May 2016, the Council launched its strategy for economic development 'Enterprise Telford: Driving Growth and Prosperity' setting out how we will support existing businesses to grow and how we will compete nationally and internationally to attract inward investment delivering jobs, supporting local communities and generating income for the Council to invest into frontline services. Building on this, the Council established a £50 million Growth Fund which is being used to invest directly into land, property and strategic infrastructure enabling local businesses to expand and

drawing in new investors and delivering a revenue return to the authority to invest into front line services. To date over £29m has been invested which is supporting the generation of c.1000 new jobs and set to safeguard a further 400.

- In 2015/16, the Council secured agreement with the Homes & Community Agency (HCA) to market and sell all HCA's housing and employment land in Telford for the next 10 years and have a share of receipts delivering 2,800 new homes and 8,500 new jobs. This will secure up to £44.5m investment into the local area for new infrastructure to support growth and a potential £6m each year in Council Tax and business rates. The Deal has now delivered gross land sales of c. £7.2m, 277 new homes and over 400 new jobs – many highly skilled – with construction work benefitting local companies and new investors set to stimulate further growth in the supply chain.

As a result of our "Business Supporting, Business Winning approach", the Borough continues to secure significant inward investment. In January 2017, inward investment from Polytec, an automotive parts supplier was announced to build an additional manufacturing site at the T54 technology park. Constructed over three phases, the first phase will create as many as 100 jobs.

Organisation

- In December 2015, the Managing Director launched an organisational strategy 'Being the Change' to ensure the organisation was ready to meet the ongoing service and financial pressures it faces. The four themes of this strategy have informed the development of the Council's efficiency strategy. Implementation of Being the Change through 2016/17 included:
 - senior management team restructured and reduced.
 - new service called Early Help & Support established to reduce demand on Children's Safeguarding Service and Adult Social Care through a new community focussed approach.
 - the majority of services reviewed and restructured to deliver new ways of working and to deliver savings.
- In 2016/17, the Council delivered £16m of budget savings on top of the £80m made in the previous 7 years. Savings are now equivalent to £1,300pa for every home in the borough.
- Council Tax, Business rates and accounts receivable income collection rates were all ahead of target for 2016/17 with over £8m more cash collected than the previous year.
- Our commercial activities continued to grow income to help protect front-line services. 2016/17 was the second year of operation for NuPlace, the Council's wholly owned housing investment company. NuPlace generated an operating profit before

interest and after taxation of £0.274m in 2016/17. The Council also received income from NuPlace totalling £0.529m during 2016/17. As well as continuing to profit from the Solar Farm Energy and NuPlace, the Council launched a price comparison website (£7k pa) which included targeted advice and support about fuel poverty. Also, importantly, the Council continued to increase trading through BiT (property management), schools, leisure centres & Oakengates theatre all increasing their income.

2.6 Strategic Risks

The strategic risk register identifies the substantive issues which need to be managed and could impact negatively on delivery of the Council's priorities. The key strategic risks identified for 2015/16 are listed below:

- Death or serious harm of a vulnerable child or vulnerable adult (Breach of duty of care).
- Not managing the impact of organisational and culture change in the Council and partner organisations within the constraints of the public sector economy.
- Failure to match available resources (financial , people and assets) with statutory obligations, agreed priorities and service standards.
- Failure to deliver the financial strategy: capital receipts; delivery of council savings.
- Failure to manage the impact of poverty and deprivation on future wellbeing of our residents.
- Major emergency affecting the community and/or ability to provide priority services.
- Significant business interruption affecting ability to provide priority services.
- Key skills shortages (retention & recruitment).
- Failure to manage the health & safety risks in delivering the council's functions.
- Information Governance/Data Security.

These are reviewed and updated on a regular basis to ensure appropriate management and mitigation is in place.

2.7 2017/18 Commentary

The Council has a rolling service and financial planning process. This was updated for 2017/18 formally by reports to the Council's Cabinet in January and February 2017. The decisions on the medium term budget strategy at 2 March 2017 Council reflect the outcome of consultation following publication of the draft strategy on the 5 January 2017.

The provisional funding settlement for 2017/18 was announced very late on the 15th December 2016, followed by the final settlement on the 20 February 2017; as anticipated the Council faced a very significant reduction in funding. After delivering £96m of savings over the previous 8 years, further savings of over £13m were required in 2017/18.

The agreed strategy for 2017/18 to meet the savings requirement and to continue to invest in the area to support both the community and businesses is:

- a savings package delivering an additional £13.6m for general fund budgets;
- funding for unavoidable service pressures totalling £9.2m, comprising £4.4m for Early Help & Support (Adult Social Services) and £4.8m for Children’s Safeguarding;
- A commitment to work with partner organisations to seek new solutions to deliver services to minimise the impact of cuts;
- To continue to deliver jobs and investments and provide additional income business rates, council tax and New Homes Bonus.

The decision has been made to increase council tax by 3.2% for 2016/17, which includes the second year of the new 2% Adult Social Care precept introduced by the Government in 2016/17. As a result, the Council Tax for Council Services in 2017/18 (Band B) is £950 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,222). The medium term strategy assumes increases of 3.2% for 2018/19 and 2019/20 to match the period of the Government’s Spending Review and commitment of 4 year settlements.

2017/18 Net Revenue Budget - £m	
2017/18 Total Net Revenue Spend	121.194
Funded From:	
Government Grant (incl. RSG and Top Up)	22.636
Retained Business Rates (incl. S31 grant)	36.673
Council Tax	59.410
Collection Fund	2.475
Total Funding	121.194

Looking Ahead

Full Council approved the medium term financial strategy on the 2 March 2017 (available on the Council’s web site).

Despite the Government’s Four Year Grant Settlement, the funding outlook for the medium term is still very uncertain due to the current review of the Business Rates Retention Scheme which is underway. This is the most significant and fundamental change to local government financing in recent times and encompasses reviewing the Relative Needs formulae and moving to 100% Business Rates Retention combined with the transfer of extra responsibilities and Functions to local authorities. Currently the design of the new system is subject to consultation and no detailed information for individual authorities is likely to be known until 2018 at the earliest. The outcome of the General Election may also impact on local government financing. It is therefore not possible to have any real certainty on the further cuts that we will face, however it is anticipated that we will need to identify an additional £30m over the period 2017/18 to 2019/20. This would bring the total savings to around £130m by the end of this period. However, as stated earlier, there are so many changes proposed to the local government finance system that the position for future years is very difficult to assess at the current time. It is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance being likely.

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.

Ken Clarke MBA CPFA
Chief Financial Officer

Chart 1

**Midlands Authorities 2016/17 Band D Council Tax for Equivalent
Unitary Services
(Excluding Police, Fire* and Parish Precepts)**

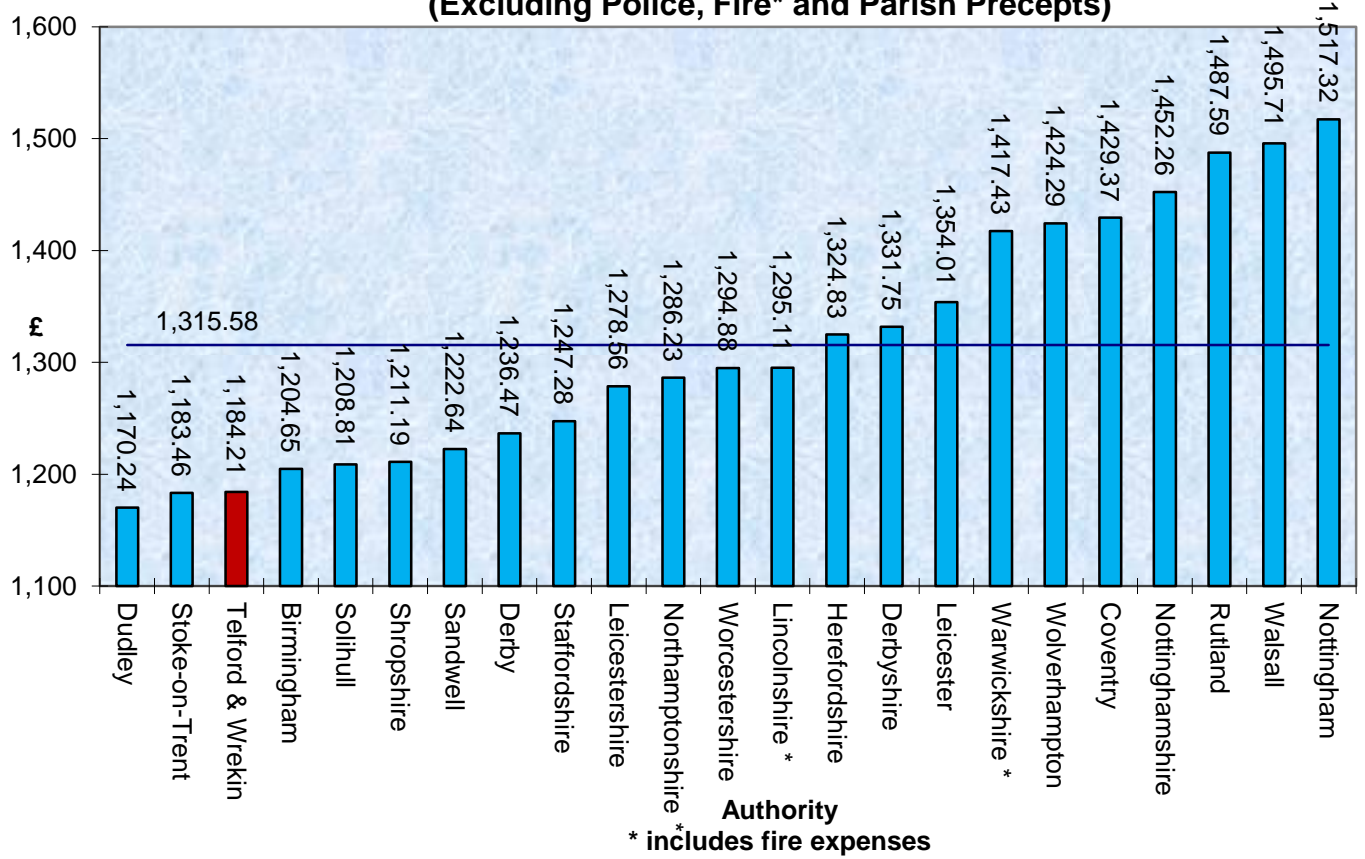


Chart 2

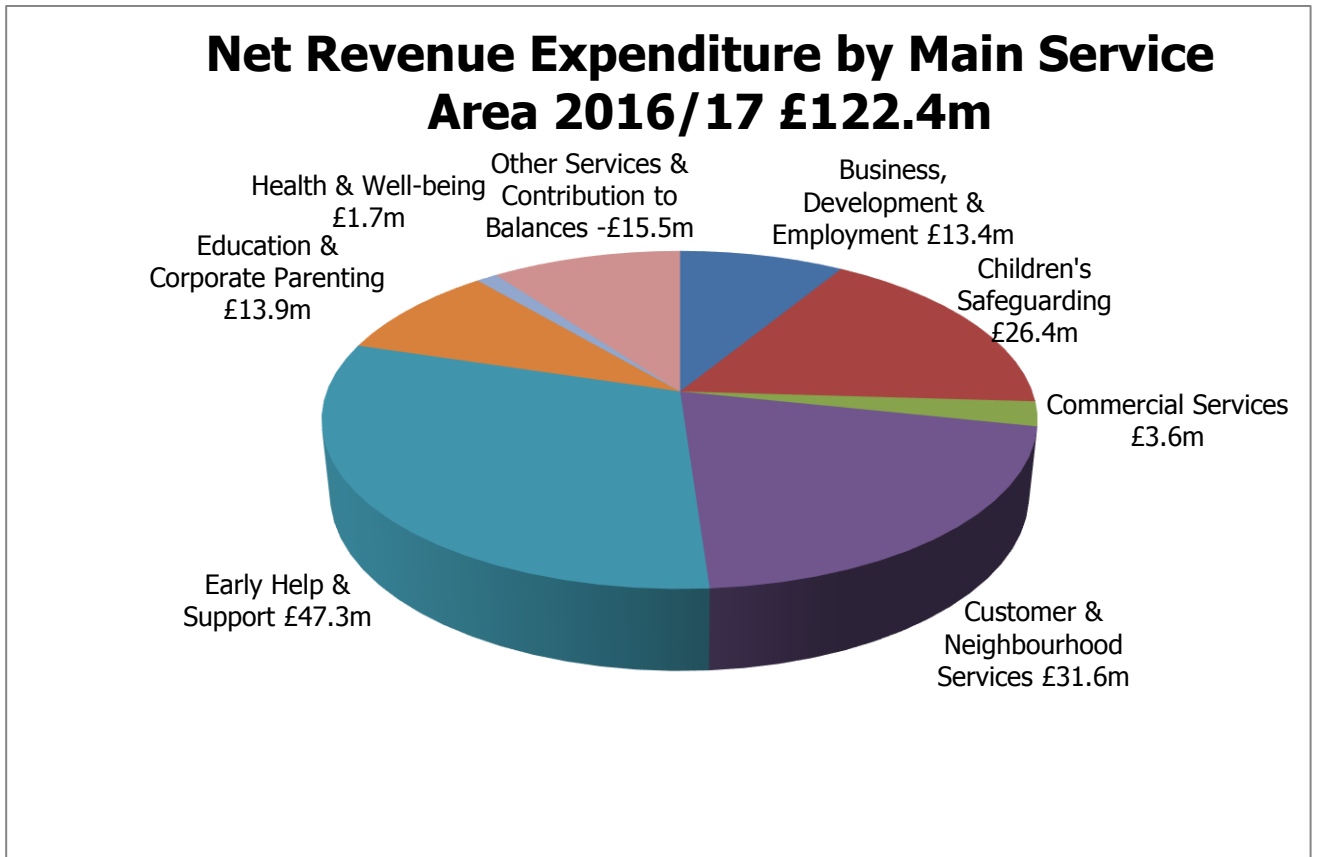


Chart 3

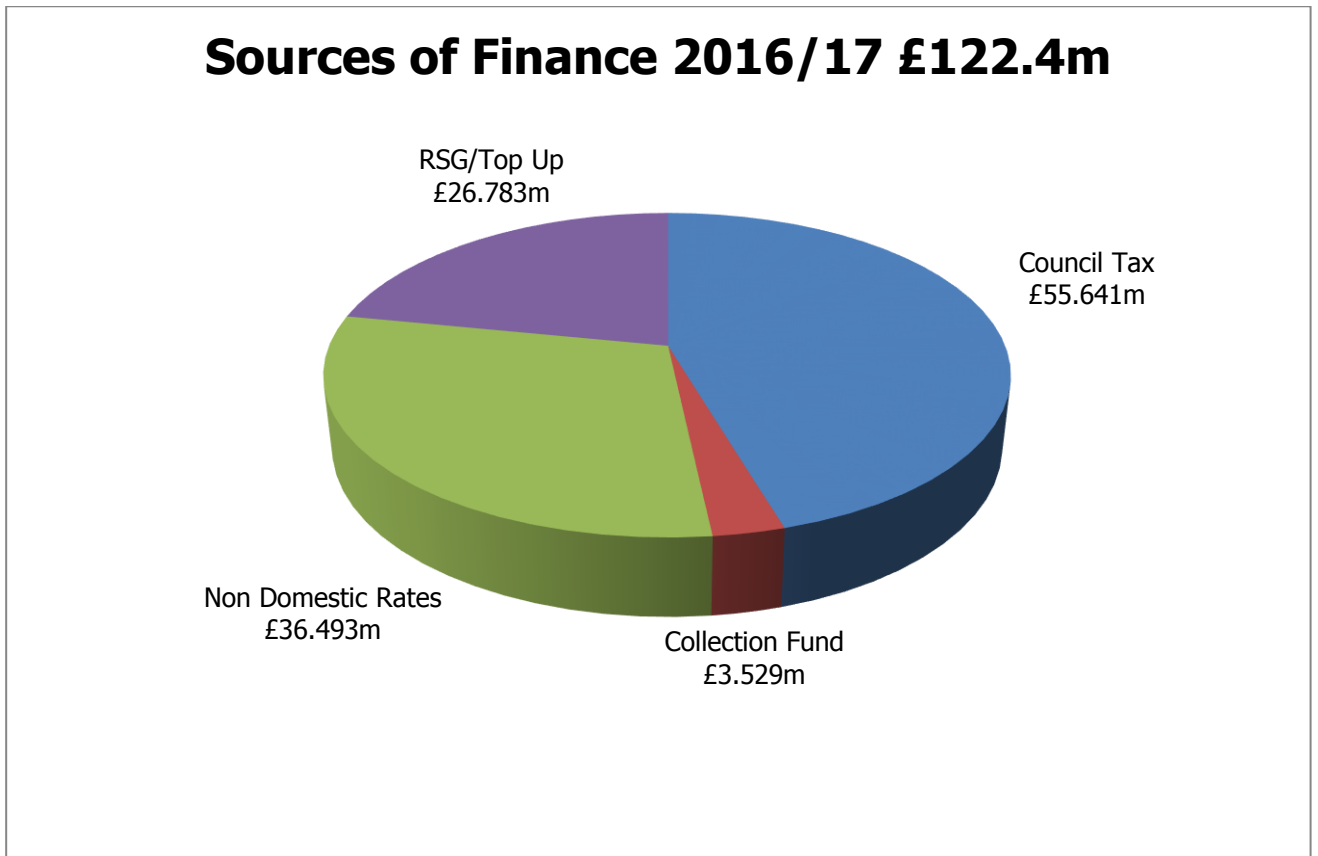


Chart 4

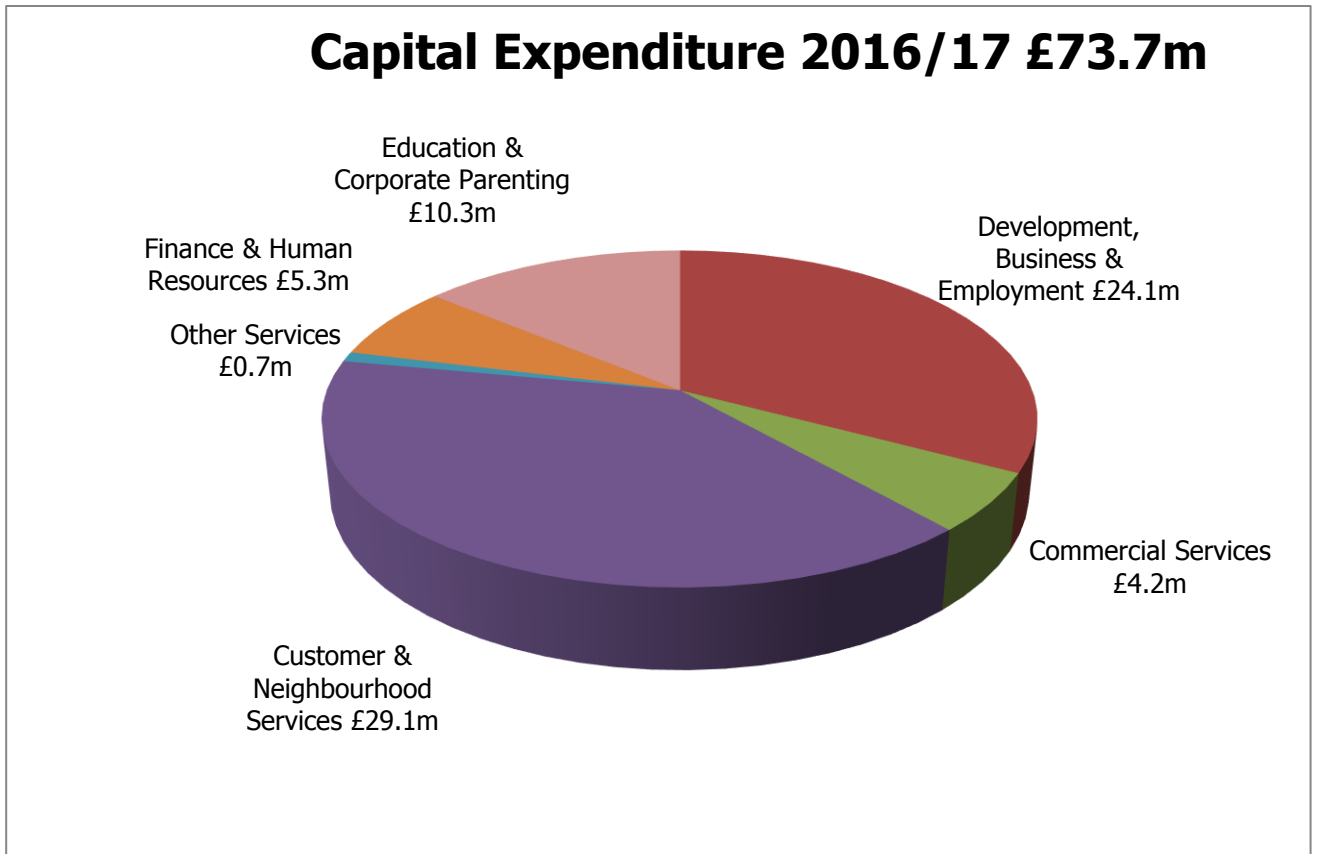
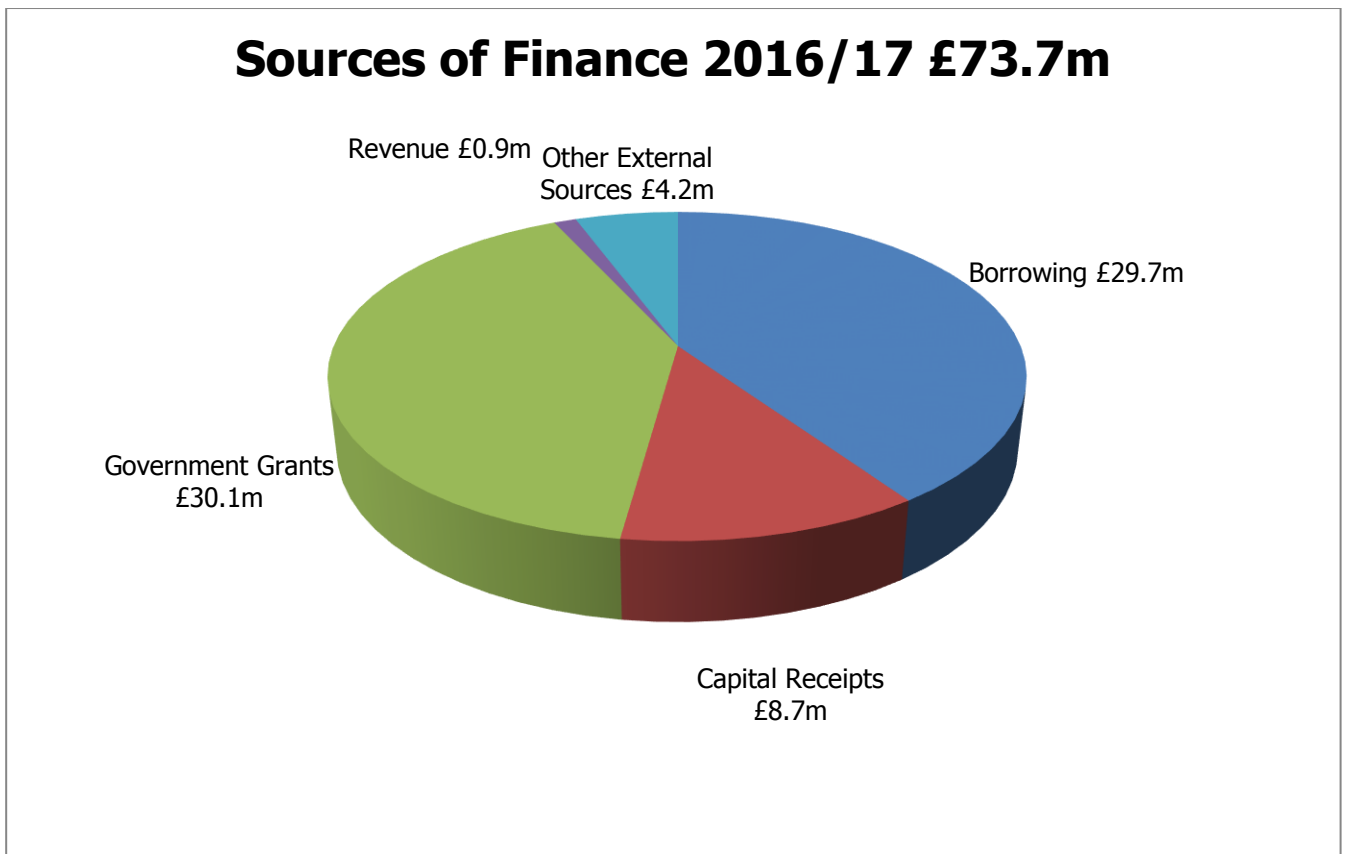


Chart 5



Statement Of Responsibilities

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Director: Finance, & Human Resources (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 31st March 2017.

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 121 complies with the requirements of the Accounts and Audit Regulations 2015.

Ken Clarke MBA CPFA,
Assistant Director

Dated: 7 June 2017

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: 27 June 2017

ANNUAL GOVERNANCE STATEMENT 2016/17

1. Introduction

- 1.1 Under the Accounts and Audit Regulations 2015 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 Delivering Good Governance in Local Government: Framework (2016 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 regulations¹ 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). During 2016 a new local Code of Good Governance was approved to meet the updated CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition) and this has been further updated for 2017 to reflect the updated principles.

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. The detail is included in the Local Code. The framework 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-

¹ Regulations 6 1(b), 6 2(b), 6 3(b) and 4 of the Accounts and Audit Regulations 2015

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 2017 and up to the date of approval of the statement of accounts. It is on-going into 2017/18 but there will be appropriate reviews and updates during the year and beyond to support good governance, organisational change/revised service delivery and changes to legislation/regulations and good practice.

5. Review of Effectiveness

- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
 - b) the work of internal audit; and also
 - c) comments made by the external auditors and other external review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular 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.
- 5.3 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, the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.
- 5.4 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking intelligence, 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 2016/17 the Internal Audit team achieved just over 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework.
- 5.5 Internal Audit report on a quarterly basis and also annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Directors/Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.
- 5.6 In January 2017 the Internal Audit Function were assessed externally by CIPFA against the Public Sector Internal Audit Standards (required once every 5 years) and the assessor wrote in her report:

“I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity”

The assessor made recommendations and suggestions which the team are in the process of implementing.

- 5.6 Adult Social Services in respect to systems, financial management and implementation of the cost improvement plan have continued to provide updates during the year to Members including the Audit Committee. To support the revised target operating model there has been commissioned external support, management changes (including a new Assistant Director from mid-February 2017) and the implementation of further restructures (including the business support function).
- 5.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up Policy encouraging internal referrals. 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 internally. The Benefits Investigations Team transferred to Governance, Procurement & Commissioning in June 2016 and their remit was widened to include Council wide fraud (not just Benefits – Housing and Council tax Support). Internal Audit along with the Investigations Team undertakes proactive fraud work based on a fraud risk register. Other specific anti-fraud and corruption activities are undertaken by Trading Standards. An annual report on these activities is presented to the Audit Committee.
- 5.8 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 and during the year were provided with an update on the possible implications of Brexit by Arlingclose, the Council’s Treasury Management advisors.
- 5.9 The Council’s performance management framework is monitored by SMT and has procedures in place which drive continuous improvement in performance.
- 5.10 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.
- 5.11 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 2016/17 no enforcement action has been taken by the ICO against the Council in respect to data breaches.

- 5.12 Implementation of the ICT Strategy 2014-17 has continued in 16/17 including infrastructure upgrades, the commencement of the roll-out of Office 365 and further security improvements particularly in response to spam, phishing/ whaling and ransomware threats.
- 5.13 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.
- 5.14 The Accounts and Audit Regulations 2015 require a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, management, other internal assurance services and the External Auditors' review of the work of Internal Audit. The Internal Audit Annual Report 2016/17 sets out the internal audit opinion and that the External Auditor has reviewed and relied upon the work of Internal Audit (and their contractor) in respect to the key financial systems for the 2016/17 final accounts audit.
- 5.15 The External Auditor's Annual Audit Letter 2015/16 (October 2016) 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 2015/16 on 28 September 2016. This means we are satisfied that the Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness. To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.
 - Audit opinion - we issued an unqualified opinion on your financial statements on 28 September 2016. 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. The financial statements also include for the first time those of the Authority's Group, which consists of the Authority itself and Nuplace Limited.

The External Auditors received an elector question relating to the 2015/16 financial statements which continues to be investigated. This means that they have not yet been able to issue the External Audit certificate which will confirm that they have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit practice. The Audit Committee will be updated once this has been resolved.

- 5.16 Lakewood Court care home was inspected by CQC in March 2016 and the report was published on 27th April 2016. The overall rating for the facility was "Good" with the answers to the 5 questions asked as part of the assessment being:

Question	Rating
Is the service safe?	Good
Is the service effective?	Good
Is the service caring?	Good
Is the service responsive?	Good
Is the service well-led?	Good

The full report can be accessed through the link below:

<http://www.cqc.org.uk/location/1-123010802>

- 5.17 There was an Ofsted single inspection of services for children in need of help and protection, children looked after and care leavers and a review of the effectiveness of the Local Safeguarding Children Board (SIF) which took place between 13 June and 7 July 2016, with the report published on 26 August 2016.

The key judgement was that - children's services in Telford and Wrekin require improvement to be good. However this result is detailed as shown below:

1. Children who need help and protection	Requires improvement
2. Children looked after and achieving permanence	Requires improvement
2.1 Adoption performance	Good
2.2 Experiences and progress of care leavers	Good
3. Leadership, management and governance	Requires improvement

The Council was pleased that the inspection recognised the improvements that had been made in the quality of services, the outcomes that children are achieving and the important contribution made by having effective political backing and the hands on support of our Managing Director.

The full report can be accessed through the link below:

<https://reports.ofsted.gov.uk/local-authorities/telford-and-wrekin>

As required by Ofsted the Council has an improvement/action plan which is being monitored internally by Senior Officers and Members and externally by Ofsted.

- 5.18 Adult Social Care took part in a Peer Challenge and case audit during May 2016. The review focussed on:

- How well we are progressing with the implementation of our plans, in order to achieve our outcomes, as detailed in our Commitment Statement.
- Consideration of the sustainability of our target operating model given the future opportunities and challenges presented by demographic and funding pressures, legislative change and the 'integration' agenda.

The summarised feedback received said "The Peer Team recognised the significant progress the council has made in recent years to focus on accelerating personalisation, and to deliver high quality interventions that are affordable. The level of enthusiasm, commitment and support from front line staff, carers, service users and other stakeholders was clearly evident. The team was also very impressed by the commitment demonstrated by the council leadership team and politicians, evident in the budget setting process."

The outcomes and action plan developed were presented to SMT and the July 2016 meeting of the Adult & Social Care Scrutiny Committee. This action plan has since been included within the Early Help and Support Service Plan.

- 5.19 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 in our opinion conclude that the review of the governance arrangements provides a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Attached as Annex 1 is an agreed action plan to address any key governance issues and ensure continuous improvement.
- 5.20 Issues from the previous action plan that have been addressed or mainstreamed have been deleted and those that continue to be addressed are included in Annex 1.
- 5.21 The Senior Management Team will monitor implementation of these actions and will report back to the Audit Committee in January 2018 and within next year's statement.

Richard Partington
Managing Director
Dated

Cllr Shaun Davies
Leader of the Council
Dated:

Cllr Rob Sloan
Chair of Audit Committee
Dated:

**ANNUAL GOVERNANCE STATEMENT ACTION PLAN FOR 2016/17 TO BE IMPLEMENTED
2017/18**

No	Action	Lead Officer	Comments	Date
1.	Continued strategic management of organisational change in respect to "Being the Change", continued reduced budgets, revised structures, uncertainties around NNDR reform and commercial/ business approach which links to the continued development and implementation of revised governance framework.	Managing Director and SMT	<p>"Being the Change: One Year On – Seeing the Change and Being the best we can" - document produced March 2017 and further actions to be taken during 2017/18.</p> <p>As part of the above service and work force planning on target for completion by Spring 2017.</p> <p>Consultation on savings for 2018/19 and 2019/20 proposals will commence during 2017/18.</p>	
2.	Implementation the Workforce Development plan, succession planning and priorities following restructure in Organisational Delivery & Development. Continue to update the management competencies, skills and associated training to meet revised organisational requirements. Review of Human Resources policies and procedures to support the priorities and organisational change.	Managing Director	<p>Learning & Development Manager now in post and leading on this to support the organisation to embed workforce development plans, succession planning/single points of failure (an issue highlighted by several SDM's in their AGS certificates) and training to support management competencies and skills.</p> <p>Human Resources policies have been prioritised and are being revised and renegotiated in line with these priorities.</p>	
3.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources/ AD Governance, Procurement & Commissioning	<p>Council has elected into the Sector led body – PSAA – to undertake the procurement on our behalf.</p> <p>A report will be presented to the Audit Committee in September 2017 in respect to the outcome of the procurement process and they will make a recommendation for appointment by full Council by 31/12/17.</p>	

			<p>Planning for revised final accounts deadlines for 2017/18 commenced in 2015/16 so there can be phased changes to practices. Draft accounts by 31st May (instead of 30th June) and audited accounts by 31st July instead of 30th September.</p> <p>Continuing to work towards an updated final accounts timetable for 2016/17 onwards.</p>	
4.	<p>Continue to deliver the improved processes and associated governance to deliver savings and service improvements across Early Help & Support (includes adult social services).</p>	<p>AD: Early Help & Support/ AD Governance, Procurement & Commissioning</p>	<p>Adult Social Services are now included with Early Help & Support Services. New structures are now in place with further revisions to the operating model coming into effect in 2017. Associated policies and procedures will also be launched in 2017. Service teams are now based in localities alongside other public and voluntary sector services.</p> <p>Teams have been assigned targets linked to the cost improvement plan. These targets will be used to determine sufficiency plans for placements over a four year period.</p> <p>The Brokerage and Contract teams will focus upon driving out further efficiencies through effective procurement.</p> <p>The Council will continue to develop the usage and governance of the Better Care Fund.</p> <p>A project structure including governance and resources has been agreed by SMT for the implementation of one ICT system for children's and adults services over the next 2 years. Procurement costs have been minimised by joint working with Shropshire Council.</p>	
5.	<p>Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges.</p>	<p>Director: Children's & Adult Services and Director – Customer, Neighbourhood & Well-Being Services</p>	<p>The Ofsted action plan from the 2016 review will continue to be implemented and monitored during 2017/18.</p> <p>Internal Audit work in Children's safeguarding will be aligned to support and confirm implementation of these recommendations.</p>	

			Any governance issues arising from other external reviews during 2017/18 will be monitored by senior management.	
6.	Ensure that senior management (including SDM's) engage and supports the implementation of the GDPR information governance requirements within their service areas.	SIRO/SMT & SDM's	Information on requirements has been provided to SMT and has been updated. SMT have agreed a GDPR implementation plan which will be discussed at all management teams over the next few months. An intranet page has been developed and Learning & Development are supporting Ollie modules based on guidance produced. May 2018	
7.	Ensure that the website contains relevant current information and is kept up to date.	AD Customer & Neighbourhood Services	This year's certification process has identified that several teams are not keeping their web pages up to date and one reason is a lack of knowledge of how to do this. Appropriate support will be provided to ensure that Teams have the skills to keep them up to date going forward. On-going during 2017/18.	
8.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	Governance processes in place and robust business cases and funding approvals are required for all activities. On-going during 2017/18.	On-going during 2017/18

Auditors' Report

To be added at the conclusion of the Audit

Auditors report to be added at the conclusion of the Audit

Auditors report to be added at the conclusion of the Audit

Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See Note 7.

2015/16			SERVICE	2016/17		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
532	5,790	6,322	Business, Development & Employment	13,430	4,269	17,699
22,515	168	22,683	Children's Safeguarding	26,428	464	26,892
1,294	484	1,778	Co-Operative Council	1,260	(1,492)	(232)
653	16,906	17,559	Commercial Services	3,573	(1,434)	2,139
12,299	(1,851)	10,448	Council Wide	7,009	3,643	10,652
29,011	(10,702)	18,309	Customer & Neighbourhood Services	31,631	(27,958)	3,673
41,012	4,240	45,252	Early Help & Support	47,267	(464)	46,803
5,763	(15,793)	(10,030)	Education & Corporate Parenting	13,941	(15,338)	(1,397)
3,896	1,364	5,260	Finance & Human Resources	(27,050)	32,195	5,145
4,013	835	4,848	Governance, Procurement & Commissioning	3,059	(59)	3,000
2,552	(1,196)	1,356	Health & Well-being	1,731	(927)	804
123,540	245	123,785	Net Cost Of Services	122,279	(7,101)	115,178
(123,661)	29,672	(93,989)	Other Income & Expenditure	(122,446)	15,297	(107,149)
(121)	29,917	29,796	(Surplus) or Deficit	(167)	8,196	8,029
4,369			Opening General Fund Balance	4,490		
121			Surplus of (Deficit) for year	167		
4,490			Closing General Fund Balance	4,657		

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 Expenditure & Funding Analysis.

SERVICE	2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000
Business, Development & Employment	15,810	9,488	6,322	25,526	7,827	17,699
Children's Safeguarding	24,304	1,621	22,683	27,537	645	26,892
Co-Operative Council	3,916	2,138	1,778	1,766	1,998	(232)
Commercial Services	32,410	14,851	17,559	18,534	16,395	2,139
Council Wide	16,690	6,242	10,448	21,050	10,398	10,652
Customer & Neighbourhood Services	118,651	100,342	18,309	116,249	112,576	3,673
Early Help & Support	62,555	17,303	45,252	62,218	15,415	46,803
Education & Corporate Parenting (Note 8)	117,378	127,408	(10,030)	118,747	120,144	(1,397)
Finance & Human Resources	13,115	7,855	5,260	12,377	7,232	5,145
Governance, Procurement & Commissioning	12,755	7,907	4,848	10,019	7,019	3,000
Health & Well-being	23,686	22,330	1,356	20,540	19,736	804
Net Cost of Services	441,270	317,485	123,785	434,563	319,385	115,178
Other Operating Expenditure (Note 9)			28,278			(1,348)
Financing and Investment Income and Expenditure (Note 10)			5,830			19,714
Taxation & Non Specific Grant Income and Expenditure (Note 11)			(128,097)			(125,515)
(Surplus) or deficit on provision of services			29,796			8,029
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(479)			(2,641)
Remeasurements of the net defined benefit pension liability (Note 12)			(22,019)			51,906
Other Comprehensive Income & Expenditure			(22,498)			49,265
Total Comprehensive Income and Expenditure			7,298			57,294

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 & Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2015 carried forward restated	54,414	8,929	63,343	43,114	106,457
Total Comprehensive Income and Expenditure restated	(29,796)	0	(29,796)	22,498	(7,298)
Adjustments between accounting basis & funding basis under regulations (Note 14)	34,683	(6,069)	28,614	(28,614)	0
Increase/ (Decrease) in 2015/16 restated	4,887	(6,069)	(1,182)	(6,116)	(7,298)
Balance at 31 March 2016 carried forward restated	59,301	2,860	62,161	36,998	99,159
Total Comprehensive Income and Expenditure	(8,029)	0	(8,029)	(49,265)	(57,294)
Adjustments between accounting basis & funding basis under regulations (Note 14)	16,657	460	17,117	(17,117)	0
Increase/ (Decrease) in 2016/17	8,628	460	9,088	(66,382)	(57,294)
Balance at 31 March 2017 carried forward	67,929	3,320	71,249	(29,384)	41,865

It should be noted that of the total £41.9m reserves, only £4.7m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances. See note 30, 31 and 32.

Balance Sheet

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

31 March 2016 Restated £000		31 March 2017 £000	31 March 2017 £000
485,094	Property, Plant & Equipment (Note 15)	511,037	
71,368	Investment Properties (Note 16)	71,617	
2,437	Intangible Assets (Note 17)	2,346	
3,533	Long Term Investments (Notes 23,24,25)	6,483	
8,344	Long Term Debtors (Note 23)	15,087	
570,776	Total Long Term Assets		606,570
	Current Assets		
351	Inventories (Note 21)	321	
23,517	Debtors (Notes 22,23)	37,647	
0	Investments - (short term) (Notes 23,24,25)	0	
12,721	Assets Held for Sale (Note 18)	7,474	
7,286	Cash and Cash Equivalents (Note 26)	20,033	
<u>43,875</u>		<u>65,475</u>	
	Current Liabilities		
(20,073)	Provisions (Note 27)	(19,808)	
(75,579)	Short term Borrowing (Notes 23,24)	(119,175)	
(62,872)	Creditors (Notes 23,28)	(58,670)	
<u>(158,524)</u>		<u>(197,653)</u>	
(114,649)	Total Net Current Assets/(Liabilities)		(132,178)
(88,519)	Less Long Term Borrowing (Notes 23,24)		(100,873)
(55,321)	Less Long Term Creditors (PFI & Finance Leases) (Note 23,29)		(55,405)
(212,647)	Less Pensions Liability (Note 12)		(275,500)
(481)	Capital Grants Receipts in Advance (Note 42)		(749)
99,159	Net Assets		41,865
62,161	Usable Reserves (Note 30)		71,249
36,998	Unusable Reserves (Note 32)		(29,384)
99,159	Net Reserves		41,865

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.

2015/16		2016/17
£000		£000
29,796	Net (surplus) or deficit on the provision of services	8,029
(65,066)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 37)	(31,462)
40,682	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 38)	54,056
5,412	Net cash flows from Operating Activities (Note 41)	30,623
39,086	Investing Activities (Note 39)	10,176
(47,127)	Financing Activities (Note 40)	(53,546)
(2,629)	Net (increase) or decrease in cash and cash equivalents	(12,747)
4,657	Cash and cash equivalents at the beginning of the reporting period	7,286
7,286	Cash and cash equivalents at the end of the reporting period (Note 26)	20,033

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 2016/17 (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. Under the going concern concept, although the Council has net current liabilities of £132m, it is a going concern as the Council has access to Public Works Loan Board borrowing and future Council Tax revenues.

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 Teachers' Pension Scheme administered by the Teachers' Pension Authority.

The pension costs that are initially 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. See Note 12.

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) 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 2017/18 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 the amount 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 authority, 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. Further information on PFI is included in the following section.

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.

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

As at 31st March 2017 there were 3 significant capital contracts in place. These total £6.9m and are detailed in note 15.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and Queensway 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).

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 over 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 30, 31 & 32 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

The Council is permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts.

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. During 2016/17, the Council funded £5.182m of expenditure in its Comprehensive Income and Expenditure Account from capital receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review.

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 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 19.

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 2016/17 a total of £0.174m (£0.089m for 2015/16) 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 2016/17 the following new standards have been issued, but not yet adopted:

- Amendment to the reporting of pension fund scheme transactions costs. This is not expected to have a material effect on the Council's Statement of Accounts.
- Amendment to the reporting of investment concentration. This is not expected to have a material effect on the Council's Statement of Accounts.

Prior Period Adjustments

There were no significant prior period adjustments in the accounts for 2016/17.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £2.1m for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net 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 £13.6m. However, the assumptions interact in complex ways.
Arrears	At 31 March 2017, the Authority had a balance of £44.378m for sundry debtors. The Council has set aside a bad debts provision of 15.2% (£6.731m) 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 £2.2m to be set aside as an allowance.
Single Status	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2016/17 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 Expenditure

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 7 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. **Expenditure & Funding Analysis Note**

A. Adjustments between funding and accounting basis.

2016/17

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Business, Development & Employment	9,866	0	(5,597)	4,269
Children's Safeguarding	0	0	464	464
Commercial Services	(116)	0	(1,318)	(1,434)
Co-Operative Council	0	0	(1,492)	(1,492)
Council Wide	5,094	3,619	(5,070)	3,643
Customer & Neighbourhood Services	(28,506)	0	548	(27,958)
Early Help & Support	0	0	(464)	(464)
Education & Corporate Parenting (Note 8)	(7,695)	0	(7,643)	(15,338)
Finance & Human Resources	30,892	0	1,303	32,195
Governance, Procurement & Commissioning	(70)	0	11	(59)
Health & Well-being	(133)	0	(794)	(927)
Net Cost of Services	9,332	3,619	(20,052)	(7,101)
Other Income & Expenditure	(5,087)	7,328	13,056	15,297
(Surplus) or deficit on provision of services	4,245	10,947	(6,996)	8,196

2015/16

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Business, Development & Employment	(4,076)	0	9,866	5,790
Children's Safeguarding	320	0	(152)	168
Co-Operative Council	0	0	484	484
Commercial Services	16,257	0	649	16,906
Council Wide	374	0	(2,225)	(1,851)
Customer & Neighbourhood Services	(5,519)	0	(5,183)	(10,702)
Early Help & Support	200	0	4,040	4,240
Education & Corporate Parenting (Note 8)	(7,429)	0	(8,364)	(15,793)
Finance & Human Resources	0	5,348	(3,984)	1,364
Governance, Procurement & Commissioning	69	0	766	835
Health & Well-being	(556)	0	(640)	(1,196)
Net Cost of Services	(360)	5,348	(4,743)	245
Other Income & Expenditure	23,884	7,071	(1,283)	29,672
(Surplus) or deficit on provision of services	23,524	12,419	(6,026)	29,917

B. Segmental Income

	2015/16 £000	2016/17 £000
Business, Development & Employment	19,800	19,352
Children's Safeguarding	1,812	758
Commercial Services	39,986	45,272
Co-Operative Council	2,246	1,998
Council Wide	7,369	9,728
Customer & Neighbourhood Services	90,879	88,400
Early Help & Support	18,006	15,598
Education & Corporate Parenting (Note 8)	113,404	118,796
Finance & Human Resources	24,580	41,727
Governance, Procurement & Commissioning	8,905	6,953
Health & Well-being	16,945	18,968
Net Cost of Services	343,932	367,550

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 2016/17 are as follows:

Schools Budget Funded By Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2016/17			132,517
Brought forward from 2015/16			351
Academy Figure recouped for 16/17			(29,001)
Agreed budgeted distribution in 2016/17	13,715	90,152	103,867
In Year Adjustments	0	(17)	(17)
Final Budget Distribution for 2016/17	13,715	90,135	103,850
Actual Central Expenditure	(13,570)		(13,570)
Actual ISB deployed to Schools		(90,072)	(90,072)
Carry Forward to 2017/18	208	63	271

The in-year adjustment of £17,000 is derived from adjustments to early years funding made after the year end.

9. Other Operating Expenditure

2015/16		2016/17
£000		£000
2,993	Parish Council precepts	3,489
316	Payment of RSG to Parishes	250
35,867	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	4,601
(10,898)	(Gains)/losses on the disposal of non-current assets – Other Assets	(9,688)
28,278	Total	(1,348)

10. Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
8,764	Interest payable and similar charges	8,656
7,071	Pensions interest cost and expected return on pensions assets	7,328
(22)	Interest receivable and similar income	(20)
(10,023)	Income and expenditure in relation to investment properties and changes in their fair value	3,710
40	Other investment income and expenditure	40
5,830	Total	19,714

11. Taxation and Non Specific Grant Income and Expenditure

2015/16 £000		2016/17 £000
(54,947)	Council tax income	(58,402)
(2,262)	Collection Fund Surplus/Deficit	(3,529)
(35,258)	Non domestic rates	(35,100)
(2,116)	Non domestic rates Top Up Grant	(2,134)
(42)	Local Services Support Grant	(26)
(31,444)	Revenue Support Grant	(24,899)
(1,416)	Section 31 Grant	(1,425)
(612)	Council Tax Freeze Grant	0
(128,097)	Total	(125,515)

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 Teachers' Scheme. The Council is not required to record information related to the Teachers' 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 £62.9m; this has been as a result of remeasurements on liabilities (due to changes in assumptions).

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 18 years. (19 years 2015/16).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £16.869m (comprising contributions of £13.280m plus a lump sum payment of £3.589m). The contribution rate was set for 2017/18 at 14.1% (2016/17 12.6%), plus a lump sum. The combined rate for 2017/18 is estimated at 18.9%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/17 the cumulative amount of actuarial losses recognised in the statements is £170.913m.

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

2015/16 £000		2016/17 £000
(623,175)	Present Value of Funded Benefit Obligations	(769,972)
(10,206)	Present Value of Unfunded Benefit Obligations	(10,421)
(633,381)	Total Present Value of Benefit Obligations	(780,393)
420,734	Fair Value of Pension Fund Assets	504,893
(212,647)	Surplus/(Deficit)	(275,500)

Change in Benefit Obligation during year.

2015/16 £000		2016/17 £000
(644,054)	Benefit Obligation at Beginning of Year	(633,381)
(17,488)	Current Service Cost	(15,149)
(21,042)	Interest on Pension Liabilities	(22,506)
(4,423)	Member Contributions	(4,298)
36,986	Remeasurements (Liabilities)	(122,795)
(670)	Curtailement Cost	(3,017)
17,310	Benefits / Transfers Paid	20,723
(633,381)	Surplus / (Deficit) at End of Year	(780,393)

Change in Plan Assets during year.

2015/16 £000		2016/17 £000
421,807	Fair Value of Plan Assets at Beginning of Year	420,734
13,971	Expected Return on Plan Assets	15,178
(14,967)	Remeasurements (Assets)	70,859
13,160	Employer Contributions	14,959
4,423	Member Contributions	4,298
(350)	Administration Expenses	(412)
(17,310)	Benefits / Transfers Paid	(20,723)
420,734	Surplus / (Deficit) at End of Year	504,893

Statement of Gains and Losses

	2015/16 £000	%	2016/17 £000	%
Actuarial Gain/(Loss)	22,019	3.5% of liabilities	(51,906)	6.7% of liabilities
Actual Return on Plan Assets	(997)		88,982	
Experience Gains/(Losses) On Assets	(14,967)	3.6% of assets	70,859	14% of assets
Experience Gains/(Losses) On Liabilities	0	0% of liabilities	(26,525)	3.4% of liabilities

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

2015/16			2016/17	
£000	%		£000	%
214,826	51.1%	Equity Investments	276,075	54.7%
46,744	11.1%	Government Bonds	30,496	6.0%
61,512	14.6%	Other Bonds	74,775	14.8%
22,509	5.4%	Property	22,468	4.5%
7,237	1.7%	Cash/Liquidity	11,310	2.2%
67,906	16.1%	Other	89,769	17.8%
420,734	100.0%	Total	504,893	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.

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 2016 and updated for the following 12 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31 March 2019. The main assumptions used in the calculations are:

2015/16		2016/17
2.0%	- rate of inflation (CPI)	2.3%
3.5%	- rate of increase in salaries	3.8%
2.0%	- rate of increase in pensions	2.3%
50%	- proportion of employees opting to take a commuted lump sum	50%
3.6%	- rate for discounting scheme liabilities	2.5%
	- longevity at 65 for current pensioners	
23.9	Male	23.0
26.4	Female	26.2
	- longevity at 65 for future pensioners	
26.2	Male	25.2
29.2	Female	28.5

Changes to the pension scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take 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 31/3/2017

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	780,393	766,752	794,278	783,333	795,477
Assets	(504,893)	(504,893)	(504,893)	(504,893)	(504,893)
Deficit/(Surplus)	275,500	261,859	289,385	278,440	290,584
Projected Net Interest Cost for next year	6,714	6,627	7,069	6,795	7,099

Scheme History

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Present Value of Liabilities	(539,135)	(529,543)	(644,054)	(633,381)	(780,393)
Fair Value of Assets	343,129	379,360	421,807	420,734	504,893
Surplus/(Deficit) on scheme	(196,006)	(150,183)	(222,247)	(212,647)	(275,500)
(Gains) and Losses on Assets	(7.7%)	(7.2%)	(10.5%)	(0.2%)	(6.7%)
Gains and (Losses) on Liabilities	0.0%	0.9%	0.0%	0.0%	3.4%

Pensions Asset/Liability Account

2015/16 £000		2016/17 £000
(222,247)	Opening Balance	(212,647)
(670)	Past Service Cost - Added Years	(3,017)
(17,488)	Current Service Cost	(15,149)
(21,042)	Interest Cost	(22,506)
13,971	Return On Assets	15,178
13,160	Payments to Pension Fund	14,959
(350)	Administration Expenses	(412)
22,019	Actuarial Gain or (Loss)	(51,906)
(212,647)	Closing Balance	(275,500)

Pensions Reserve

2015/16 £000		2016/17 £000
222,247	Opening Balance	212,647
670	Past Service Cost - Added Years	3,017
(13,160)	Charging Pensions Costs Payable	(14,959)
24,909	Reversing Out IAS 19 Items	22,889
(22,019)	Actuarial (Gain) or Loss	51,906
212,647	Closing Balance	275,500

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 Teachers' and NHS Pension Schemes are also technically Defined Benefits Schemes. 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 2016/17 the Council paid an employer's contribution of £6,446,073 (£6,144,244 in 2015/16) representing 16.48% of Teachers' pensionable pay into the Teachers' Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31st March 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 £6,144,244 (£6,530,895 in 2015/16) representing 16.48% of pensionable pay.

National Health Service Pension Scheme:

In 2016/17 the Council paid an employer's contribution of £46,213 (£46,590 in 2015/16) representing 14% (14.3% in 2015/16) 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 31st 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 £46,213 representing 14% of pensionable pay.

14. **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.

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	39,119			(39,119)
Movement in the market value of Investment Properties	(8,227)			8,227
Revenue expenditure funded from capital under statute	21,444			(21,444)
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	5,965			(5,965)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(395)			395
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(35,681)	0	35,681	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(35,221)	35,221
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,703)	8,703		
Use of the Capital Receipts Reserve to finance new capital expenditure		(8,703)		8,703
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,672)			9,672
Adjustment primarily involving the Financial Instruments Adjustment Account:				

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
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	393			(393)
Adjustments primarily involving the Pensions Reserve:				0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	25,906			(25,906)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,959)			14,959
Adjustments primarily involving the Collection Fund Adjustment Account:				0
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	696			(696)
Adjustments primarily involving the Accumulated Absences Account:				0
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	771	0	0	(771)
Total Adjustments	16,657	0	460	(17,117)

2015/16 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	16,383	0	0	(16,383)
Movement in the market value of Investment Properties	(6,519)	0	0	6,519
Revenue expenditure funded from capital under statute	15,713	0	0	(15,713)
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	38,930	0	0	(38,930)

2015/16 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(416)	0	0	416
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(26,721)	0	26,721	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(32,790)	32,790
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,674)	2,674	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,674)	0	2,674
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,287)	0	0	11,287
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	403	0	0	(403)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	25,579	0	0	(25,579)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,160)	0	0	13,160
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,085)	0	0	1,085

2015/16 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(463)	0	0	463
Total Adjustments	34,683	0	(6,069)	(28,614)

15. Property, Plant and Equipment

Movements in 2016/17:

	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 2016	356,521	35,307	134,089	22,733	548,650	61,852
Additions	15,175	1,119	26,837	11,076	54,207	3,890
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(7,930)	0	0	0	(7,930)	349
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,765)	0	(972)	0	(8,737)	0
Derecognition – disposals	0	0	0	(4,801)	(4,801)	0
Assets reclassified (to) /from Assets Under Construction	17,900	0	0	(17,900)	0	0
Assets reclassified (to)/from Held for Sale	(5,708)	0	0	200	(5,508)	0
Assets reclassified (to) /from Investment Properties	(1,848)	0	0	10	(1,838)	0
At 31 March 2017	366,345	36,426	159,954	11,318	574,043	66,091
At 1 April 2016	30,024	21,548	11,984	0	63,556	6,445
Depreciation charge	8,657	2,624	3,333	0	14,614	1,517
Depreciation written out to the Revaluation Reserve	(8,540)	0	(77)	0	(8,617)	0
Depreciation written out recognised in the	(5,445)	0	(1,102)	0	(6,547)	0

Surplus/Deficit on the Provision of Services						
Derecognition – disposals	0	0	0	0	0	0
At 31 March 2017	24,696	24,172	14,138	0	63,006	7,962
Net Book Value						
at 31 March 2017	341,649	12,254	145,816	11,318	511,037	58,129
at 31 March 2016	326,497	13,759	122,105	22,733	485,094	55,407
Nature of Holding						
Owned	283,520	11,181	145,816	11,318	451,835	
Leased	0	1,703	0	0	1,073	
PFI	58,129	0	0	0	58,129	
Total	341,649	12,254	145,816	11,318	511,037	

Comparative Movements in 2015/16:

	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 2015	338,022	31,152	114,347	54,884	538,405	60,943
Additions	8,015	2,624	18,394	26,077	55,110	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,265)	0	0	0	(1,265)	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,501)	0	0	0	(4,501)	0
Derecognition – disposals	(1,882)	0	0	(36,902)	(38,784)	0
Assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	0	0
Assets reclassified (to)/from Held for Sale	792	0	0	0	792	0
Assets reclassified (to) /from Investment Properties	(1,107)	0	0	0	(1,107)	0
At 31 March 2016	356,521	35,307	134,089	22,733	548,650	61,852
Accumulated Depreciation and Impairment						
At 1 April 2015	25,924	19,474	9,152	0	54,550	5,621
Depreciation charge	8,835	2,074	2,832	0	13,741	1,407
Depreciation written out to the Revaluation Reserve	(2,596)	0	0	0	(2,596)	(583)

Depreciation written out recognised in the Surplus/Deficit on the Provision of Services	(1,916)	0	0	0	(1,916)	0
Derecognition – disposals	(223)	0	0	0	(223)	0
At 31 March 2016	30,024	21,548	11,984	0	63,556	6,445

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 2017, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £6.9m. Similar commitments at 31 March 2016 were £13.3m. The major commitments are:

- Hortonwood West Unit 9 - £2.6m
- ICT Infrastructure - £1.5m
- Telford Eastern Gateway - £2.8m

15a. Fixed Asset Valuation

The Council's property was valued on 1 April 2016 by internal valuers, James Dunn MRICS and David Scrimgeour MRICS, both Registered Valuers of Telford & Wrekin Council.

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.

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.
- There are no groups of properties that should not be valued as a group.
- We will value units within industrial estates, office complexes and local shopping centres within the Property Investment Portfolio 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 arm's-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 £71.617m, 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
2012/13	85,058
2013/14	27,555
2014/15	37,504
2015/16	45,747
2016/17	119,094
Total	314,958

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

16. 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:

2015/16 £000		2016/17 £000
(6,996)	Rental income from investment property	(7,373)
3,492	Direct operating expenses arising from investment property	2,856
(3,504)	Net Operational (gain)/loss	(4,517)
(6,519)	Net (gain)/loss on revaluation of properties	8,227
(10,023)	Total Net (gain)/loss	3,710

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:

2015/16 £000		2016/17 £000
59,329	Balance at start of the year	71,368
4,829	Additions	7,164
(416)	Disposals	(526)
6,519	Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services	(8,227)
	Transfers:	
1,107	- (to)/from Property, Plant and Equipment	1,838
71,368	Balance at end of the year	71,617

17. 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:

2015/16 £000		2016/17 £000
	Balance at start of the year	
4,993	- Gross Carrying Amount	6,450
(2,928)	- Accumulated Amortisation	(4,013)
2,065	Net Carrying Amount at Start of Year	2,437
	Additions	
1,457	- Purchases	933
(1,085)	Amortisation for the Period	(1,024)
2,437	Net Carrying Amount at Year End	2,346
	Comprising	
6,450	- Gross Carrying Amount	7,383
(4,013)	- Accumulated Amortisation	(5,037)
2,437	Total	2,346

18. Assets Held for Sale

Current 2015/16 £000		Current 2016/17 £000
14,468	Balance outstanding at start of year	12,721
(792)	Reclassified from - Property, Plant and Equipment	5,508
(36)	Revaluation gains	0
0	Impairment losses met from the revaluation reserve	0
0	Impairment losses met from income and expenditure	(2,885)
(942)	Assets sold	(7,960)
23	Acquisitions	90
12,721	Balance outstanding at year end	7,474

19. Heritage Assets

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

Asset	Location
Anstice Backwalls & Ice House	Ironbridge
Bridge Structure, Former Castle	Little Dawley
Canal & 2 Railway Bridges	Coalport
Canal & Lock Gates	Hadley
Canal Basin	Granville Park
Canal 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

20. Impairment Losses

During 2016/17, the Authority has recognised revaluation losses of £15.255m (2015/16 revaluation gain £3.613m) 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.

21. Inventories

The Council had inventories that totalled £0.321m at 31/3/17 and £0.351m at 31/3/16. These mainly consist of Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

22. Debtors

2015/16 £000		2016/17 £000
	Amounts falling due in one year:	
3,966	Central Government	7,232
331	Other Local Authorities	72
951	NHS Bodies	973
800	Public Corporations and Trading Funds	574
7	Amounts due from Subsidiaries	0
25,472	Other Entities and Individuals	35,527
31,527	Gross Debtors	44,378
(8,010)	Provision for doubtful debts	(6,731)
23,517	Total	37,647

23. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Investments				
Loans and receivables	33	33	0	0
Shares in Subsidiary	3,500	6,450	0	0
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	3,533	6,483	0	0
Debtors				
Financial assets carried at contract amounts	557	578	23,510	37,647
Debtors with Subsidiary	7,787	14,509	7	0
Total Debtors	8,344	15,087	23,517	37,647
Borrowings				
Financial liabilities at amortised cost	88,519	100,873	75,579	119,175
Total borrowings	88,519	100,873	75,579	119,175
Other Liabilities				
PFI and finance lease liabilities	55,321	55,405	2,567	2,721
Other Creditors	0	0	60,305	55,949
Total Other Liabilities	55,321	55,405	62,872	58,670

Income, Expense, Gains and Losses

	2015/16			2016/17		
	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	8,764	0	8,764	8,656	0	8,656
Total expense in Surplus or Deficit on the Provision of Services	8,764	0	8,764	8,656	0	8,656
Interest income	0	(22)	(22)	0	(20)	(20)
Total income in Surplus or Deficit on the Provision of Services	0	(22)	(22)	0	(20)	(20)
Net gain/(loss) for the year	8,764	(22)	8,742	8,656	(20)	8,636

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:

	2015/16		2016/17	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	164,098	220,232	220,048	294,446
Long-term creditors	55,321	55,321	55,405	55,405

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 2017) arising from a commitment to pay interest to lenders above current market rates.

	2015/16		2016/17	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	3,533	3,533	6,483	6,483
Long-term debtors	8,344	8,344	15,087	15,087

The fair value of the assets is the same of the carrying amount due to the nature of the assets held. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

24. Nature and Extent of Risks Arising from Treasury Related 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 31/3/17 £000	Fair Value 31/3/17 £000
Financial Assets		
Fixed Term Deposits	0	0
Other	6,483	6,483
	6,483	6,483
Financial Liabilities		
Money Market Loans (LOBO's)	60,000	108,013
PWLB Loans	42,970	69,355
Temporary Loans	117,078	117,078
	220,048	294,446

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 the same as the nominal value as they are non-tradeable shares. Whereas, the fair value of our liabilities is more than the amount held on the balance sheet due mainly to the penalties we would incur if we wanted to redeem our liabilities early.

Methodology and Assumptions

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

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the

same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

Complexities of the NPV calculation

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

Evaluation of PWLB debt

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

Inclusion of accrued interest

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

Discount rates used in NPV calculation

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

Assumptions:

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

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

Exposure to Risk

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

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

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

Credit risk

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

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

	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017 (rounded to 3 decimal place)	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	A	B	C	A * C
Deposits with banks and financial institutions	0	0.0	0.000	0
Other	6,483	0	0	0
Debtors	44,378	12	15.166	6,731
Total	50,861	12	13.233	6,731

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 long term financial liabilities is as follows:

2015/16 £000		2016/17 £000
1,001	Maturing in 1-2 years	2,097
2,503	Maturing in 2-5 years	4,793
7	Maturing in 5-10 years	5,241
85,008	Maturing in more than 10 years	88,742
88,519		100,873

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 have a maximum of 30% of its borrowings in variable rate loans. 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. We do however hold shares in NuPlace. These are non-traded stocks and therefore there is no price risk.

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 31st March 2017 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

	Investments	Borrowing	Net Total	1% Movement
	£000	£000	£000	£000
Variable	(19,910)	119,175	99,265	992.7
Fixed	(6,483)	100,873	94,390	0.0
Total	(26,393)	220,048	193,655	992.7

A 1% change in interest rates would have an impact on the budget of £992,650, this is because at 31st March 2017 we had more variable borrowing than variable investments. The most likely next move in interest rates at 31 March 2017 was upwards, although not expected before the end of 2019, this would lead to a net increase in borrowing costs based on the position at 31st March 2017. 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	
				2015/16 £000	2016/17 £000
Public Works Loan Board	1.92	-	9.375	28,519	40,873
Money Market Loans (LOBOs)	3.98	-	4.50	60,000	60,000
				88,519	100,873

An analysis of loans by maturity is:					
			2015/16 £000	2016/17 £000	
Maturing in 1-2 years			1,001	2,097	
Maturing in 2-5 years			2,503	4,793	
Maturing in 5-10 years			7	5,241	
Maturing in more than 10 years			85,008	88,742	
			88,519	100,873	

			2015/16 £000	2016/17 £000	
Total Long Term Borrowing			88,519	100,873	
Temporary Borrowing			75,579	119,175	
Total Borrowing			164,098	220,048	

In total fixed and temporary borrowing increased by £55.95m, from £164.098m to £220.048m during the year. This was due to capital expenditure during 2016/17.

25. Investments

In total our investments have been increased by £15.7m as a result of the cash flow together with share capital in our wholly owned subsidiary.

The Council has long term investments, totalling £6.483m, including share capital in our wholly owned subsidiary. Investments are shown in the Balance Sheet at market value.

The Council has no short term deposits. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

Summary of Investments

2015/16 £000	Category	2016/17 £000
	Long Term Investments	
0	Fixed Term Deposits	0
3,533	Other	6,483
3,533	Total Long Term	6,483
	Short Term Investments	
0	Fixed Term Deposits	0
0	Total Short Term	0
7,156	Cash & Cash Equivalent Investments	19,910
10,689	Total Investments	26,393

Investments are valued as "loans and receivables". See also note 23 on fair value.

26. Cash and Cash Equivalents

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

2015/16 £000		2016/17 £000
130	Cash held by the Authority	123
3,121	Bank current accounts	8,809
4,035	Call Accounts	11,101
7,286	Total Cash and Cash Equivalents	20,033
0	Bank Account Overdrawn	0
7,286	Net Cash Position for Cash Flow Purposes	20,033

27. Provisions

	2016/17 Opening £000	Transfers/ Receipts in year £000	Transfers / Payments in year £000	2016/17 Closing £000
Restructure Provision	711	0	(250)	461
Single Status Provision – Schools	3,953	5	(365)	3,593
Single Status Provision – Non Schools	12,417	0	0	12,417
NDR Appeals Provision	2,732	3,293	(2,732)	3,293
Insurance	179	0	(179)	0
Litigation Costs	81	0	(37)	44
Total	20,073	3,298	(3,563)	19,808
2015/16	19,053	3,907	(2,887)	20,073

Restructure Provision - 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 2017 was £0.461m. It is anticipated that this will be funded from Capital Receipts in 2017/18, but this is subject to generating the necessary capital receipts.

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2016/17 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2017 was £16.0m.

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, £6.7m is estimated as the amount required to set aside for this purpose in the 2016/17 accounts (£5.6m 2015/16). Telford & Wrekin Council's proportion of this is £3.3m (49%) (£2.7m 2015/16).

Litigation Costs - This was created for 2015/16 and is to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group. The total amount in the provision at 31 March 2017 was £0.04m (£0.08m 2015/16)

28. Creditors

2015/16 £000		2016/17 £000
8,861	Central Government	8,504
854	Other Local Authorities	2,007
239	NHS Bodies	10
780	Public Corporations and Trading Funds	840
592	Amounts due to Subsidiaries	0
48,979	Other Entities and Individuals	44,588
2,567	PFI and Leases	2,721
62,872	Total	58,670

29. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Queensway. We have assets held of £58.1m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £57.343m as at 31st March 2017 (£56.896m as at 31st March 2016). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £4.8m to the interest paid for 2016/17 (£4.9m 2015/16). Amounts due are shown in the table below:

	2015/16				2016/17			
	Service £000	Lifecycle £000	Interest £000	Finance Lease £000	Service £000	Lifecycle £000	Interest £000	Finance Lease £000
Within 1 year	(73)	2,658	4,835	2,212	2,176	474	4,781	2,326
2 to 5 years	7,964	3,040	18,147	10,660	4,791	6,488	17,658	11,406
6 to 10 years	8,820	6,555	19,673	17,850	9,054	6,706	18,742	19,140
11 to 15 years	10,493	6,902	14,046	24,635	13,183	4,647	12,480	26,014
16 to 20 years	11,018	3,504	4,465	24,200	9,091	1,686	2,670	18,457

30. 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 2016/17.

	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 2015 carried forward	4,369	39,496	6,961	3,588	0	8,929	63,343
Movement / Use of reserves during 2015/16	121	5,960	(410)	(784)	0	(6,069)	(1,182)
Balance at 31 March 2016 carried forward	4,490	45,456	6,551	2,804	0	2,860	62,161
Movement / Use of reserves during 2016/17	167	10,073	(1,431)	(181)	0	460	9,088
Balance at 31 March 2017 carried forward	4,657	55,529	5,120	2,623	0	3,320	71,249

31. 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:

2015/16 £000		2016/17 £000
6,079	School Balances – Revenue	4,541
472	School Balances - Capital	579
6,551	Total School Balances	5,120

32. Unusable Reserves

2015/16 £000		2016/17 £000
44,823	Revaluation Reserve	40,016
191,211	Capital Adjustment Account	184,677
(775)	Financial Instruments Adjustment Account	(1,168)
(212,647)	Pensions Reserve	(275,500)
5,437	Collection Fund Adjustment Account	4,741
11,287	Deferred Capital Receipts	20,959
(2,338)	Accumulated Absences Account	(3,109)
36,998	Total Unusable Reserves	(29,384)

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.

2015/16 £000		2016/17 £000
44,930	Balance brought forward	44,823
4,931	Upwards revaluation of assets	2,641
(7,440)	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	0
(136)	Difference between fair value depreciation and historical cost depreciation	(1,059)
2,538	Accumulated gains and losses on assets sold or scrapped	(6,389)
44,823	Balance carried forward	40,016

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

2015/16 £000		2016/17 £000
219,252	Balance Brought Forward	191,211
(15,292)	Charges for depreciation and impairment of non-current assets	(35,454)
(1,085)	Amortisation of intangible assets	(1,024)
(15,713)	Revenue expenditure funded from capital under statute	(21,444)
(37,896)	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	(5,965)
(447)	Adjusting amounts written out of the Revaluation Reserve	4,807
2,674 32,790	Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,703 35,221
416	Minimum Revenue Provision	395
6,512	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	8,227
191,211	Balance Carried Forward	184,677

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 2017 will be charged to the General Fund over the next 11 years.

2015/16 £000		2016/17 £000
(372)	Balance at 1 April	(775)
(403)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(393)
(775)	Balance at 31 March	(1,168)

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.

2015/16 £000		2016/17 £000
222,247	Balance at 1 April	212,647
(22,019)	Actuarial (gains) or losses on pensions assets and liabilities	51,906
670	Added Years	3,017
24,909	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	22,889
(13,160)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,959)
212,647	Balance at 31 March	275,500

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.

2015/16 £000		2016/17 £000
4,352	Balance at 1 April	5,437
1,085	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	(696)
5,437	Balance at 31 March	4,741

Deferred Capital Receipts Reserve

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

2015/16 £000		2016/17 £000
0	Balance at 1 April	11,287
11,287	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,672
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
11,287	Balance at 31 March	20,959

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.

2015/16 £000		2016/17 £000
(2,801)	Balance at 1 April	(2,338)
2,801	Settlement or cancellation of accrual made at the end of the preceding year	2,338
(2,338)	Amounts accrued at the end of the current year	(3,109)
(2,338)	Balance at 31 March	(3,109)
463	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	(771)

33. 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 2016/17 expenditure on this totalled £21.444m and grant receivable amounted to £8.951m. 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.

34. Usable Capital Receipts Reserve

2015/16 £000		2016/17 £000
0	Opening balance	0
2,674	Capital receipts received during year	8,703
(2,674)	Less Capital receipts used for financing during year	(8,703)
0		0

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

35. 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/PPP 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.

2015/16 £000		2016/17 £000
295,535	Opening Capital Financing Requirement	335,586
	Capital Investment	
55,110	Property, Plant & Equipment	54,207
4,829	Investment Properties	7,164
23	Assets Held for Sale	90
1,457	Intangible Assets	933
15,713	Revenue Expenditure funded from Capital under Statute	21,444
491	Leased Vehicles	186
	Sources of Finance	
(2,674)	Capital Receipts	(8,703)
(1,692)	Finance Leases & Deminimis Capital Expenditure	(7,510)
(32,790)	Government Grants and Other Contributions	(35,221)
(416)	Revenue Provision (NB: includes MRP)	(395)

335,586	Closing Capital Finance Requirement	367,781
40,051	Movement for Year	32,195
	Explanation of movements in the year	
123	Increase in underlying need to borrow (supported by Government financial assistance)	1,268
39,928	Increase in underlying need to borrow (unsupported by Government financial assistance)	30,927
40,051	Increase/(decrease) in Capital Financing Requirement	32,195

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 2017 there were 3 significant contracts in place with outstanding commitments of £6.9m, 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 Queensway 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 2016/17 the Authority made payments of £10,019,382 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.

36. 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 £2.768m, this was offset by an adjustment to prior years MRP of £2.768m, the principal repayment in respect of leases was £0.395m and due to a change in policy and over provision in previous years the principal repayment in respect of the PFI lease was £0.000m giving a total provision of £0.395m in 2016/17 (£0.416m in 2015/16).

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

2015/16 £000		2016/17 £000
(16,600)	Impairment and depreciation of property, plant and equipment and intangible assets	(29,155)
(66)	(Increase)/decrease in interest creditors	(68)
(5,322)	(Increase)/decrease in creditors	2,950
0	Increase/(decrease) in interest/dividend debtors	(5)
1,691	Increase/(decrease) in debtors	10,589
54	Increase/(decrease) in inventories	(30)
(12,419)	Pension Liability	(10,947)
(1,020)	Contribution (to)/from provisions	265
(37,896)	Carrying amount of non-current assets sold	(13,288)
6,512	Movement in Investment Property Values	8,227
(65,066)	Total	(31,462)

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

2015/16 £000		2016/17 £000
26,721	Capital grants credited to surplus or deficit on the provision of services	35,681
0	Proceeds from sale of short and long term investments	0
13,961	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	18,375
40,682	Total	54,056

39. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
67,825	Purchase of property, plant and equipment, investment property and intangible assets	61,922
3,500	Purchase of short-term and long-term investments	2,950
8,013	Other payments for investing activities	7,012
(11,841)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,829)
0	Proceeds from short-term and long-term investments	0
(28,411)	Other receipts from investing activities	(46,879)
39,086	Net cash flows from investing activities	10,176

40. Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
(198,220)	Cash receipts of short and long term borrowing	(207,950)
(1,100)	Other receipts from financing activities	(899)
(1,085)	Appropriation to/from Collection Fund Adjustment Account	696
150,735	Repayments of short and long term borrowing	152,000
2,543	Cash payments in relation to finance leases and PFI agreements	2,607
(47,127)	Net cash flows from financing activities	(53,546)

41. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2015/16 £000		2016/17 £000
(22)	Interest received	(20)
8,698	Interest paid	8,656

42. Grant Income

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

2015/16 £000		2016/17 £000
	Credited to Taxation and Non Specific Grant Income	
31,444	Revenue Support Grant	24,899
2,116	Non Domestic Rates Top Up Grant	2,134
42	Local Services Support Grant	26
1,426	Section 31 Grant	1,425
612	Council Tax Freeze Grant	0
35,640	Total	28,484
	Credited to Services	
102,898	Dedicated Schools Grant	103,516
68,381	Mandatory Rent Allowances Subsidy	68,142
11,712	Public Health Grant	12,984
7,661	Pupil Premium Grant	7,347
2,256	Education Services Grant	2,042
4,652	New Homes Bonus	6,378
1,919	Universal Free School Meals	2,011
8,860	Other grants	6,456
208,339	Total	208,876

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:

2015/16 £000		2016/17 £000
	Capital Grants Receipts in Advance	
0	Standards Fund	366
481	Park for People 10 year Maintenance Programme	383
481	Total	749

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:

2015/16 £000		2016/17 £000
26	Income from Stallholders' Rents and charges	10
(66)	Expenditure	(50)
(40)	(Deficit)/Surplus taken to General Fund	(40)

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

2015/16 £000		2016/17 £000
5,633	Income from rents	6,011
1,363	Other income	1,362
6,519	Net gains/(losses) on revaluation of property	(8,227)
(3,492)	Direct operating expenses	(2,856)
10,023	(Deficit)/Surplus taken to General Fund	(3,710)

9,983	Total Trading Accounts	(3,750)
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45. Pooled Budgets

The introduction of the Better Care Fund in 2015/16 has brought together into one place a number of Pooled Budgets that formerly existed under separate agreements. The disclosure below includes the Better Care Fund for 2016/17 and comparative figures for 2015/16.

The Better Care Fund is a pooled fund governed by a Section 75 agreement. The parties to this joint arrangement are Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group. The fund was established for the first time in 2015/16 in order to meet the Government's requirement to encourage closer working and integration between health and care services and to improve outcomes for Patients and Service Users and Carers. There are performance targets mainly reducing non-elective admissions to hospital and to deliver more care in the community helping people to remain independent, but there are other performance criteria to be managed within the scheme.

Better Care Fund where Telford & Wrekin Clinical Commissioning Group was the host in 2016/17.

The revenue fund is hosted by the Telford & Wrekin Clinical Commissioning Group and a section 75 pooled budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics. The relevant funding contributions are reported below, but the contribution by the Telford & Wrekin Clinical Commissioning Group includes revenue funding targeted to the protection of Adult Social Care for which the local authority commissions services.

The relevant funding contributions are reported below, and the underspend arising from expenditure incurred by the Council will be retained in the fund and carried forward by the Council into 2017/18. The BCF for 2016/17 included £446,549 for CCG funded grants. The actual expenditure against this budget was £119,850. This underspend was reported previously and the full funding for the grants will be included in the BCF for 2017/18.

2015/16 £000	Better Care Fund Revenue Pooled Budget	2016/17 £000
0	Surplus from 2016/17 brought forward	9
367	Funding from Telford & Wrekin Council	686
10,907	Funding from Telford & Wrekin Clinical Commissioning Group	11,982
(7,814)	Expenditure met from pooled budget Telford & Wrekin Council	(5,913)
(3,451)	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	(6,604)
9	Net Surplus/(Deficit) arising on Pooled budget	160

Better Care Fund where Telford & Wrekin Council was the host in 2016/17.

The capital fund is hosted by Telford & Wrekin Council, and a section 75 Pooled Budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics.

The expenditure has been incurred in the year entirely on local authority commissioned services. The relevant funding contributions are reported below, and the underspend in 2016/17 will be retained in the fund and carried forward by the council into 2017/18.

2015/16 £000	Better Care Fund Capital Pooled Budget	2016/17 £000
0	Brought forward from 2016/17	433
1,280	Funding from Telford & Wrekin Council	1,575
0	Funding from Telford & Wrekin Clinical Commissioning Group	0
(847)	Expenditure met from pooled budget Telford & Wrekin Council	(1,425)
0	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	0
433	Net Surplus/(Deficit) arising on Pooled budget carried forward	583

Other Pooled Budgets where Telford & Wrekin Council was the host in 2016/17.

Mental Health Residential Rehabilitation Pooled Budget

The Authority had 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 have historically hosted this arrangement, which ended with the arrangement ceasing in February 2017.

2015/16 £000		2016/17 £000
198	Funding	170
(198)	Expenditure	(170)
0	Net surplus/(deficit)	0

46. Members' Allowances

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

2015/16 £000		2016/17 £000
617	Allowances	618
1	Expenses	1
618	Total	619

47. Senior Officers' Remuneration & Employee Remuneration In Bands

This note shows the amounts paid to Senior Officers in 2016/17 and 2015/16. 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.

2016/17

Post Holder Information (Post title) Those roles in bold represent current posts	Notes	Annualised salary £	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Total Remuneration excluding Pension contributions 2016/17 £	Pension contributions £	Total Remuneration including pension contributions 2016/17 £
Managing Director			138,370	0	138,370	16,790	155,160
Director: Customer, Neighbourhood & Wellbeing Services			110,696	0	110,696	13,948	124,644
Director: Children's & Adult Services			110,696	0	110,696	3,487	114,183
Assistant Director: Finance & Human Resources			84,789	0	84,789	10,683	95,472
Assistant Director: Business, Development & Employment			83,123	0	83,123	10,474	93,597
Assistant Director: Education & Corporate Parenting			84,789	0	84,789	10,683	95,472
Assistant Director: Governance, Procurement & Commissioning			84,789	0	84,789	10,683	95,472
Assistant Director: Customer & Neighbourhood Services			84,789	0	84,789	10,683	95,472
Assistant Director: Health & Wellbeing			84,789	0	84,789	12,125	96,914
Interim Assistant Director: Early Help & Support	1	76,461	6,827	0	6,827	860	7,687
Assistant Director: Children's Safeguarding			82,568	0	82,568	10,404	92,972
Interim Assistant Director: Commercial Services			77,602	0	77,602	9,778	87,380
Service Delivery Manager: Organisational Delivery & Development			60,236	0	60,236	7,590	67,826
Service Delivery Manager: Community Participation			60,236	0	60,236	7,590	67,826
Assistant Director: Development, Business & Employment	2	81,460	8,764	0	8,764	3,466	12,230
Interim Assistant Director: Early Help & Support	3		31,657	72,731	104,388	0	104,388
Interim Assistant Director: Early Help & Support	4	76,461	30,311	0	30,311	3,819	34,130
			1,225,031	72,731	1,297,762	143,063	1,440,825

Notes:

Those roles shown in bold above represent the current posts.

- 1) This post holder was appointed on 27th February 2017
- 2) This post holder returned to their substantive post on 26th June 2016
- 3) This post holder left on 17th August 2016
- 4) This post holder was the Assistant Director from 1st September 2016 to 28th February 2017

2015/16

Post Holder Information (Post title) Those roles in bold represent current posts	Notes	Annualised salary £	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Benefits in Kind £	Total Remuneration excluding Pension contributions 2015/16 £	Pension contributions £	Total Remuneration including pension contributions 2015/16 £
Current Posts								
Managing Director			137,000	0		137,000	16,619	153,619
Director: Customer, Neighbourhood & Wellbeing			109,600	0		109,600	13,810	123,410
Director: Children's & Adult Services	1	109,600	24,454	0		24,454	3,081	27,535
Assistant Director: Finance & Human Resources		109,600	83,950	0		83,950	10,578	94,528
Assistant Director: Development, Business & Employment	2		63,087	0		63,087	7,949	71,036
Assistant Director: Education & Corporate Parenting			83,950	0		83,950	10,578	94,528
Assistant Director: Legal, Procurement & Commissioning			83,950	0		83,950	10,578	94,528
Assistant Director: Customer & Neighbourhood Services		83,950	83,950	0		83,950	10,578	94,528
Assistant Director: Health & Wellbeing			83,950	0		83,950	12,005	95,955
Interim Assistant Director: Early Help & Support			79,000	0		79,000	0	79,000
Assistant Director: Children's Safeguarding	3		44,161	0		44,161	5,564	49,725
Interim Assistant Director: Commercial Services	4		14,042	0		14,042	1,769	15,811
Service Delivery Manager: Delivery & Planning	5	83,950	59,640	0		59,640	7,515	67,155
Service Delivery Manager: Community Participation	3		59,640	0		59,640	7,515	67,155
Director of Children & Family Services	6		91,333	0		91,333	11,508	102,841
Interim Director of Care, Health & Wellbeing	6		91,333	0		91,333	11,508	102,841
Assistant Director: Development, Business & Employment	7	75,704	35,146	0		35,146	9,044	44,190
Assistant Director: Planning Specialist	6		68,068	70,496		138,564	8,577	147,141
Assistant Director: Family, Cohesion & Commissioning	8	52,961	65,219	0		65,219	8,218	73,437

Assistant Director: Children's Safeguarding & Specialist Services	9	82,302	34,293	20,575		54,868	4,321	59,189
Interim Assistant Director: Leisure, Culture & Facilities Management	10	77,353	63,845	0		63,845	8,044	71,889
Service Delivery Manager: Co-Operative & Commercial Projects	5	52,961	31,479	0		31,479	3,966	35,445
			1,491,090	91,071		1,582,161	183,325	1,765,486

Notes:

Those roles shown in bold above represent the current posts.

- 1) This post holder was appointed to this post on 11th January 2016
- 2) The post holder was appointed to this post on 1st June 2015
- 3) This post holder was appointed to this post on 1st September 2015
- 4) This post holder was appointed on 25th January 2016
- 5) These Service Delivery Managers posts report directly to the Managing Director
- 6) These post holders left on 31st January 2016
- 7) This post holder was on maternity leave for part of the year
- 8) This post holder secured the position of Director and took up post from 11th January 2016
- 9) This post holder left on 31st August 2015
- 10) This post holder returned to their substantive post within the organisation on 1st February 2016

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 2015/16	Salary Band	Number of Employees 2016/17
47	£50,000 - £54,999	54
31	£55,000 - £59,999	24
19	£60,000 - £64,999	21
24	£65,000 - £69,999	24
9	£70,000 - £74,999	7
7	£75,000 - £79,999	7
0	£80,000 - £84,999	5
1	£85,000 - £89,999	0
2	£90,000 - £94,999	1
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
1	£105,000 - £109,999	1

The 2016/17 figures include 89 school based employees (90 in 2015/16). The 2016/17 figures include 16 employees (10 in 2015/16) 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 2016/17 financial statements are set out in the table below.

Exit package cost	Number of Compulsory Redundancies		Number of other Departures		Total Number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£	£
£0 - £20,000	9	48	22	102	31	150	263,147	1,193,790
£20,001 - £40,000	3	9	10	24	13	33	370,365	930,145
£40,001 - £60,000	0	3	7	19	7	22	370,832	1,094,180
£60,001 - £80,000	0	0	3	15	3	15	211,178	1,036,738
£80,001 - £100,000	0	0	2	3	2	3	183,149	260,336
£100,000 - £150,000	1	2	2	4	3	6	336,682	761,769

£150,001 - £200,000	0	0	3	2	3	2	485,977	303,666
£200,001 - £250,000	0	0	1	0	1	0	228,874	0
Total	13	62	50	169	63	231	2,450,204	5,580,624

An analysis of the total cost of exit packages shows:	Redundancy etc. £	Pension Fund Charges* £	Total £
Exit Packages agreed and charged to the Income & Expenditure Account during 2016/17	2,734,357	2,384,497	5,118,854
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 2017 (i.e. employees who had received formal notice at 31 March 2017 and will leave during 2017/18)	224,031	237,739	461,770
Total	2,958,388	2,622,236	5,580,624

* Charges made by Shropshire Pension Fund in respect of early payment of pensions
Please note that that the exit packages charged to the Income & Expenditure Account during 2016/17 were funded from Capital Receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review.

49. External Audit Costs

The Council's accounts have been audited by KPMG in 2015/16 and 2016/17. The Council incurred the following fees relating to external audit and inspection:

2015/16 £000		2016/17 £000
117	Fees payable to KPMG with regard to external audit services	117
0	Fees payable to Audit Commission in respect of statutory inspection	0
13	Fees payable to KPMG for the certification of grant claims and returns	19
12	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. Includes dealing with elector questions under statutory responsibilities.	9

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). Grant receipts are shown in Note 42.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 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.

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 £290,130 in 2016/17 (£191,019 in 2015/16).

Councillor Lee Carter stepped down from his role as Managing Director at AFC Telford on 8th August 2016, but continues as an unpaid Director. The Council paid £7,257 to AFC Telford up to 8th August 2016 and £11,867 for the full year 2016/17 (£69,579 in 2015/16) in relation to payment for community football coaching schemes and room hire. A loan to the club of £45,000 to install a new fire alarm system and related works was made during 2015/16 and this is reported within Soft Loans (Note 56).

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

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

51. Leases

Finance Leases

During 2016/17 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £186,049. Finance lease rentals of £441,862 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:

	Within 1 Year £000	2 to 5 years £000	Over 5 years £000	Total £000
Outstanding Obligations	363	420	0	783

The aggregate amount of finance charges in respect of finance leases was £33,635 for 2016/17 (£33,654 for 2015/16).

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

Operating Leases

During 2016/17 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £59,769 were paid during the year. Total outstanding obligations at the end of the year were as follows:

	Within 1 Year £000	2 to 5 years £000	Over 5 years £000	Total £000
Outstanding Obligations	60	7	0	67

Hire Purchase Contracts

During 2016/17 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 2016/17 amounted to £7,373,000 (£6,996,000 for 2015/16). See also note 44 Market Undertaking and Industrial Units and note 16 in respect of the valuation of these assets as Investment Properties.

52. Contingent Liabilities

At 31 March 2017, the Authority had no known material contingent liabilities.

53. Contingent Assets

At 31 March 2017, 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 2015/16 was £0.042m, the value of LSSG for 2016/17 is £0.026m.

55. Special Fund Revenue Account

2015/16 Net Expenditure £000		2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000
	EXPENDITURE ON SERVICES			
(79)	Cemeteries	147	287	(140)
625	Highways – footway lighting	557	16	541
546	Total expenditure on services	704	303	401
	INCOME			
(644)	Council Tax			(691)
(98)	(Surplus) or deficit for year			(290)
	Special Fund			
586	Balance at beginning of the year			586
98	Surplus or (deficit) for year			290
684	Balance at end of year			876

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.

56. 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 2014/15, 2015/16 and 2016/17 the balance at 31st March is £280,376. This is shown as a debtor on the Balance sheet at a fair value of £260,517 and a notional £19,859 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.

During 2015/16 the Council advanced a loan for 40 years to AFC Telford of £45,000 at an interest rate of 4.66%, which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2016/17 and the balance at 31st March is £45,007. This is also shown as a debtor in the Balance sheet at a fair value of £22,703 and a notional £22,304 has been charged to the I&E account to reflect the preferential rate given. The Council owns the freehold of the ground and the loan was provided to fund a new fire alarm system at the ground.

57. Building Control Account 2016/17

<u>Expenditure</u>	Chargeable	Non- Chargeable	Total Building Control
	2015/16 £000	2015/16 £000	2015/16 £000
Employee Expenses	87	123	210
Support Services	65	81	146
	152	204	356
<u>Income</u>			
Building Regulation Charges	(251)	(110)	(361)
	(251)	(110)	(361)
(Surplus)/Deficit	(99)	94	(5)
(Surplus)/Deficit 2015/16	(67)	115	48

Note the Building Control Account is not covered by the Audit Opinion.

58. Insurance Reserves

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

The reserves are in existence for the following purposes:

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

An analysis of the reserves for 2016/17 indicates the following:

	General Fund		Education	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance b/f	2,070	2,473	945	945
Charges in the Year	(542)	(580)	0	0
Transfers to other reserves	0	0	0	0
Contributions	945	684	0	0
Balance c/f	2,473	2,577	945	945

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	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance b/f	470	651	1,600	1,822
Charges In Year	(283)	(399)	(259)	(181)
Contributions	464	213	481	471
Balance c/f	651	465	1,822	2,112

For 2016/17 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. Also see Note 27 Provisions.

59. West Mercia Energy Joint Committee

West Mercia Energy (WME) is a Purchasing Consortium (formerly West Mercia Supplies (WMS) established in 1987) which is constituted as a Joint Committee (JC). Telford & Wrekin Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Shropshire Council. 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 2016/17 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 24.7%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

Extract from WME Balance Sheet	2015/16	Telford & Wrekin Share
	£000	£000
Long Term Assets		
Property, Plant & Equipment	13	3
Current Assets		
Short Term Debtors	8,979	2,218
Cash and Cash Equivalents	3,674	908
Current Liabilities		
Short Term Creditors	(10,914)	(2,696)
Long Term Liabilities		
Other Long Term Liabilities	(6,811)	(1,683)
Total Assets Less Liabilities	(5,059)	(1,250)
Financed By		
Usable Reserves	(5,059)	(1,250)
	(5,059)	(1,250)
Turnover	56,757	3,380

Collection Fund Account

	NDR 2015/16 £000	Council Tax 2015/16 £000	Total 2015/16 £000	NDR 2016/17 £000	Council Tax 2016/17 £000	Total 2016/17 £000
Income						
Income from Council Tax (Note 1)		70,675	70,675		75,139	75,139
Transfers from the Council's General Fund						
– Transitional Relief	73	(1)	72	(288)	0	(288)
Income collectable from business ratepayers (Note 2)	73,271		73,271	73,932		73,932
Contributions						
Adjustment of previous years' community charges		0	0		0	0
Total Income	73,344	70,674	144,018	73,644	75,139	148,783
Expenditure						
Precepts, demands and Shares						
Telford & Wrekin Council	34,270	54,119	88,389	35,052	59,170	94,222
West Mercia Police Authority		8,741	8,741		9,449	9,449
Shropshire & Wrekin Fire Authority	699	4,336	5,035	715	4,687	5,402
Parish Councils		2,993	2,993		3,489	3,489
Central Government	34,969		34,969	35,767		35,767
Cost of Collection	214		214	218		218
Bad and Doubtful Debts/Appeals						
– Write Offs	750	183	933	767	295	1,062
– Provisions	542	174	716	1,147	(1,043)	104
Contributions						
Adjustment of previous years' community charge		0	0		0	0
Total Expenditure	71,444	70,546	141,990	73,666	76,047	149,713
Movement on fund balance (Increase)/Decrease	(1,900)	(128)	(2,028)	22	908	930

Notes To Collection Fund Accounts

1. Council Tax Base for 2016/17

2015/16 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
10,647	Band A	26,335	(10,232)	16,103	10,728
11,433	Band B	19,331	(4,581)	14,750	11,472
8,294	Band C	11,110	(1,771)	9,339	8,301
7,508	Band D	8,120	(606)	7,514	7,514
5,117	Band E	4,537	(349)	4,188	5,119
2,789	Band F	2,065	(133)	1,932	2,790
1,575	Band G	1,024	(79)	945	1,575
78	Band H	50	(11)	39	78
47,441	TOTAL	72,572	(17,762)	54,810	47,577
(945)	Adjustments for growth and losses				(592)
46,496	Taxbase for year				46,985
£1,491.84	Average Council Tax for year				£1,542.13

2015/16 £000		2016/17 £000
69,365	Gross Yield	72,457
1	Less Benefits and Transitional Relief	0
1,309	Add increase in debit net of exemptions and reliefs	2,682
70,675		75,139

2. <u>Income Collectable from Business Rate Payers</u>	2015/16 £000	2016/17 £000	2016/17 £000
Effective non-domestic rateable value for year	167,799	166,145	
Uniform Business Rate for year	49.3p	49.7p	
Gross Yield for year	82,725		82,574
Less Reductions & Transitional Rate Relief	(9,454)		(8,642)
	73,271		73,932

The rateable value was £182,023,161 at 31/3/2017

3. <u>Allocation of Fund Balance (Council Tax)</u>	2015/16 £000	2016/17 £000
Telford & Wrekin Council	(3,709)	(2,981)
West Mercia Police Authority	(567)	(447)
Shropshire & Wrekin Fire Authority	(282)	(222)
	(4,558)	(3,650)

4. <u>Allocation of Fund Balance (NDR)</u>	2015/16 £000	2016/17 £000
Telford & Wrekin Council	(1,664)	(1,653)
Shropshire & Wrekin Fire Authority	(34)	(34)
Central Government	(1,698)	(1,687)
	(3,396)	(3,374)

Group Accounts

Introduction

During 2015/16 the Council established a Wholly Owned Company (NuPlace Ltd) for the provision of market rented housing in the Borough. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements.

As a result, group financial statements are produced to reflect the extent of Telford & Wrekin Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures from organisations considered to be part of the group. Only entries relating to 2015/16 are shown.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Reconciliation of the Single Entity Deficit to the Group Deficit
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts where they differ from the notes to the Single Entity Accounts

The group financial statements are presented in accordance with the IFRS based Code. Land and buildings in the Council's single entity accounts are valued at fair value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, fair value is estimated at depreciated replacement cost, using the modern equivalent asset method (i.e. the market value of the land on which the building sits plus the current gross replacement cost of the building less an allowance for physical deterioration of the building). Accounting policies are aligned between the group members.

Group Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See Note 7 to the main accounts.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	SERVICE	Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
532	5,790	6,322	Business, Development & Employment	13,503	4,269	17,772
22,515	168	22,683	Children's Safeguarding	26,428	464	26,892
1,294	484	1,778	Co-Operative Council	1,260	(1,492)	(232)
869	5,429	6,298	Commercial Services	3,689	(11,005)	(7,316)
12,299	(1,851)	10,448	Council Wide	7,009	3,643	10,652
29,011	(10,702)	18,309	Customer & Neighbourhood Services	31,631	(27,958)	3,673
41,012	4,240	45,252	Early Help & Support	47,267	(464)	46,803
5,763	(15,793)	(10,030)	Education & Corporate Parenting	13,941	(15,338)	(1,397)
3,896	1,364	5,260	Finance & Human Resources	(27,021)	32,195	5,174
4,013	835	4,848	Governance, Procurement & Commissioning	3,060	(59)	3,001
2,552	(1,196)	1,356	Health & Well-being	1,731	(927)	804
123,756	(11,232)	112,524	Net Cost Of Services	122,498	(16,672)	105,826
(123,661)	41,149	(82,512)	Other Income & Expenditure	(122,446)	24,868	(97,578)
95	29,917	30,012	(Surplus) or Deficit	52	8,196	8,248
4,369			Opening General Fund Balance	4,274		
(95)			Surplus of (Deficit) for year	(52)		
4,274			Closing General Fund Balance	4,222		

Group 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	2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000
Business, Development & Employment	15,810	9,488	6,322	26,657	8,885	17,772
Children's Safeguarding	24,304	1,621	22,683	27,537	645	26,892
Co-Operative Council	3,916	2,138	1,778	1,766	1,998	(232)
Commercial Services	21,151	14,853	6,298	8,960	16,276	(7,316)
Council Wide	16,690	6,242	10,448	21,050	10,398	10,652
Customer & Neighbourhood Services	118,651	100,342	18,309	116,249	112,576	3,673
Early Help & Support	62,555	17,303	45,252	62,218	15,415	46,803
Education & Corporate Parenting	117,378	127,408	(10,030)	118,747	120,144	(1,397)
Finance & Human Resources	13,115	7,855	5,260	12,377	7,203	5,174
Governance, Procurement & Commissioning	12,755	7,907	4,848	10,019	7,018	3,001
Health & Well-being	23,686	22,330	1,356	20,540	19,736	804
Net Cost of Services	430,011	317,487	112,524	426,120	320,294	105,826

Other Operating Expenditure (Note 1)	39,565	8,324
Financing and Investment Income and Expenditure (Note	6,020	19,613
Taxation & Non Specific Grant Income and Expenditure	(128,097)	(125,515)
(Surplus) or deficit on provision of services	30,012	8,248
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets	(479)	(2,641)
Remeasurements of the net defined benefit pension liability	(22,019)	51,906
Other Comprehensive Income & Expenditure	(22,498)	49,265
Total Comprehensive Income and Expenditure	7,514	57,513

Reconciliation of the Single Entity Deficit to the Group Deficit

2015/16 £000		2016/17 £000
29,796	Deficit from the Single Entity Accounts (Page 37)	8,029
26	Deficit/(Surplus) contained within Subsidiary Accounts	(222)
190	Removal of Trading Surpluses from Single Entity Accounts	441
30,012	Deficit in Group Accounts (Page 108)	8,248

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, 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 Group'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 & reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2015 carried forward restated	54,414	8,929	63,343	43,114	106,457
Total Comprehensive Income and Expenditure	(30,012)	0	(30,012)	22,498	(7,514)
Adjustments between accounting basis & funding basis under regulations	34,683	(6,069)	28,614	(28,614)	0
Increase/ (Decrease) in 2016/17	4,671	(6,069)	(1,398)	(6,116)	(7,514)
Balance at 31 March 2016 carried forward restated	59,085	2,860	61,945	36,998	98,943
Total Comprehensive Income and Expenditure	(8,248)	0	(8,248)	(49,265)	(57,513)
Adjustments between accounting basis & funding basis under regulations	16,657	460	17,117	(17,117)	0
Increase/ (Decrease) in 2016/17	8,409	460	8,869	(66,382)	(57,513)
Balance at 31 March 2017 carried forward	67,494	3,320	70,814	(29,384)	41,430

It can be seen from this table that of the total £67.5m reserves, only £4.2m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances.

Group Balance Sheet

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

31 March 2016		31 March 2017	31 March 2017
£000		£000	£000
496,365	Property, Plant & Equipment (Note 3)	514,081	
71,368	Investment Properties (Note 4)	89,077	
2,437	Intangible Assets	2,346	
33	Long Term Investments	33	
557	Long Term Debtors	578	
570,760	Total Long Term Assets		606,115
	Current Assets		
351	Inventories	321	
23,511	Debtors (Note 5)	37,650	
6	Deferred Taxation	0	
0	Investments - (short term)	0	
12,721	Assets Held for Sale	7,474	
7,611	Cash and Cash Equivalents (Note 6)	20,600	
44,200		66,045	
	Current Liabilities		
(20,073)	Provisions (Note 7)	(19,952)	
(75,579)	Short term Borrowing	(119,175)	
(63,133)	Creditors (Notes 8)	(58,990)	
(158,785)		(198,117)	
(114,585)	Total Net Current Assets/(Liabilities)		(132,072)
(88,519)	Less Long Term Borrowing		(100,873)
(55,585)	Less Long Term Creditors		(55,491)
(212,647)	Less Pensions Liability		(275,500)
(481)	Capital Grants Receipts in Advance		(749)
98,943	Net Assets		41,430
61,945	Usable Reserves (Note 9)		70,814
36,998	Unusable Reserves (Note 10 & 11)		(29,384)
98,943	Net Reserves		41,430

Group 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.

2015/16 £000		2016/17 £000
30,012	Net (surplus) or deficit on the provision of services	8,248
(65,327)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 13)	(31,662)
29,395	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 14)	44,384
(5,920)	Net cash flows from Operating Activities	20,970
50,357	Investing Activities (Note 15)	19,409
(47,391)	Financing Activities (Note 16)	(53,368)
(2,954)	Net (increase) or decrease in cash and cash equivalents	(12,989)
4,657	Cash and cash equivalents at the beginning of the reporting period	7,611
7,611	Cash and cash equivalents at the end of the reporting period (Note 6)	20,600

Group Note 1. Other Operating Expenditure

2015/16 £000		2016/17 £000
2,993	Parish Council precepts	3,489
316	Payment of RSG to Parishes	250
35,867	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	4,601
389	(Gains)/losses on the disposal of non-current assets – Other Assets	(16)
39,565	Total	8,324

Group Note 2. Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
8,954	Interest payable and similar charges	9,103
7,071	Pensions interest cost and expected return on pensions assets	7,328
(22)	Interest receivable and similar income	(20)
(10,023)	Income and expenditure in relation to investment properties and changes in their fair value	3,162
40	Other investment income and expenditure	40
6,020	Total	19,613

Group Note 3. Property, Plant and Equipment

Movements in 2016/17:

	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 2016	356,521	35,307	134,089	34,004	559,921	61,852
Additions	15,175	1,119	26,837	20,309	63,440	3,890
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(7,930)	0	0	0	(7,930)	349
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,765)	0	(972)	0	(8,737)	0
derecognition – disposals	0	0	0	(4,801)	(4,801)	0
assets reclassified (to) /from Assets Under Construction	17,900	0	0	(17,900)	0	0
assets reclassified (to)/from Held for Sale	(5,708)	0	0	200	(5,508)	0
assets reclassified (to) /from Investment Properties	(1,848)	0	0	(17,450)	(19,298)	0
At 31 March 2017	366,345	36,426	159,954	14,362	577,087	66,091
Accumulated Depreciation and Impairment						
at 1 April 2016	30,024	21,548	11,984	0	63,556	6,445
depreciation charge	8,657	2,624	3,333	0	14,614	1,517
depreciation written out to the Revaluation Reserve	(8,540)	0	(77)	0	(8,617)	0
depreciation written out to the Surplus/Deficit on the Provision of Services	(5,445)	0	(1,102)	0	(6,547)	0
derecognition – disposals	0	0	0	0	0	0

At 31 March 2017	24,696	24,172	14,138	0	63,006	7,962
Net Book Value						
at 31 March 2017	341,649	12,254	145,816	14,362	514,081	58,129
at 31 March 2016	326,497	13,759	122,105	34,004	496,365	55,407
Information on Assets Held at 31/3/17						
Nature of Holding						
Owned	283,520	11,181	145,816	14,362	454,879	
Leased	0	1,073	0	0	1,073	
PFI	58,129	0	0	0	58,129	
Total	341,649	12,254	145,816	14,362	514,081	

Capital Commitments

At 31 March 2017, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £16m. Similar commitments at 31 March 2016 were £18.9m. The major commitments are:

- Hortonwood West Unit 9 - £2.6m
- ICT Infrastructure - £1.5m
- Telford Eastern Gateway - £2.8m
- NuPlace - £9.1m

Comparative Movements in 2015/16:

	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 2015	338,022	31,152	114,347	54,884	538,405	60,943
Additions	8,015	2,624	18,394	37,348	66,381	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,265)	0	0	0	(1,265)	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,501)	0	0	0	(4,501)	0
derecognition – disposals	(1,882)	0	0	(36,902)	(38,784)	0
assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	0	0
assets reclassified (to)/from Held for Sale	792	0	0	0	792	0
assets reclassified (to) /from Investment Properties	(1,107)	0	0	0	(1,107)	0
At 31 March 2016	356,521	35,307	134,089	34,004	559,921	61,852
Accumulated Depreciation and Impairment						
at 1 April 2015	25,924	19,474	9,152	0	54,550	5,621
depreciation charge	8,835	2,074	2,832	0	13,741	1,407
depreciation written out to the Revaluation Reserve	(2,596)	0	0	0	(2,596)	(583)
depreciation written out to the Surplus/Deficit on the Provision of Services	(1,916)	0	0	0	(1,916)	0
derecognition – disposals	(223)	0	0	0	(223)	0
At 31 March 2016	30,024	21,548	11,984	0	63,556	6,445

Group Note 4. 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:

2015/16 £000		2016/17 £000
(6,996)	Rental income from investment property	(8,028)
3,492	Direct operating expenses arising from investment property	2,963
(3,504)	Net Operational (gain)/loss	(5,065)
(6,519)	Net (gain)/loss on revaluation of properties	8,227
(10,023)	Total Net (gain)/loss	3,162

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:

2015/16 £000		2016/17 £000
59,329	Balance at start of the year	71,368
4,829	Additions	7,164
(416)	Disposals	(526)
6,519	Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services	(8,227)
	Transfers:	
1,107	- (to)/from Property, Plant and Equipment	19,298
71,368	Balance at end of the year	89,077

Group Note 5. Debtors

2015/16 £000		2016/17 £000
	Amounts falling due in one year:	
3,966	Central Government	7,232
331	Other Local Authorities	72
951	NHS Bodies	973
800	Public Corporations and Trading Funds	574
25,473	Other Entities and Individuals	35,530
31,521	Gross Debtors	44,381
(8,010)	Provision for doubtful debts	(6,731)
23,511	Total	37,650

Group Note 6. Cash and Cash Equivalents

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

2015/16 £000		2016/17 £000
130	Cash held by the Authority	123
3,446	Bank current accounts	9,376
4,035	Call Accounts	11,101
7,611	Total Cash and Cash Equivalents	20,600
0	Bank Account Overdrawn	0
7,611	Net Cash Position for Cash Flow Purposes	20,600

Group Note 7. Provisions

	2016/17 Opening £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	2016/17 Closing £000
Restructure Provision	711	0	(250)	461
Single Status Provision – Non Schools	3,953	5	(365)	3,593
Single Status Provision – Schools	12,417	0	0	12,417
NDR Appeals Provision	2,732	3,293	(2,732)	3,293
Insurance	179	0	(179)	0
Litigation Costs	81	0	(37)	44
Deferred Taxation	0	46	0	46
Sinking Fund for Asset Maintenance	0	98	0	98
Total	20,073	3,442	(3,563)	19,952
2015/16	19,053	3,907	(2,887)	20,073

Restructure Provision - 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 2017 was £0.461m.

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been

necessary to include a provision against the potential costs in the 2016/17 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2017 was £16.0m.

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, £6.7m is estimated as the amount required to set aside for this purpose in the 2016/17 accounts (£5.6m 2015/16). Telford & Wrekin Council’s proportion of this is £3.3m (49%) (£2.7m 2015/16).

Litigation Costs - This was created for 2015/16 and is to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group. The total amount in the provision at 31 March 2017 was £0.04m (£0.08m 2015/16).

Insurance – The accounts include a provision to meet a known insurance liability in relation to Municipal Mutual Insurance Limited (MMI) who prior to 1992 provided the majority of insurance cover to Local Authorities, including Wrekin DC and Shropshire County Council. MMI ceased trading in 1992 and after several years of a deteriorating solvency it was determined that a levy would be charged to local authorities to meet the cost of claims. An initial levy of 15% was set however following a review of MMI's financial position a second levy of 10% is now due and funds are set aside in this provision to meet the cost.

Deferred Taxation – A provision has been created in relation to deferred taxation, within NuPlace’s accounts, on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statement. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Sinking Fund for Asset Maintenance – A provision has been created with NuPlace’s accounts in relation to a sinking fund for future asset maintenance.

Group Note 8. Creditors

2015/16 £000		2016/17 £000
8,861	Central Government	8,504
854	Other Local Authorities	2,007
239	NHS Bodies	10
780	Public Corporations and Trading Funds	840
49,832	Other Entities and Individuals	44,908
2,567	PFI and Leases	2,721
63,133	Total	58,990

Group Note 9. 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 2016/17.

	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 2015 carried forward	4,369	39,496	6,961	3,588	0	8,929	63,343
Movement / Use of reserves during 2015/16	(95)	5,960	(410)	(784)	0	(6,069)	(1,398)
Balance at 31 March 2016 carried forward	4,274	45,456	6,551	2,804	0	2,860	61,945
Movement / Use of reserves during 2016/17	(52)	10,073	(1,431)	(181)	0	460	8,869
Balance at 31 March 2017 carried forward	4,222	55,529	5,120	2,623	0	3,320	70,814

Group Note 10. 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.

2015/16 £000		2016/17 £000
219,252	Balance Brought Forward	202,498
(15,292)	Charges for depreciation and impairment of non-current assets	(35,454)
(1,085)	Amortisation of intangible assets	(1,024)
(4,426)	Revenue expenditure funded from capital under statute	(11,772)
(37,896)	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	(5,965)
(447)	Adjusting amounts written out of the Revaluation Reserve	4,807
2,674 32,790	Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,703 35,221
416	Minimum Revenue Provision	395

6,512	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	8,227
202,498	Balance Carried Forward	205,636

Group Note 11. Deferred Capital Receipts Reserve

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

2015/16		2016/17
£000		£000
0	Balance at 1 April	0
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	Balance at 31 March	0

Group Note 12. 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.

2015/16		2016/17
£000		£000
295,535	Opening Capital Financing Requirement	335,570
	Capital Investment	
66,381	Property, Plant & Equipment	63,440
4,829	Investment Properties	7,164
23	Assets Held for Sale	90
1,457	Intangible Assets	933
4,426	Revenue Expenditure funded from Capital under Statute	11,772
491	Leased Vehicles	186
	Sources of Finance	
(2,674)	Capital Receipts	(8,703)
(1,692)	Finance Leases & Deminimis Capital Expenditure	(7,510)
(32,790)	Government Grants and Other Contributions	(35,221)
(416)	Revenue Provision (NB: includes MRP)	(395)
335,570	Closing Capital Finance Requirement	367,326
40,035	Movement for Year	31,756
	Explanation of movements in the year	
123	Increase in underlying need to borrow (supported by Government financial assistance)	1,268
39,912	Increase in underlying need to borrow (unsupported by Government financial assistance)	30,488
40,035	Increase/(decrease) in Capital Financing Requirement	31,756

Group Note 13. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

2015/16 £000		2016/17 £000
(16,600)	Impairment and depreciation of property, plant and equipment and intangible assets	(29,155)
(66)	(Increase)/decrease in interest creditors	(68)
(5,583)	(Increase)/decrease in creditors	2,891
0	Increase/(decrease) in interest/dividend debtors	(5)
1,691	Increase/(decrease) in debtors	10,592
54	Increase/(decrease) in inventories	(30)
(12,419)	Pension Liability	(10,947)
(1,020)	Contribution (to)/from provisions	121
(37,896)	Carrying amount of non-current assets sold	(13,288)
6,512	Movement in Investment Property Values	8,227
(65,327)	Total	(31,662)

Group Note 14. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2015/16 £000		2016/17 £000
26,721	Capital grants credited to surplus or deficit on the provision of services	35,681
0	Proceeds from sale of short and long term investments	0
2,674	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,703
29,395	Total	44,384

Group Note 15. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
79,096	Purchase of property, plant and equipment, investment property and intangible assets	71,155
226	Other payments for investing activities	290
(554)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,157)
0	Proceeds from short-term and long-term investments	0
(28,411)	Other receipts from investing activities	(46,879)
50,357	Net cash flows from investing activities	19,409

Group Note 16. Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
(198,220)	Cash receipts of short and long term borrowing	(207,950)
(1,100)	Other receipts from financing activities	(899)
(1,085)	Appropriation to/from Collection Fund Adjustment Account	696
150,471	Repayments of short and long term borrowing	152,178
2,543	Cash payments in relation to finance leases and PFI agreements	2,607
(47,391)	Net cash flows from financing activities	(53,368)

Glossary

Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance & Accountancy and comply with the International Financial Reporting Standards (IFRS) approved by the Financial Reporting Advisory Board.
Balances	See Reserves and Balances.
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31 st March for Local Authorities.
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 operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
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 and Human Resources.
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.