

# Telford & Wrekin Council

## Statement of Accounts

2015/16

### Contents

#### Financial Statements

• Narrative Statement	3
• Statement of Responsibilities	22
• Annual Governance Statement	23
• Auditors' Report	32
• Movement In Reserves Statement	35
• Comprehensive Income and Expenditure Account	37
• Balance Sheet	38
• Cash Flow Statement	39
• Notes to the Core Financial Statements	
1. Accounting Policies	40
2. Accounting Standards that have been issued but have not yet adopted and prior period adjustments	48
3. Critical Judgements in Applying Accounting Policies	50
4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	51
5. Material Items of Income & Expenditure	52
6. Events after the Balance Sheet Date	52
7. Adjustments between Accounting Basis and Funding Basis under Regulations	52
8. Disclosure of deployment of Dedicated Schools Grant	56
9. Other Operating Expenditure	56
10. Financing and Investment Income and Expenditure	57
11. Taxation and Non Specific Grant Incomes	57
12. Defined Benefit Pension Schemes	57
13. Pension Schemes Accounted for as Defined Contribution Schemes	61
14. Property, Plant and Equipment	62
15. Investment Properties	66
16. Intangible Assets	67
17. Assets Held for Sale	67
18. Heritage Assets	68
19. Impairment Losses	68
20. Inventories	68
21. Debtors	69
22. Financial Instruments	69
23. Nature & Extent of Risks Arising from Treasury Related Financial Instruments	71
24. Investments	77

25. Cash and Cash Equivalents	77
26. Provisions	78
27. Creditors	79
28. Private Finance Initiatives and Similar Contracts	79
29. Usable Reserves - Transfers to/from Earmarked Reserves & Balances	80
30. School Balances	80
31. Unusable Reserves	81
32. Revenue Expenditure Funded from Capital Under Statute	85
33. Usable Capital Receipts Reserve	85
34. Capital Expenditure & Capital Financing	85
35. Minimum Revenue Provision	86
36. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements	86
37. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	87
38. Cash Flow Statement – Investing Activities	87
39. Cash Flow Statement – Financing Activities	87
40. Cash Flow Statement – Operating Activities	87
41. Grant Income	88
42. Amounts Reported for Resource Allocation Decisions	88
43. Acquired and Discontinued Operations	91
44. Market Undertakings and Industrial Units	91
45. Pooled Budgets	91
46. Member Allowances	93
47. Senior Officers’ Remuneration & Employee Remuneration Bands	94
48. Exit Packages	98
49. External Audit costs	99
50. Related Parties	100
51. Leases	100
52. Contingent Liabilities	101
53. Contingent Assets	101
54. Local Services Support Grant	101
55. Income & Expenditure Account Surplus/Deficit	102
56. Special Fund Revenue Account	102
57. Soft Loan	103
58. Building Control Account	103
59. Insurance Reserves	104
60. West Mercia Energy Joint Committee	105
• The Collection Fund Account	106
• Group Accounts	108
• Glossary	120

# **Telford & Wrekin Council**

## **Statement of Accounts**

**2015/16**

### **Financial Statements**

#### **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](http://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 2015/16; showing what has been spent, income that has been received, together with assets and liabilities. The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. The information is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

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

- 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 or the Government, Shropshire Combined Fire Authority or the office of the West Mercia Police & Crime Commissioner as appropriate.

The Council's accounts for the year 2015/16 are set out in the remainder of the report. They consist of:

- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £4.490m at 31<sup>st</sup> March 2016). This statement represents the authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable.
- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This statement reports on how the Authority performed financially during the year and whether its operations resulted in a surplus or deficit. This shows a deficit for the year of £30.955m compared with the outturn report which shows an underspend of £0.121m. 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 Balance Sheet** - This is a "snapshot" of the Authority's financial position which sets out the financial position of the Council on 31<sup>st</sup> March 2016 and shows net assets for the Council of £99.217m, a decrease from £106.457m 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 £2.6m.
- ... **The Notes to the Core Financial Statements** - provide further information supporting the financial statements including the Statement of Accounting Policies and provide further detailed information on specific items.
- ... **The Collection Fund** - the statutory account in which income from business rates and council tax is held temporarily, pending payment to the precepting authorities. There is an increase on the council tax fund balance of £0.128m for the year and the Council's share of the surplus was £3.7m at 31<sup>st</sup> March 2016. The localisation of business rates means that we also show similar information in respect of this. The business rates show an increase in the balance on the account for the year of £1.9m and the Council's share of the surplus was £1.7m at 31<sup>st</sup> March 2016.
- ... **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.

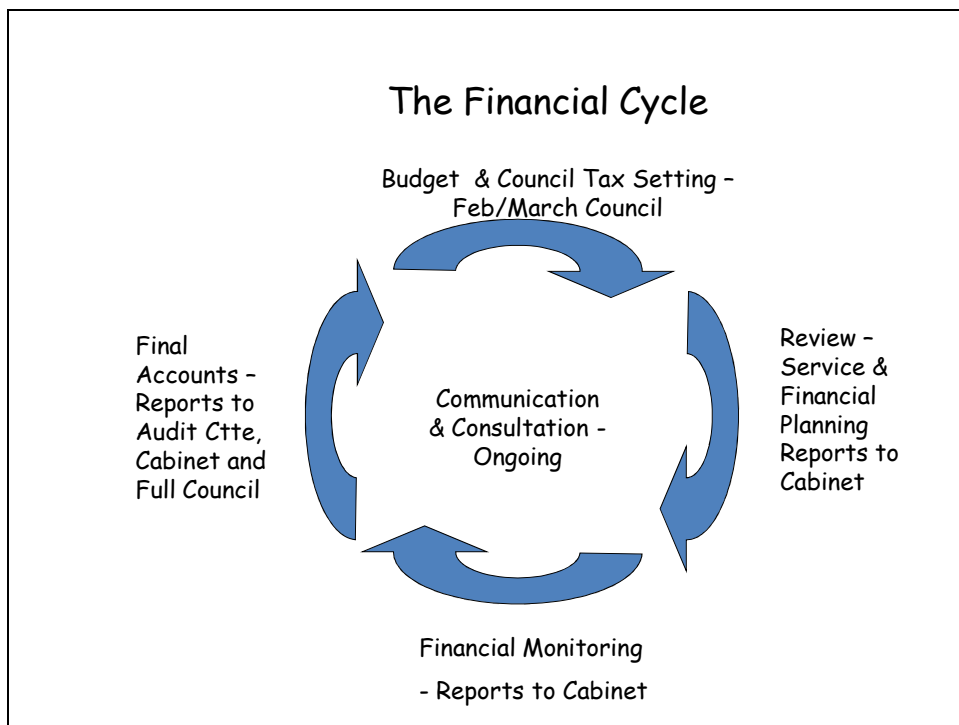
## 2. **FINANCIAL CONTEXT**

This section of the Statement of Accounts summarises the background to the Council's accounts for 2015/16. In particular it sets out

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2015/16
- Issues highlighted during 2015/16

- The final outturn for 2015/16
- Achievements and Performance During 2015/16
- Strategic Risks
- A commentary on 2016/17

## 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 2015/16

The Council's 2015/16 budget was set in the context of a three year service and financial planning strategy which covered the period 2015/16 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 second lowest council tax for Unitary Services in the Midlands in 2015/16 and is the third lowest in 2016/17).

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 2015/16 £10m of budget savings were delivered, which was on top of £70m made in the previous 6 years. A further £30m of savings need to be made over the next two years, 2016/17 and 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 2015/16 to 2017/18 in January 2015 and extensive public consultation was undertaken on the

proposals. The final budget strategy was approved at Council in March 2015 taking account of consultation responses.

Council tax was frozen for 2015/16. The average charge (Band B) for the Council's services was £892 per year. The table below shows how Net Revenue Spend was funded.

<b>2015/16 Budgeted Net Revenue Spend - £m</b>	
<b>2015/16 Total Net Revenue Spend</b>	<b>123.661</b>
Funded From:	
Government Grant (RSG and Top Up)	33.275
Retained Business Rates	35.655
Council Tax	51.857
Council Tax Freeze Grant	0.612
Collection Fund and Balances	2.262
<b>Total Funding</b>	<b>123.661</b>

The medium term planning period was one of continuing uncertainty with a Spending Review anticipated following the General Election in May 2015 and further significant spending cuts anticipated for Local Government.

### **2.3 Issues Highlighted During 2015/16**

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

Service Area	Service Variance £
Adult Social Services	894,080
Public Health, Public Protection, Civil Resilience and Coroners	(71,323)
Education & Corporate Parenting	(156,349)
Children's Safeguarding & Specialist Services	1,939,624
Family Cohesion & Commissioning	(218,271)
Neighbourhood & Customer Services	(76,083)
Planning	(18,838)
Development Business & Employment	(219,409)
Leisure, Culture & Facilities Management	(74,542)
Law Democracy & People Services	(964,044)
Finance Audit & Information Governance	(7,263,190)
Co operative Council & Commercial Delivery Unit	(197,024)
Council Wide	(5,633,433)
Transfers to Reserves	11,079,395
<b>Total before transfers to balances</b>	<b>(979,407)</b>
<b>Transfer to general balances</b>	<b>858,000</b>
<b>Total after transfers to balances</b>	<b>(121,407)</b>

Variances exclude IAS 19 Pension entries and asset rental 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
<b><u>Children's Safeguarding &amp; Specialist Services</u></b>	
<p><b>Children in Care Placements (CiC)</b> –The final position for 2015/16 reflected a cost improvement of £223k from 2014/15. At the end of March there were 299 Looked After Children which was an increase of 6 compared to the position at the end of 2014/15. A review of placements was undertaken as part of the 2016/17 budget process and a pressure of £1.2m has been included in the 2016/17 budget strategy.</p>	+1.711
<p><b>Internal Foster Carer Costs</b> – payments to Foster Carers including transport costs and foster carer training.</p>	+0.127
<p><b>Staffing (Safeguarding)</b> – this included the cost of agency social workers and reflected the significant pressure placed on the service from difficulties with recruitment and retention of staff. There were 10 Safeguarding agency staff at the end of March and an agency manager within the Educational Psychology service. The 2016/17 budget strategy has addressed staffing pressures identified.</p>	+0.446
<p><b>Care Leavers Accommodation Costs</b> – the final position reflected a significant reduction in both activity and placement costs.</p>	-0.228
<p><b>Joint Adoption Service</b> – pressures arising from the cessation of the Adoption Reform Grant that part-funded this service and savings targets not delivered.</p>	+0.210
<p><b>One off Funds</b> – use of specific contingency set aside as part of the budget strategy.</p>	-0.750
<p>The Service Area has a Cost Improvement Plan in place for 2016/17 to address areas of pressure and to ensure costs are contained within budgets as far as possible. The 2016/17 budget invested £1.621m into Children's Safeguarding highlighting the high priority placed on Children's safety. One-off resources of £0.5m have also been set aside within the Service Area that could be used for unexpected cost pressures.</p>	

<p><b><u>Education &amp; Corporate Parenting</u></b></p> <p>There are no variances over £0.100m to report at year end.</p>	
<p><b><u>Family, Cohesion Services &amp; Commissioning</u></b></p> <p><b>Transport Contracting &amp; Commissioning</b> – costs relating to Supporting People. The service is currently under review to deliver savings and is looking at innovative ways of providing support.</p> <p><b>Cohesion including homelessness and housing needs</b> – higher than anticipated housing income received and lower occupancy levels within temporary accommodation resulted in an underspend at year end.</p>	<p>+0.208</p> <p>-0.211</p>
<p><b><u>Adult Social Services</u></b></p> <p><b>Purchasing budgets</b> – this pressure had been reported throughout the year and included the impact of the rising unit costs of care which had offset cost savings made through the effective management of demand. The management team continue to focus on the cost Improvement Plan and the savings required in the 2016 budget strategy.</p> <p><b>Income</b> – shortfall relating to client contributions.</p> <p><b>Transport</b> – a review group has been set up to look at ways to reduce expenditure and identify a more robust transport policy.</p> <p><b>One off Contingency</b> – use of specific contingency set aside as part of the budget strategy.</p> <p><b>One off Funds</b> – use of one off reserves.</p> <p>The Council has increased the Adult Social Services budget by £1.648m in 2016/17 and is committed to meeting the needs of vulnerable members of our community.</p>	<p>+3.503</p> <p>+0.716</p> <p>+0.123</p> <p>-2.500</p> <p>-0.475</p>
<p><b><u>Public Health, Wellbeing &amp; Public Protection</u></b></p> <p><b>Smoking Cessation Contract</b> – saving arising from reduced demand and use of service.</p> <p><b>Working Age – Healthy Lifestyles &amp; Health Trainers</b> – in year vacancies has resulted in an underspend.</p> <p><b>Public Health Grant</b> – in year cut to the Public Health Grant funding announced by the Chancellor in June.</p> <p><b>Public Health Grant</b> – underspend at year end carried forward to 2016/17.</p>	<p>-0.193</p> <p>-0.207</p> <p>+0.773</p> <p>+0.122</p>

<b><u>Leisure, Culture &amp; Facilities Management</u></b>	
<b>Income</b> - The income targets for the Leisure centres were challenging for 2015/16. The BSF building works at Oakengates impacted on this facility along with new income targets set for the proposed Synthetic Turf pitch. Swimming Lesson income projections have been revised due to the successful channel shift to Direct Debit, this has resulted in a one off, in year impact associated with the timing of payments, this change will result in additional income from 2016/17 onwards.	+0.148
<b>Primary School Meals</b> – additional income relating to an increase in take-up.	-0.148
<b>Oakengates Theatre</b> – additional income due to the success of the Pantomime and other productions.	-0.105
<b><u>Development, Business &amp; Employment</u></b>	
<b>Regeneration &amp; Investments</b> – Property Investment Portfolio (PIP) income. The PIP generated £5.5m in 2015/16. PIP performance continues to improve as PIP holdings are rationalised.	+0.412
<b>Property &amp; Design – Admin Buildings</b> – one off saving as a result of buildings rationalisation.	-0.210
<b><u>Neighbourhood &amp; Customer Services</u></b>	
<b>ICT</b> – pressure mainly arising from the increased number of Microsoft licenses required across the council together with costs associated with the purchase of PCs.	+0.343
<b>Transport &amp; Highways Development</b> – one off savings from vacant posts during the year.	-0.268
<b>Concessionary Travel</b> – saving as a result of reduced passenger numbers.	-0.228
<b>Grounds Maintenance</b> – contribution to reserves to fund data collection required for tender process.	+0.150
<b>Environmental Maintenance</b> – contribution to reserves to fund drainage schemes.	+0.125
<b>Waste</b> – contribution to reserves to fund CRC changes.	+0.348
<b>Public Transport</b> – costs relating to the provision of subsidised bus routes; funds have been set aside in the 2016/17 budget strategy for this pressure.	+0.280
<b>Housing Benefits</b> – grant income higher than budgeted.	-0.123
<b>My Options</b> – reduced staffing costs partly offset by income shortfalls.	-0.184

<b><u>Finance, Audit &amp; Information Governance</u></b>	
<b>Treasury</b> – this included the benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year; together with £5.9m benefit from rescheduling debt repayments which is following considerable technical work and discussions with our external auditors.	-7.095
<b><u>Law, Democracy &amp; People Services</u></b>	
<b>Single Status</b> - the budget for 2015/16 allowed for implementation of the single status settlement during the year which did not happen. This is net of the Payroll/HR IT system costs approved by Cabinet in July.	-0.800
<b><u>Co-operative Council Delivery Unit</u></b>	
<b>Delivery &amp; Planning</b> – underspend from vacant posts during the year.	-0.109
<b><u>Transfers to Reserves</u></b>	
Severance fund	3.000
Invest to Save / Capacity Fund	3.000
Budget Strategy Reserve	2.100
Environmental Maintenance	1.500
Waste Reserve	1.200
Insurance Reserve	0.179
Invest to Save Fund	0.100

## 2.4 **Final Outturn for 2015/16**

### Revenue

Final net service expenditure was £123.540m, after transfers to reserves, compared to a budget of £123.661m, an underspend of £0.121m (or -0.1%). Given the context of the Council having to make £10m of budget savings in 2015/16, on top of £70m 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)	123.062	122.083	-0.979
Funding Variance	0.000	0.000	0.000
Contribution to (+)/from (-) balances	0.599	1.457	0.858
Service Outturn (see page 11)	123.661	123.540	-0.121
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances	-123.661	-123.661	0.000
Net General Fund position	0.000	-0.121	-0.121

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 38)	438.033	313.052	124.981
Trading Services	(3.024)	6.996	(10.020)
Pensions Adjustments under IAS 19	(5.348)	0.000	(5.348)
Interest Payable and Similar Charges	8.764	0.000	8.764
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(0.403)	0.000	(0.403)
Interest and Investment Income	0.000	0.022	(0.022)
Capital Grants and Revenue Grants Unapplied	0.000	(25.937)	25.937
General Grants (LSSG, Section 31)	0.000	0.042	(0.042)
Remove Depreciation & Impairments, REFCUS etc from Net Operating Cost	(26.736)	0.000	(26.736)
Accumulated Absences	0.463	0.000	0.463
Minimum Revenue Provision	0.416	0.000	0.416
Net Movement on Reserves	5.550	0.000	5.550
<b>Total Service Outturn</b> (see table on page 10)	<b>417.715</b>	<b>294.175</b>	<b>123.540</b>

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

The outturn position has resulted in a general fund balance of £3.806m and a special fund balance of £0.684m (see Note 56 to the Core Financial Statements), giving a consolidated balance of £4.490m. The total for all reserves and usable revenue balances held by the Authority is £62.2m, although almost all of this is held to meet known or likely commitments.

### **Workforce Analysis**

At 31 March 2016 Telford & Wrekin Council employed 2,842 people [2,237 FTEs]. At 31 March 2015 the comparative figures were 2,997 people [2,319 FTEs]:

	31 March 2015		31 March 2016	
	Head Count	FTEs	Head Count	FTEs
Male	797	697.5	750	675.12
Female	2,200	1,621.4	2,092	1,562.81
Total	2,997	2,318.9	2,842	2,237.93

## **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 reduced by £9.6m; this has been as a result of a change to actuarial assumptions to calculate the future value of scheme liabilities (mainly as a result of the discount rate being increased, which has the impact of reducing the value of future liabilities). The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £13.652m (comprising contributions of £10.443m plus a lump sum payment of £3.209m). Following the valuation at 31/3/13 the contribution rate was reduced to 12.6% for 2014/15 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2016/17 is estimated at 17.1%, slightly higher than 2015/16.

### **Capital Accounting**

#### **Capital**

The Council spent £74.46m on capital projects during the year, an underspend of £16m against budget within the year, although this will be re-phased into future years. Detail is shown in the table below.

Policy Area	2015/16 Approved Budget £m	2015/16 Expenditure £m
Education and Corporate Parenting	30.7	24.6
Development Business and Employment	33.0	27.3
Neighbourhood and Leisure Services	21.7	19.3
Adult Social Services	2.4	1.5
Customer Services	2.4	1.7
Corporate Delivery Unit	0.2	0.1
Corporate	0.1	0.0
<b>Total</b>	<b>90.5</b>	<b>74.5</b>
<b>Funded by:</b>		
Supported Borrowing	1.4	0.1
Prudential Borrowing	49.5	38.9
Capital Receipts	3.6	2.7
Government Grants	30.6	27.8
Revenue	1.8	1.9
Other External Sources	3.6	3.1
<b>Total</b>	<b>90.5</b>	<b>74.5</b>

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 £74.46m on capital projects during 2015/16.

Overall the Council's net indebtedness is £156.9m at 31<sup>st</sup> March 2016 which is an increase of £44.1m 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 2015/16 the Authority made payments of £10,000,492 (£9,883,380 in 2014/15) in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 per annum (index linked starting point September 2006) until the contract expiry date of 2034 and receives £5.9m per annum from the Government to help offset this cost.

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

**Severance Costs** – the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2016 was £0.71m.

**Single Status** – Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2015/16 accounts, as was the case last year and previous years. The amount in the provision at 31 March 2016 was £16.4m (£4.4m relates to schools).

**NDR Appeals** – under the new arrangements for the retention of business rates, authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £5.6m is estimated as the amount required to set aside for this purpose at the end of 2015/16. Telford & Wrekin Council's proportion of this is £2.7m (49%).

**Litigation Costs** – A provision has been created for 2015/16 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.

**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.

## **Commentary on the Accounts for 2015/16**

**Better Care Fund** – This was introduced in 2015/16 and has brought together into one place a number of Pooled Budgets that existed under separate agreements in 2014/15. The disclosure in Note 45 includes the Better Care Fund for 2015/16 followed by the separate Pooled Budgets that existed in 2014/15. 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 has been 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.

**Group Accounts** – The Council’s wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015. The 2015/16 Statement of Accounts includes Group Accounts which consolidate the Council and NuPlace’s financial statements at 31 March 2016. The Council has examined the relationship with other partners including West Mercia Energy (see note 60 to the accounts) and have concluded that group accounts only need to be prepared in respect of NuPlace.

**Highways Network Asset** – This will be included in the accounts for 2016/17 for the first time. The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. This will also require a change to accounting policies in respect of the Highways Network Asset.

### **2.5 Achievements & Performance During 2015/16**

Through 2015/16 Telford & Wrekin Council continued to drive the efficiency and effectiveness of its services:

#### **People**

##### **Adults**

- In general, our Adult Social Care Outcomes Framework (ASCOF) performance saw large improvements in 2015/16. Adult social care quality of life, is the highest it has ever been as is service users’ safety perception questions. Areas for improvement include enablement (helping adults relearn or regain skills lost because of poor health, disability or a period in hospital).

## **Children**

- 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 282 families worked with was achieved in 2015/16 and we are on track to achieve our target for 2016/17.
- Demand for children's services through Family Connect continues to grow. Despite this the numbers of looked after children by the authority remains stable at around 300. This is in line with statistical neighbours.
- Telford & Wrekin Council's Children & Young People Scrutiny Committee completed "A Review of Multi-Agency Working Against Child Sexual Exploitation". The report recognised the progress the Council and its partners has made on this issue and made a series of recommendations which will be delivered through the Telford & Wrekin Safeguarding Children Board.
- Educational attainment in schools:
  - 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. The gap between Free School Meals pupils and their peers narrowed to 26.2% - points slightly better than the national gap of 27.5% - points.

## **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 rate at 46.25% continues to be above the 2014/15 national rate of 43.7%. Residents recycled over 2,000 tonnes more in 2015 than in previous years, a rise of 17 percent placing less pressure on landfill and reducing the impact on the environment.
- Pride in your High Street Fund grants were awarded to 21 projects to revitalise the high streets and help businesses grow.
- Telford Town Park was voted nationally the best in the UK by the general public in the Fields in Trust Awards.
- A £5.6m Super Fast Broadband roll out programme will make fibre broadband available to a further 9,300 homes and businesses.

## **Economy**

- The Council has 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.
- A significant investment has been secured by Magna International Inc investing to build a new world class aluminium casting facility at T54 - the borough's flagship

automotive and advanced manufacturing employment site. This will create nearly 300 new jobs at the site and many more in the supply chain.

- Work started in September 2015 on the national MOD logistics hub which was successfully secured.
- Over 700 jobs were created as a result of business support activity during 2015.
- A 'Telford deal for business' was approved by Cabinet in March 2014 giving the flexibility to negotiate business rate concessions with businesses. Two business rate deals have been agreed creating 120 jobs.

## **Organisation**

- Continued to effectively deliver savings with £10m being achieved in 2015/16.
- Council Tax, Business rates and accounts receivable income collection rates all ahead of target for 2015/16 with over £9m more cash collected than the previous year.
- Our commercial activities continued to grow income to help protect front-line services. Our Solar Farm achieved £0.2m profit in its first full year of operation. The Council's wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015 with the objective of developing and managing a programme of 400 rental properties in the borough. The initial phase of the programme is well underway and the first tenants moved into their new homes in March 2016.

## **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 2016/17 Commentary

The Council has a rolling service and financial planning process. This was updated for 2016/17 formally by reports to the Council's Cabinet in January and February 2016. The decisions on the medium term budget strategy at 3 March 2016 Council reflect the outcome of extensive consultation with a wide variety of stakeholders following publication of the draft strategy on the 7 January 2016.

The provisional funding settlement for 2016/17 was announced very late on the 17th December 2015, followed by the final settlement on the 8<sup>th</sup> February 2016; as anticipated the Council faced a very significant reduction in funding. After delivering £80m of savings over the previous 7 years, further savings of over £16m were required in 2016/17.

The agreed strategy for 2016/17 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 £18.1m for general fund budgets;
- funding for unavoidable service pressures totalling £8.4m, including £5.4m for Early Help & Support (Adult Social Services) and £1.9m 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 new 2% Adult Social Care precept introduced by the Government. As a result, the Council Tax for Council Services in 2016/17 (Band B) is £921 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,184). The medium term strategy assumes increases of 3.2% for the three years 2017/18 to 2018/19 to match the period of the Government's Spending Review and commitment of 4 year settlements.

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

### **Looking Ahead**

Full Council approved the medium term financial strategy on the 3 March 2016 (available on the Council's web site). Despite the Government's commitment to give Four Year Revenue Support Grant Settlements, the funding outlook for the medium term is still particularly uncertain due to the number of pending changes which sit outside the Settlement Process, including a Business Rates national revaluation exercise to be implemented in April 2017, a fundamental review of the Business Rates Retention system with 100% of income retained by Councils before the end of the Parliament but with additional responsibilities transferred to Councils to fund and a review of the assessment of "needs" for each Council, proposed changes to New Homes Bonus and Education Funding Reform all of which could have significant impacts on the Council's funding. Projections beyond 2016/17 therefore currently include a high degree of uncertainty; however it is anticipated that the Council will

need to identify a further £20m savings by the end of 2019/20 on top of the £23m additional savings required in 2016/17 and 2017/18. It is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance being inevitable

### **3. Further Information**

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

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

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

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

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

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Ken Clarke MBA CPFA  
Chief Financial Officer

Chart 1

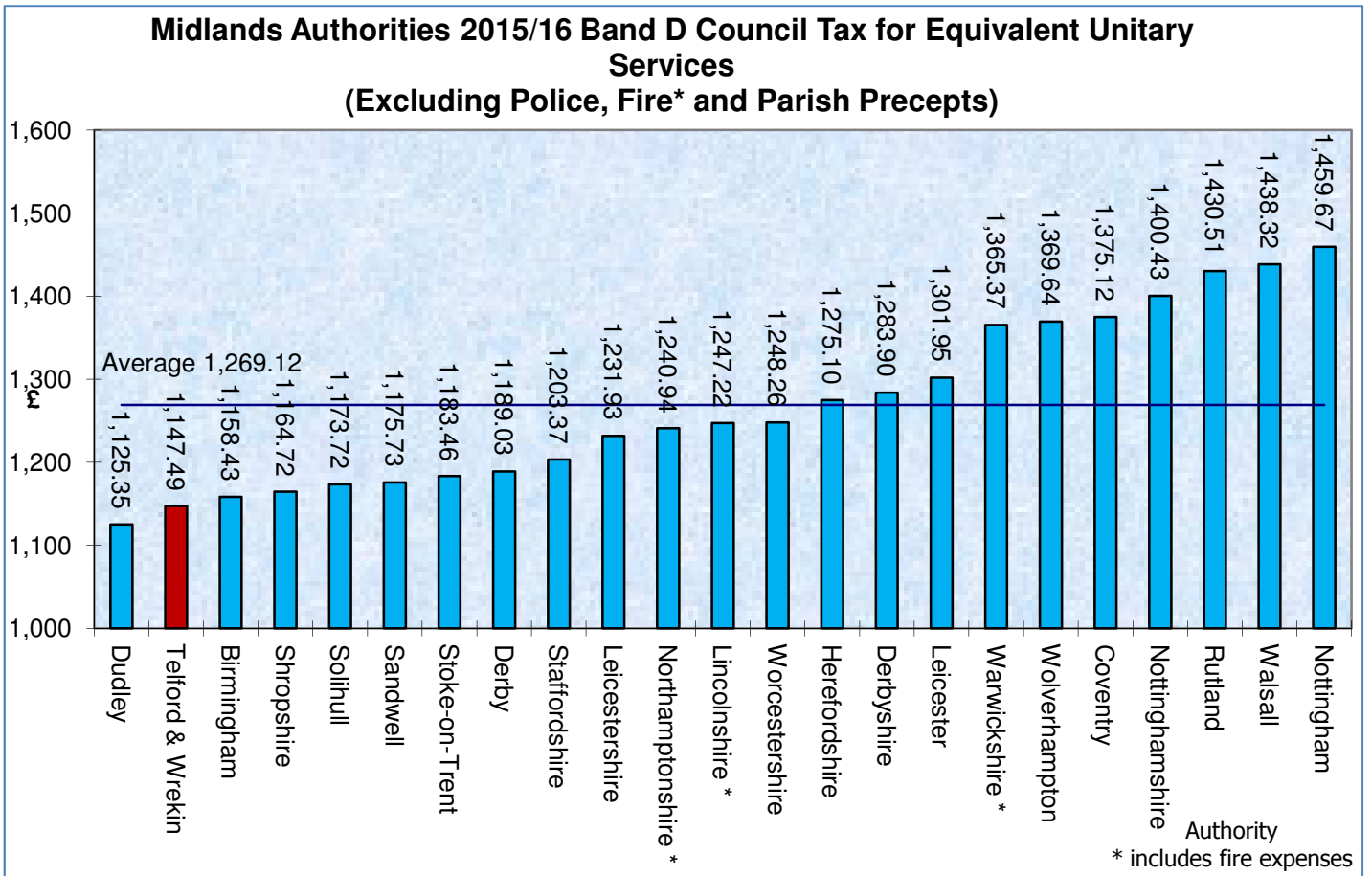


Chart 2

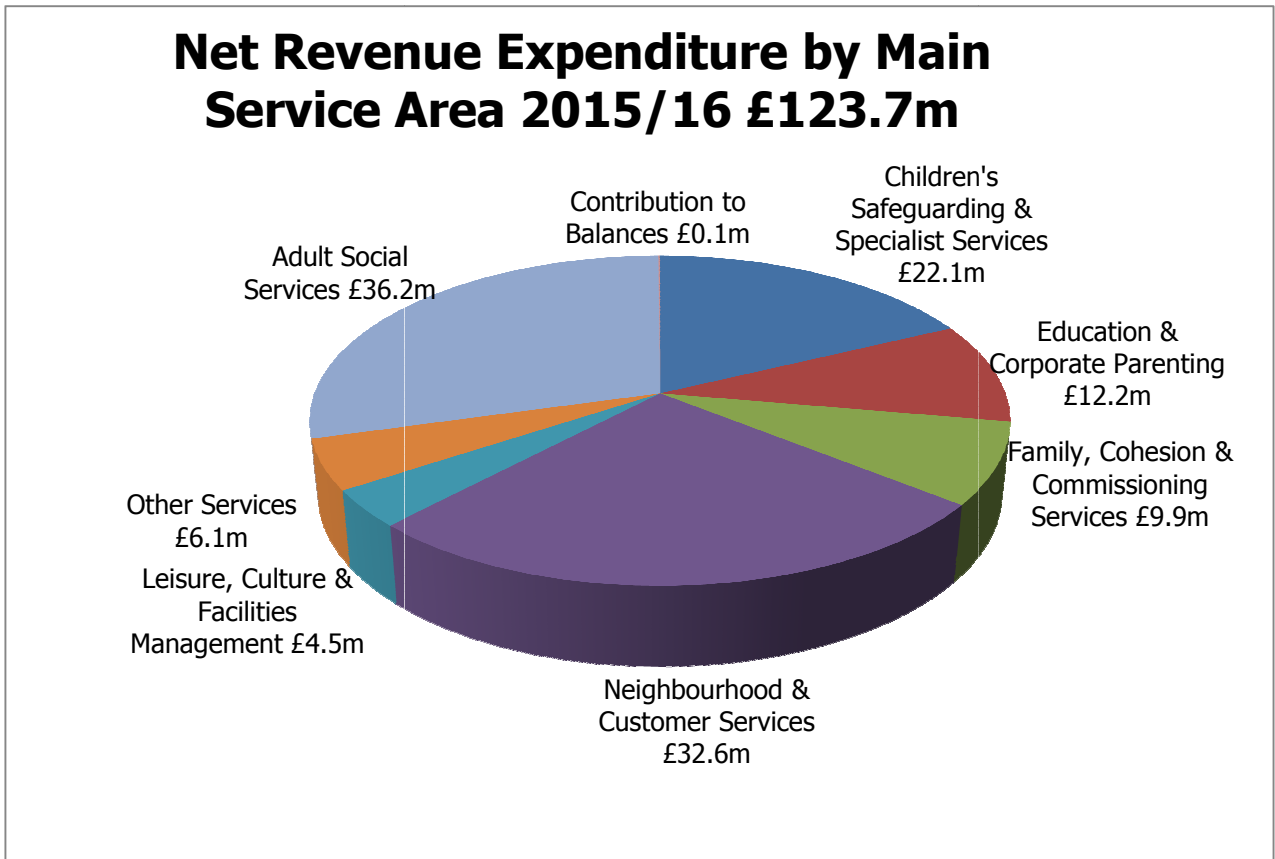


Chart 3

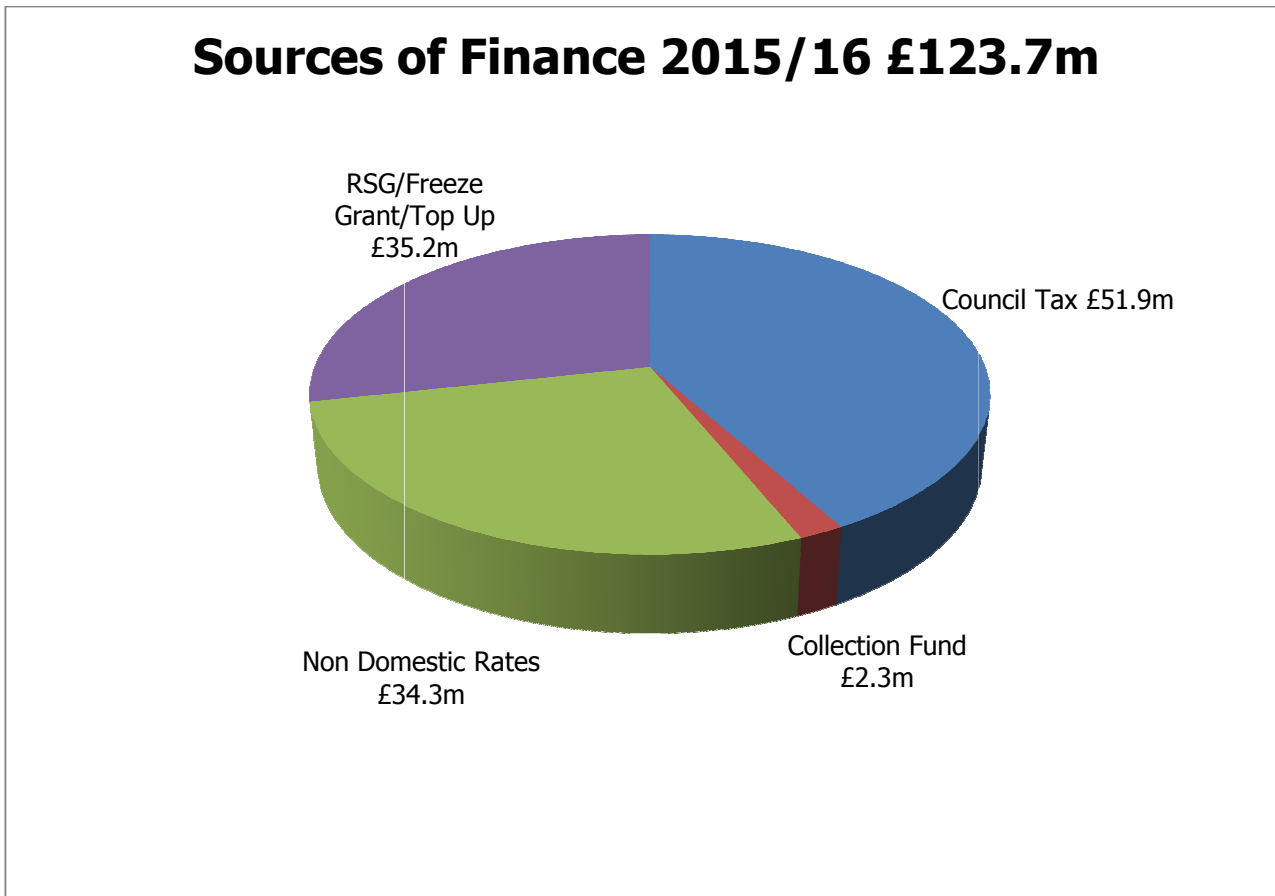


Chart 4

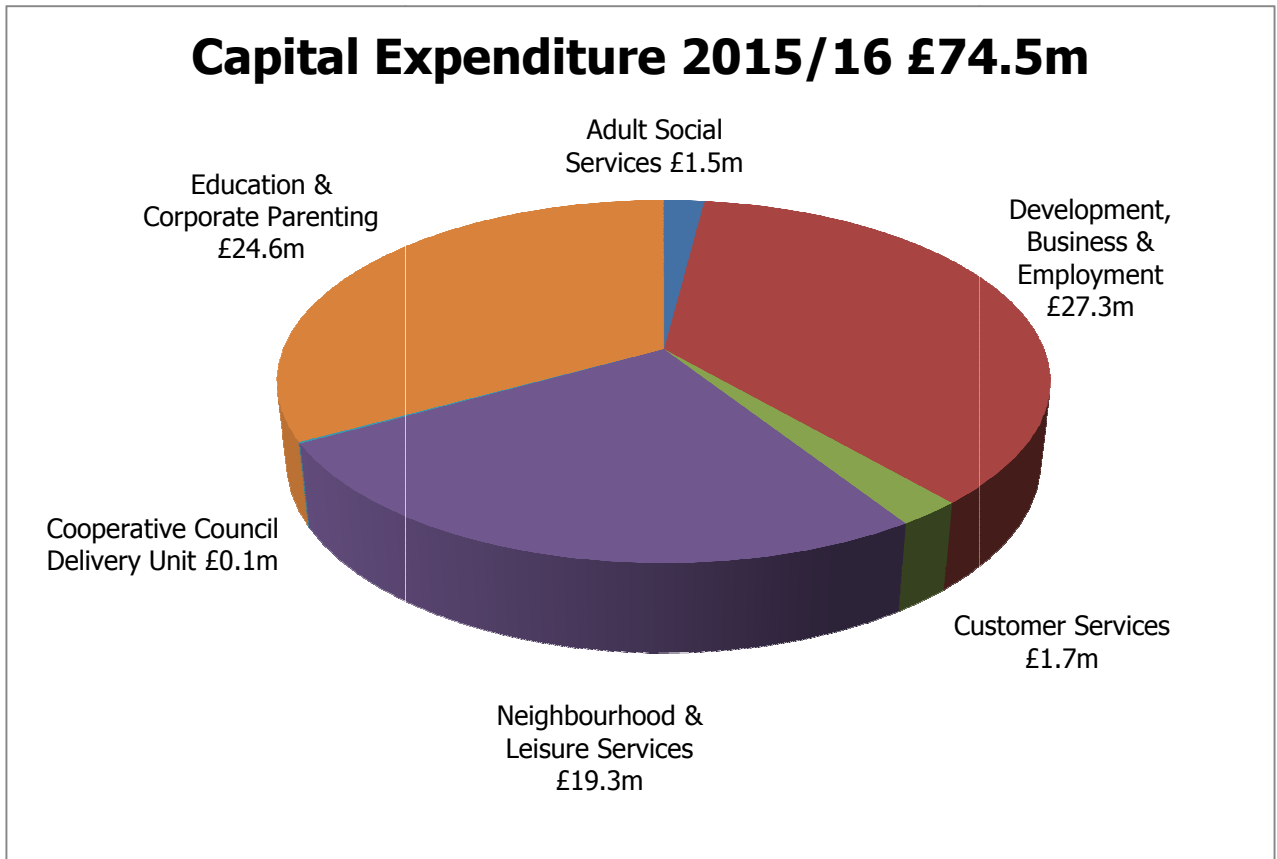
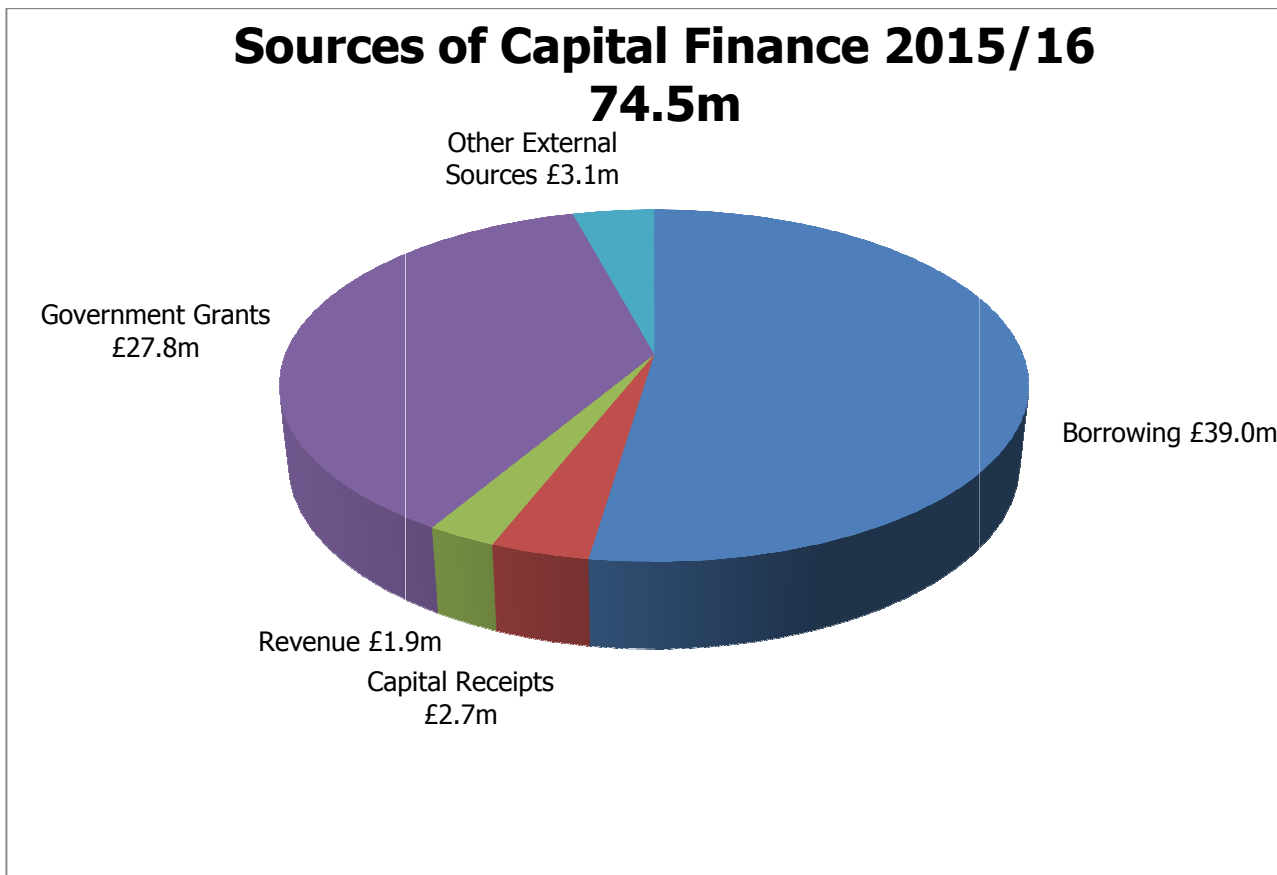


Chart 5



## **Statement Of Responsibilities**

### **The Council's Responsibilities**

#### **The Council is required:**

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Director: Finance, & 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 31<sup>st</sup> March 2016.

#### **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 119 complies with the requirements of the Accounts and Audit Regulations 2015.

Ken Clarke MBA CPFA,  
Assistant Director  
**Dated: 20 September 2016**

### **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: 20 September 2016**

## ANNUAL GOVERNANCE STATEMENT 2015/16

### 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 Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities 2012 edition. Within this code and to meet its responsibilities, the Council (members and officers) is responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations<sup>1</sup> and ensuring the effective exercise of its functions.

3.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5. During 2016/17 there will be a new local Code of Good Governance approved to meet the updated CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition).

### 4. The Purpose of the Governance Framework

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

4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

4.3 The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2016/17 and beyond to support good governance, revised service delivery and organisational change.

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

## **5. The Governance Framework**

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

- Community Strategy - Shaping Our Future – Telford & Wrekin's Journey to 2020 - approved by Council on 2 May 2013;
- The Council's Medium Term Plan 2013/14 to 2015/16 which outlines the Council's ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Co-operative Council principles and clear vision and values for the Council and the Community;
- Clear governance arrangements to manage the Council's change programmes and restructuring occurring across the Council and key capital projects;
- Designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services (Director of Children's & Adults Services from January 2016), Director of Adult Social Services (AD Early Help & Support from February 2016), Director of Public Health and Scrutiny Officer;
- The Council's Information Governance arrangements include a Caldicott Guardian and an Information Governance Framework sponsored by a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- The Performance management framework and data quality systems. These provide reports to SMT<sup>3</sup>, Cabinet and Scrutiny;
- A Legal Services team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- The Adults and Children's Safeguarding Boards and their associated accountability with an independent Chair;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group Managers/Team Leaders;
- Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning including the supporting financial planning strategy/options;
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's People Services (Human Resources from January 2016) and workforce /organisational development procedures<sup>4</sup> are supported by clear recruitment processes. These are followed up by on-line induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on-going training and development;
- Member and Officer<sup>5</sup> Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;

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

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

<sup>4</sup> Further development work has continued on these during 2015/16 to reflect Organisational Development, the Council's priority of Business Supporting, Business Winning Council and increased Commercial activities.

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

- The Council's communication, consultation and engagement strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The Leader and Deputy Leader of the Cabinet are the lead members responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and strategic risks are reviewed by SMT and agreed by the Cabinet;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- A process for the completion and approval of business cases for use of the Capacity fund, Invest to Save fund and use of consultants;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and External Audit guidance and is monitored by the Audit Committee;
- Internal audit operates to the Public Sector Internal Audit Standards and on a risk basis reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Audit, IG & Insurance Services SDM operates to meet the requirements of the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
- The Council has processes and documents to support governance and reporting arrangements for partnerships;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management;
- Governance awareness and training for members within their member development programme and for officers through induction, Ollie and Staff news (updates/reminders on any revised governance arrangements, including information governance).

## **6. Review of Effectiveness**

- 6.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
  - b) the work of internal audit; and also
  - c) comments made by the external auditors and other external review agencies and inspectorates.
- 6.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 6.3 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, direct feedback to members from within the community, the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.

- 6.4 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking 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 2015/16 the Internal Audit team achieved just under 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on adequacy and effectiveness of the Council's governance, risk management and internal control framework.
- 6.5 Internal Audit report on a quarterly basis to the Audit Committee, including a formal annual report. 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.
- 6.6 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 and the implementation of phase 2 of the Adult Social Care restructure.
- 6.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up policy. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Speak Up policy supports this. Internal Audit undertakes proactive fraud work based on a fraud risk register and has reviewed the Council's anti-fraud activities against best practice (issued by CIPFA Autumn 2014 with guidance June 2015) during 2015/16. Other specific anti-fraud and corruption activities are undertaken by Revenues & Benefits and Trading Standards. An annual report on these activities is presented to the Audit Committee.
- 6.8 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy.
- 6.9 The Council's performance management framework has systems and procedures which drive continuous improvement in performance.
- 6.10 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work will be required in 2016/17 to reflect the updated CIPFA/SOLACE Good Governance Framework and this is included in the action plan attached to this statement (Annex 1).
- 6.11 The Council recognises the importance of Information Governance and formalised its Information Governance framework in 2014/15. It has taken significant steps to improve the security of its IT, paper and handling processes to meet the compliance requirements for Data Handling in Government. The Information Governance team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2015/16 no enforcement action has been taken by the ICO against the Council.
- 6.12 Implementation of the ICT Strategy 2014-17 has continued in 2015/16 including infrastructure upgrades and further security improvements particularly in response to spam,

phishing/ whaling and Ransom ware threats. Further infrastructure improvements are planned during 2016/17 including the move to Office 365.

- 6.13 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 6.14 The Accounts and Audit 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 2015/16 sets out the internal audit opinion and that the External Auditor has reviewed and relied upon the work of Internal Audit in respect of the key financial systems for the 2015/16 final accounts audit.
- 6.15 The External Auditor's Annual Audit Letter 2014/15 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 2014/15 on 20 September 2015. 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 your financial governance, financial planning and financial control processes as well as how you are prioritising resources and improving efficiency and productivity.
  - Audit opinion - we issued an unqualified opinion on your financial statements on 20 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
- 6.16 Carwood Residential Home was inspected by CQC in January 2015 with the report issued in May 2015. The overall rating for the service was "requires improvement" but for the 5 questions of the assessment the results were as below:

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

The full report can be accessed through the link below:

<http://www.cqc.org.uk/search/services/care-homes/Carwood%20Residential%20Home?location=&latitude=&longitude=&sort=default&la=&distance=15&mode=html>

Although actions had been agreed to address the issues requiring improvement by the inspection the decision was taken by the Council in September 2015 to close the facility due to reduced demand. The last 3 residents will be leaving in early 2016/17.

CQC also made an inspection of Lakewood Court in March 2016 and the draft report gives an overall rating of good. The report is due to be published in 2016/17.

- 6.17 HM Inspectorate of Probation undertook a Short Quality Screening of Youth offending Work in West Mercia from 16<sup>th</sup> – 18<sup>th</sup> March 2015 and the report was issued on 13<sup>th</sup> May 2015.

**The report Summary is shown below** (full report can be viewed at <https://www.justiceinspectorates.gov.uk/hmiprobation/about-our-inspections/> ):

The published reoffending rate for West Mercia was 31.3%. This was better than the previous year and better than the England & Wales average of 36.1%. West Mercia YOS was formed in October 2012 following the merger of Worcestershire & Herefordshire YOS and Shropshire, Telford & Wrekin YOS. Given that the past two and a half years has been a period of change, including restructuring, it is not surprising that overall there has been a slight deterioration in the quality of work since the previous inspections of the two separate services. We were, however, impressed overall by the commitment of both management and staff to improve the lives of the children and young people they work with and their eagerness to improve their practice.

**Key strengths identified by the short quality screening were:**

- Services provided to the courts, and in particular Pre-Sentence Reports (PSR), were of a high standard.
- Assessments of diversity factors. This had been aided by the introduction of learning style questionnaires and the availability of a speech, language and communication skills worker within the Worcestershire area of the YOS.
- Good levels of compliance and, where needed, effective enforcement of court orders.
- The engagement of children and young people and parents/carers at the PSR stage and in understanding diversity factors.
- Positive health and well-being outcomes for children and young people as the result of multi-agency working.

**Areas requiring improvement were:**

- Planning to address vulnerability required substantial improvement.
- Reviews of assessment and planning to address reoffending and vulnerability needed improvement.
- Assessments and interventions of the speech, language and communication skills workers should be available across all areas of the YOS.
- More attention needed to be given to victim safety and identifying actions to manage this.
- Managers should provide greater support to staff to improve the quality of their assessments and plans, and ensure that their oversight of risk of harm and safeguarding work is effective.

West Mercia YOS are addressing the areas of improvement identified during the review.

6.18 The Arts Council Music Hub Peer Development programme undertook a peer review of the North West Midlands Music Education Hub Federation in 2015/16 and reviewed the following areas:

- 1: Partnership Development and working across a multi-authority how do you do this, how do you work with a range of partners?
- 2: Leadership development and succession planning.
- 3: Securing investment and funding.

Feedback has been provided which is being responded to by the partnership.

6.19 Adult Social Care participated in a Sector Led Improvement/Peer Challenge as part of the West Midlands Peer Challenge Summit in December 2015. The Council were paired with Warwickshire who provided challenge on our performance and actions for improvement are being acted on or included in the 2016/17 Service Plan.

6.20 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, senior managers, Internal Audit and external review, and plan to address weaknesses and

ensure continuous improvement of the framework as outlined in the action plan attached as Annex 1.

Richard Partington  
Managing Director  
**Dated:**

Clr Shaun Davies  
Leader of the Council  
**Dated:**

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

## ANNUAL GOVERNANCE STATEMENT ACTION PLAN FOR 2015/16 TO BE IMPLEMENTED 2016/17

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	Agreeing revised governance requirements from "Being the Change", updated Code of Good Governance and incorporating any changes into the Constitution, strategies and policies. Service Planning process has been updated and new plans will be operational for 2016/17 and monitoring will take place through challenge at SMT including the impacts of future reductions in budgets and changes to the local government finance system.  Updated Constitution effective from Summer 2016.	On-going 31/03/17
2.	Update local Code of Good Governance to reflect the revised CIPFA/SOLACE framework and guidance (issued April 2016)	Managing Director/ Monitoring Officer	Local Code to be updated and then communicated across the Council. Update 2016/17 certification process to reflect revised framework Implement March 2017 to support 2016/17 Annual Governance Statement.	31/05/16 31/01/17 16/03/17
3.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources	Local Audit and Accountability Act 2014 enacted but is not yet fully in force. Further secondary legislation and guidance to be published. External audit procurement planning commenced early 2016 and will progress during the year as will need to be completed by 31/12/17.  Planning for revised final accounts deadlines for 2017/18 to commence in 2015/16 so there can be phased changes to practices. Draft accounts by 31st May (instead of 30th June) and audited accounts by 31st July instead of 30th September.	Procurement actions on-going throughout the year including reporting to Audit Committee as appropriate.  Working towards updated final accounts timetable for 2016/17 onwards.

No	Action	Lead Officer	Comments	Date
4.	Complete the review and implementation of Workforce Development priorities and delivery. Continue to review and update the management competencies and skills required in the revised organisation. Review of Human Resources policies and procedures to support the priorities and organisational change.	Managing Director & AD – Finance & Human Resources	The key leadership, management and workforce requirements have been identified and the Council's development programme now reflects these. The programme is revised on a rolling basis. Human Resources policies have been prioritised and are being revised and renegotiated in line with these priorities.	Recommendations from external On-going as agreed with SMT (31/03/17).
5.	Deliver the improved processes and associated governance to deliver savings and service improvements in Adult Social Services alongside the development of the processes and Council governance arrangements for the revised Social Care and Health agendas and changes proposed for 2016/17 and beyond.	Interim AD: Early Help & Support/ AD Governance, Procurement & Commissioning	New target operating model effective from November 2015 and links to Cost Improvement Plan. Monitoring of the latter continuing with Senior Management and Members.  Further governance in respect to the Better Care Fund will be implemented during 2016/17.	<b>On-going 31/03/17 and beyond</b>
6.	Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges.	Director: Children's & Adult Services and Director – Customer, Neighbourhood & Well-Being Services	This action plan is particularly focussed on any recommendations from external reviews that improve the governance arrangements in these areas.	Various dates throughout 2016/17
7.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	Continued support and review of the separate company arrangements and associated governance issues.  Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval.	On-going during 2016/17

**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

## Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014 carried forward restated (see note 2)</b>	<b>3,224</b>	<b>43,707</b>	<b>0</b>	<b>7,116</b>	<b>54,047</b>	<b>51,263</b>	<b>105,310</b>
<b>Movement in reserves during 2014/15</b>							
Surplus or (deficit) on the provision of services	61,206	0	0	0	<b>61,206</b>	0	<b>61,206</b>
Other Comprehensive Income and Expenditure restated	0	0	0	0	<b>0</b>	(60,059)	<b>(60,059)</b>
<b>Total Comprehensive Income and Expenditure restated</b>	<b>61,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,206</b>	<b>(60,059)</b>	<b>1,147</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(53,723)	0	0	1,813	<b>(51,910)</b>	51,910	<b>0</b>
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves restated</b>	<b>7,483</b>	<b>0</b>	<b>0</b>	<b>1,813</b>	<b>9,296</b>	<b>(8,149)</b>	<b>1,147</b>
Transfers to/(from) Earmarked Reserves	(6,338)	6,338	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/ (Decrease) in 2014/15 restated</b>	<b>1,145</b>	<b>6,338</b>	<b>0</b>	<b>1,813</b>	<b>9,296</b>	<b>(8,149)</b>	<b>1,147</b>
<b>Balance at 31 March 2015 carried forward restated</b>	<b>4,369</b>	<b>50,045</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>	<b>43,114</b>	<b>106,457</b>

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Movement in reserves during 2015/16</b>							
Surplus or (deficit) on the provision of services	(30,955)	0	0	0	(30,955)	0	(30,955)
Other Comprehensive Income and Expenditure	0	0	0	0	0	23,715	23,715
<b>Total Comprehensive Income and Expenditure</b>	<b>(30,955)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(30,955)</b>	<b>23,715</b>	<b>(7,240)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	35,842	0	0	(6,069)	29,773	(29,773)	0
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>4,887</b>	<b>0</b>	<b>0</b>	<b>(6,069)</b>	<b>(1,182)</b>	<b>(6,058)</b>	<b>(7,240)</b>
Transfers to/(from) Earmarked Reserves	(4,766)	4,766	0	0	0	0	0
<b>Increase/ (Decrease) in 2015/16</b>	<b>121</b>	<b>4,766</b>	<b>0</b>	<b>(6,069)</b>	<b>(1,182)</b>	<b>(6,058)</b>	<b>(7,240)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,490</b>	<b>54,811</b>	<b>0</b>	<b>2,860</b>	<b>62,161</b>	<b>37,056</b>	<b>99,217</b>

It can be seen from this table that of the total £99.2m reserves, only £4.5m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances. See note 29, 30 and 31.

## Comprehensive Income and Expenditure Account

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

SERVICE	2014/15 Gross Expenditure £000	2014/15 Income £000	2014/15 Net Expenditure £000	2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000
Children's and Education Services (note 8)	161,361	178,364	(17,003)	150,049	131,754	18,295
Adult Social Care	65,705	25,656	40,049	64,741	22,990	41,751
Environmental & Regulatory Services	15,997	3,409	12,588	13,221	3,063	10,158
Cultural and Related Services	24,330	13,007	11,323	24,373	12,224	12,149
Planning Services	10,643	17,532	(6,889)	14,322	9,556	4,766
Highways & Transport Services	21,848	22,120	(272)	21,162	16,053	5,109
Housing Services	84,441	81,651	2,790	92,396	77,535	14,861
Court & Probation Services	267	0	267	314	0	314
Contribution re Former County Council Debt	1,876	0	1,876	1,792	0	1,792
Corporate & Democratic Core	3,610	0	3,610	3,429	0	3,429
Central Services	34,164	23,848	10,316	38,532	28,165	10,367
Non Distributed Costs	1,964	0	1,964	1,548	0	1,548
Public Health	11,264	10,929	335	12,154	11,712	442
<b>Net Cost of Services (Note 42)</b>	<b>437,470</b>	<b>376,516</b>	<b>60,954</b>	<b>438,033</b>	<b>313,052</b>	<b>124,981</b>
Other Operating Expenditure (Note 9)			1,133			28,278
Financing and Investment Income and Expenditure (Note 10)			12,738			5,793
Taxation & Non Specific Grant Income and Expenditure (Note 11)			(136,031)			(128,097)
<b>(Surplus) or deficit on provision of services</b>			<b>(61,206)</b>			<b>30,955</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets (restated for 2014/15)			(3,953)			(1,696)
Remeasurements of the net defined benefit pension liability (Note 12)			64,012			(22,019)
<b>Other Comprehensive Income &amp; Expenditure (restated for 2014/15 Note 2)</b>			<b>60,059</b>			<b>(23,715)</b>
<b>Total Comprehensive Income and Expenditure (restated for 2014/15)</b>			<b>(1,147)</b>			<b>7,240</b>

## Balance Sheet

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

<b>31 March 2014 restated £000</b>	<b>31 March 2015 restated £000</b>		<b>31 March 2016 £000</b>	<b>31 March 2016 £000</b>
413,754	483,855	Property, Plant & Equipment (Note 14)	485,007	
54,275	59,329	Investment Properties (Note 15)	71,390	
1,627	2,065	Intangible Assets (Note 16)	2,437	
33	33	Long Term Investments (Notes 22,23,24)	3,533	
573	614	Long Term Debtors (Note 22)	8,344	
<b>470,262</b>	<b>545,896</b>	<b>Total Long Term Assets</b>		<b>570,711</b>
		<b>Current Assets</b>		
298	297	Inventories (Note 20)	351	
20,731	19,706	Debtors (Notes 21,22)	23,517	
10,000	0	Investments - (short term) (Notes 22,23,24)	0	
4,842	14,468	Assets Held for Sale (Note 17)	12,844	
14,467	4,657	Cash and Cash Equivalents (Note 25)	7,286	
50,338	39,128		43,998	
		<b>Current Liabilities</b>		
(18,654)	(19,053)	Provisions (Note 26)	(20,073)	
(37,063)	(29,093)	Short term Borrowing (Notes 22,23)	(75,579)	
(62,521)	(64,166)	Creditors (Notes 22,27)	(62,872)	
(118,238)	(112,312)		(158,524)	
<b>(67,900)</b>	<b>(73,184)</b>	<b>Total Net Current Assets/(Liabilities)</b>		<b>(114,526)</b>
(88,520)	(87,520)	Less Long Term Borrowing (Notes 22,23)		(88,519)
(58,274)	(56,488)	Less Long Term Creditors (PFI & Finance Leases) (Note 22,28)		(55,321)
(150,183)	(222,247)	Less Pensions Liability (Note 12)		(212,647)
(75)	(0)	Capital Grants Receipts in Advance (Note 41)		(481)
<b>105,310</b>	<b>106,457</b>	<b>Net Assets</b>		<b>99,217</b>
54,047	63,343	Usable Reserves (Note 29)		62,161
51,263	43,114	Unusable Reserves (Note 31)		37,056
<b>105,310</b>	<b>106,457</b>	<b>Net Reserves</b>		<b>99,217</b>

## Cash Flow Statement

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

2014/15		2015/16
£000		£000
(61,206)	Net (surplus) or deficit on the provision of services	30,955
(30,745)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 36)	(66,225)
89,054	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 37)	40,682
(2,897)	<b>Net cash flows from Operating Activities (Note 40)</b>	5,412
6,183	Investing Activities (Note 38)	39,086
6,524	Financing Activities (Note 39)	(47,127)
9,810	<b>Net (increase) or decrease in cash and cash equivalents</b>	(2,629)
14,467	Cash and cash equivalents at the beginning of the reporting period	4,657
4,657	<b>Cash and cash equivalents at the end of the reporting period (Note 25)</b>	7,286

# 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 2015/16 (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 £115m, 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 2015/16 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 31<sup>st</sup> March 2016 there were 5 significant capital contracts in place. These total £13.3m and are 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.

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 after allowing for the residual value of the asset and its estimated life.
- depreciation is not provided for on Investment Properties.

#### **v) Charges to Revenue in respect of Property, Plant and Equipment**

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

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

#### **w) Provisions**

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

#### **x) Reserves**

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in note 29, 30 & 31 to the Core Financial Statements.

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

- the revaluation reserve, which represents principally the balance of the upward revaluations of property, plant and equipment and;

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

**y) Revenue Expenditure funded from Capital under Statute**

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

**z) Value Added Tax**

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

**aa) Direct Revenue Financing of Capital Expenditure**

The Council is permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2015/16, the Council charged a small amount of expenditure for capital purposes to its Comprehensive Income and Expenditure Account.

**ab) Interest on surplus funds and balances**

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

**ac) Capital Receipts**

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

**ad) The Redemption of Debt**

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

The "Minimum Revenue Provision" (MRP) is calculated on the basis of the life of the asset and the ultimate funding of that asset. MRP is not charged until the year after the asset comes into operation.

**ae) Estimation Techniques**

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

**af) Heritage Assets**

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

A list of the Council's Heritage assets is included in Note 18.

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

**ag) Carbon Reduction Commitment Scheme**

The Authority no longer falls within the CRC scheme.

**ah) Capitalisation Of Interest**

Following a change in guidance the Council amended its policy on capitalisation of interest in 2013/14. Previously all interest has been charged to revenue in the year incurred, however, part of this interest cost relates to capital schemes under construction. With effect from 1 April 2013, interest costs relating to assets under construction will be capitalised, but only during the construction phase of the scheme. A threshold of £1m will be applied to this policy i.e. interest will only be capitalised for programme items where prudential borrowing exceeds £1m in year. This change in policy will generate revenue savings in the short term, but these will be offset by higher debt repayments in future years. For 2015/16 a total of £0.089m (£0.246m for 2014/15) 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 2015/16 the following new standards have been issued, but not yet adopted:

- The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. This will require a change to accounting policies in respect of the Highways Network Asset.
- IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.
- Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

### **Prior Period Adjustments**

The Council is in the process of implementing a Computerised Fixed Asset Model. As part of that implementation we have amended the treatment of impairment and subsequent revaluation of assets, so that any revaluations reverse previous impairments before adding to the Revaluation Reserve. This has had a small impact on the value of assets and also led to a reduction in the Revaluation Reserve offset by an increase in the Capital Adjustment Account.

### **Movement In Reserves Statement**

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Total Usable Reserves – Balance at 31/3/14	51,219	+44	51,263
Total Authority Reserves – Balance at 31/3/14	105,266	+44	105,310
Movement During 2014/15 – Other Comprehensive Income and Expenditure – Unusable Reserves	(60,018)	-41	(60,059)
Movement During 2013/14 – Other Comprehensive Income and Expenditure – Total Authority Reserves	(60,018)	-41	(60,059)
Total Comprehensive Income and Expenditure – Unusable Reserves	(60,018)	-41	(60,059)
Total Comprehensive Income and Expenditure – Total Authority Reserves	1,188	-41	1,147
Net Increase / (Decrease) before Transfers to Earmarked Reserves – Unusable Reserves	(8,108)	-41	(8,149)
Net Increase / (Decrease) before Transfers to Earmarked Reserves – Total Authority Reserves	1,188	-41	1,147
Increase / (Decrease) in 2014/15 – Unusable	(8,108)	-41	(8,149)

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Reserves			
Increase / (Decrease) in 2014/15 – Total Authority Reserves	1,188	-41	1,147
Balance at 31/3/15 carried forward – Total Unusable Reserves	43,111	+3	43,114
Balance at 31/3/15 carried forward – Total Authority Reserves	106,454	+3	106,457

### Comprehensive Income and Expenditure Account

Description	Original Figure £000	Adjustment £000	Revised Figure £000
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets	(3,994)	+41	(3,953)
Other Comprehensive Income & Expenditure	60,018	+41	60,059
Total Comprehensive Income & Expenditure	(1,188)	+41	(1,147)

### Balance sheet

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Property, Plant and Equipment	483,852	+3	483,855
Total Long Term Assets	545,893	+3	545,896
Net Assets	106,454	+3	106,457
Unusable Reserves	43,111	+3	43,114
Net Reserves	106,454	+3	106,457

### Revaluation Reserve

	Original Figure £000	Adjustment £000	Revised Figure £000
Balance brought forward	48,493	-6,200	42,293
Upwards revaluation of assets	8,314	-854	7,460
Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	(4,759)	+546	(4,213)
Difference between fair value depreciation and historical cost depreciation	(1,120)	+127	(993)
Accumulated gains and losses on assets sold or scrapped	157	+226	383
Balance carried forward	51,085	-6,155	44,930

## Capital Adjustment Account

	Original Figure £000	Adjustment £000	Revised Figure £000
Balance Brought Forward	154,854	+6,244	161,098
Charges for depreciation and impairment of non-current assets	(23,640)	+36	(23,604)
Adjusting amounts written out of the Revaluation Reserve	1,402	-127	1,275
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(705)	+5	(700)
Balance Carried Forward	213,094	+6,158	219,252

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

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

Note 14 – Property, Plant and Equipment

### **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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £2.2m for every year that useful lives had to be reduced.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £11.9m. However, the assumptions interact in complex ways.
<b>Arrears</b>	At 31 March 2016, the Authority had a balance of £31.527m for sundry debtors. The Council has set aside a bad debts provision of 25.4% (£8.010m) in relation to these. It is our view that this level of provision is sufficient.	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £1.6m to be set aside as an allowance.
<b>Single Status</b>	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 <sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2015/16 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 15 June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

## **7. Adjustments between Accounting Basis and Funding Basis under Regulations**

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

<b>2015/16</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	<b>17,573</b>	<b>0</b>	<b>0</b>	<b>(17,573)</b>
Movement in the market value of Investment Properties	<b>(6,550)</b>	<b>0</b>	<b>0</b>	<b>6,550</b>
Revenue expenditure funded from capital under statute	<b>15,713</b>	<b>0</b>	<b>0</b>	<b>(15,713)</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>38,930</b>	<b>0</b>	<b>0</b>	<b>(38,930)</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	<b>(416)</b>	<b>0</b>	<b>0</b>	<b>416</b>

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,674)	2,674	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,674)	0	2,674
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
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
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	403	0	0	(403)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	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
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	(1,085)	0	0	1,085
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				

<b>2015/16</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
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
<b>Total Adjustments</b>	<b>35,842</b>	<b>0</b>	<b>(6,069)</b>	<b>(29,773)</b>

<b>2014/15 Comparative Figures</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	24,529	0	0	(24,529)
Movement in the market value of Investment Properties	705	0	0	(705)
Revenue expenditure funded from capital under statute	8,665	0	0	(8,665)
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	907	0	0	(907)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(4,403)	0	0	4,403
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(85,955)	0	85,955	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(84,142)	84,142
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,099)	3,099	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,099)	0	3,099
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				

<b>2014/15 Comparative Figures</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	370	0	0	(370)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	20,570	0	0	(20,570)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,518)	0	0	12,518
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,651)	0	0	3,651
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	157	0	0	(157)
<b>Total Adjustments</b>	<b>(53,723)</b>	<b>0</b>	<b>1,813</b>	<b>51,910</b>

## 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 2015/16 are as follows:

<b>Schools Budget Funded By Dedicated Schools Grant</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2015/16			<b>129,547</b>
Brought forward from 2014/15			<b>852</b>
Academy Figure recouped for 15/16			<b>(26,695)</b>
<b>Agreed budgeted distribution in 2015/16</b>	<b>13,739</b>	<b>89,965</b>	<b>103,704</b>
In Year Adjustments	<b>0</b>	<b>46</b>	<b>46</b>
<b>Final Budget Distribution for 2015/16</b>	<b>13,739</b>	<b>90,011</b>	<b>103,750</b>
Actual Central Expenditure	(13,434)		<b>(13,434)</b>
Actual ISB deployed to Schools		(89,965)	<b>(89,965)</b>
<b>Carry Forward to 2016/17</b>	<b>305</b>	<b>46</b>	<b>351</b>

The in-year adjustment of £46,000 is derived from adjustments to early years funding and recoupment made after the year end.

## 9. Other Operating Expenditure

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>2,898</b>	Parish Council precepts	<b>2,993</b>
<b>427</b>	Payment of RSG to Parishes	<b>316</b>
<b>0</b>	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	<b>35,867</b>
<b>(2,192)</b>	(Gains)/losses on the disposal of non-current assets – Other Assets	<b>(10,898)</b>
<b>1,133</b>	<b>Total</b>	<b>28,278</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>8,935</b>	Interest payable and similar charges	<b>8,764</b>
<b>6,419</b>	Pensions interest cost and expected return on pensions assets	<b>7,071</b>
<b>(176)</b>	Interest receivable and similar income	<b>(22)</b>
<b>(2,478)</b>	Income and expenditure in relation to investment properties and changes in their fair value	<b>(10,060)</b>
<b>38</b>	Other investment income and expenditure	<b>40</b>
<b>12,738</b>	<b>Total</b>	<b>5,793</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(55,718)</b>	Council tax income	<b>(54,947)</b>
<b>(300)</b>	Collection Fund Surplus/Deficit	<b>(2,262)</b>
<b>(33,615)</b>	Non domestic rates	<b>(35,258)</b>
<b>(2,076)</b>	Non domestic rates Top Up Grant	<b>(2,116)</b>
<b>(70)</b>	Local Services Support Grant	<b>(42)</b>
<b>(42,071)</b>	Revenue Support Grant	<b>(31,444)</b>
<b>(1,575)</b>	Section 31 Grant	<b>(1,416)</b>
<b>(606)</b>	Council Tax Freeze Grant	<b>(612)</b>
<b>(136,031)</b>	<b>Total</b>	<b>(128,097)</b>

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

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 1(h) of the Accounting Policies, the Council participates in three formal schemes, the Local Government Pension Scheme, National Health Service Scheme and the 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 decreased by £9.6m; this has been as a result of remeasurements on liabilities (due to changes in assumptions including a higher discount rate).

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

The weighted average duration of the defined benefit obligation for scheme members is 19 years. (19 years 2014/15).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £13.652m (comprising contributions of £10.443m plus a lump sum payment of £3.209m). The contribution rate was set for 2015/16 at 12.6%, plus a lump sum. The combined rate for 2015/16 is estimated at 17.1%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/16 the cumulative amount of actuarial losses recognised in the statements is £95.167m.

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
(633,181)	Present Value of Funded Benefit Obligations	(623,175)
(10,873)	Present Value of Unfunded Benefit Obligations	(10,206)
(644,054)	Total Present Value of Benefit Obligations	(633,381)
421,807	Fair Value of Pension Fund Assets	420,734
(222,247)	Surplus/(Deficit)	(212,647)

Change in Benefit Obligation during year.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
(529,543)	Benefit Obligation at Beginning of Year	(644,054)
(13,070)	Current Service Cost	(17,488)
(23,514)	Interest on Pension Liabilities	(21,042)
(4,297)	Member Contributions	(4,423)
(91,188)	Remeasurements (Liabilities)	36,986
(742)	Curtailment Cost	(670)
18,300	Benefits / Transfers Paid	17,310
(644,054)	Surplus / (Deficit) at End of Year	(633,381)

Change in Plan Assets during year.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
379,360	Fair Value of Plan Assets at Beginning of Year	421,807
17,095	Expected Return on Plan Assets	13,971
27,176	Remeasurements (Assets)	(14,967)
12,518	Employer Contributions	13,160
4,297	Member Contributions	4,423
(339)	Administration Expenses	(350)
(18,300)	Benefits / Transfers Paid	(17,310)
421,807	Surplus / (Deficit) at End of Year	420,734

## Statement of Gains and Losses

	2014/15 £000	%	2015/16 £000	%
Actuarial Gain/(Loss)	(64,012)	9.9% of liabilities	22,019	3.5% of liabilities
Actual Return on Plan Assets	44,271		(997)	
Experience Gains/(Losses) On Assets	27,176	6.4% of assets	(14,967)	3.6% of assets
Experience Gains/(Losses) On Liabilities	0	0% of liabilities	0	0% of liabilities

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

2014/15			2015/16	
£000	%		£000	%
219,382	52.0%	Equity Investments	214,826	51.1%
46,821	11.1%	Government Bonds	46,744	11.1%
60,824	14.4%	Other Bonds	61,512	14.6%
17,294	4.1%	Property	22,509	5.4%
13,118	3.1%	Cash/Liquidity	7,237	1.7%
64,368	15.3%	Other	67,906	16.1%
421,807	100.0%	Total	420,734	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 2013 and updated for the following 36 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31 March 2016. The main assumptions used in the calculations are:

2014/15		2015/16
2.0%	- rate of inflation (CPI)	2.0%
3.5%	- rate of increase in salaries	3.5%
2.0%	- rate of increase in pensions	2.0%
50%	- proportion of employees opting to take a commuted lump sum	50%
3.3%	- rate for discounting scheme liabilities	3.6%
	- longevity at 65 for current pensioners	
23.9	Male	23.9
26.3	Female	26.4
	- longevity at 65 for future pensioners	
26.1	Male	26.2
29.1	Female	29.2

Changes to the pension scheme permit employees retiring on or after 6<sup>th</sup> April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take maximum cash and 50% will take 3/80ths cash.

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

#### Sensitivity Analysis as at 31/3/2016

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	633,381	621,499	645,490	636,088	645,362
Assets	(420,734)	(420,734)	(420,734)	(420,734)	(420,734)
Deficit/(Surplus)	212,647	200,765	224,756	215,354	224,628
Projected Net Interest Cost for next year	7,427	7,194	7,875	7,536	7,870

#### Scheme History

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present Value of Liabilities	(453,881)	(539,135)	(529,543)	(644,054)	(633,381)
Fair Value of Assets	299,294	343,129	379,360	421,807	420,734
Surplus/(Deficit) on scheme	(154,587)	(196,006)	(150,183)	(222,247)	(212,647)
(Gains) and Losses on Assets	3.5%	(7.7%)	(7.2%)	(10.5%)	(0.2%)
Gains and (Losses) on Liabilities	0.0%	0.0%	0.9%	0.0%	0.0%

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

2014/15 £000		2015/16 £000
(150,183)	Opening Balance	(222,247)
(742)	Past Service Cost - Added Years	(670)
(13,070)	Current Service Cost	(17,488)
(23,514)	Interest Cost	(21,042)
17,095	Return On Assets	13,971
12,518	Payments to Pension Fund	13,160
(339)	Administration Expenses	(350)
(64,012)	Actuarial Gain or (Loss)	22,019
(222,247)	Closing Balance	(212,647)

## **Pensions Reserve**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
150,183	Opening Balance	222,247
742	Past Service Cost - Added Years	670
(12,518)	Charging Pensions Costs Payable	(13,160)
19,828	Reversing Out IAS 19 Items	24,909
64,012	Actuarial (Gain) or Loss	(22,019)
222,247	Closing Balance	212,647

### **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 2015/16 the Council paid an employer's contribution of £6,144,244 (£5,493,481 in 2014/15) representing 15.5% 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 31<sup>st</sup> March 2013. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £6,530,895 (£6,213,667 in 2014/15) representing 16.48% of pensionable pay.

National Health Service Pension Scheme:

In 2015/16 the Council paid an employer's contribution of £46,590 (£45,390 in 2014/15) representing 14.3% (14.0% in 2014/15) of pensionable pay into the NHS Pension Scheme. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quadrennial actuarial valuations, the last review being at 31<sup>st</sup> March 2012. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £46,590 representing 14.3% of pensionable pay.

## 14. Property, Plant and Equipment

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
<b>Cost or Valuation</b>						
<b>At 1 April 2015</b>	<b>378,532</b>	<b>31,152</b>	<b>114,690</b>	<b>55,556</b>	<b>579,930</b>	<b>60,943</b>
Additions	8,015	2,624	18,394	26,077	<b>55,110</b>	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,680)	0	0	0	<b>(2,680)</b>	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,221)	0	0	0	<b>(2,221)</b>	0
Derecognition – disposals	(1,873)	0	0	(36,902)	<b>(38,775)</b>	0
Assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	710	0	0	0	<b>710</b>	0
Assets reclassified (to) /from Investment Properties	(1,098)	0	0	0	<b>(1,098)</b>	0
<b>At 31 March 2016</b>	<b>397,832</b>	<b>35,307</b>	<b>134,432</b>	<b>23,405</b>	<b>590,976</b>	<b>61,852</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2015	<b>66,434</b>	<b>19,474</b>	<b>9,495</b>	<b>672</b>	<b>96,075</b>	<b>5,621</b>
Depreciation charge	8,612	2,040	2,900	0	<b>13,552</b>	1,407
Depreciation written out to the Revaluation Reserve	(3,534)	0	0	0	<b>(3,534)</b>	(583)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	686	0	0	0	<b>686</b>	0
Derecognition – disposals	(810)	0	0	0	<b>(810)</b>	0
<b>At 31 March 2016</b>	<b>71,388</b>	<b>21,514</b>	<b>12,395</b>	<b>672</b>	<b>105,969</b>	<b>6,445</b>
<b>Net Book Value</b>						
<b>at 31 March 2016</b>	<b>326,444</b>	<b>13,793</b>	<b>122,037</b>	<b>22,733</b>	<b>485,007</b>	<b>55,407</b>
<b>at 31 March 2015</b>	<b>312,098</b>	<b>11,678</b>	<b>105,195</b>	<b>54,884</b>	<b>483,855</b>	<b>55,322</b>
<b>Information on Assets Held at 31/3/16</b>						
Nature of Holding						
Owned	271,037	12,504	122,037	22,733	<b>428,311</b>	
Leased	0	1,289	0	0	<b>1,289</b>	
PFI	55,407	0	0	0	<b>55,407</b>	
<b>Total</b>	<b>326,444</b>	<b>13,793</b>	<b>122,037</b>	<b>22,733</b>	<b>485,007</b>	

Comparative Movements in 2014/15:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2014	<b>342,289</b>	<b>22,879</b>	<b>87,639</b>	<b>37,787</b>	<b>490,594</b>	<b>60,617</b>
Additions	20,778	5,604	27,051	51,541	<b>104,974</b>	326
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,493)	0	0	0	<b>(1,493)</b>	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,868)	0	0	0	<b>(1,868)</b>	0
Derecognition – disposals	(150)	0	0	0	<b>(150)</b>	0
Assets reclassified (to) /from Assets Under Construction	31,103	2,669	0	(33,772)	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	(7,400)	0	0	0	<b>(7,400)</b>	0
Assets reclassified (to) /from Investment Properties	(4,727)	0	0	0	<b>(4,727)</b>	0
At 31 March 2015	<b>378,532</b>	<b>31,152</b>	<b>114,690</b>	<b>55,556</b>	<b>579,930</b>	<b>60,943</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2014	<b>52,189</b>	<b>16,650</b>	<b>7,329</b>	<b>672</b>	<b>76,840</b>	<b>4,228</b>
Depreciation charge	8,081	2,824	2,166	0	<b>13,071</b>	1,393
Depreciation written out to the Revaluation Reserve	(1,744)	0	0	0	<b>(1,744)</b>	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	7,908	0	0	0	<b>7,908</b>	0
Derecognition – disposals	0	0	0	0	<b>0</b>	0
<b>At 31 March 2015</b>	<b>66,434</b>	<b>19,474</b>	<b>9,495</b>	<b>672</b>	<b>96,075</b>	<b>5,621</b>

Depreciation

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

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

## Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £13.3m. Similar commitments at 31 March 2015 were £29.6m. The major commitments are:

- Ercall Wood School - £2.4m
- Grange Park Primary - £3.6m
- Telford Growth Package - £2.0m
- Superfast Broadband - £3.9m
- Meeting Point House - £1.4m

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

The Council's property was valued on 1 April 2015 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 £66.850m, 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
2011/12	120,710
2012/13	85,058
2013/14	27,555
2014/15	37,504
2015/16	45,747
Total	316,574

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

## 15. Investment Properties

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(6,120)</b>	Rental income from investment property	<b>(6,996)</b>
<b>2,937</b>	Direct operating expenses arising from investment property	<b>3,486</b>
<b>(3,183)</b>	Net Operational (gain)/loss	<b>(3,510)</b>
<b>705</b>	Net (gain)/loss on revaluation of properties	<b>(6,550)</b>
<b>(2,478)</b>	Total Net (gain)/loss	<b>(10,060)</b>

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:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>54,275</b>	Balance at start of the year	<b>59,329</b>
<b>2,891</b>	Additions	<b>4,829</b>
<b>(1,859)</b>	Disposals	<b>(416)</b>
<b>(705)</b>	Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services	<b>6,550</b>
	Transfers:	
<b>4,727</b>	- (to)/from Property, Plant and Equipment	<b>1,098</b>
<b>59,329</b>	Balance at end of the year	<b>71,390</b>

## 16. Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis.

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
	Balance at start of the year	
<b>3,665</b>	- Gross Carrying Amount	<b>4,993</b>
<b>(2,038)</b>	- Accumulated Amortisation	<b>(2,928)</b>
<b>1,627</b>	Net Carrying Amount at Start of Year	<b>2,065</b>
	Additions	
<b>1,328</b>	- Purchases	<b>1,457</b>
<b>(890)</b>	Amortisation for the Period	<b>(1,085)</b>
<b>2,065</b>	Net Carrying Amount at Year End	<b>2,437</b>
	Comprising	
<b>4,993</b>	- Gross Carrying Amount	<b>6,450</b>
<b>(2,928)</b>	- Accumulated Amortisation	<b>(4,013)</b>
<b>2,065</b>	Total	<b>2,437</b>

## 17. Assets Held for Sale

<b>Current 2014/15 £000</b>		<b>Current 2015/16 £000</b>
<b>4,842</b>	<b>Balance outstanding at start of year</b>	<b>14,468</b>
<b>7,400</b>	Reclassified from - Property, Plant and Equipment	<b>(710)</b>
<b>4,665</b>	Revaluation gains	<b>4</b>
<b>(1,000)</b>	Impairment losses met from the revaluation reserve	<b>0</b>
<b>(755)</b>	Impairment losses met from income and expenditure	<b>0</b>
<b>(700)</b>	Assets sold	<b>(941)</b>
<b>16</b>	Acquisitions	<b>23</b>
<b>14,468</b>	<b>Balance outstanding at year end</b>	<b>12,844</b>

## **18. Heritage Assets**

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

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

## **19. Impairment Losses**

During 2015/16, the Authority has recognised revaluation gains of £3.613m (2014/15 revaluation loss £11.282m) in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss has been charged to the Comprehensive Income and Expenditure Statement. This is then reversed out as part of the Movement In Reserves Statement.

## **20. Inventories**

The Council had inventories that totalled £0.351m at 31/3/16 and £0.297m at 31/3/15. These mainly consist of Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

## 21. Debtors

2014/15 £000		2015/16 £000
	Amounts falling due in one year:	
1,625	Central Government	3,966
498	Other Local Authorities	331
832	NHS Bodies	951
1,085	Public Corporations and Trading Funds	800
0	Amounts due from Subsidiaries	7
23,180	Other Entities and Individuals	25,472
27,220	<b>Gross Debtors</b>	31,527
(7,514)	Provision for doubtful debts	(8,010)
19,706	<b>Total</b>	23,517

## 22. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
<b>Investments</b>				
Loans and receivables	33	33	0	0
Shares in Subsidiary	0	3,500	0	0
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total investments</b>	33	3,533	0	0
<b>Debtors</b>				
Financial assets carried at contract amounts	614	557	19,706	23,510
Debtors with Subsidiary	0	7,787	0	7
<b>Total Debtors</b>	614	8,344	19,706	23,517
<b>Borrowings</b>				
Financial liabilities at amortised cost	87,520	88,519	29,093	75,579
<b>Total borrowings</b>	87,520	88,519	29,093	75,579
<b>Other Liabilities</b>				
PFI and finance lease liabilities	56,488	55,321	2,476	2,567
Other Creditors	0	0	61,690	60,305
<b>Total Other Liabilities</b>	56,488	55,321	64,166	62,872

## Income, Expense, Gains and Losses

	2014/15			2015/16		
	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	8,935	0	8,935	8,764	0	8,764
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>8,935</b>	<b>0</b>	<b>8,935</b>	<b>8,764</b>	<b>0</b>	<b>8,764</b>
Interest income	0	(176)	(176)	0	(22)	(22)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(176)</b>	<b>(176)</b>	<b>0</b>	<b>(22)</b>	<b>(22)</b>
<b>Net gain/(loss) for the year</b>	<b>8,935</b>	<b>(176)</b>	<b>8,759</b>	<b>8,764</b>	<b>(22)</b>	<b>8,742</b>

### Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

	2014/15		2015/16	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	116,613	178,453	164,098	220,232
Long-term creditors	56,488	56,488	55,321	55,321

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 2016) arising from a commitment to pay interest to lenders above current market rates.

	2014/15		2015/16	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	33	33	3,533	3,533
Long-term debtors	614	614	8,344	8,344

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.

## **23. 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 31/3/16 £000	Fair Value 31/3/16 £000
<b>Financial Assets</b>		
Fixed Term Deposits	0	0
Other	3,533	3,533
	3,533	3,533
<b>Financial Liabilities</b>		
Money Market Loans (LOBO's)	60,000	95,763
PWLB Loans	28,519	48,890
Temporary Loans	75,579	75,579
	164,098	220,232

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.

	<b>Amount at 31 March 2016</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions at 31 March 2016 (rounded to 3 decimal place)</b>	<b>Estimated maximum exposure to default and uncollectability</b>
	<b>£000s</b>	<b>%</b>	<b>%</b>	<b>£000s</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>A * C</b>
Deposits with banks and financial institutions	0	0.0	0.000	0
Other	3,533	0.0	0.000	0
Debtors	31,527	12.0	25.407	8,010
Total	35,060	12.0	22.847	8,010

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:

2014/15 £000		2015/16 £000
1,001	Maturing in 1-2 years	1,001
3,003	Maturing in 2-5 years	2,503
507	Maturing in 5-10 years	7
83,009	Maturing in more than 10 years	85,008
<b>87,520</b>		<b>88,519</b>

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

## Market risk

### Interest rate risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. Policy is to 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 31<sup>st</sup> March 2016 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

	<b>Investments</b>	<b>Borrowing</b>	<b>Net Total</b>	<b>1% Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Variable	(7,156)	75,579	68,423	684.2
Fixed	(3,533)	88,519	84,986	0.0
Total	(10,689)	164,098	153,409	684.2

A 1% change in interest rates would have an impact on the budget of £684,230, this is because at 31<sup>st</sup> March 2016 we had more variable borrowing than variable investments. The most likely next move in interest rates at 31 March 2016 was upwards, although not expected before mid 2018, this would lead to a net increase in borrowing costs based on the position at 31<sup>st</sup> March 2016. Other considerations are that the Council is managing ongoing maturity profiles for both investments and borrowing. Following the EU referendum, interest rates were reduced by 0.25% and this has a net benefit of £171,058 based on the above figures.

## Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)			Total Outstanding	
				2014/15 £000	2015/16 £000
Public Works Loan Board	1.92	-	9.375	27,520	28,519
Money Market Loans (LOBOs)	3.98	-	4.50	60,000	60,000
				<b>87,520</b>	<b>88,519</b>

An analysis of loans by maturity is:					
			2014/15 £000		2015/16 £000
Maturing in 1-2 years			1,001		1,001
Maturing in 2-5 years			3,003		2,503
Maturing in 5-10 years			507		7
Maturing in more than 10 years			83,009		85,008
			<b>87,520</b>		<b>88,519</b>

			2014/15 £000		2015/16 £000
Total Long Term Borrowing			87,520		88,519
Temporary Borrowing			29,093		75,579
Total Borrowing			<b>116,613</b>		<b>164,098</b>

In total fixed and temporary borrowing increased by £47.5m, from £116.613m to £164.098m during the year. This was due to capital expenditure during 2015/16.

## 24. Investments

In total our investments have been increased by £6.9m as a result of the cash flow together with share capital in our wholly owned subsidiary.

The Council has long term investments, totalling £3.533m, including share capital in our wholly owned subsidiary. Investments are shown in the Balance Sheet at market value.

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

### Summary of Investments

2014/15 £000	Category	2015/16 £000
	<b>Long Term Investments</b>	
0	Fixed Term Deposits	0
33	Other	3,533
<b>33</b>	<b>Total Long Term</b>	<b>3,533</b>
	<b>Short Term Investments</b>	
0	Fixed Term Deposits	0
<b>0</b>	<b>Total Short Term</b>	<b>0</b>
<b>3,745</b>	<b>Cash &amp; Cash Equivalent Investments</b>	<b>7,156</b>
<b>3,778</b>	<b>Total Investments</b>	<b>10,689</b>

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

## 25. Cash and Cash Equivalents

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

2014/15 £000		2015/16 £000
163	Cash held by the Authority	130
749	Bank current accounts	3,121
3,745	Call Accounts	4,035
<b>4,657</b>	<b>Total Cash and Cash Equivalents</b>	<b>7,286</b>
0	Bank Account Overdrawn	0
<b>4,657</b>	<b>Net Cash Position for Cash Flow Purposes</b>	<b>7,286</b>

## 26. Provisions

	2015/16 Opening £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	2015/16 Closing £000
Restructure Provision	128	689	(106)	711
Single Status Provision – Non Schools	11,917	0	(0)	11,917
Single Status Provision – Schools	4,348	243	(138)	4,453
NDR Appeals Provision	2,401	2,732	(2,401)	2,732
Insurance	0	179	(0)	179
Litigation Costs	259	64	(242)	81
<b>Total</b>	<b>19,053</b>	<b>3,907</b>	<b>(2,887)</b>	<b>20,073</b>
2014/15	18,654	2,769	(2,370)	19,053

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 2016 was £0.71m.

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2015/16 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2016 was £16.4m.

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, £5.6m is estimated as the amount required to set aside for this purpose in the 2015/16 accounts (£4.9m 2014/15). Telford & Wrekin Council's proportion of this is £2.7m (49%) (£2.4m 2014/15).

A provision has been created for 2015/16 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.

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.

## 27. Creditors

2014/15 £000		2015/16 £000
5,877	Central Government	8,861
844	Other Local Authorities	854
246	NHS Bodies	239
829	Public Corporations and Trading Funds	780
0	Amounts due to Subsidiaries	592
53,894	Other Entities and Individuals	48,979
2,476	PFI and Leases	2,567
64,166	<b>Total</b>	62,872

## 28. 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 £55.4m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £56.896m as at 31<sup>st</sup> March 2016 (£58.047m as at 31<sup>st</sup> March 2015). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £4.9m to the interest paid for 2015/16 (£5.4m 2014/15). Amounts due are shown in the table below:

	2014/15				2015/16			
	Service £000	Lifecycle £000	Interest £000	Finance Lease £000	Service £000	Lifecycle £000	Interest £000	Finance Lease £000
Within 1 year	1,546	976	4,861	2,127	(73)	2,658	4,835	2,212
2 to 5 years	6,824	3,912	18,679	9,877	7,964	3,040	18,147	10,660
6 to 10 years	8,117	6,883	20,500	16,673	8,820	6,555	19,673	17,850
11 to 15 years	9,630	7,342	15,403	23,466	10,493	6,902	14,046	24,635
16 to 20 years	13,652	4,522	6,584	29,540	11,018	3,504	4,465	24,200

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

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

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	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
<b>Balance at 31 March 2014 carried forward</b>	<b>3,224</b>	<b>36,184</b>	<b>6,013</b>	<b>1,510</b>	<b>0</b>	<b>7,116</b>	<b>54,047</b>
Movement / Use of reserves during 2014/15	1,145	3,312	948	2,078	0	1,813	9,296
<b>Balance at 31 March 2015 carried forward</b>	<b>4,369</b>	<b>39,496</b>	<b>6,961</b>	<b>3,588</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>
Movement / Use of reserves during 2015/16	121	5,960	(410)	(784)	0	(6,069)	(1,182)
<b>Balance at 31 March 2016 carried forward</b>	<b>4,490</b>	<b>45,456</b>	<b>6,551</b>	<b>2,804</b>	<b>0</b>	<b>2,860</b>	<b>62,161</b>

## 30. School Balances

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

2014/15 £000		2015/16 £000
6,341	School Balances - Revenue	6,079
620	School Balances - Capital	472
<b>6,961</b>	<b>Total School Balances</b>	<b>6,551</b>

### 31. Unusable Reserves

2014/15 £000		2015/16 £000
44,930	Revaluation Reserve	45,196
219,252	Capital Adjustment Account	190,896
(372)	Financial Instruments Adjustment Account	(775)
(222,247)	Pensions Reserve	(212,647)
4,352	Collection Fund Adjustment Account	5,437
0	Deferred Capital Receipts	11,287
(2,801)	Accumulated Absences Account	(2,338)
43,114	<b>Total Unusable Reserves</b>	<b>37,056</b>

#### Revaluation Reserve

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

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

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

2014/15 £000		2015/16 £000
42,293	<b>Balance brought forward</b>	44,930
7,460	Upwards revaluation of assets	4,042
(4,213)	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	(5,944)
(993)	Difference between fair value depreciation and historical cost depreciation	(980)
383	Accumulated gains and losses on assets sold or scrapped	3,148
44,930	<b>Balance carried forward</b>	<b>45,196</b>

## Capital Adjustment Account

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

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

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

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>161,098</b>	<b>Balance Brought Forward</b>	<b>219,252</b>
<b>(23,604)</b>	Charges for depreciation and impairment of non-current assets	<b>(16,459)</b>
<b>(890)</b>	Amortisation of intangible assets	<b>(1,085)</b>
<b>(8,665)</b>	Revenue expenditure funded from capital under statute	<b>(15,713)</b>
<b>(906)</b>	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(38,120)</b>
<b>1,275</b>	Adjusting amounts written out of the Revaluation Reserve	<b>620</b>
<b>3,099</b>	Capital financing - Capital receipts	<b>2,674</b>
<b>84,142</b>	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>32,790</b>
<b>4,403</b>	Minimum Revenue Provision	<b>416</b>
<b>(700)</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>6,521</b>
<b>219,252</b>	<b>Balance Carried Forward</b>	<b>190,896</b>

## Financial Instruments Adjustment Account

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

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund over the next 12 years.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(2)</b>	<b>Balance at 1 April</b>	<b>(372)</b>
<b>(370)</b>	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	<b>(403)</b>
<b>(372)</b>	<b>Balance at 31 March</b>	<b>(775)</b>

## 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.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>150,183</b>	<b>Balance at 1 April</b>	<b>222,247</b>
<b>64,012</b>	Actuarial (gains) or losses on pensions assets and liabilities	<b>(22,019)</b>
<b>742</b>	Added Years	<b>670</b>
<b>19,828</b>	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	<b>24,909</b>
<b>(12,518)</b>	Employer's pensions contributions and direct payments to pensioners payable in the year	<b>(13,160)</b>
<b>222,247</b>	<b>Balance at 31 March</b>	<b>212,647</b>

### 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.

2014/15 £000		2015/16 £000
701	<b>Balance at 1 April</b>	4,352
3,651	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	1,085
4,352	<b>Balance at 31 March</b>	5,437

### Deferred Capital Receipts Reserve

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

2014/15 £000		2015/16 £000
0	<b>Balance at 1 April</b>	0
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	11,287
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	<b>Balance at 31 March</b>	11,287

### 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.

2014/15 £000		2015/16 £000
(2,644)	<b>Balance at 1 April</b>	(2,801)
2,644	Settlement or cancellation of accrual made at the end of the preceding year	2,801
(2,801)	Amounts accrued at the end of the current year	(2,338)
(2,801)	<b>Balance at 31 March</b>	(2,338)
(157)	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

### **32. Revenue Expenditure funded from Capital under Statute**

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2015/16 expenditure on this totalled £15.713m and grant receivable amounted to £1.652m. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been written off against the Capital Adjustment Account during the year.

### **33. Usable Capital Receipts Reserve**

2014/15 £000		2015/16 £000
0	Opening balance	0
3,099	Capital receipts received during year	2,674
(3,099)	Less Capital receipts used for financing during year	(2,674)
<b>0</b>		<b>0</b>

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

### **34. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/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.

2014/15 £000		2015/16 £000
271,106	<b>Opening Capital Financing Requirement</b>	295,535
	<b>Capital Investment</b>	
104,975	Property, Plant & Equipment	55,110
2,891	Investment Properties	4,829
16	Assets Held for Sale	23
1,328	Intangible Assets	1,457
8,665	Revenue Expenditure funded from Capital under Statute	15,713
528	Leased Vehicles	491
	<b>Sources of Finance</b>	
(3,099)	Capital Receipts	(2,674)
(2,330)	Finance Leases & Deminimis Capital Expenditure	(1,692)
(84,142)	Government Grants and Other Contributions	(32,790)
(4,403)	Revenue Provision (NB: includes MRP)	(416)
<b>295,535</b>	<b>Closing Capital Finance Requirement</b>	<b>335,586</b>
24,429	Movement for Year	40,051

	Explanation of movements in the year	
79	Increase in underlying need to borrow (supported by Government financial assistance)	123
24,350	Increase in underlying need to borrow (unsupported by Government financial assistance)	39,928
24,429	Increase/(decrease) in Capital Financing Requirement	40,051

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 2016 there were 5 significant contracts in place with outstanding commitments of £13.3m, 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 2015/16 the Authority made payments of £10,000,492 in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

### **35. Minimum Revenue Provision**

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £3.235m, this was offset by an adjustment to prior years MRP of £3.235m, the principal repayment in respect of leases was £0.416m 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 £0.416m in 2015/16 (£4.403m in 2014/15).

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

2014/15 £000		2015/16 £000
(24,530)	Impairment and depreciation of property, plant and equipment and intangible assets	(17,544)
39	(Increase)/decrease in interest creditors	(66)
4,344	(Increase)/decrease in creditors	(5,322)
(3,043)	Increase/(decrease) in interest/dividend debtors	0
2,508	Increase/(decrease) in debtors	1,691
(1)	Increase/(decrease) in inventories	54
(8,052)	Pension Liability	(12,419)
(399)	Contribution (to)/from provisions	(1,020)
(906)	Carrying amount of non current assets sold	(38,120)
(705)	Movement in Investment Property Values	6,521
(30,745)	<b>Total</b>	<b>(66,225)</b>

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

2014/15 £000		2015/16 £000
85,955	Capital grants credited to surplus or deficit on the provision of services	26,721
0	Proceeds from sale of short and long term investments	0
3,099	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,961
89,054	<b>Total</b>	<b>40,682</b>

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

2014/15 £000		2015/16 £000
105,435	Purchase of property, plant and equipment, investment property and intangible assets	67,825
0	Purchase of short-term and long-term investments	3,500
348	Other payments for investing activities	8,013
(3,589)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,841)
(10,000)	Proceeds from short-term and long-term investments	0
(86,011)	Other receipts from investing activities	(28,411)
6,183	<b>Net cash flows from investing activities</b>	<b>39,086</b>

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

2014/15 £000		2015/16 £000
(105,100)	Cash receipts of short and long term borrowing	(198,220)
(2,775)	Other receipts from financing activities	(1,100)
(1,979)	Appropriation to/from Collection Fund Adjustment Account	(1,085)
114,070	Repayments of short and long term borrowing	150,735
2,308	Cash payments in relation to finance leases and PFI agreements	2,543
6,524	<b>Net cash flows from financing activities</b>	<b>(47,127)</b>

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

The cash flow for operating activities includes the following items:

2014/15 £000		2015/16 £000
(3,219)	Interest received	(22)
8,896	Interest paid	8,698

#### 41. **Grant Income**

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

2014/15 £000		2015/16 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
42,071	Revenue Support Grant	31,444
2,076	Non Domestic Rates Top Up Grant	2,116
70	Local Services Support Grant	42
1,575	Section 31 Grant	1,426
606	Council Tax Freeze Grant	612
<b>46,398</b>	<b>Total</b>	<b>35,640</b>
	<b>Credited to Services</b>	
100,928	Dedicated Schools Grant	102,898
71,103	Mandatory Rent Allowances Subsidy	68,381
10,913	Public Health Grant	11,712
7,747	Pupil Premium Grant	7,661
3,069	Education Services Grant	2,256
3,437	New Homes Bonus	4,652
1,143	Universal Free School Meals	1,919
6,113	Other grants	8,860
<b>204,453</b>	<b>Total</b>	<b>208,339</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the year-end are as follows:

2014/15 £000		2015/16 £000
	<b>Capital Grants Receipts in Advance</b>	
0	Park for People 10 year Maintenance Programme	481
<b>0</b>	<b>Total</b>	<b>481</b>

#### 42. **Amounts Reported for Resource Allocation Decisions**

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

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

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

## Service Delivery Unit Income and Expenditure

<b>2015/16</b>	<b>Employee expenses</b>	<b>Other service expenses</b>	<b>Total Expenditure</b>	<b>Fees, charges &amp; other service income</b>	<b>Government grants</b>	<b>Total Income</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adult Social Services</b>	5,346	51,975	57,321	12,833	8,353	21,186	36,135
<b>Education &amp; Corporate Parenting</b>	6,275	115,498	121,773	4,059	112,009	116,068	5,705
<b>Children's Safeguarding &amp; Specialist Services</b>	9,736	19,232	28,968	3,623	3,592	7,215	21,753
<b>Family, Cohesion &amp; Commissioning</b>	9,377	10,615	19,992	6,786	3,548	10,334	9,658
<b>Development, Business &amp; Employment</b>	8,581	13,267	21,848	20,547	2,267	22,814	(966)
<b>Leisure, Culture &amp; Facilities Management</b>	9,318	49,308	58,626	28,932	2,243	31,175	27,451
<b>Customer &amp; Neighbourhood Services</b>	10,674	7,560	18,234	10,966	1,740	12,706	5,528
<b>Law, Democracy &amp; People Services</b>	4,058	2,520	6,578	5,975	232	6,207	371
<b>Finance, Audit &amp; Information Governance</b>	6,262	62,678	68,940	11,152	42,657	53,809	15,131
<b>Health, Well Being &amp; Public Protection</b>	4,006	6,903	10,909	724	8,312	9,036	1,873
<b>Co-Operative Council</b>	2,978	1,548	4,526	3,502	123	3,625	901
<b>Total</b>	<b>76,611</b>	<b>341,104</b>	<b>417,715</b>	<b>109,099</b>	<b>185,076</b>	<b>294,175</b>	<b>123,540</b>
<b>Less items in above table but not shown under provision of services in statement of accounts</b>			<b>(11,303)</b>			<b>(7,018)</b>	<b>(4,285)</b>
<b>Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts</b>			<b>31,621</b>			<b>25,895</b>	<b>5,726</b>
<b>Provision of services in the statement of accounts</b>			<b>438,033</b>			<b>313,052</b>	<b>124,981</b>

<b>2014/15</b>	<b>Employee expenses</b>	<b>Other service expenses</b>	<b>Total Expenditure</b>	<b>Fees, charges &amp; other service income</b>	<b>Government grants</b>	<b>Total Income</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adult Social Services</b>	<b>6,260</b>	<b>54,313</b>	<b>60,573</b>	<b>18,678</b>	<b>3,774</b>	<b>22,452</b>	<b>38,121</b>
<b>Education &amp; Corporate Parenting</b>	<b>6,313</b>	<b>104,354</b>	<b>110,667</b>	<b>5,011</b>	<b>100,476</b>	<b>105,487</b>	<b>5,180</b>
<b>Children's Safeguarding &amp; Specialist Services</b>	<b>9,098</b>	<b>19,373</b>	<b>28,471</b>	<b>3,662</b>	<b>3,443</b>	<b>7,105</b>	<b>21,366</b>
<b>Family, Cohesion &amp; Commissioning</b>	<b>9,186</b>	<b>11,987</b>	<b>21,173</b>	<b>9,789</b>	<b>2,993</b>	<b>12,782</b>	<b>8,391</b>
<b>Development, Business &amp; Employment</b>	<b>7,317</b>	<b>15,900</b>	<b>23,217</b>	<b>22,078</b>	<b>2,478</b>	<b>24,556</b>	<b>(1,339)</b>
<b>Neighbourhood &amp; Leisure Services</b>	<b>9,381</b>	<b>42,938</b>	<b>52,319</b>	<b>22,543</b>	<b>2,049</b>	<b>24,592</b>	<b>27,727</b>
<b>Customer Services</b>	<b>10,565</b>	<b>7,471</b>	<b>18,036</b>	<b>11,929</b>	<b>2,537</b>	<b>14,466</b>	<b>3,570</b>
<b>Law, Democracy &amp; People Services</b>	<b>3,452</b>	<b>2,468</b>	<b>5,920</b>	<b>5,458</b>	<b>212</b>	<b>5,670</b>	<b>250</b>
<b>Finance, Audit &amp; Information Governance</b>	<b>5,797</b>	<b>84,795</b>	<b>90,592</b>	<b>10,761</b>	<b>58,060</b>	<b>68,821</b>	<b>21,771</b>
<b>Health, Well Being &amp; Public Protection</b>	<b>2,001</b>	<b>5,342</b>	<b>7,343</b>	<b>51</b>	<b>5,691</b>	<b>5,742</b>	<b>1,601</b>
<b>Co-Operative Council</b>	<b>2,861</b>	<b>1,553</b>	<b>4,414</b>	<b>3,061</b>	<b>151</b>	<b>3,212</b>	<b>1,202</b>
<b>Total</b>	<b>72,231</b>	<b>350,494</b>	<b>422,725</b>	<b>113,021</b>	<b>181,864</b>	<b>294,885</b>	<b>127,840</b>
<b>Less items in above table but not shown under provision of services in statement of accounts</b>							
<b>Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts</b>			<b>(20,944)</b>			<b>(6,332)</b>	<b>(14,612)</b>
<b>Provision of services in the statement of accounts</b>			<b>35,689</b>			<b>87,963</b>	<b>(52,274)</b>
			<b>437, 470</b>			<b>376,516</b>	<b>60,954</b>

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

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

#### **43. Acquired and Discontinued Operations**

Where operations have been acquired or discontinued in the year, paragraph 3.4.4.1(1) of the Code requires disclosure of the nature of the acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations. There have been no acquired or discontinued operations during the year.

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

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
36	Income from Stallholders' Rents and charges	26
(74)	Expenditure	(66)
<b>(38)</b>	<b>(Deficit)/Surplus taken to General Fund</b>	<b>(40)</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
5,085	Income from rents	5,633
1,035	Other income	1,363
(705)	Net gains/(losses) on revaluation of property	6,550
(2,937)	Direct operating expenses	(3,486)
<b>2,478</b>	<b>(Deficit)/Surplus taken to General Fund</b>	<b>10,060</b>

<b>2,440</b>	<b>Total Trading Accounts</b>	<b>10,020</b>
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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 existed under separate agreements in 2014/15. The disclosure below includes the Better Care Fund for 2015/16 followed by the separate Pooled Budgets that existed in 2014/15.

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 has been 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 2015/16.**

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.

<b>2014/15 £000</b>	<b>Better Care Fund Revenue Pooled Budget</b>	<b>2015/16 £000</b>
<b>0</b>	Funding from Telford & Wrekin Council	<b>367</b>
<b>0</b>	Funding from Telford & Wrekin Clinical Commissioning Group	<b>10,907</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Council	<b>(7,814)</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	<b>(3,451)</b>
<b>0</b>	Net Surplus/(Deficit) arising on Pooled budget	<b>9</b>

**Better Care Fund where Telford & Wrekin Council was the host in 2015/16.**

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 2015/16 will be retained in the fund and carried forward by the council into 2016/17.

<b>2014/15 £000</b>	<b>Better Care Fund Capital Pooled Budget</b>	<b>2015/16 £000</b>
<b>0</b>	Funding from Telford & Wrekin Council	<b>1,280</b>
<b>0</b>	Funding from Telford & Wrekin Clinical Commissioning Group	<b>0</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Council	<b>(847)</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	<b>0</b>
<b>0</b>	Net Surplus/(Deficit) arising on Pooled budget	<b>433</b>

## Other Pooled Budgets where Telford & Wrekin Council was the host in 2015/16.

### 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 hosts this arrangement. Under/overspends are divided between the organisations in proportion to the Partners' contributions, which equate to: Telford & Wrekin Council 65.6%, Telford & Wrekin CCG 34.4% in 2014/15 and Telford & Wrekin Council 64.6%, Telford & Wrekin CCG 35.4% in 2015/16.

2014/15 £000		2015/16 £000
204	Expenditure	198
204	Income	198

## Pooled Budgets where Telford & Wrekin Council was the host in 2014/15.

### Carers Pooled Budget-Now part of the Better Care Fund

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

2014/15 £000		2015/16 £000
550	Expenditure	0
646	Income	0

### Intermediate Care Pooled Budget-Now part of the Better Care Fund

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

2014/15 £000		2015/16 £000
392	Expenditure	0
392	Income	0

## 46. Members' Allowances

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

2014/15 £000		2015/16 £000
611	Allowances	617
2	Expenses	1
613	Total	618

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

This note shows the amounts paid to Senior Officers in 2015/16 and 2014/15. 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.

#### 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 £	Total Remuneration excluding Pension contributions 2015/16 £	Pension contributions £	Total Remuneration including pension contributions 2015/16 £
<b>Managing Director</b>			137,000	0	<b>137,000</b>	16,619	<b>153,619</b>
<b>Director: Customer, Neighbourhood &amp; Wellbeing</b>			109,600	0	<b>109,600</b>	13,810	<b>123,410</b>
<b>Director: Children's &amp; Adult Services</b>	1	109,600	24,454	0	<b>24,454</b>	3,081	<b>27,535</b>
<b>Assistant Director: Finance &amp; Human Resources</b>			83,950	0	<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Development, Business &amp; Employment</b>	2	75,704	63,087	0	<b>63,087</b>	7,949	<b>71,036</b>
<b>Assistant Director: Education &amp; Corporate Parenting</b>			83,950	0	<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Legal, Procurement &amp; Commissioning</b>			83,950	0	<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Customer &amp; Neighbourhood Services</b>			83,950	0	<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Health &amp; Wellbeing</b>			83,950	0	<b>83,950</b>	12,005	<b>95,955</b>
<b>Interim Assistant Director: Early Help &amp; Support</b>			79,000	0	<b>79,000</b>	0	<b>79,000</b>
<b>Assistant Director: Children's Safeguarding</b>	3	75,704	44,161	0	<b>44,161</b>	5,564	<b>49,725</b>
<b>Interim Assistant Director: Commercial Services</b>	4	75,704	14,042	0	<b>14,042</b>	1,769	<b>15,811</b>
<b>Service Delivery Manager: Delivery &amp; Planning</b>	5		59,640	0	<b>59,640</b>	7,515	<b>67,155</b>
<b>Service Delivery Manager: Community Participation</b>	3		59,640	0	<b>59,640</b>	7,515	<b>67,155</b>
Director of Children & Family Services	6	109,600	91,333	0	<b>91,333</b>	11,508	<b>102,841</b>
Interim Director of Care, Health & Wellbeing	6	109,600	91,333	0	<b>91,333</b>	11,508	<b>102,841</b>
Assistant Director: Development, Business & Employment	7	79,000	35,146	0	<b>35,146</b>	9,044	<b>44,190</b>
Assistant Director: Planning Specialist	6	81,681	68,068	70,496	<b>138,564</b>	8,577	<b>147,141</b>
Assistant Director: Family, Cohesion & Commissioning	8	83,950	65,219	0	<b>65,219</b>	8,218	<b>73,437</b>

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

**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

2014/15

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 2014/15 £	Pension contributions £	Total Remuneration including pension contributions 2014/15 £
<b>Current Posts</b>								
<b>Managing Director</b>			137,000			<b>137,000</b>	16,994	<b>153,994</b>
<b>Director of Children &amp; Family Services</b>			109,600			<b>109,600</b>	13,810	<b>123,410</b>
Director of Development, Business & Customer Services	1	109,600	98,509			<b>98,509</b>	12,412	<b>110,921</b>
<b>Interim Director of Neighbourhood, Customer &amp; Cultural Services</b>	5	109,600	17,940			<b>17,940</b>	2,261	<b>20,201</b>
<b>Interim Director of Care, Health &amp; Wellbeing</b>			109,600			<b>109,600</b>	13,810	<b>123,410</b>
<b>Assistant Director: Finance, Audit &amp; Information Governance</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Development, Business &amp; Employment</b>			76,215			<b>76,215</b>	9,603	<b>85,818</b>
<b>Assistant Director: Planning Specialist</b>		83,950	80,480			<b>80,480</b>	10,141	<b>90,621</b>
<b>Assistant Director: Family, Cohesion &amp; Commissioning</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Education &amp; Corporate Parenting</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Children's Safeguarding &amp; Specialist Services</b>			79,468			<b>79,468</b>	10,013	<b>89,481</b>
<b>Assistant Director: Law, Democracy &amp; People Services</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
Assistant Director: Neighbourhood & Leisure Services		83,950	68,974			<b>68,974</b>	8,691	<b>77,665</b>
<b>Assistant Director: Neighbourhood &amp; Customer Services</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Health, Wellbeing &amp; Public Protection</b>			82,716			<b>82,716</b>	11,580	<b>94,296</b>
<b>Assistant Director: Adult Social Services</b>			75,677			<b>75,677</b>	0	<b>75,677</b>
<b>Assistant Director: Leisure, Culture &amp; Facilities Management</b>	2	75,704	9,238			<b>9,238</b>	1,164	<b>10,402</b>

<b>Service Delivery Manager: Delivery &amp; Planning</b>	3		58,763			<b>58,763</b>	7,404	<b>66,167</b>
<b>Service Delivery Manager: Co-Operative &amp; Commercial Projects</b>	3	52,961	38,023			<b>38,023</b>	4,791	<b>42,814</b>
<b>Service Delivery Manager: Community Participation</b>	3		58,763			<b>58,763</b>	7,404	<b>66,167</b>
			<b>1,514,546</b>			<b>1,514,546</b>	<b>182,188</b>	<b>1,696,734</b>

**Notes:**

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

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 2014/15	Salary Band	Number of Employees 2015/16
42	£50,000 - £54,999	47
39	£55,000 - £59,999	31
28	£60,000 - £64,999	19
19	£65,000 - £69,999	24
7	£70,000 - £74,999	9
2	£75,000 - £79,999	7
3	£80,000 - £84,999	0
2	£85,000 - £89,999	1
0	£90,000 - £94,999	2
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
1	£105,000 - £109,999	1

The 2015/16 figures include 90 school based employees (89 in 2014/15). The 2015/16 figures include 10 employees (13 in 2014/15) 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 2015/16 financial statements are set out in the table below.

Exit package cost band	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£000	£000
£0 - £20,000	9	9	52	22	61	31	499,029	263,147
£20,001 - £40,000	5	3	14	10	19	13	548,630	370,365
£40,001 - £60,000	0	0	3	7	3	7	147,998	370,832
£60,001 - £80,000	0	0	2	3	2	3	131,896	211,178
£80,001 - £100,000	0	0	2	2	2	2	175,843	183,149
£100,000 - £150,000	0	1	2	2	2	3	218,790	336,682
£150,001 - £200,000	0	0	0	3	0	3	0	485,977
£200,001 - £250,000	0	0	0	1	0	1	0	228,874
Total	14	13	75	50	89	63	1,722,186	2,450,204

An analysis of the total cost of exit packages shows:	Redundancy etc £000	Pension Fund Charges* £000	Total £000
Exit Packages agreed and charged to the Income & Expenditure Account during 2015/16	737,569	1,001,746	1,739,315
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 2016 (i.e. employees who had received formal notice at 31 March 2016 and will leave during 2016/17)	377,242	333,647	710,889
<b>Total</b>	<b>1,114,811</b>	<b>1,335,393</b>	<b>2,450,204</b>

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

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

The Council's accounts have been audited by KPMG in 2014/15 and 2015/16. The Council incurred the following fees relating to external audit and inspection:

2014/15 £000		2015/16 £000
<b>156</b>	Fees payable to KPMG with regard to external audit services	<b>117</b>
<b>(13)</b>	Fees payable to Audit Commission in respect of statutory inspection	<b>0</b>
<b>16</b>	Fees payable to KPMG for the certification of grant claims and returns	<b>13</b>
<b>4</b>	Fees payable in respect of other services provided by the appointed auditor, for 2014/15 this includes £3,650 paid to the Audit Commission in relation to the National Fraud Initiative. Includes dealing with elector questions under statutory responsibilities.	<b>12</b>

## 50. Related Parties

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

### Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 42 on reporting for resources allocation decisions. Grant receipts are shown in Note 41.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 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 £191,019 in 2015/16 (£306,916 in 2014/15).

**Councillor Lee Carter** is Managing Director at AFC Telford. The Council paid £69,579 (excluding VAT), to AFC Telford during 2015/16 in relation to grant funding in respect of the Arleston project, payment for Community football coaching schemes and room hire, together with a loan to the club of £45,000 to install a new fire alarm system and related works.

### 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 2015/16 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £490,620. Finance lease rentals of £461,957 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	369	628	8	1,005

The aggregate amount of finance charges in respect of finance leases was £33,654 for 2015/16 (£29,118 for 2014/15).

The Council operates a de minimis level of £10,000 for including assets in the asset register, therefore not all the assets acquired under finance leases are shown on the balance sheet within fixed assets. Within note 14 to the accounts the value of assets held financed by leasing is shown within Vehicles, Plant and Equipment.

### Operating Leases

During 2015/16 the value of vehicles, plant and equipment acquired under operating leases amounted to £200,778. Operating lease rentals of £69,869 were paid during the year. Total outstanding obligations at the end of the year were as follows:

	<b>Within 1 Year £000</b>	<b>2 to 5 years £000</b>	<b>Over 5 years £000</b>	<b>Total £000</b>
Outstanding Obligations	70	63	0	133

### Hire Purchase Contracts

During 2015/16 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 2015/16 amounted to £6,896,000 (£6,120,000 for 2014/15). See also note 44 Market Undertaking and Industrial Units and note 15 in respect of the valuation of these assets as Investment Properties.

## **52. Contingent Liabilities**

At 31 March 2016, the Authority had no known material contingent liabilities.

## **53. Contingent Assets**

At 31 March 2016, 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 2014/15 was £0.070m, the value of LSSG for 2015/16 is £0.042m.

## 55. Income & Expenditure Account Surplus/Deficit

For 2015/16 the accounts show a deficit on the Income and Expenditure Account of £30.955m. There was planned use of General Fund Balances for 2015/16 of £0.858m. The actual outturn was an underspend of £0.979m and an actual contribution to General Fund Balances of £0.121m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which form part of the Movement in Reserves Statement and summarised below:

	£m
(Surplus) / Deficit on Income & Expenditure Account	30.955
Plus:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	(36.639)
Plus:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	0.013
Changes in Reserves	5.550
Actual Contribution (to)/from General Fund Balances	(0.121)

## 56. Special Fund Revenue Account

2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000
	<b>EXPENDITURE ON SERVICES</b>			
(106)	Cemeteries	147	226	(79)
640	Highways – footway lighting	645	20	625
<b>534</b>	<b>Total expenditure on services</b>	<b>792</b>	<b>246</b>	<b>546</b>
	<b>INCOME</b>			
(644)	Council Tax			(644)
<b>(110)</b>	<b>(Surplus) or deficit for year</b>			<b>(98)</b>
	<b>Special Fund</b>			
476	Balance at beginning of the year			586
110	Surplus or (deficit) for year			98
<b>586</b>	<b>Balance at end of year</b>			<b>684</b>

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

## **57. Soft Loan**

During 2013/14 the Council extended for 10 years a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 2.85% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2014/15 and 2015/16 and the balance at 31<sup>st</sup> March is £318,188. This is shown as a debtor on the Balance sheet at a fair value of £264,739 and a notional £53,449 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. The fair value of this loan is calculated as £21,819. The Council owns the freehold of the ground and the loan was provided to fund a new fire alarm system at the ground.

## **58. Building Control Account 2015/16**

<b><u>Expenditure</u></b>	<b>Chargeable</b>	<b>Non-Chargeable</b>	<b>Total Building Control</b>
	<b>2015/16 £000</b>	<b>2015/16 £000</b>	<b>2015/16 £000</b>
Employee Expenses	107	167	274
Support Services	71	103	174
	178	270	448
<b><u>Income</u></b>			
Building Regulation Charges	(245)	(155)	(400)
<b>(Surplus)/Deficit</b>	<b>(67)</b>	<b>115</b>	<b>48</b>
<b>(Surplus)/Deficit</b>	<b>(125)</b>	<b>104</b>	<b>(21)</b>

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

## 59. Insurance Reserves

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

The reserves are in existence for the following purposes:

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

An analysis of the reserves for 2015/16 indicates the following:

	General Fund		Education	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance b/f	1,936	2,070	947	945
Charges in the Year	(661)	(542)	(2)	0
Transfers to other reserves	0	0	0	0
Contributions	795	945	0	0
<b>Balance c/f</b>	<b>2,070</b>	<b>2,473</b>	<b>945</b>	<b>945</b>

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

	General Provision		Self Insurance	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance b/f	469	470	1,467	1,600
Charges In Year	(323)	(283)	(338)	(259)
Contributions	324	464	471	481
<b>Balance c/f</b>	<b>470</b>	<b>651</b>	<b>1,600</b>	<b>1,822</b>

For 2015/16 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 26 Provisions.

## 60. 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 2015/16 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 25.47%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

<b>Extract from WME Balance Sheet</b>	<b>2015/16</b>	<b>Telford &amp; Wrekin Share</b>
	<b>£000</b>	<b>£000</b>
<b>Long Term Assets</b>		
Property, Plant & Equipment	27	7
<b>Current Assets</b>		
Short Term Debtors	9,151	2,331
Cash and Cash Equivalents	4,950	1,261
<b>Current Liabilities</b>		
Short Term Creditors	(11,335)	(2,887)
<b>Long Term Liabilities</b>		
Other Long Term Liabilities	(4,950)	(1,261)
<b>Total Assets Less Liabilities</b>	<b>(2,157)</b>	<b>(549)</b>
<b>Financed By</b>		
Usable Reserves	(2,157)	(549)
	<b>(2,157)</b>	<b>(549)</b>
Turnover	63,177	3,649

## Collection Fund Account

	NDR 2014/15 £000	Council Tax 2014/15 £000	Total 2014/15 £000	NDR 2015/16 £000	Council Tax 2015/16 £000	Total 2015/16 £000
<b>Income</b>						
Income from Council Tax (Note 1)		68,658	68,658		70,675	70,675
Transfers from the Council's General Fund – Transitional Relief	(333)	0	(333)	73	(1)	72
Income collectable from business ratepayers (Note 2)	70,521		70,521	73,271		73,271
<b>Contributions</b>						
Adjustment of previous years' community charges		0	0		0	0
<b>Total Income</b>	<b>70,188</b>	<b>68,658</b>	<b>138,846</b>	<b>73,344</b>	<b>70,674</b>	<b>144,018</b>
<b>Expenditure</b>						
Precepts, demands and Shares						
Telford & Wrekin Council	31,944	51,141	83,085	34,270	54,119	88,389
West Mercia Police Authority		8,120	8,120		8,741	8,741
Shropshire & Wrekin Fire Authority	652	4,028	4,680	699	4,336	5,035
Parish Councils		2,898	2,898		2,993	2,993
Central Government	32,595		32,595	34,969		34,969
Cost of Collection	210		210	214		214
Bad and Doubtful Debts/Appeals						
– Write Offs	489	251	740	750	183	933
– Provisions	894	(211)	683	542	174	716
<b>Contributions</b>						
Adjustment of previous years' community charge		0	0		0	0
<b>Total Expenditure</b>	<b>66,784</b>	<b>66,227</b>	<b>133,011</b>	<b>71,444</b>	<b>70,546</b>	<b>141,990</b>
<b>Movement on fund balance (Increase)/Decrease</b>	<b>(3,404)</b>	<b>(2,431)</b>	<b>(5,835)</b>	<b>(1,900)</b>	<b>(128)</b>	<b>(2,028)</b>

## Notes To Collection Fund Accounts

### 1. Council Tax Base for 2015/16

2014/15 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
10,177	Band A	26,335	(10,354)	15,981	10,647
10,789	Band B	19,331	(4,632)	14,699	11,433
7,788	Band C	11,110	(1,779)	9,331	8,294
7,118	Band D	8,120	(612)	7,508	7,508
4,979	Band E	4,537	(350)	4,187	5,117
2,740	Band F	2,065	(134)	1,931	2,789
1,538	Band G	1,024	(79)	945	1,575
76	Band H	50	(11)	39	78
<b>45,205</b>	<b>TOTAL</b>	<b>72,572</b>	<b>(17,951)</b>	<b>54,621</b>	<b>47,441</b>
(899)	Adjustments for growth and losses				(945)
44,306	Taxbase for year				46,496
£1,485.60	Average Council Tax for year				£1,491.84
2014/15 £000					2015/16 £000
65,821	Gross Yield				69,365
0	Less Benefits and Transitional Relief				1
2,837	Add increase in debit net of exemptions and reliefs				1,309
<b>68,658</b>					<b>70,675</b>

2. <u>Income Collectable from Business Rate Payers</u>	2014/15 £000	2015/16 £000	2015/16 £000
Effective non-domestic rateable value for year	163,656	167,799	
Uniform Business Rate for year	48.2p	49.3p	
Gross Yield for year	78,882		82,725
Less Reductions & Transitional Rate Relief	(8,361)		(9,454)
	<b>70,521</b>		<b>73,271</b>

The rateable value was £174,371,133 at 31/3/2016

3. <u>Allocation of Fund Balance (Council Tax)</u>	2014/15 £000	2015/16 £000
Telford & Wrekin Council	(3,614)	(3,709)
West Mercia Police Authority	(545)	(567)
Shropshire & Wrekin Fire Authority	(271)	(282)
	<b>(4,430)</b>	<b>(4,558)</b>

4. <u>Allocation of Fund Balance (NDR)</u>	2014/15 £000	2015/16 £000
Telford & Wrekin Council	(734)	(1,664)
Shropshire & Wrekin Fire Authority	(15)	(34)
Central Government	(748)	(1,698)
	<b>(1,497)</b>	<b>(3,396)</b>

## 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 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	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 carried forward restated</b>	<b>4,369</b>	<b>50,045</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>	<b>43,114</b>	<b>106,457</b>
<b>Movement in reserves during 2015/16</b>							
Surplus or (deficit) on the provision of services	(31,177)	0	0	0	(31,177)	0	(31,177)
Other Comprehensive Income and Expenditure	0	0	0	0	0	23,715	23,715
<b>Total Comprehensive Income and Expenditure</b>	<b>(31,177)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31,177)</b>	<b>23,715</b>	<b>(7,462)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	35,842	0	0	(6,069)	29,773	(29,773)	0
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>4,665</b>	<b>0</b>	<b>0</b>	<b>(6,069)</b>	<b>(1,404)</b>	<b>(6,058)</b>	<b>(7,462)</b>
Transfers to/(from) Earmarked Reserves	(4,766)	4,766	0	0	0	0	0
<b>Increase/ (Decrease) in 2015/16</b>	<b>(101)</b>	<b>4,766</b>	<b>0</b>	<b>(6,069)</b>	<b>(1,404)</b>	<b>(6,058)</b>	<b>(7,462)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,268</b>	<b>54,811</b>	<b>0</b>	<b>2,860</b>	<b>61,939</b>	<b>37,056</b>	<b>98,995</b>

It can be seen from this table that of the total £99.0m reserves, only £4.3m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances.

## 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
Children's and Education Services	150,049	131,754	18,295
Adult Social Care	64,741	22,990	41,751
Environmental & Regulatory Services	13,221	3,063	10,158
Cultural and Related Services	24,373	12,224	12,149
Planning Services	14,322	9,556	4,766
Highways & Transport Services	21,162	16,053	5,109
Housing Services	81,143	77,537	3,606
Court & Probation Services	314	0	314
Contribution re Former County Council Debt	1,792	0	1,792
Corporate & Democratic Core	3,429	0	3,429
Central Services	38,532	28,165	10,367
Non Distributed Costs	1,548	0	1,548
Public Health	12,154	11,712	442
<b>Net Cost of Services</b>	<b>426,780</b>	<b>313,054</b>	<b>113,726</b>

Other Operating Expenditure (Note 1) 39,565

Financing and Investment Income and Expenditure (Note 2) 5,983

Taxation & Non Specific Grant Income and Expenditure (128,097)

**(Surplus) or deficit on provision of services 31,177**

(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets (1,696)

Remeasurements of the net defined benefit pension liability (22,019)

**Other Comprehensive Income & Expenditure (23,715)**

**Total Comprehensive Income and Expenditure 7,462**

## Reconciliation of the Single Entity Deficit to the Group Deficit

	<b>2015/16 £000</b>
Deficit from the Single Entity Accounts (Page 37)	30,955
Deficit contained within Subsidiary Accounts	32
Removal of Trading Surpluses from Single Entity Accounts	190
Deficit in Group Accounts (Page 110)	31,177

## 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'.

	<b>31 March 2016</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Property, Plant & Equipment (Note 3)	496,278	
Investment Properties	71,390	
Intangible Assets	2,437	
Long Term Investments	33	
Long Term Debtors	557	
<b>Total Long Term Assets</b>		<b>570,695</b>
<b>Current Assets</b>		
Inventories	351	
Debtors (Note 4)	23,511	
Investments - (short term)	0	
Assets Held for Sale	12,844	
Cash and Cash Equivalents (Note 5)	7,611	
	<u>44,317</u>	
<b>Current Liabilities</b>		
Provisions	(20,073)	
Short term Borrowing	(75,579)	
Creditors (Note 6)	(63,133)	
	<u>(158,785)</u>	
<b>Total Net Current Assets/(Liabilities)</b>		<b>(114,468)</b>
Less Long Term Borrowing		(88,519)
Less Long Term Creditors		(55,585)
Less Pensions Liability		(212,647)
Capital Grants Receipts in Advance		(481)
<b>Net Assets</b>		<b>98,995</b>
Usable Reserves (Note 7)		61,939
Unusable Reserves (Note 8 & 9)		37,056
<b>Net Reserves</b>		<b>98,995</b>

## 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
Net (surplus) or deficit on the provision of services	31,177
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 11)	(66,492)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 12)	29,395
<b>Net cash flows from Operating Activities</b>	<b>(5,920)</b>
Investing Activities (Note 13)	50,357
Financing Activities (Note 14)	(47,391)
<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(2,954)</b>
Cash and cash equivalents at the beginning of the reporting period	4,657
<b>Cash and cash equivalents at the end of the reporting period (Note 5)</b>	<b>7,611</b>

### Group Note 1. Other Operating Expenditure

	2015/16
	£000
Parish Council precepts	2,993
Payment of RSG to Parishes	316
(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	35,867
(Gains)/losses on the disposal of non-current assets – Other Assets	389
<b>Total</b>	<b>39,565</b>

### Group Note 2. Financing and Investment Income and Expenditure

	2015/16
	£000
Interest payable and similar charges	8,954
Pensions interest cost and expected return on pensions assets	7,071
Interest receivable and similar income	(22)
Income and expenditure in relation to investment properties and changes in their fair value	(10,060)
Other investment income and expenditure	40
<b>Total</b>	<b>5,983</b>

### Group Note 3. **Property, Plant and Equipment**

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
<b>Cost or Valuation</b>						
<b>At 1 April 2015</b>	<b>378,532</b>	<b>31,152</b>	<b>114,690</b>	<b>55,556</b>	<b>579,930</b>	<b>60,943</b>
Additions	8,015	2,624	18,394	37,348	<b>66,381</b>	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,680)	0	0	0	<b>(2,680)</b>	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,221)	0	0	0	<b>(2,221)</b>	0
derecognition – disposals	(1,873)	0	0	(36,902)	<b>(38,775)</b>	0
assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	710	0	0	0	<b>710</b>	0
assets reclassified (to) /from Investment Properties	(1,098)	0	0	0	<b>(1,098)</b>	0
<b>At 31 March 2016</b>	<b>397,832</b>	<b>35,307</b>	<b>134,432</b>	<b>34,676</b>	<b>602,247</b>	<b>61,852</b>
<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2015	<b>66,434</b>	<b>19,474</b>	<b>9,495</b>	<b>672</b>	<b>96,075</b>	<b>5,621</b>
depreciation charge	8,612	2,040	2,900	0	<b>13,552</b>	1,407
depreciation written out to the Revaluation Reserve	(3,534)	0	0	0	<b>(3,534)</b>	(583)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	686	0	0	0	<b>686</b>	0
derecognition – disposals	(810)	0	0	0	<b>(810)</b>	0
<b>At 31 March 2016</b>	<b>71,388</b>	<b>21,514</b>	<b>12,395</b>	<b>672</b>	<b>105,969</b>	<b>6,445</b>
<b>Net Book Value</b>						
<b>at 31 March 2016</b>	<b>326,444</b>	<b>13,793</b>	<b>122,037</b>	<b>34,004</b>	<b>496,278</b>	<b>55,407</b>
<b>at 31 March 2015</b>	<b>312,098</b>	<b>11,678</b>	<b>105,195</b>	<b>54,884</b>	<b>483,855</b>	<b>55,322</b>
<b>Information on Assets Held at 31/3/16</b>						
Nature of Holding						
Owned	271,037	12,504	122,037	34,004	<b>439,772</b>	

Leased	0	1,289	0	0	1,289	
PFI	55,407	0	0	0	55,407	
<b>Total</b>	<b>326,444</b>	<b>13,793</b>	<b>122,037</b>	<b>34,004</b>	<b>496,278</b>	

#### Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £18.9m. Similar commitments at 31 March 2015 were £29.6m. The major commitments are:

- Ercall Wood School - £2.4m
- Grange Park Primary - £3.6m
- Telford Growth Package - £2.0m
- Superfast Broadband - £3.9m
- Meeting Point House - £1.4m
- NuPlace - £5.6m

#### Group Note 4. Debtors

	2015/16 £000
Amounts falling due in one year:	
Central Government	3,966
Other Local Authorities	331
NHS Bodies	951
Public Corporations and Trading Funds	800
Other Entities and Individuals	25,473
<b>Gross Debtors</b>	<b>31,521</b>
Provision for doubtful debts	(8,010)
<b>Total</b>	<b>23,511</b>

#### Group Note 5. Cash and Cash Equivalents

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

	2015/16 £000
Cash held by the Authority	130
Bank current accounts	3,446
Call Accounts	4,035
<b>Total Cash and Cash Equivalents</b>	<b>7,611</b>
<b>Bank Account Overdrawn</b>	<b>0</b>
<b>Net Cash Position for Cash Flow Purposes</b>	<b>7,611</b>

#### Group Note 6. Creditors

	2015/16 £000
Central Government	8,861
Other Local Authorities	854
NHS Bodies	239
Public Corporations and Trading Funds	780
Other Entities and Individuals	49,832
PFI and Leases	2,567
<b>Total</b>	<b>63,133</b>

**Group Note 7. 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 2015/16.

	<b>General Fund Balance</b>	<b>Earmarked General Fund Reserves</b>	<b>School Balances</b>	<b>Revenue Grants &amp; Other Balances</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>4,369</b>	<b>39,496</b>	<b>6,961</b>	<b>3,588</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>
Movement / Use of reserves during 2015/16	(101)	5,960	(410)	(784)	0	(6,069)	<b>(1,404)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,268</b>	<b>45,456</b>	<b>6,551</b>	<b>2,804</b>	<b>0</b>	<b>2,860</b>	<b>61,939</b>

## Group Note 8. 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
<b>Balance Brought Forward</b>	<b>219,252</b>
Charges for depreciation and impairment of non-current assets	(16,459)
Amortisation of intangible assets	(1,085)
Revenue expenditure funded from capital under statute	(4,426)
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	(38,120)
Adjusting amounts written out of the Revaluation Reserve	620
Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,674 32,790
Minimum Revenue Provision	416
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	6,521
<b>Balance Carried Forward</b>	<b>202,183</b>

## Group Note 9. Deferred Capital Receipts Reserve

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

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

## Group Note 10. 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.

	<b>2015/16 £000</b>
<b>Opening Capital Financing Requirement</b>	295,535
<b>Capital Investment</b>	
Property, Plant & Equipment	66,381
Investment Properties	4,829
Assets Held for Sale	23
Intangible Assets	1,457
Revenue Expenditure funded from Capital under Statute	4,426
Leased Vehicles	491
<b>Sources of Finance</b>	
Capital Receipts	(2,674)
Finance Leases & Deminimis Capital Expenditure	(1,692)
Government Grants and Other Contributions	(32,790)
Revenue Provision (NB: includes MRP)	(416)
<b>Closing Capital Finance Requirement</b>	<b>335,570</b>
Movement for Year	40,035
Explanation of movements in the year	
Increase in underlying need to borrow (supported by Government financial assistance)	123
Increase in underlying need to borrow (unsupported by Government financial assistance)	39,912
Increase/(decrease) in Capital Financing Requirement	40,035

## Group Note 11. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

	<b>2015/16 £000</b>
Impairment and depreciation of property, plant and equipment and intangible assets	<b>(17,544)</b>
(Increase)/decrease in interest creditors	<b>(66)</b>
(Increase)/decrease in creditors	<b>(5,583)</b>
Increase/(decrease) in interest/dividend debtors	<b>0</b>
Increase/(decrease) in debtors	<b>1,685</b>
Increase/(decrease) in inventories	<b>54</b>
Pension Liability	<b>(12,419)</b>
Contribution (to)/from provisions	<b>(1,020)</b>
Carrying amount of non current assets sold	<b>(38,120)</b>
Movement in Investment Property Values	<b>6,521</b>
<b>Total</b>	<b>(66,492)</b>

**Group Note 12. 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
Capital grants credited to surplus or deficit on the provision of services	26,721
Proceeds from sale of short and long term investments	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,674
<b>Total</b>	<b>29,395</b>

**Group Note 13. Cash Flow Statement – Investing Activities**

	2015/16 £000
Purchase of property, plant and equipment, investment property and intangible assets	79,096
Other payments for investing activities	226
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(554)
Proceeds from short-term and long-term investments	0
Other receipts from investing activities	(28,411)
<b>Net cash flows from investing activities</b>	<b>50,357</b>

**Group Note 14. Cash Flow Statement – Financing Activities**

	2015/16 £000
Cash receipts of short and long term borrowing	(198,220)
Other receipts from financing activities	(1,100)
Appropriation to/from Collection Fund Adjustment Account	(1,085)
Repayments of short and long term borrowing	150,471
Cash payments in relation to finance leases and PFI agreements	2,543
<b>Net cash flows from financing activities</b>	<b>(47,391)</b>

## Glossary

Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance & Accountancy and comply with the International Financial Reporting Standards (IFRS) approved by the Financial Reporting Advisory Board.
Balances	See Reserves and Balances.
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31 <sup>st</sup> March for Local Authorities.
Business Rates	This is the income collected from business premises in respect of National Non Domestic Rates. Also known as Non Domestic Rates (NDR) and Retained Business Rates.
Budget	The financial statement reflecting the Council's policies over a period of time i.e. what the Council is going to spend to provide services.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Receipts	The proceeds from the disposal of land or buildings, or other assets. These can be used to finance new capital expenditure.
Capping	The Government has the power to tell Councils to set a lower council tax requirement if it thinks the year on year increase is excessive.
CIPFA CIPFA/SOLACE	The Chartered Institute of Public Finance and Accountancy. CIPFA/SOLACE Delivering Good Governance in Local Government - Framework - CIPFA - the Chartered Institute of Public Finance and Accountancy, have worked with SOLACE - the Society of Local Authority Chief Executives and Senior Managers, to develop the good governance framework for local authorities based on the "The Good Governance Standards for Public Services" produced by the Office for Public Management.
Collection Fund	A separate statutory fund maintained by the Council, as billing authority, which records council tax and non-domestic rates collected, together with payments to precepting authorities (Police, Fire, Parishes), the Government and the Council's own General Fund.
Comprehensive Income & Expenditure Statement (CIES)	Summarised income and expenditure during the year by service area. Includes both revenue and capital items.
Council Tax	The main source of local taxation to local authorities. Council tax is levied on dwellings within the local authority area by the billing authority.
Creditors	Represent the amount that the Council owes other parties, shown on the balance sheet at year end.
Debtors	Represents the amounts owed to the Council, shown on the balance sheet at year end.
Depreciation	The accounting term used to describe the write off of the reduction in value of a fixed asset due to wear and tear, passing of time.
Dedicated Schools Grant	Specific ring-fenced grant allocated by the Department for

(DSG) Discounts International Accounting Standard 19 (IAS19)	Education for the funding of schools. The benefit obtained from re-scheduling debt. Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Damping	A method that is intended to provide stability in Local Authority funding. A “floor” guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities.
Leases	A method of funding expenditure by payment over a defined period of time. An <b>operating lease</b> is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. <b>Finance leases</b> are more akin to borrowing and do fall within the capital system.
LOBO	A LOBO is a market loan to the Authority. LOBO stands for Lenders Option Borrowers Option. What this means is that the loan has a fixed interest rate but the lender has the option to increase that rate at specified intervals. If they exercise that option then the Authority has to option to either accept the new rate or repay the loan.
Local Services Support Grant (LSSG)	Local Services Support Grant is a general grant that is not allocated to the cost of services but is shown with other grants such as RSG.
MRP	Minimum Revenue Provision – This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Non Domestic Rates (NDR)	This is the income collected from business premises in respect of National Non Domestic Rates (NNDR). Also known as Non Domestic Rates (NDR), Business Rates and Retained Business Rates.
Outturn Pension Fund	Actual Expenditure and Income within a particular year. An employee’s pension fund is maintained in order to make pension payments on retirement to participants. It is financed from contributions from the employing authority (The Council), the employee and investment returns.
Premia	A penalty payment that may be incurred when debt is repaid early.
Private Finance Initiative (PFI)	A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure funded from Capital under Statute	This is expenditure that is classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of stock issues, expenditure on properties not owned by the authority and amounts directed by the Government.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Settlement Funding Assessment, also determined by Government.
Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs (The Chief Financial Officer). For Telford & Wrekin this is the Assistant Director Finance 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.