AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 26th June 2012 at 6.00 pm in the Scrutiny Meeting Room, Civic Offices, Telford

PRESENT: Councillors R J Sloan (Chair), A A Meredith, S A W Reynolds, W L Tomlinson and C R Turley.

Officers: K Clarke (Assistant Director: Finance, Audit and Information Governance and s151 Officer), J Eatough (Assistant Director: Law, Democracy and Public Protection and Monitoring Officer) K King (ICT Service Delivery Manager), (J Marriott (Audit & Assurance Manager), B Morris (Finance Manager) and J Clarke (Democratic Services Officer).

KPMG: A Cardoza and M McDonagh

The Chair welcomed the new Members of the Committee and thanked the Vice-Chair for his hard work during the 2011/2012 municipal year and wished him a speedy recovery.

AUC-1 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 27th March 2012 be confirmed and signed by the Chairman.

AUC-2 APOLOGIES FOR ABSENCE

K Austin (Vice-Chair), I T W Fletcher

AUC-3 DECLARATIONS OF INTEREST

Cllr R Sloan declared a personal interest in Appendix G and the reference to the DWP as he is employed by the DWP.

AUC-4 REVIEW OF THE TERMS OF REFERENCE FOR THE COMMITTEE

The Audit and Assurance Manager gave a report on the Terms of Reference for the Audit Committee which are reviewed at the first meeting of each municipal year with any changes being taken to the Council Constitution Committee.

The current Terms of Reference would need to be changed in order to reflect the changes to governance and risk management and to include information governance.

A discussion took place regarding the changes shown at Appendix A to the report.

RESOLVED – that the changes to the terms of reference as attached at Appendix A be recommended to the Council's Constitution Committee for adoption by the Council in September 2012.

AUC-5 KPMG INTERIM AUDIT REPORT 2011/12

A Cardoza presented the Interim Audit Report for the year 2011/12 during which the following key areas had been considered:

- Planning

- Control Evaluation
- Substantive Procedures
- Completion
-

During February to April the planning and control environment evaluation work was completed covering the Authority's IT systems, a review of the Internal Audit functions and the production of the Accounts. The findings were favourable and included:

- Effective overall and IT generally sound
- Key financial systems generally sound
- Accounts production – work ongoing but there have been improvements with regard to layout on from last year

Accounts for the 1st quarter are on course. Value for money was appropriate. There had been a review with senior officers in February and KPMG had met with Lead Members in May. It was found that the financial plan was robust. The audit would begin w/b 2nd July 2012. A further report would be received in September 2012.

M McDonagh had visited various sites with the Managing Director, Richard Partington, which involved talking to staff within the organisation. Within periods 1-12 no concerns had been raised. Period 13 was due to take place and manual adjustments and presentations were due to be disclosed and this presented more risk.

KPMG had a robust relationship with the Authority and both of the team worked well together.

A discussion took place including:

- Cuts to services including front line services and the need for continued savings
- The visit to the sites and independent surveys and their results
- The current, very different, economic situation
- Increasing pressures for the Local Authority

AUC-6 UPDATE ON ICT BACK UP AND RECOVERY

The ICT Service Delivery Manager gave a brief update on the Business Continuity. All of the areas had now been replicated with the exception of Carefirst which was behind schedule due to the restructure. The system was currently being tested and it was expected that this would go live in September.

During the upcoming moves to new premises the data would be replicated in several different locations and it was confirmed that both Priority 1 systems together with all of the Council's data had some form of back up.

A discussion took place including:

- Monitoring of Data during the moves
- Power Outages
- Business Continuity

AUC-7 UPDATE OF CHILDREN'S PLACEMENT COSTS

Due to the current ongoing Ofsted Inspection this item was deferred until the September Meeting.

AUC-8 DRAFT ACCOUNTS 11/12

The Assistant Director: Finance, Audit & Information Governance gave a verbal report on the Draft Accounts for 2011/12.

A report would be going to Cabinet on Thursday 28th June regarding the out-turn position for the year 2011/12. There had been a net underspend of £1.8m due to tight financial control and this had been transferred into balances witha number of other transfers in to reserves. The accounts were 100 pages long and were currently being finalised and would be sent to KPMG by the end of the week. A copy of the Statement of Accounts would also be e-mailed to members of the Audit Committee for information, although the audited statement of accounts would be considered at the September meeting of the Committee and a training session would be held before the meeting to go through the accounts in details and to explain the key aspects of them.

AUC-9 TREASURY MANAGEMENT OUTTURN 2011/12

The Finance Manager presented an update report on the Treasury Management Outturn for 2011/12 and the year to date. The year ended with a net indebtedness of £94.6m which was as increase of £39.4m due to a combination of funding capital expenditure and use of revenue reserves. During the year two PWLB Loans had matured and one had been entered into to take advantage of the favourable interest rates. The investment which the Council had with Dexia Bank had been repaid and the principal amount together with all interest due was received in November 2011. The Royal Bank of Scotland had been downgraded and no further short-term investments would be taken out with them due to their rating now being below the standard acceptable to the Council. Several investments were due to mature this year totalling approximately £25m. There had been no breaches or amendments to the Prudential Indicators.

A discussion took place including:

- Individual Ratings and advice from Treasury Advisors
- Balancing capital expenditure and borrowings
- Investments

Officers were congratulated on the report, specifically the achievement of investment returns averaging 3.46% for 2011/12 compared to benchmark returns of only 0.52%.

RESOLVED – that

(a) the contents of the report be noted;

(b) the change to counterparty selection criteria in 16.5 be noted; and

(c) the performance against Prudential Indicators be noted.

AUC10 INTERNAL AUDIT 2011/12 QUARTER 4 UPDATE REPORT

The Audit and Assurance Manager presented a report on the work undertaken by the Internal Audit team during quarter four for 2011/12.

Internal Audit activity mainly focussed on completion of the audits and the final areas of work on the key financial systems for the External Auditor. Eight final reports had been issued during quarter 4. Purchase Ledger had implemented a new financial system which had taken longer than estimated due to the additional training and testing needed. A review on Newport Pool and Planning Applications had also been completed together with a review of the ICT infrastructure project and contract. This had been unplanned work which had taken over 10 days to complete. There was currently only one original amber report outstanding - the Abacus review. Further work was required obtaining evidence and confirming the implementation of the recommendations. The results would be reported to the Committee in the next update. One amber report was issued during the quarter - Sales ledger and summary information. Management had implemented the recommendations and actions and a follow up would be undertaken at the end of June.

Following a complaint a review was taken into the ICT Infrastructure contract and project in December 2010. This review had taken some time to complete due to restructure, the complex nature of the case and the collection of some evidence to support the investigation. The outcome of the review was that although the project manager had acted in the Council's best interest resulting in a £200,000 saving, they had not followed the appropriate governance procedures. The review had identified 8 recommendations that the Senior Management Team (SMT) had agreed to implement. Agreed actions included a revised project governance process for significant projects with monitoring by SMT and the Managing Director and Directors. In addition to this revised payment authorisation levels had been introduced which included counter authorisations for all payments over £50,000.

A discussion took place regarding the report which the Committee considered was a balanced report showing the lessons to be learnt.

RESOLVED – that the report be noted.

AUC11 AUDIT & ASSURANCE ANNUAL REPORT 2011/12

The Audit & Assurance Manager presented the annual report for 2011/12 which supported the Annual Governance Statement (AGS). This showed the recommendations and reports issued for the three years 2009/10 through to 2011/12. A total of 44 reports were issued during 2011/12 which was less than in previous years due to a reduction in resources and the additional work required on testing the new financial system. There had been no indication from KPMG of any adverse findings on the performance against the external review but any actions required would be incorporated into the Internal Audit 12/13 key tasks list. Positive results had been received from CIPFA in November 2011 and also from customer feedback. Although the results were averaging 4.5 out of 5 and above, the team would not get complacent. Where necessary changes had been made from additional feedback given.

Risk Management had supported some of the Council's major projects during the year including the Co-operative Council project and continues to participate and contribute to external benchmarking exercises. Proposals were currently out for consultation on the re-structure of the risk management and this would be reported back to the Committee at a future meeting.

The Information Governance Team took over the responsibility for the administration of all information requests on behalf of the Council, including subject access requests. The ICO had sent a benchmark of 80% for responding to the FOI requests within a 20 day statutory deadline. The Council answered 909 FOI requests during the year with 85% of these requests being answered within the 20 day working day deadline. There had been 41

Environmental Information requests of which 51% had been responded to within 20 working days and 95 subject access requests of which 68% had been answered within 40 days.

During the year there had been 77 possible data breaches. After investigations it was confirmed that 40 data breaches had occurred. The Council encouraged the reporting of any data breaches as soon as possible as this clearly assists with reducing the impact. The reporting process was very important and two of the confirmed breaches had met the Information Commissioners Office's (ICO) notification rationale and these were referred to the ICO. The ICO had imposed a fine of £90,000 (reduced to £72,000 for early repayment). Although the Council were not in agreement with the decision and had argued strenuously for a number of months that the fine was out of proportion, the fine would be paid to take advantage of the reduced rate.

Despite reduced resources and the change in responsibilities the Audit and Assurance Team had achieved good results and contributed to ensuring good governance arrangements throughout the Council.

A discussion took place including:

- Data Breaches reported to the ICO and the fines
- Restructure and cuts to the Audit and Assurance Service and statutory responsibilities

<u>RESOLVED</u> – that the report be noted.

AUC12 <u>2011/12 ANNUAL REPORT – CORPORATE ANTI-FRAUD & CORRUPTION ACTIVITY</u>

The Audit & Assurance Manager presented a report on the 2011/12 Annual Report and Corporate Anti-Fraud & Corruption Policy.

Despite there being reduced resources within the Investigation Team and although fraud was increasing the team were continuing to provide pro-active fraud work. The total number of referrals were significantly less than last due to the reduction in the service following the restructure and any cases looked at were on a risk based approach with the appropriate action taken. The Investigation Team had investigated matches through the National Fraud Initiative (NFI) which had resulted in 46 incorrect awards of benefit and 7 frauds totalling £77,519 in overpayments. Both Revenues and Benefits and Trading Standards had used publicity as a deterrent in order to lessen fraudulent activity. Scambusters continued to be a very import tool with scams being reported daily. A Loan Shark Team had been set up in order to identify, investigate and if necessary prosecute loan sharks and to work with victims. Due to the reduced resources the Authority faces significant challenges for the year 2012/13.

A discussion took place including:

- The importance of Scambusters
- HB Overpayments
- Benefits Joint Working
- Real Time Reporting
- Administrative Costs
- Rogue Trading
- Data Cleansing
- Pension Scheme

RESOLVED – that the report be noted.

AUC13 ANNUAL GOVERNANCE STATEMENT 2011/12

The Audit and Assurance Manager presented a report on the Annual Governance Statement 2011/12 which would accompany the 2011/12 annual accounts and would be reviewed and signed by the Leader and Director. The key elements of the Governance Framework were listed on Appendix A to the Report. The review of effectiveness was conducted annually by senior managers, internal and external audit and Ofsted. The Audit Committee and the Scrutiny process also tested and challenged the effectiveness of the framework. The action plan for 12/13 was set out at Annex 1 and Appendix B to the report. The Council would be facing challenges during the coming year with service reviews and the merging of Organisational Improvement and Human Resources and the governance arrangements for the Health and Wellbeing Board.

RESOLVED – that the report be noted.

AUC14 OUTLINE OF BUSINESS FOR 12/13

The outline of business for future meetings 12/13 was discussed. The verbal update on Children's Placement Costs would be deferred to the September meeting.

RESOLVED – that the outline of the business for future meetings 12/13 be noted.

The meeting ended at 7.42 p.m.

Chairman:

Date:

KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2011/12

Telford & Wrekin Council

September 2012

Contents

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Michael McDonagh, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

KPMG

Section one

Introduction

This report summarises:

- **the key issues identified during our audit of Telford & Wrekin Council's ('the Authority's) financial statements for the year ended 31 March 2012; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

We do not repeat matters we have previously communicated to you. In particular, we draw your attention to our *Interim Audit Report 2011/12*, presented to you on 26 June 2012, which summarised our planning and interim audit work.

Financial statements

Our audit of the financial statements can be split into four phases:

Planning → Control Evaluation → Substantive Procedures → Completion

We previously reported on our work on the first two stages in our *Interim Audit Report 2011/12* issued in June 2012.

This report focuses on the final two stages: substantive procedures and completion.

Our on site final accounts visits took place between 2 July and 12 August 2012. During this period, we carried out the following work:

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

We have now also completed our work in respect of the 2011/12 VFM conclusion. This involved concluding our work to address the specific matters identified in our *Interim Audit Report 2011/12*.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2011/12 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity to thank Officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises our headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2012. We also expect to report that the wording of your Annual Governance Statement accords with our understanding of the Authority.
Audit adjustments	Our audit identified a total of five audit adjustments with a total value of £17.9million. The impact of these adjustments is to: ■ Decrease the surplus on provision of services for the year by £3.4million; and ■ Decrease the net worth of the Authority as at 31 March 2012 by £3.4million. None of the adjustments identified impacted upon the balance on the general fund account as at 31 March 2012. We have included a full list of audit adjustments at Appendix 3. All of these were adjusted by the Authority In addition to these audit adjustments, we identified a number of corrections required in relation to casting and presentational issues. Again, all of these corrections have been made by the Authority. We have raised one recommendation in relation to the matters highlighted above, which relates to ensuring the correct accounting treatment is applied when schools obtain academy status. In addition, we have reiterated one of the recommendations raised in our *ISA 260 Report 2010/11* in relation to the draft financial statements being reviewed by the Audit Committee. We are aware that the draft financial statements were provided to the Audit Committee on 4 July 2012. This did not, however, provide opportunity for review prior to the audit commencing.
Critical accounting matters	We have worked with Officers throughout the year to discuss specific accounting risk areas. The Authority has addressed the issues appropriately. The main critical accounting matters arising during the year related to fixed asset accounting, specifically Heritage Assets, Component Accounting, and Capital Accounting Thresholds. We identified no audit adjustments in relation to any of these issues.
Accounts production and audit process	We have noted an improvement in the quality of the accounts and the supporting working papers. We particularly noted the benefit of the Authority implementing a SharePoint site for the collating and sharing of working papers. Officers dealt efficiently with audit queries and the audit process has generally been completed within the planned timescales. Due to issues we identified in relation to the draft Cash Flow Statement both the Authority and ourselves were required to undertake further work. Further additional work was also required in order to confirm a number of changes made to the Financial Statements during the audit as a result of an error identified by the Authority. The Authority has implemented the majority of the recommendations in our *ISA 260 Report 2010/11* relating to the financial statements. The only outstanding recommendation related to the draft financial statements being reviewed by the Audit Committee prior to the commencement of the audit.

Headlines (continued)

This table summarises the headline messages. The remainder of this report provides further details on each area.

Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter from the Authority. This will be provided by the Authority at the Audit Committee meeting on 25 September 2012 as required. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2012.
VFM risk areas	We have considered the specific VFM risks we set out in our *Interim Audit Report 2011/12*. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Proposed opinion and audit differences

Our audit identified a total of five audit adjustments.

The impact of these adjustments is to:

- **Decrease the surplus on the provision of services for the year by £3.4million; and**
- **Decrease the net worth of the Authority as at 31 March 2012 by £3.4million.**

None of the adjustments identified impacted upon the balance on the general fund account as at 31 March 2012.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion by 30 September 2012.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Our audit identified a total of five significant audit differences, which we set out in Appendix 3. We confirm that these have been adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2012.

There is no net impact on the General Fund balance as at 31 March 2012 as a result of these audit adjustments. Both the net worth of the Authority and the surplus on provision of services were decreased by £3.4m. This is the result of an adjustment required to correctly account for the disposal of a school which achieved academy status during the year.

Of the other audit adjustments we have identified, the most significant in monetary value are as follows:

- Revenue grant income with a value of £2.0m had been incorrectly disclosed as other income rather than as grant income; and
- Government grants received in advance amounting to £3.3m disclosed as government creditors rather than being included within receipts in advance.

There are no uncorrected audit differences arising from our audit.

Movements on the General Fund 2011/12

£m	Pre-audit*	Post-audit	*Ref (App.3)*
Surplus on the provision of services	9.241	5.848	*2,3,4*
Adjustments between accounting basis & funding basis under Regulations	(11.380)	(7.987)	*3*
Transfers from earmarked reserves	2.562	2.562	
Increase in General Fund	**0.423**	**0.423**	

Balance Sheet as at 31 March 2012

£m	Pre-audit*	Post-audit	*Ref (App.3)*
Property, plant and equipment	364.051	360.658	*3*
Other long term assets	78.163	78.163	
Current assets	83.549	83.549	
Current liabilities	(109.722)	(109.702)	*1,2,5*
Long term liabilities	(326.967)	(326.987)	*2*
Net worth	**89.074**	**85.681**	
General Fund	(3,686)	(3,686)	
Other reserves	(85.388)	(81.995)	*3*
Total reserves	**(89.074)**	**(85.681)**	

* Pre-audit figures take account of errors identified and corrected by the Authority during the audit.

Proposed opinion and audit differences (continued)

Our audit identified a number of casting and presentational differences which have been corrected by the Authority.

The wording of your Annual Governance Statement accords with our understanding of the Authority.

In addition, we identified a number of casting errors and presentational adjustments required to ensure that the accounts are consistent and fully compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2011/12 ('the Code')*. We confirm that the Authority has addressed these issues.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Critical accounting matters

We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2011/12*, presented to you in January 2012, we identified the key risks affecting the Authority's 2011/12 financial statements.

In our *Interim Audit Report 2011/12* we commented on the Authority's progress in addressing these key risks. We highlighted that whilst the Authority had made significant progress in relation to the specific risks, there were a number of actions still to be undertaken as part of the accounts production process.

We have now completed our testing of these areas and set out our final evaluation following our substantive work.

We have reviewed the way in which the Authority has addressed each of the key audit risks identified. As a result of this we identified that the Authority has appropriately addressed all of these risks.

The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
	As at December 2011, the Authority was forecasting that it would deliver its 2011/12 budget in overall terms. This included a savings programme totalling £13.2m. The Authority estimated that another £19.1m in savings will need to be achieved during 2012/13 rising to a total of around £33m by 2014/15 as part of the General Fund strategy to address the reductions to local authority funding. Against a backdrop of continued demand pressures in Adult Social Care and Children's Services it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability, whilst not affecting standards of service delivery. If there were any related liabilities at year end, e.g. through severance packages, these would need to be accounted for in the 2011/12 financial statements as appropriate.	The Authority continues to progress its savings plans and reports to the Cabinet on progress made as part of its regular reporting processes. No significant delays in achieving savings have been identified to date through these monitoring processes. The Authority's budgeted outturn for 2011/12 was £129.5m. The actual outturn achieved was £127.6m. This favourable variance of £1.8m allowed the Authority to increase the General Fund balance by £0.4m as opposed to an estimated £1.4m use of reserves. We reviewed the level of provisions recognised in the 2011/12 financial statements and confirmed that they complied with the accounting standards. We also confirmed that these represented the real position of liabilities as at 31 March 2012 and represented the progress made in implementing savings plans up to that date.

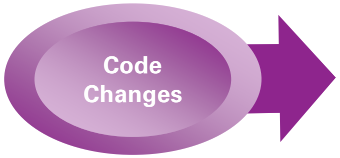
Critical accounting matters (continued)

We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
Component Accounting	We reported in our 2010/11 *Annual Audit Letter* that the Authority had implemented a policy in relation to the IFRS requirements for component accounting. This policy was based upon the application of a series of thresholds relating to the asset's value and useful economic life. The policy was designed to ensure that componentisation was applied so as to account for all material asset components. The application of this policy to additions and revalued assets in 2010/11 resulted in no componentisation being undertaken in relation to the 2010/11 Financial Statements.	The Authority has prepared the 2011/12 financial statements using the same componentisation policy as that applied for 2010/11. This resulted in a limited number of assets requiring componentisation. This has increased the depreciation charge for the year and decreased the value of Property, Plant and Equipment as at 31 March 2012. We reviewed the application of the componentisation policy during 2011/12 and identified no issues.
Capital Accounting Thresholds	In our 2010/11 *Annual Audit Letter* we reported that the Authority had historically operated two deminimis thresholds in relation to Capital Accounting resulting in capital expenditure between £1k and £50k being capitalized but then immediately impaired to nil net book value. The Authority proposed a revised policy which will be implemented in relation to the 2011/12 Financial Statements. This policy made use of a single threshold of £10k in all except a limited number of exceptions such as where the aggregate value of a purchase programme exceeds the deminimis levels. The previous policy resulted in £9m of asset additions being recognised in the 2010/11 Financial Statements which were then fully impaired as a result of the policy rather than as the result of a specific impairment issue.	The application of the revised policy resulted in significant changes to the financial statements for 2009/10 and 2010/11. The revised policy has resulted in decreased impairment charges, increased depreciation charges and an increase in the overall value of Property, Plant and Equipment. We have reviewed the amendments made to the financial statements as a result of the change in policy and have confirmed that the accounting entries have been processed appropriately. As this represented a change in accounting policy, the Authority was required to make accounting adjustments to the prior year balances. Therefore, we have also confirmed that the disclosure requirements arising from the prior period adjustment have been met.

Critical accounting matters (continued)

We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
	The 2011/12 *Code* includes a number of accounting changes, including a new requirement to carry 'heritage assets' at valuation. Heritage Assets include historical buildings, museum and gallery collections and works of art. The 2011/12 *Code* also clarifies requirements in a number of areas where ambiguity was identified in the 2010/11 *Code*. In addition, 2011/12 sees the move from preparing financial statements under the Best Value Accounting Code of Practice (BVACOP) to the Service Reporting Code of Practice (SeRCOP). The Authority needed to review and appropriately address these changes in its 2011/12 financial statements.	As part of its accounts production process the Authority undertook an exercise designed to identify all assets which would fall within the definition of Heritage Assets. Having completed this exercise it was determined that it was not cost effective to obtain valuations for such assets. This was based upon estimates of costs provided by independent valuers which indicated that the total cost would have been £165k-£330k plus VAT and expenses. The above approach and decision is permitted by the Code in instances where an Authority can demonstrate that the cost of obtaining valuations exceeds the benefits that would be provided to a user of the financial statements. As the Heritage Assets identified by the Authority had no historic cost, having been inherited from predecessor authorities, and have no known resale value, they are being held at nil net book value. As the Authority had, in previous years, opted to increase the level of disclosure beyond that required by the BVACOP the differences between that format and the SeRCOP was significantly reduced. We identified no issues in relation to the adoption of the SeRCOP in the 2011/12 financial statements.

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries. However, additional work was required to be undertaken by us as a result of errors identified by the Authority and corrections required in relation to the Cash Flow Statement.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has strengthened its financial reporting process through enhancing the level of review and quality checks undertaken by senior officers. There is scope to improve this further by ensuring that the Audit Committee are also provided with the opportunity to review the draft financial statements. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 29 June 2012. Subsequent to this the Authority identified an error in relation to capital expenditure and receipts. This required a number of adjustments to both the Balance Sheet and the Comprehensive Income & Expenditure Statements. These corrections were made by the Authority during the audit.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in March 2012, and discussed with the Finance Team Leader, set out our working paper requirements for the audit. The quality of working papers provided had improved from prior year, but there remain areas where further improvements could be made.
Response to audit queries	Officers resolved audit queries in a reasonable time. The Authority implemented a SharePoint site during 2011/12 which was used to share working papers and track audit queries. The Authority also allocated additional resources to the management of audit queries. We acknowledge that both of these measures resulted in improvements when compared with prior years.

The audit process took longer than originally anticipated due to:

- additional work being required to resolve errors identified in relation to the Cash Flow Statement; and
- the agreements of adjustments made to the financial statements during the audit arising from errors identified by the Authority.

We will discuss the impact of this additional work has upon the audit fee with the Chief Financial Officer.

Accounts production and audit process (continued)

The Authority has implemented the majority of the recommendations in our *ISA 260 Report 2010/11* relating to the financial statements.

Prior year recommendations

In our *Interim Audit Report 2011/12* we commented on the Authority's progress in addressing the recommendations in our *ISA 260 Report 2010/11.*

The Authority has now implemented the majority of the recommendations in our *ISA 260 Report 2010/11* relating to the financial statements. Exceptions to this relate to:

- the implementation of Single Status which is an ongoing process scheduled to be completed in April 2014 with the balance sheet as at 31 March 2012 including an accrual in relation to the estimated liabilities to be incurred as a result of this implementation; and
- the review of the draft financial statements was enhanced in comparison to that completed in 2010/11, but the Audit Committee was not provided with the draft financial statements prior to the audit. The provision of the draft financial statements took place on 4 July 2012.

Appendix 2 provides further details.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Telford & Wrekin Council for the year ending 31 March 2012, we confirm that there were no relationships between KPMG LLP and Telford & Wrekin Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Finance Officer, a draft of which is reproduced in Appendix 5. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2011/12 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

The following page include further details on our specific VFM work based upon specific matters we identified through our planning process.

Specific VFM matters

We have now concluded our specific work in relation to the specific matters we set out in our *Interim Audit Report 2011/12*.

In our *Interim Audit Report 2011/12* we identified the significant matters for our VFM conclusion, and set out our preliminary assessment of these with reference to the relevant work by the Authority, the Audit Commission, other inspectorates and review agencies.

We concluded that we needed to carry out additional work for some of these risks and this work is now complete.

The outcome of this work is set out below.

Key VFM Matter	Preliminary assessment	Key findings of our additional work
	In February 2012 we met with the Executive Directors in order to discuss the Authority's MTFP processes and the progress made in relation to the delivery of the Authority's savings plans. As part of this discussion we offered a constructive challenge of the processes in place. This meeting included reviewing the achievability of the Authority's savings plans and measures taken where slippages had occurred against these plans. No significant weaknesses were identified as a result of this meeting. Based upon the outcomes of this meeting we continued to monitor the progress made in delivering the required savings packages throughout the Authority. Specifically we reviewed the processes in place to monitor this delivery and assessed whether timely and appropriate action is taken where slippage occurs. We reviewed the Authority's restructuring programme and assessed the robustness of proposals for delivering savings necessary to meet funding reductions. We also reviewed the assessed impact on service delivery standards. We arranged to meet key officers and Members to discuss the above issues during May 2012.	During May 2012 we met with key members of the Executive Team and Members in order to discuss the ongoing management of the Authority's financial standing. Members have also taken greater levels of interest in financial matters. This has resulted in a greater level of understanding and comfort in relation to the Authority's budgets. The Authority has continued to make progress in relation to its savings plans and managed to achieve an underspend against budget for 2011/12. This has enabled to the Authority to contribute to useable reserves for use in 2012/13 to support the budget strategy. As at July 2012, the Authority was forecasting that the outturn would be in line with budget. This included as predicted £2.6m use of budgeted contingency. The Authority's restructuring programme has continued and is on schedule. There continues to be a robust process in relation to challenging the assumptions made in relation to these savings plans. Through the adoption of the "Co-operative Council" approach, the Authority believes it has achieved back office savings of 33%. The Authority is now looking at changing how individual services operate so as to ensure that they achieve the greatest levels of efficiency possible.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❷	Our audit of the financial statements identified an audit adjustment in relation to the accounting entries arising from a school acquiring academy status during the financial year. The Code requires that the school should be treated as a fixed asset disposal with nil proceeds. As a result, a loss on disposal should be recognised in such circumstances. During 2011/12, one school previously controlled by the Authority acquired academy status. No disposal had been recognised in relation to the school buildings. As a result of this the value of Property, Plant and Equipment was overstated by £3.4m. A similar issue was identified as part of the audit of the 2010/11 financial statements where an academy school had been impaired rather than disposed of. This was corrected in the final version of the 2010/11 financial statements. The Authority should also implement controls designed to identify such transactions and ensure that they are accounted for correctly. The Authority should ensure that appropriate training is provided to ensure that the requirements of the Code are fully understood.	Appropriate controls and processes will be implemented to ensure the appropriate accounting treatment for schools that become academies. These processes will be communicated to appropriate staff. ▪ Ken Clarke – CFO ▪ 31/12/2012

Appendix 2: Follow up of prior year recommendations

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2010/11.*

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2010/11* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	5
Implemented in year or superseded	3
Remain outstanding (re-iterated below)	2

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
1	2	Due to the Council-wide restructure programme , the on-going job evaluations and job specification finalisation the Authority decided to delay the implementation of Single Status until April 2014. Nevertheless, the Authority must now ensure it implements Single Status by April 2014 with appropriate monitoring of milestones through the year to ensure this is achieved. In addition, as implementation progresses, the Authority should ensure that it uses the most up to date information and relevant case law precedents, whilst taking into account any other changing circumstances so that it more accurately reflects the likely financial cost within its Medium Term Financial Strategy. The Authority needs to ensure that further slippage in implementing Single Status is avoided where possible.	The Authority has a project plan and resources to meet the current target date of April 2014 and will monitor and take action in respect to any financial implications that may arise. The equal pay risk will be assessed during the pay modelling part of the implementation process. ▪ Jonathan Eatough – Assistant Director (Law, Democracy & Public Protection) ▪ Angie Astley – Assistant Director (Customers & People) ▪ On-going	**Remains Outstanding – In Progress** The Authority has continued to make progress towards the implementation of Single Status. The projected implementation date remains April 2014, although there is a possibility that implementation could be achieved earlier dependent upon the outcome of current ongoing negotiations with unions. The Authority has allocated an Executive Lead to the process and has continued to ensure appropriate involvement of unions and legal advisors.

Appendix 2: Follow up of prior year recommendations (continued)

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2010/11.*

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
2	2	As a result of our audit work we identified a large number of presentation issues, casting errors and instances where notes did not agree back to the primary statements. These issues are seen as being indicative on an insufficient level of independent review being undertaken in relation to the draft financial statements. The Authority should ensure that a robust review of the draft financial statements is undertaken so as to ensure that such issues are identified and addressed.	The financial statements were reviewed within the resources and time available to complete the draft Statement of Accounts so that they were available for the beginning of the audit. 2010/11 was a particularly challenging year with the transition to IFRS which was a significant change. Preparation of the accounts for 2010/11 coincided with the recruitment phase of the Finance restructure process so the additional resource allocated to corporate finance to support accounts preparation was not in post when the accounts were prepared. However, this post is now occupied and will be made available to assist with reviewing the draft accounts prior to audit for 2011/12. ▪ Ken Clarke - Head of Finance ▪ 2011/12 Financial Statements	**Remains Outstanding – Partly Implemented** During the accounts production process for 2011/12 there was a significant increase in the level of review undertaken by the Finance Manager and the Chief Finance Officer. The Authority did not manage to provide the draft Financial Statements to the Audit Committee for review prior to the commencement of the audit. The provision of the draft financial statements took place on 4 July 2012.

Appendix 2: Follow up of prior year recommendations (continued)

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2010/11.*

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
3	❶	Our audit work highlighted that a substantial portion of the audit differences identified arose due to the changes arising following the move from UK GAAP to IFRS as implemented by the Code. The Authority should undertake a thorough review of the Code and IFRS is undertaken on an annual basis so as to ensure that any changes are identified and actioned in the preparation of the financial statements. In addition, in such key areas, the technical expertise within the Authority may require further improvement and the Authority should identify any knowledge and skill gaps within the team, and implement an action plan which includes provision of further training where required.	As part of the audit fee it had been agreed that KPMG would provide 15 consultancy days specifically to advise and assist with the transition to IFRS. Resources available to complete the Statement of Accounts are limited and the Authority was relying on this technical input from KPMG to review working papers and disclosure notes and provide detailed guidance. This was planned to be a separate piece of work prior to the commencement of the audit and a number of documents had been sent to KPMG for review/comment. Whilst 8 days support was provided and was very helpful, 7 of the planned consultancy days were not provided ahead of the audit. Consequently, this meant that there were more findings during the audit. As previously mentioned, the restructure process has allocated additional resource which should assist accounts preparation for 2011/12 which will also be subject to much less change in accounting requirements than 2010/11 which has been an exceptional year. ▪ Ken Clarke - Head of Finance ▪ 2011/12 Financial Statements	**Implemented** Additional resources were allocated to the accounts production process during 2011/12. This helped to ensure that more time could be dedicated to reviewing the Code and the financial statements. We can confirm that there was a significant decrease in the number of issues identified which arose as a result of failing to understand changes to the Code.

Appendix 2: Follow up of prior year recommendations (continued)

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2010/11.*

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
4	2	Currently the responsibility for the preparation of the financial statements and supporting notes resides primarily with the Finance Manager. Due to the pressures involved with this, and the other responsibilities the Finance Manager has with the Authority, it will be necessary to ensure that additional support is offered. The Authority should ensure that additional staffing is allocated to the preparation of the financial statements. Such staffing should also be available to offer support through the audit process.	The new Finance Structure includes a part-time accountant providing support to the Finance Team Leader who prepares the accounts. In addition, reports will be developed in the new Financial Management System to streamline the production of information. It should be noted however that following the restructure process, the Finance team overall is 20% smaller which impacts on the capacity at year end. ▪ Ken Clarke - Head of Finance ▪ 2011/12 Financial Statements	**Implemented** Additional resources were allocated to the accounts production process during 2011/12. This was the first year of account production using the Agresso system. This presented a number of challenges to the finance team as it was necessary to develop new reports to provide the information needed for the financial statements. It is anticipated that this process should become more streamlined in future years as these reports will already exist.

Appendix 2: Follow up of prior year recommendations (continued)

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2010/11.*

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2012
5	2	Whist our discussions with Senior officers, the Leader and two Cabinet Members confirmed that financial monitoring is carried out, we consider that the unprecedented financial pressures would warrant more frequent formal monitoring of the Authority's finances than the current quarterly reporting to Members. The Authority should review if its current arrangements and formats for financial reporting remain appropriate in the context of the current financial pressures. This should consider specifically if : ▪ more frequency formal reporting is needed; ▪ a greater level of detail on the savings plans would be beneficial, such as an assessment of the risk attached to the delivery of specific proposals; and ▪ if the focus should be on gross rather than net budgets.	Although financial monitoring is only taken to Cabinet quarterly, lead Members and SMT receive regular updates in between. Finance Teams work closely with Heads of Service and their management team providing financial advice and guidance throughout the year – providing financial comments/implications to all reports going forward to Cabinet, working on re-structure and service review rationales, supporting the identification and delivery of savings and continually reviewing and updating the Authority's rolling budget model/strategy. Savings proposals and the associated risks are reviewed in detail as part of the budget planning process. ▪ Ken Clarke - Head of Finance ▪ Ongoing	**Implemented** Through our VFM work we have met with members of the Executive Team and the SMT. As a result of this we have confirmed that financial monitoring is seen as an area of significance and that it is being monitored throughout the year.

Appendix 3: Audit differences

This appendix sets out the significant audit differences.. We confirm that these have all been adjusted.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in the Authority's case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Telford & Wrekin Council's financial statements for the year ended 31 March 2012. We confirm that these have all been adjusted in the finalised financial statements.

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
1				DR Other Payables £3.338m CR Government Grants Received in Advance (£3.338m)		In the draft financial statements Government Grants Received in Advance were disclosed within Government Creditors rather than as receipts in advance. A reclassification was required in order to accurately reflect the position of the Authority and also to be consistent with the prior year treatment.
2	DR Interest Payable £0.050m CR Other Expenditure (£0.050m)			DR Other Payables £0.020m CR Finance Lease Liabilities (£0.020m)		Interest in relation to Finance Leases of £50k has been included within Central Services Provided to the Public rather than being separately disclosed as Interest Payable. In addition, the split of short and long term creditors in relation to Finance Leases has been miscalculated.

Appendix 3: Audit differences

This appendix sets out the significant audit differences.. We confirm that these have all been adjusted.

No.	Impact: Income and Expenditure Statement	Impact: Movement in Reserves Statement	Impact: Assets	Impact: Liabilities	Impact: Reserves	Basis of audit difference
3	DR Profit/Loss on Disposal of non-current assets £3.440m CR Depreciation (£0.047m)	CR Other Adjustments between Accounting and Funding Basis (£3.393m)	CR Property, Plant & Equipment (£3.393m)		DR Capital Adjustment Account £3.151m DR Revaluation Reserve £0.242m	Newport Girls High School became an academy during 2011/12. The asset was still held in the Fixed Asset Register with no disposal recognised during the year. As a result of this, depreciation had been charged during the year and required reversal. Previous revaluation gains also had to be transferred to the Capital Adjustment Account.
4	DR Other Income £2.008m CR Specific Government Grants (£2.008m)					Two income streams had been incorrectly split as part other income and part grant income. Both should have been classified entirely as grant income. The grants involved were the Early Intervention Grant and the Standards Fund.
5				DR Other Receipts in Advance £0.631m CR Other Payables (£0.631m)		The Authority has, on a yearly basis, recognised an accrual in relation to Single Status liabilities likely to arise. We identified that one element of this accrual had been incorrectly accounted for as a receipt in advance.
	Dr £3.393m	**CR (£3.393m)**	**CR (£3.393m)**	**Nil**	**Dr £3.393m**	**Total impact of adjustments**

Appendix 4: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 4: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Telford & Wrekin Council for the financial year ending 31 March 2012, we confirm that there were no relationships between KPMG LLP and Telford & Wrekin Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 5: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Telford & Wrekin Council ("the Authority") for the year ended 31 March 2012, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
   - give a true and fair view of the financial position of the Authority as at 31 March 2012 and of the Authority's expenditure and income for the year then ended; and
   - have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 requires adjustment or disclosure have been adjusted or disclosed.

Information provided

5. The Authority has provided you with:
   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

   The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Appendix 5: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

8. The Authority has disclosed to you all information in relation to:
   a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and
   b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you the identity of the Authority’s related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.
12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

    The Authority further confirms that:
    a) all significant retirement benefits, including any arrangements that:
       - are statutory, contractual or implicit in the employer's actions;
       - arise in the UK and the Republic of Ireland or overseas;
       - are funded or unfunded; and
       - are approved or unapproved,

       have been identified and properly accounted for; and
    b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 25 September 2012.

Yours faithfully,

Chair of the Audit Committee, Chief Financial Officer cutting through complexity™

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Our ref TWC/1213/FeeLetter

14 September 2012

Dear Richard

Annual audit fee 2012/13

I am writing to confirm the audit work and fee that we propose for the 2012/13 financial year at Telford & Wrekin Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

As we have not yet completed our audit for 2011/12 the audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative fee for the audit for 2012/13 is £155,088 (plus VAT). This compares to the planned fee of £258,480 for 2011/12.

The proposed audit fee represents a 40% reduction compared to the previous audit year and is in line with the scale fee recommended by the Audit Commission.

The indicative fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. My assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2011/12.

We will issue a separate plan for the audit of the 2012/13 financial statements later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with Ken Clarke - the Assistant Director: Finance, Audit & Information

Governance and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

Due to historic timing differences, the 2011/12 audit fee funded our VFM audit work for 2010/11. To eliminate this anomaly and align the charging principles for the VFM conclusion with those for the financial statements audit, I am including an additional one-off amount in this year's fee letter for the work to support the 2011/12 VFM conclusion. This additional fee is £25,800.

From 2012/13, the Audit Commission is replacing the previous schedule of hourly fee rates with a composite indicative fee for certification work for each body. The Commission has calculated an indicative fee which is based on actual certification fees for 2010/11, adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating the general reduction to its fee scales. However, the number of claims and returns requiring certification at Telford & Wrekin Council remains unchanged from 2011/12 and therefore the we also consider that the time it will take us to complete our certification work will also remain unchanged.

As a result of this, I estimate that the fee for the certification of 2012/13 grants and returns will need to be confirmed in due course and following further discussions with the Authority. Our fee will be based on the expected cost of completing our grant certification work for 2011/12 and the Council continuing to require the following schemes to be certified: housing and council tax benefits scheme; national non-domestic rates return; and teachers' pension return.

The indicative certification fee is further based on the expectation that you are able to provide us with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

In summary, the indicative fees set out in this letter are:

Audit area	**Planned fee 2012/13**	**Planned fee 2011/12**
Audit fee	£155,088	£258,480
Certification fee	TBC	£35,000
Total	**TBC**	**£293,480**

Due to the delay in confirming auditor appointments by the Audit Commission, the first payment will be due in September 2012 for the first half of the year and we will issue our invoice shortly. This excludes the additional one-off fee of £25,800 to re-align the fee for our VFM work, which we will bill separately.

The proposed fee excludes any additional work we may agree to undertake at the request of Telford & Wrekin Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

In addition to myself, the key members of our audit team for the 2012/13 audit are:

Name	Role	Contact details
Andrew Cardoza	Senior Manager	andrew.cardoza@kpmg.co.uk +44 (0) 121 232 3869 +44 (0) 771 186 9957
Heather Garrett	Manager	heather.garrett@kpmg.co.uk +44 (0) 161 246 4294 +44 (0) 777 191 2816
Adam Bunting	Assistant Manager	adam.bunting@kpmg.co.uk +44 (0) 121 232 3253 +44 (0) 784 713 7589
Sophie Whelan	Senior Auditor	sophie.whelan@kpmg.co.uk +44 (0) 121 232 3694 +44 (0) 791 789 4110

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *'Something to Complain About'*, which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely

Michael McDonagh
Partner, KPMG LLP

cc: *Ken Clarke (Assistant Director: Finance, Audit & Information Governance)*
Paul Clifford (Corporate Director)

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2012/13 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and materially accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes;
- the grant claims and returns requiring certification are as listed above; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the financial statements audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Financial Statements audit plan	December 2012
Interim audit report	June 2013
Report to those charged with governance (ISA260 report)	September 2013
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2013
Opinion on Whole of Government Accounts return	September 2013
Annual audit letter	December 2013
Certification of grant claims and returns	April 2014

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 25 SEPTEMBER 2012

2011/12 STATEMENT OF ACCOUNTS

REPORT OF THE ASSISTANT DIRECTOR : FINANCE, AUDIT & I.G. (C.F.O.)

PART A) SUMMARY REPORT

1.1 This report informs Members of the outcome of the audit of the Council's accounts for 2011/12 and presents the Statement of Accounts for approval.

1.2 In 2007 Central Government announced that the UK Public Sector would adopt International Financial Reporting Standards (IFRS), which are the accounting standards used across the commercial world. The 2010/11 Statement of Accounts were the first IFRS financial statements to be produced by Local Authorities, 2011/12 have been prepared on the same basis.

1.3 Under IFRS any changes to accounting policy require restatement of previous years balance sheets and accounts. The council amended its policy in relation to the minimum value of assets to include in the asset register and harmonised that with the minimum value of capital spend. This change required the re-statement of the 2010/11 comprehensive income and expenditure account and the 2009/10 and 2010/11 balance sheets to provide comparative information.

1.4 In accordance with the Accounts and Audit (England) Regulations 2011, the Chief Financial Officer certified the draft statement of accounts prior to the 30th June. These were then made available for public inspection, circulated to members of the Audit Committee and provided to the external auditors to undertake the audit of accounts. As required by regulation, the final statement of accounts are now presented for approval, prior to publication. This Committee has delegated authority from Council to approve the council's final audited Statement of Accounts.

1.5 KPMG, the Council's external auditors, have completed their work and are in the process of issuing an unqualified audit opinion. However, at the time of printing this report the opinion had not been received and therefore this report contains a recommendation that delegated authority be granted to the Assistant Director : Finance, Audit & I.G. after consultation with the Chairman of the Audit Committee, to make any final changes required to the Statement of Accounts prior to publication.

1.6 The audit has identified fewer changes to the accounts than in the previous year, which have been agreed and included in this final version. The outturn position of £1.843m underspend reported to Cabinet on the 28 June 2012 remains unchanged and none of the changes impact on the previously reported General Fund Balance.

1.7 Following approval the Statement of Accounts will be published on the Council's web site.

2.0 RECOMMENDATIONS

2.1 That Members approve the 2011/12 Statement of Accounts attached at Appendix I.

2.2 That, if the audit has not been fully completed by the date of this meeting, delegated authority be granted to the Assistant Director : Finance Audit & I.G., in consultation with the Chairman of the Audit Committee, to make any final changes required to the Statement of Accounts prior to publication.

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	Delivery of all priority objectives depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan.
	No	
TARGET COMPLETION/DELIVERY DATE	To publish audited accounts by the end of September 2012.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The financial impacts are detailed throughout the report.
LEGAL ISSUES	No	The Statement of Accounts have been prepared in accordance with the 2012 Code of Practice on Local Authority Accounting and the 2011 Accounts and Audit Regulations.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	*Borough Wide*

4.0 PREVIOUS MINUTES

Cabinet – Service & Financial Planning Report – 28 June 2012
Council – Financial monitoring - 2011/12 Outturn Report– 12 July 2012

5.0 INFORMATION

5.1 The 2011/12 outturn position was reported to Full Council on the 12 July 2012. In accordance with the Accounts and Audit (England) Regulations 2011, the Council is required to prepare the formal Statement of Accounts in a prescribed format, which complies with International Financial Reporting Standards. The Chief Financial Officer certified the draft statement of accounts at the end of June. These were circulated to members of this committee, made available for public inspection and provided to the external auditors to undertake the audit of accounts.

5.2 The final overall underspend of £1,843,000 (-1.42% of net budget) is the same as previously reported to members in July.

5.3 Some adjustments to the accounts have been made after discussion with KPMG during the course of the final accounts audit. None of these has impacted on the General Fund Balance position previously reported. They include the following changes:

(i) Disposal of Newport Girls High School from Asset Register, now an academy.

Property, Plant & Equipment	CR	£3.393m
Capital Adjustment Account	DR	£3.151m
Revaluation Reserve	DR	£0.242m
I & E Depreciation	CR	£0.047m
I & E Loss on Disposal of Assets	DR	£3.440m
Adjustments between Accounting and Funding Basis	CR	£3.393m

(ii) Reclassification of Government Grants Received in Advance incorrectly shown in Other Payables

Creditors Note – Other Payables	DR	£3.338m
Creditors Note – Receipts in Advance	CR	£3.338m

(iii) Government Grants not fully analysed in the note to the accounts. Additional grants added to the note as follows, was otherwise identified within other income.

Early Intervention Grant	£1.477m
Standards Fund	£0.531m
Other Government Grant	£5.807m

(iv) Schools Single Status Accrual incorrectly shown within receipts in advance rather than sundry creditors. Only changes the Creditor Note to the Accounts.

Creditors Note – Receipts in Advance	DR	£0.631m
Creditors Note – Sundry Creditors	CR	£0.631m

(v) Interest in relation to Finance Leases of £50k included within Central Services Provided to the Public rather than Interest Payable and, in addition, the split between short term and long term in relation to PFI and Leases had been misstated by £20k. Short term creditors being overstated.

I & E Account – Interest Payable	DR	£0.050m
I & E Account – Central Services Provided to the Public	CR	£0.050m
Balance Sheet – Short Term Creditors	DR	£0.020m
Balance Sheet – Long Term Creditors	CR	£0.020m

(vi) Adjustment identified by Council Officers in relation to the analysis between capital receipts and capital spend where both capital spend and capital receipts had been overstated. This led to a number of changes to the accounts as follows.

I & E Account – Profit and Loss on Disposal of Assets	DR	£2.007m
I & E Account – Investment Property Income and Expenditure	CR	£1.294m
Balance Sheet – Property, Plant, Equip.	CR	£0.184m
Balance Sheet – Investment Property	CR	£0.529m
Balance Sheet – Capital Adjustment Account	DR	£1.017m
Balance Sheet – Deferred Capital Receipts Reserve	CR	£0.304m
I & E Account – Adjustments between Accounting and Funding Basis	CR	£0.713m

The final statement of accounts including all agreed amendments is attached at Appendix 1.

5.4 We once again anticipate receiving an unqualified audit report.

5.5 To comply with International Auditing Standards, the external auditor will also present the Annual Governance report to the Audit Committee which comments on the final accounts audit.

6.0 BACKGROUND PAPERS

2011/12 Draft Statement of Accounts
2011/12 Outturn Report
2011/12 Budget Book
General Ledger Reports
2011/12 Code of Practice on Local Authority Accounting
Accounts and Audit (England) Regulations 2011

Report Prepared by: Bernie Morris, Finance Team Leader, 01952 383702

Telford & Wrekin Council

Statement of Accounts

2011/12

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Explanatory Foreword

1. INTRODUCTION

The Statement of Accounts for 2011/12 is the second to be prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. Which continues to add a further level of complexity for readers to overcome. However, the information contained within these accounts 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 Councils core activities:

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

The purpose of each is briefly described within this foreword and they are each followed by notes explaining the statements and any specific restatements required. This year a change to our accounting policy in relation to the deminimis level for accounting for assets led to a number of restatements as detailed in note 2 to the accounts.
The main statements are supplemented by the Collection Fund Account,

The Council's accounts for the year 2011/12 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;

... **The Comprehensive Income and Expenditure Account -** covering revenue income and expenditure during the year on all Council services;

... **The Balance Sheet** - which sets out the financial position of the Council on 31st March 2012;

... **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties;

... **The Notes to the Core Financial Statements -** which provide further information supporting the financial statements;

... **The Collection Fund** - the statutory account in which income from business rates, council tax and government grants is held temporarily, pending payment of precepting authorities;

These accounts are supported by the Statement of Responsibilities and, which follow this foreword plus various notes to the accounts which includes the Statement of Accounting Policies and provide further detailed information on specific items.

2. FINANCIAL CONTEXT

2.1 Introduction

This section of the Statement of Accounts summarises the background to the Council's accounts for 2011/12. In particular it sets out

- An overview of the budget process for 2011/12
- Issues highlighted during 2011/12
- The final outturn for 2011/12
- A commentary on 2012/13

2.2 An Overview of the Budget 2011/12

The Council's 2011/12 budget was set in the context of a four year policy and planning strategy which covered the period 2011/12 to 2014/15 (in line with the Governments Comprehensive Spending Review Period). The budget is the financial expression of the Council's priorities and plans linked to funding allocations. The Council is a relatively low-spending Local Authority, which has a comparatively low level of Council Tax for its own services (Telford & Wrekin had the lowest council tax for Unitary Services in the Midlands in 2011/12 and has the third lowest in 2012/13).

Local Authorities receive a significant proportion of their funding from Central Government through specific and formula grant. In October 2010 the Government announced its spending plans for the period 2011/12 to 2014/15 (the Comprehensive Spending Review – CSR) which highlighted real terms grant reductions in the region of 27% for Local Government. For Telford & Wrekin the reality was projected revenue funding cuts of £27m by 2014/15 with £13.6m falling in 2011/12. The grant reductions are exacerbated by the continued use of "damping" (the Government's mechanism designed to even out year-on-year volatility in the level of grant received by individual authorities – protecting grant losers and "damping" the effect of grant gains - Telford & Wrekin lost over £4.3m through this process in 2011/12. Detailed grant allocations were only provided for 2 years as a major review of the local government finance system is underway, due to be implemented in April 2013, thus adding a high degree of uncertainty to projections for 2013/14 and 2014/15.

Cabinet launched its service and financial planning strategy for 2011/12 to 2013/14 in January 2011 and extensive consultation was undertaken on the proposals.

The provisional grant settlement for local authorities was announced on 13th December, later than usual . The final RSG settlement was announced on 31st January 2011 which saw an increased allocation of £0.002m for 2011/12. The final budget strategy was approved at Council in March 2011 taking account of consultation responses.
The finally agreed budget package included a net savings package of £13.2m, additional investment of £1.4m into Looked After Children and re-investment of £1.6m Adult Social Services to address increasing client numbers and the cost of care packages for the elderly.

The Council agreed to use £1.42m from balances to support the budget for 2011/12. In addition, £9.2m one off funds were used as part of the strategy due to the front-loading of the Government grant cuts in 2011/12; the Council's programme of restructure and service reviews will deliver future ongoing savings. Council Tax was frozen for Council Services (made possible by a Government grant payable for 4 years equivalent to a 2.5% increase), with the average charge (Band B) for the Council's services being £854 per year.

Following the local elections in May 2011, the new Cabinet undertook a review of the 2011/12 budget strategy. Proposals were approved at Full Council in November 2011 which resulted in £1.6m of savings being identified for 2011/12 principally related to measures to reduce the amount of debt owed by the Councilthrough reductions to some schemes and rephasing of others with a consequent reduction in the costs of borrowing.

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

2.3 Issues Highlighted During 2011/12

A summary of the monitoring (comparison of budget to actual) presented to Cabinet during 2011/12 is shown in the table below.

Service	**Variances - £m**			
	Projected Q1	**Projected Q2**	**Projected Q3**	**Actual Q4**
Safeguarding	0.269	0.764	1.620	1.641
School Improvement	0.482	- 0.000	- 0.638	3.061
Family & Community Services	- 0.182	- 0.141	- 1.167	- 1.871
DSG	-	-	-	0.282
Property & ICT	0.050	0.250	0.244	0.794
Economy & Skills	-	0.020	0.031	- 0.160
Environmental Services	- 0.260	- 0.323	- 0.477	- 0.955
Housing & Planning	0.225	0.546	0.050	- 0.139
Care & Support	0.500	0.889	0.973	0.993
Customer, Leisure & Libraries	- 0.488	- 0.432	- 0.631	- 0.892
Governance	- 0.143	- 0.135	- 0.280	- 0.394
Finance	- 0.148	- 0.199	- 0.391	- 0.425
Core Services	- 0.545	- 0.545	- 0.773	- 0.370
Council Wide	0.656	0.007	- 0.082	- 8.783
Total Variance	0.416	0.701	- 1.523	- 7.218
Cwfd for 12/13 Budget Strategy				2.145
Transfers to Reserves/Balances				3.230
Final Outturn				**- 1.843**
Planned Use of General Fund Balances				1.420
Underspend at Year End				- 1.843
Contribution to General Fund Balances				- 0.423
Variances are shown as Over (+) / Under (-) spends before IAS 19 pension entries and impairments which are technical accounting entries required by legislation for the formal Statement of Accounts and do not alter the overall position				

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

Service Delivery Unit	Variance £m
Safeguarding	
Children in Care – there were 302 children in care at the end of the year. The overspend is after taking into account the additional £1.4m invested in Looked After Children as part of the 11/12 budget strategy.	+1.062
Agency Staff – overspend arising from the use of agency staff to cover vacancies during the year; the position is net of the savings arising from the vacant posts being covered.	+0.462
School Improvement	
School/Premature Retirement/Redundancy Costs – overspend arising from approved schools' redundancies due to the need to reduce costs and mitigate the ongoing financial pressure on schools.	+0.294
Schools Multicultural Development Service/ Alternative Education Provision and Behavioural Partnership – saving arising from posts being held vacant pending restructure.	-0.343
School Improvement – savings arising from restructures implemented earlier than budgeted.	-0.420
Delegated Schools Budgets – underspend resulting from the change in admission policy for early year children under 5 for the maintained sector.	-0.264
Standard Fund Allocation – flexible use of standards fund grant applied in 2011/12.	-0.463
Family & Community Services	
Specialist Education – the majority of the overspend relates to statemented provision, which reflects the costs of new statements and additional support hours required during the year.	+0.260

Specialist Education – the overspend is a combination of a shortfall in recoupment income as fewer pupils are placed within Telford & Wrekin schools and the cost of pupils placed outside Telford & Wrekin i.e. in other Local Authority schools. **Nursery Provision –** the effect of single point of admission to Early Years settings**.** **Restructure Savings –** savings arising from restructures delivered earlier than budgeted. **Employees** – reduced expenditure across a number of service delivery units due to vacancies being held pending finalisation of restructures. **Transport** – savings resulting from a number of operational efficiencies and demographic changes.	+0.404 -0.261 -0.669 -0.901 -0.323
DSG – the impact of single point of admission for Nursery age children affects both the maintained and independent sectors. The underspend against these budgets (included in Family & Community and School Improvement above) will be carried forward as unspent DSG and re-invested in the schools budget. The £282k is the net adjustment to the General Fund required to carry forward the correct amount of DSG.	+0.282
Property & ICT **PIP Properties –** shortfall in rental and service charge income due to the higher level of voids in the current economic climate. **Catering** – shortfall of income received from paid meals **Property & Design** – underachievement of fee income; the target will be reviewed in 2012/13. **Employees** – reduced expenditure arising from vacancies due to restructures. **ICT** – shortfall in income from schools and council project work relating to a change in policy on internal charging	 +0.199 +0.160 +0.388 -1.164 +0.747

ICT – capitalisation of project related capital costs to mitigate the fee income shortfall above.	-0.350
Housing & Planning **Employees -** reduced expenditure arising from vacancies and restructures **Planning** – shortfall in planning fees due to the downturn in the economy. **Building Control –** shortfall in fee income **Temporary Accommodation** – loss of housing benefit due to drop in demand of temporary accommodation **Temporary Accommodation** – savings in leasehold rents on temporary accommodation.	 -0.726 +0.199 +0.188 +0.216 -0.161
Economy & Skills **Employees** – savings from vacancies and restructures **Railfreight** – cost of interim management arrangements.	 -0.382 +0.110
Environmental Services **Concessionary Transport** – net benefit arising from the change in methodology in the scheme administration. **Highways & Transport –** New ways of working project (total place) relating to up front enhancement and maintenance of road infrastructure enabling efficiencies in future years **Winter Maintenance** – costs in excess of available budget **TWS Staff Oncosts** – increased costs due to change in methodology used by Shropshire Pension Fund **Waste Enforcement** – replacement costs for refuse and recycling containers across the	 -0.324 +0.177 +0.151 +0.112 +0.218

borough. **Employees** - savings from posts held vacant due to restructures	 -0.802
<u>Care & Support</u> **Purchasing budgets -** the reported overspend is against a gross purchasing budget of £33.8m across all client groups, including residential care, home care, day care and adult placements. The pressure has mainly arisen from the withdrawal of funding by the PCT from clients previously receiving NHS funding due to their ongoing primary health need. These costs are now falling either on the individual or in most cases on Council budgets. This projection is over and above costs impacting and funded ongoing in previous years and reflects the full year impact of clients reassessed by the PCT in 2010/11 and those reassessed in 2011/12. The position is being kept under close review and continues to be discussed with the PCT. The overall position takes into account the use of one-off monies available in 2011/12. Loss of internal services income due to PCT review of CHC clients. **NHS Funding –** a mix of additional one off and ongoing funding from the Government and PCT to fund Local Authority Social Care, and having to be deployed against displaced PCT spending. **Winter Pressures Funds** – one off funds in recognition of the care pressures experienced during the winter period; given to the PCT and transferred to Local Authorities to support Social Care Services. Other funding available to offset the purchasing overspend including vacancies and the use of one off reserves	 +4.749 +0.475 -2.108 -0.490 -2.040
<u>Customer & Leisure Services</u> **Restructure savings –** employee savings arising from restructures across the whole service area.	 -0.911
Finance – employee savings arising from the	-0.318

service restructure	
Governance – employee savings arising from the service restructure	-0.101
Core Services – employee savings arising from the service restructure	-0.187
Treasury – benefits from the re-phasing of schemes from 2010/11 to 2011/12 and the impact of new investments taken early in the year, together with the impact of the 100 day budget and changes to the investment portfolio	-0.496
New Homes Bonus - Unringfenced grant **Accelerated Non-Staff Savings** – 2012/13 savings proposals delivered early in 2011/12.	-0.741 -0.576

Single Status

Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2011/12 accounts, as was the case last year.

2.4 Final Outturn for 2011/12

Revenue

Final net service expenditure was £127.609m (as detailed below) compared to a budget of £129.452m, an underspend of £1.843m (or -1.42%). 2011/12 was a very challenging year with Government Grant funding being cut by £13.6m and the major programme of restructuring and service reviewing continuing across all Council services to deliver the level of savings required. Given this context it is a particularly positive outturn which demonstrates the stringent financial management in place. Within the overall position one off provision has been created for the £2.145m as required as part of the 2012/13 budget strategy, the creation of an invest to save fund, a council wide capacity/training fund and a reserve to address environmental issues.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Council	129.452	127.609	-1.843
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates	128.032	128.032	0.000
Contribution to (-)/from (+) balances	1.420	-0.423	-1.843

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	476,224	365,367	110,857
Trading Services	5,049	8,641	(3,592)
Pensions Adjustments under IAS 19	(19)	0	(19)
Interest Payable and Similar Charges	10,096	0	10,096
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(367)	0	(367)
Interest and Investment Income	0	2,454	(2,454)
Capital Grants and Revenue Grants Unapplied	0	(53,514)	53,514
General Grants (LSSG,LABGI,Council Tax Freeze)	0	2,509	(2,509)
Remove Depreciation & Impairments, etc from Net Operating Cost	(44,297)	0	(44,297)
Leased Assets	441	0	441
Accumulated Absences	51	0	51
Minimum Revenue Provision	6,397	0	6,397
Net Movement on Reserves	(509)	0	(509)
Total	**453,066**	**325,457**	**127,609**

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

The outturn position has resulted in a general fund balances of £3.326m and a special fund balance of £0.360m (see Note 51 to the Core Financial Statements), giving a consolidated balance of £3.686m. The total for all reserves and usable revenue balances held by the authority is £53.0m. The total amount available to support future budget strategies is estimated to be £4.1m.

INSTITUTE OF ACCOUNTING STANDARDS NOTE NO 19 – Retirement Benefits

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council's share of the Pension Fund has increased by £32.3m; this has been as a result of the actuarial losses on scheme benefits and assets. Looking forward, the estimated employer contributions expected to be paid into the local Government pension scheme next year is £11.3m. The Government is currently undertaking a review of public sector pensions which will impact on future years.

Capital Accounting

Capital

The Council has amended it's accounting policy in relation to the deminimis levels for both capital expenditure and to include assets on the Asset Register, this has been set to £10,000 for both. The harmonisation of these limits (as they were different previously) is recommended as best practice and was recommended by KPMG as part of last year's audit. The adoption of this revised policy has resulted in prior period adjustments in relation to the value of assets held on the asset register, the level of impairments and future levels of depreciation. Effectively all capital spend on our own assets are added to the assets register, these are then depreciated over their life, the overall result is an increase in the value of assets shown on the balance sheet and increased annual depreciation. Please see Note 2.

The Council spent £70.082m on capital projects during the year, an underspend of £14.2m against budget, as detailed in the table below.

Priority Area	2011/12 Approved Budget £m	2011/12 Expenditure £m
Adult Care & Support	1.270	0.558
Active Lifestyles – Leisure & Culture	0.738	0.640
Housing, Regeneration & Prosperity	24.958	23.318
Children & Young People	40.341	28.529
Environment & Rural Areas	10.246	10.892
Community Protection & Cohesion	1.938	1.751
Efficient, Community Focussed Council	4.778	4.394
Total	84.269	70.082

Funded by:		
Borrowing	29.582	27.915
Capital Receipts	2.683	1.617
Government Grants	50.964	38.621
Revenue	-0.296	0.403
Other External Sources	1.336	1.526
Total	84.269	70.082

The Council has ready access to borrowings from both the Money Markets and PWLB who also act as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). Out of total spend of £70.1m, £27.9m (40%) was funded through borrowing, the ongoing costs of servicing this borrowing is included within the Council's budget strategy for future years. Due to the outturn being lower than budget there is a small saving in 2012/13.

The Council has a 28 year PFI contract in place for the building and servicing of school and leisure facilities at Hadley Learning Community and JIGSAW (which provides Education, Health and Social Care packages) for £289m. The costs of the contract will be met from a combination of Government support, school contributions and council support. The Council has approved a budget strategy which makes provision for its commitments. In 2011/12 the authority made payments of £9,654,429 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.

Group Accounts

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

2.5 2012/13 Commentary

The Council has a rolling financial planning process. This was updated formally by reports to the Council's Cabinet in September 2011, December 2011 and February 2012. The decisions on the medium term budget strategy at 1 March 2012 Council, reflect the outcome of extensive consultation with a wide variety of stakeholders between August 2011 and January 2012.

The Revenue Support Grant settlement for 2012/13 was announced in December 2010 as part of a two year grant settlement and was confirmed as the final settlement in January 2012. As anticipated the Council faced additional grant cuts of £5.6m in 2012/13. The settlement for 2012/13 continues the use of a damping mechanism which results in around £2m of grant that the Government calculate should come to the Council to support the needs of the area being re-distributed to other parts of the country. Projections beyond 2012/13 have a high degree of uncertainty because of the review of the Local Government Finance System underway: the local business rates retention scheme. Under the new scheme the Council will have to bear the risk of not being able to collect business rates and a higher proportion of the increased costs of council tax benefits

The projected budget gap for 2012/12 was £22m and the strategy to meet this is: a savings package delivering £17.1m to general fund budgets plus £2m other specific funding available; use of £1.390m from its level of balances and a council tax increase of 2.5%. As a result, the Council Tax for Council Services is 2012/13 (Band B) is £876 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,126).

Looking Ahead

Full Council approved the medium term financial strategy on the 1 March 2012 (available on the Council's web site). Projections beyond 2012/13 are difficult because the Council only received a 2 year grant settlement pending the major review of the Local Government Financial System and there is limited detail available to determine how this will impact the Council. However, it is clear that the financial climate ahead will still be one of uncertainty and challenge with further cuts to Local Government Finance expected.

3. FURTHER INFORMATION

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

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website. Details of all purchases made by the Council costing over £500 have been published on the Council's web site.

Chart 1

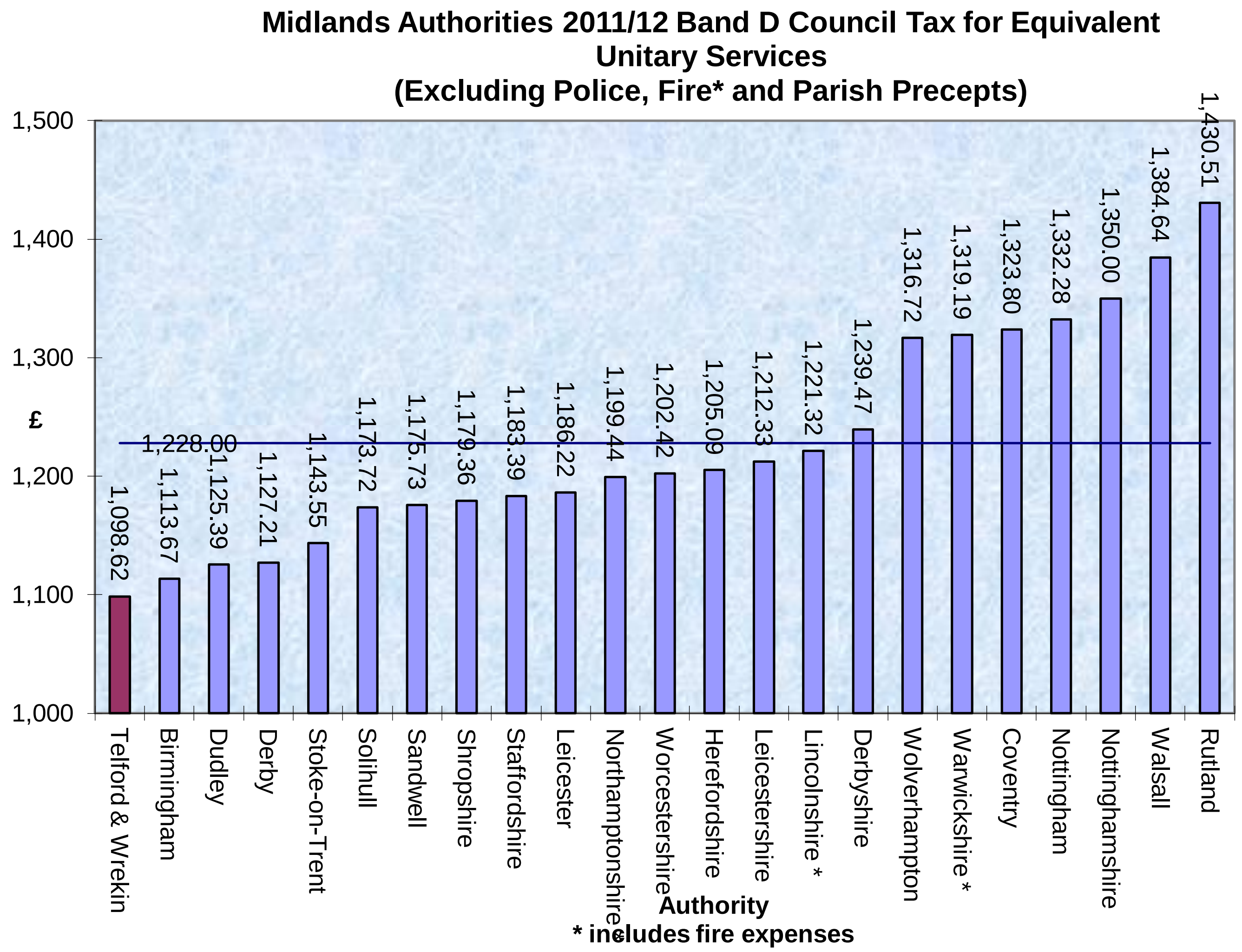

Midlands Authorities 2011/12 Band D Council Tax for Equivalent Unitary Services
(Excluding Police, Fire* and Parish Precepts)
£
1,500
1,400
1,300
1,200
1,100
1,000
1,228.00
1,098.62
1,113.67
1,125.39
1,127.21
1,143.55
1,173.72
1,175.73
1,179.36
1,183.39
1,186.22
1,199.44
1,202.42
1,205.09
1,212.33
1,221.32
1,239.47
1,316.72
1,319.19
1,323.80
1,332.28
1,350.00
1,384.64
1,430.51
Telford & Wrekin
Birmingham
Dudley
Derby
Stoke-on-Trent
Solihull
Sandwell
Shropshire
Staffordshire
Leicester
Northamptonshire
Worcestershire
Herefordshire
Leicestershire
Lincolnshire *
Derbyshire
Wolverhampton
Warwickshire *
Coventry
Nottingham
Nottinghamshire
Walsall
Rutland
Authority
* includes fire expenses

Chart 2

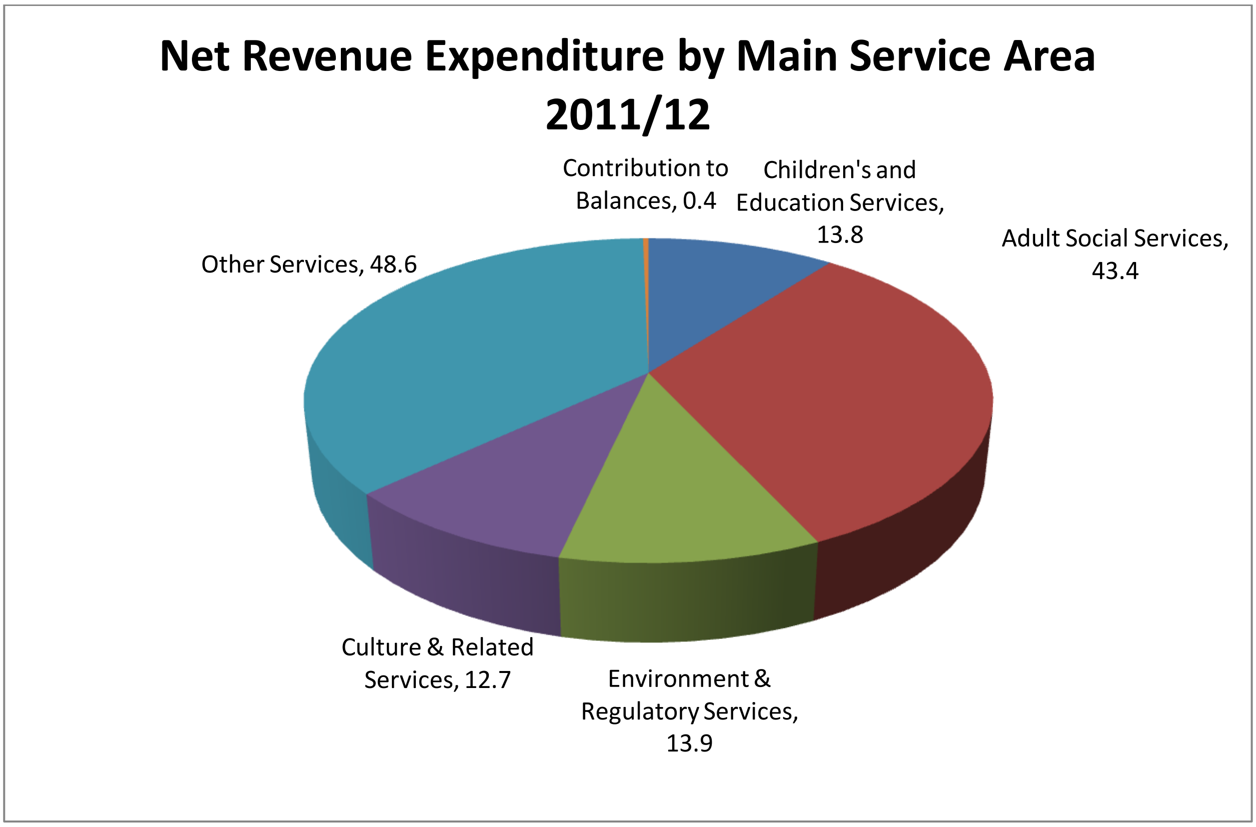


Chart 3

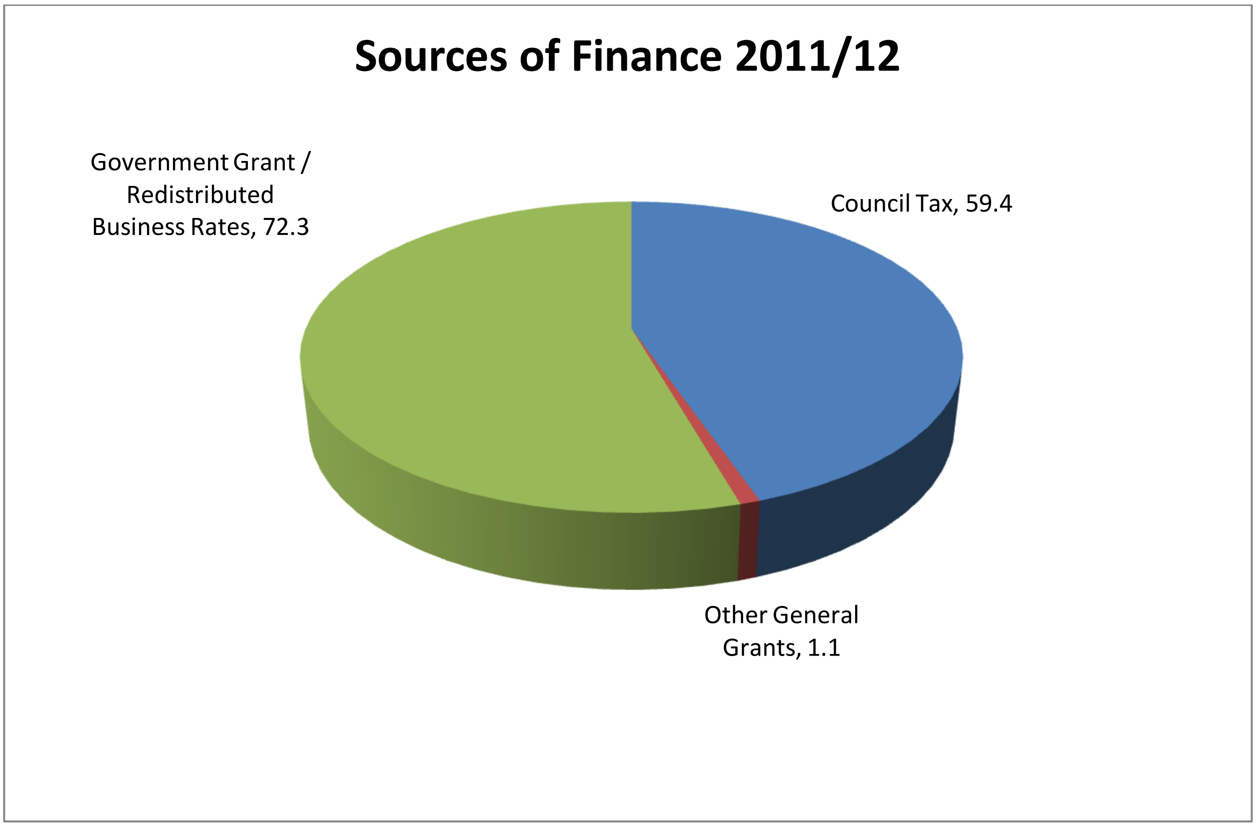


Chart 4

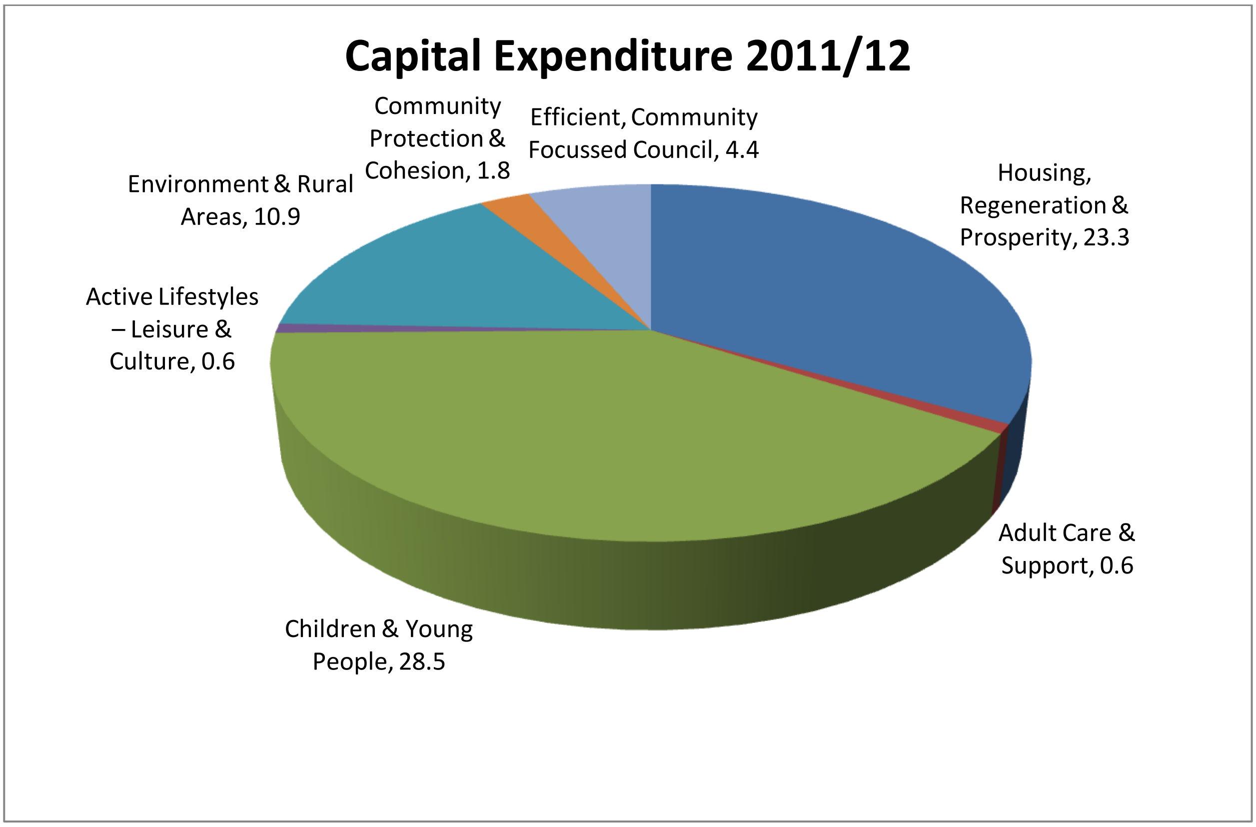
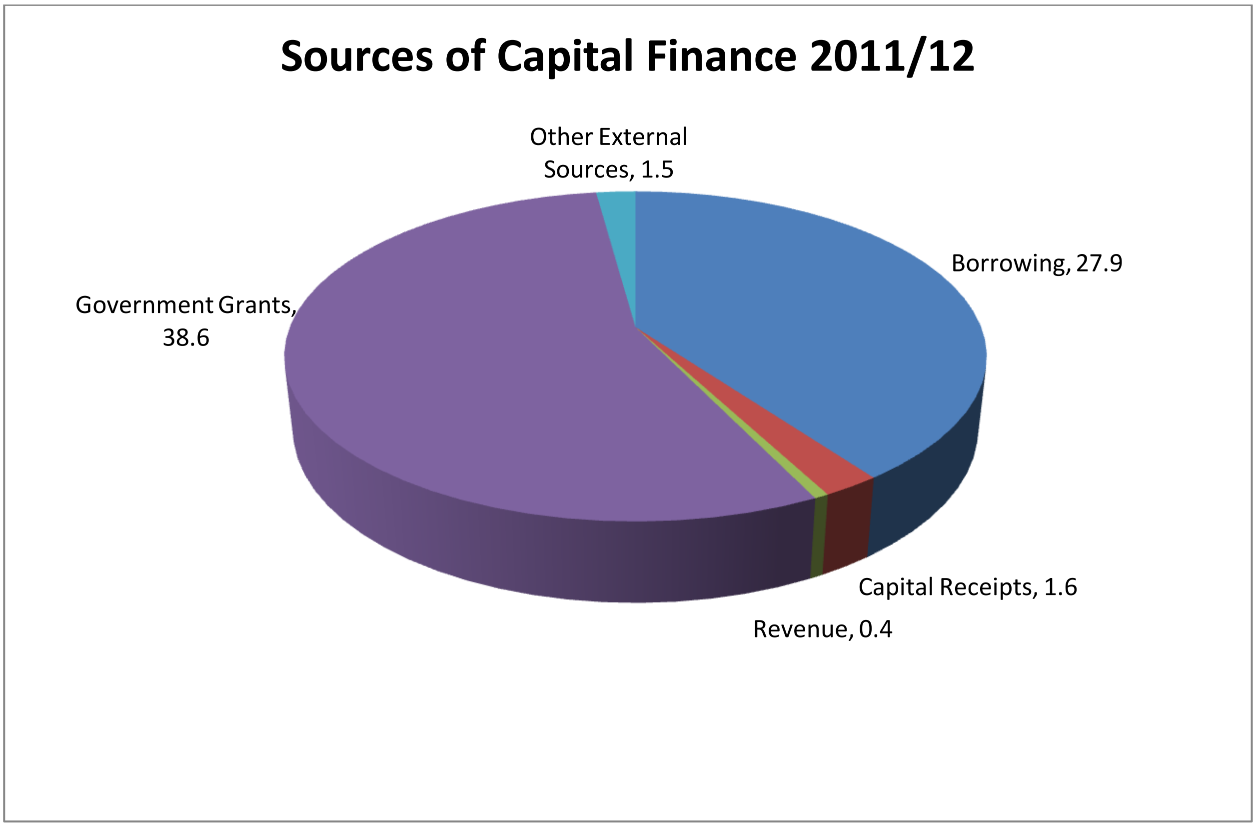


Chart 5



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 Corporate Director : (Chief Finance Officer);
- to manage its affairs to secure economic, efficient and effective use of resources, safeguard its assets and to approve the Statement Of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2012.

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.
- Sign 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 99 complies with the requirements of the Accounts and Audit Regulations 2011 as amended.

Ken Clarke CPFA,

Assistant Director

Dated : 25 September 2012

ANNUAL GOVERNANCE STATEMENT 2011/12

1. Standards of Governance

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

2. Scope of Responsibility

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

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

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

3. The Purpose of the Governance Framework

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

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

3.3 The governance framework has been in place at the Council for the year ended 31st March 2012 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2012/13 and beyond to support good governance, revised service delivery and organisational change.

4. The Governance Framework

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

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

- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/Team Leaders;
- Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's human resources and workforce/organisational development procedures are supported by clear recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development;
- Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council's communication and consultation strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The deputy Leader of the Cabinet is the lead member responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and there is provision for appropriate awareness and training for officers and members;
- 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 new financial management systems was introduced in July 2011 to provide financial management including budget monitoring, payment of suppliers and collection of income;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit review controls based on risk to provide assurance and recommendations for improvement and the Audit & Assurance Manager has been measured by external Audit against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
- The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management.
- Awareness and training for members within their member development programme and for officers through induction, Staff news, and update sessions on any revised governance arrangements (including information governance).

5. Review of Effectiveness

5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-

a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
b) the work of internal audit; and also
c) by comments made by the external auditors and other external review agencies and inspectorates.

5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.

5.3 The Council's Scrutiny arrangements were reviewed and further revisions were agreed at the Annual Council meeting in May 2011. The Council's

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

5.4 The Internal Audit plan is informed by the Council's risk management and performance management processes, external inspection reports, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance arrangements and internal control system. During 2011/12 the Internal Audit team achieved 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the systems of internal control.

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

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

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

5.8 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work is required to update the Constitution and management procedures and this is included in the action plan attached to this statement (Annex 1).

5.9 The Council recognises the importance of Information Governance and has taken significant steps to improve the security of its IT, paper and handling processes to meet the compliance requirements for Data Handling in Government. This included bringing the Information Governance standard setting and compliance responsibilities into Audit & Assurance in 2010 and reorganising resources to co-ordinate information rights responses in October 2011. Information Governance has during 2011/12 reported to the Audit Committee including information on responses to information rights requests and data security breaches. We reported two data breaches to the Information Commissioner. We are awaiting direction from the ICO in respect to these instances.

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

5.11 The annual review by Internal Audit of the key financial systems has identified a number of areas for improvement. Reassurance has been provided by management that these improvement areas are being progressed, co-ordinated by a Steering Board.

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

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

5.14 The External Auditor's Annual Audit Letter 2010/11 included in its headlines:

- VFM conclusion – We issued an unqualified value for money ("VFM") conclusion for 2010/11 on 29 September 2011. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
- Audit opinion - We issued an unqualified opinion on your financial statements on 29 September 2011. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

5.15 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 27th June 2012

Councillor Kuldip Sahota

Leader
Dated: 27th June 2012

ANNEX1

ACTION PLAN FOR 2011/12 AGS TO BE IMPLEMENTED 2012/13

No	Action	Lead Officer	Comments	Date
1.	Strategic management of continued organisational change in respect to the co-operative council and continued development and implementation of revised governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance). Managing Director and SMT Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies.	Managing Director and SMT	Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members.	Ongoing 31/03/13
2.	Managing Decision making: a) Implementation of the revised officer governance arrangements; b) Clarifying officer/member roles & responsibilities including delegations c) Other constitution changes to reflect the revised organisational structures & ways of working d) Preparations for the revised external audit arrangements.	Assistant Director Law, Democracy & Public Protection and Assistant Director Finance, Audit & IG	This action develops further the implementation of previous actions in respect to the Constitution and revised external audit arrangements.	(a), (b) and (c) by 31/03/13 (d) – will need to respond to consultations on the proposed future changes during 12/13.
3.	• Review of our Workforce Development priorities and delivery • Continue to review and update the management competencies and skills required in the revised organisation. Review of HR policies and processes to support the organisational changes.	Assistant Director Customers and People	A restructure in these areas is planned for May/June 2012 with implementation Autumn 2012. Review work will then continue to reflect the needs of the organisation.	31/03/13 and on going
4.	Information governance: 1. continuation of the training and awareness programme; and the implementation of any actions arising from directions from the ICO	Assistant Director Finance, Audit & IG Director Children's Services/SMT		(On-going 31/07/12
5.	Implementation of improvements to the Financial management system	Assistant Director Finance, Audit & IG	To implement the improvements identified during the annual audit review overseen by the Steering Board	31/10/12
6.	Develop the governance arrangements for the Health & Well Being Board and transfer of Public Health	Assistant Director Social Care Specialist	Shadow Board 12/13 and prepare for transfer of Public Health April 2013 and associated governance arrangements.	31/01/13

Auditors' Report

Report to be added after audit complete

Report to be added after audit complete

Report to be added after audit complete

Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010 (restated)	4,159	27,747	36	3,542	35,484	(39,707)	(4,223)
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services (restated)	33,507	0	0	0	33,507	0	33,507
Other Comprehensive Income and Expenditure (restated)	0	0	0	0	0	51,584	51,584
Total Comprehensive Income and Expenditure	33,507	0	0	0	33,507	51,584	85,091
Adjustments between accounting basis & funding basis under regulations (Note 7) (restated)	(28,388)	0	(24)	(524)	(28,936)	28,936	0
Net Increase /(Decrease) before Transfers to Earmarked Reserves (restated)	5,119	0	(24)	(524)	4,571	80,520	85,091
Transfers to/ from Earmarked Reserves (Note 8)	(6,015)	6,100	0	0	85	(85)	0
Increase/Decrease in 2010/11	(896)	6,100	(24)	(524)	4,656	80,435	85,091

	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
(restated)							
Balance at 31 March 2011 carried forward (restated)	3,263	33,847	12	3,018	40,140	40,728	80,868
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	5,848	0	0	0	5,848	0	5,848
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,035)	(1,035)
Total Comprehensive Income and Expenditure	5,848	0	0	0	5,848	(1,035)	4,813
Adjustments between accounting basis & funding basis under regulations (Note 7)	(7,987)	0	(12)	15,017	7,018	(7,018)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,139)	0	(12)	15,017	12,866	(8,053)	4,813
Transfers to/from Earmarked Reserves	2,562	(2,562)	0	0	0	0	0
Increase/(Decrease) in 2011/12	423	(2,562)	(12)	15,017	12,866	(8,053)	4,813
Balance at 31 March 2012 carried forward	3,686	31,285	0	18,035	53,006	32,675	85,681

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.

	2010/11 Gross Expenditure (Restated) £'000	2010/11 Income £'000	2010/11 Net Expenditure (Restated) £'000	2011/12 Gross Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000	Notes
SERVICE							
Children's and Education Services	194,278	176,158	18,120	180,391	166,551	13,840	*33*
Adult Social Services	68,147	29,033	39,114	72,420	29,039	43,381	
Environment & Regulatory Services	17,798	2,652	15,146	15,556	1,668	13,888	
Cultural and Related Services	20,943	11,393	9,550	24,066	11,342	12,724	
Planning & Development	12,826	6,839	5,987	17,115	22,472	(5,357)	
Highways & Transportation	17,075	8,699	8,376	17,378	11,378	6,000	
Housing Services	74,261	72,973	1,288	77,912	71,981	5,931	
Court & Probation Services	286	0	286	260	0	260	
Contribution re Former County Council Debt	2,140	0	2,140	2,123	0	2,123	
Corporate & Democratic Core	4,035	0	4,035	4,895	0	4,895	
Central Services Provided to the Public	53,283	47,357	5,926	61,166	50,936	10,230	
Exceptional Item - Pensions Gain	0	26,371	(26,371)	0	0	0	*42*
Non Distributed Costs	2,036	0	2,036	2,942	0	2,942	
Net Cost of Services	**467,108**	**381,475**	**85,633**	**476,224**	**365,367**	**110,857**	*26*
Other Operating Expenditure			5,807			6,107	*9*
Financing and investment income and expenditure			17,824			10,033	*10*
Taxation & Non Specific Grant Income			(142,771)			(132,845)	*11*
(Surplus) or deficit on provision of services			**(33,507)**			**(5,848)**	
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(13,704)			(25,255)	
(Surplus) or deficit on revaluation of Available for sale financial assets			0			0	
(Actuarial Gains)/Losses on Pension assets/liabilities			(37,880)			26,290	*42*
Other Comprehensive Income & Expenditure			(51,584)			1,035	
Total Comprehensive Income and Expenditure			**(85,091)**			**(4,813)**	

Balance Sheet

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

31 March 2010 (Restated) £'000	*31 March 2011 (Restated) £'000*		**31 March 2012 £'000**	**31 March 2012 £'000**	*Notes*
287,688	334,572	Property, Plant & Equipment	360,658		*12*
55,254	50,105	Investment Properties	50,379		*13*
0	799	Intangible Assets	2,159		*49*
40,033	40,033	Long Term Investments	25,033		*14,45,48*
397	491	Long Term Debtors	592		*14*
383,372	***426,000***	Total Long Term Assets		**438,821**	
		Current Assets			
340	449	Inventories	358		*15*
21,862	21,094	Debtors	28,978		*14,16*
28,811	20,000	Investments - (short term)	25,000		*14,45,48*
800	5,873	Assets held for sale	25,547		*18*
0	133	Landfill Allowances Asset Account	15		*61*
5,323	15,824	Cash and Cash Equivalents	3,651		*17*
57,136	*63,373*		83,549		
		Current Liabilities			
(71)	(1,912)	Provisions	(3,161)		*20*
(10,052)	(24,382)	Short term borrowing	(37,147)		*14,45*

31 March 2010 (Restated) £'000	*31 March 2011 (Restated) £'000*		31 March 2012 £'000	31 March 2012 £'000	*Notes*
(66,044)	(81,262)	Creditors	(69,378)		*14,19*
(0)	(130)	Landfill Allowances Liability Account	(16)		*61*
(0)	(335)	Bank overdraft	0		*17*
(76,167)	(108,021)		(109,702)		
(19,031)	**(44,648)**	**Total Net Current Assets/(Liabilities)**		**(26,153)**	
(113,024)	(106,523)	Less Long Term Borrowing		(110,522)	*14,45*
(63,830)	(62,151)	Less Long Term Creditors (PFI & Finance Leases)		(61,443)	*14*
(176,634)	(122,295)	Less Pensions Liability		(154,587)	*42*
(15,076)	(9,515)	Capital Grants Receipts in Advance		(435)	*34*
(4,223)	**80,868**	**Net Assets**		**85,681**	
35,484	40,140	Usable Reserves		53,006	*8*
(39,707)	40,728	Unusable Reserves		32,675	*22*
(4,223)	**80,868**			**85,681**	

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.

2010/11 £000		2011/12 £000
(23,371)	Net (surplus) or deficit on the provision of services	(5,848)
(53,679)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 62)	(20,242)
66,412	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 63)	57,473
(10,638)	**Net cash flows from Operating Activities (Note 23)**	31,383
12,441	Investing Activities (Note 24)	(6,124)
(11,969)	Financing Activities (Note 25)	(13,421)
(10,166)	**Net increase or decrease in cash and cash equivalents**	11,838
5,323	Cash and cash equivalents at the beginning of the reporting period	15,489
15,489	**Cash and cash equivalents at the end of the reporting period (Note 17)**	3,651

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 2011/12 (COP): Based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). The are further supplemented by International Public Sector Accounting Standards (IPSAS) and United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) comprising the Application of Statements of Standard Accounting Practice (SSAPs) Financial Reporting Statements (FRSs) and pronouncements of the Urgent Issues Task Force (UITF).

b) Concepts

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

c) Accruals of Expenditure & Income

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and FRS 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) Area Based Grant/Local Services Support Grant

Area Based Grant was withdrawn in 2010/11 and is shown on the Comprehensive Income and Expenditure Statement within Taxation and Non Specific Grant Income for that year and is not allocated to services. Local Services Support Grant was introduced in 2011/12 replacing ABG, but at a much lower level. 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 on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

f) Contingent Asset

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

g) Contingent Liability

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

h) Employee Benefits

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

The areas of remuneration that relates to the Council are as follows
Salaries and Wages
Compensated Absences (paid annual leave and sick leave)
Pensions Benefits
Termination Benefits

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

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

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

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

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

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

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

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

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) additional disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2011/12 COP. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any authority's share of the assets and liabilities under the Teachers scheme.

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

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

i) Events After the Balance Sheet Date

Where a material post balance sheet event occurs which

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

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

j) Exceptional Items and Prior Period Adjustments

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the company, and which need to be disclosed separately by virtual 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 in error and show the impact on the accounts. The authority has prior period adjustments as a result of the change to the accounting policy in relating to accounting for fixed assets. Please see Note 2.

k) Financial Instruments

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

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

l) Government Grants and Other Contributions

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

m) Intangible Assets

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

n) Inventories and long term contracts

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

o) Investment Properties

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:
(a) Use in the production or supply of goods or services or for administrative purposes; or
(b) Sale in the ordinary course of operations.

p) Landfill Allowances Schemes

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

q) Leases

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

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

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

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

r) Non-current Assets Held for Sale

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

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

s) Overheads

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

t) Private Finance Initiative

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

u) Property, Plant & Equipment

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

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

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

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

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

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

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

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

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

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

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

As at 31st March 2012 there were 3 significant capital contracts in place. These total £22.0m and are detailed in the notes.

v) Depreciation

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

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

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

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

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

x) **Provisions**

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

y) **Reserves**

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in note 18 to the Core Financial Statements.

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

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

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

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

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

aa) **Value Added Tax**

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

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

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2011/12, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

ac) Interest on surplus funds and balances

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

ad) Capital Receipts

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

ae) The Redemption of Debt

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

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

af) Estimation Techniques

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

ag) Heritage Assets

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

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

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

ah) Carbon Reduction Commitment Scheme

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

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

For 2011/12 IFRS 7 Financial Instruments: Disclosures (transfers of financial assets) has been issued that will be adopted for 2012/13. The amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets), issued October 2010, are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position. However it is our view that the transfers described in the standard have not occurred within the authority.

However the Council has amended it's accounting policy in relation to the deminimis levels for both capital expenditure and to include assets on the Asset Register, this has been set to £10,000 for both. The harmonisation of these limits (as they were different previously) is recommended as best practice and was recommended by KPMG as part of last year's audit. The adoption of this revised policy has resulted in prior period adjustments in relation to the value of assets held on the asset register, the level of impairments and future levels of depreciation. Effectively all capital spend on our own assets are added to the assets register, these are then depreciated over their life, which has increased annual depreciation. The amendments made to the statement of accounts are as follows (only the changed lines shown).

Movement In Reserves Statement

Main contribution to the change is lower level of impairment of assets for capital expenditure below the deminimis level for the asset register.

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Balance at 31 March 2010 – Unusable Reserves	(57,557)	+17,850	(39,707)
Balance at 31 March 2010 – Total Authority Reserves	(22,073)	+17,850	(4,223)
Movement During 2010/11 – Surplus on the provision of services – General Fund Balance	23,371	+10,136	33,507
Movement During 2010/11 – Other Comprehensive Income and Expenditure – Unusable Reserves	47,799	+3,785	51,584
Total Comprehensive Income and Expenditure – Total Authority Reserves	71,170	+13,921	85,091
Adjustments between accounting basis and funding basis under regulations – General Fund Balance	(18,252)	-10,136	(28,388)
Adjustments between accounting basis and funding basis under regulations – Total Usable Reserves	(18,800)	-10,136	(28,936)
Adjustments between accounting basis and funding basis under regulations –Unusable Reserves	18,800	+10136	28,936
Net Increase/Decrease before transfer to earmarked reserves – Unusable Reserves	66,599	+13,921	80,520
Net Increase/Decrease before transfer to earmarked reserves – Total Authority Reserves	71,170	+13,921	85,091
Increase/Decrease in 2010/11 – Unusable Reserves	66,514	+13,921	80,435
Increase/Decrease in 2010/11 – Total Authority Reserves	71,170	+13,921	85,091
Balance at 31 March 2011 carried forward – Unusable Reserves	8,957	+31,771	40,728
Balance at 31 March 2011 carried forward – Total Authority Reserves	49,097	+31,771	80,868

Comprehensive Income and Expenditure Account

Description	Original Figure £000	Lower Impairment £000	Increased Depreciation £000	Other £000	Revised Figure £000
Children's and Education Services – Gross Expenditure	199,521	-6,750	+1,507	0	194,278
Children's and Education Services – Net Expenditure	23,363	-6,750	+1,507	0	18,120
Environment & Regulatory Services – Gross Expenditure	18,349	-557	+6	0	17,798
Environment & Regulatory Services – Net Expenditure	15,697	-557	+6	0	15,146
Culture & Related Services – Gross Expenditure	21,189	-353	+322	-215	20,943
Culture & Related Services – Net Expenditure	9,796	-353	+322	-215	9,550
Planning & Development – Gross Expenditure	14,974	-2,148	0	0	12,826
Planning & Development – Net Expenditure	8,135	-2,148	0	0	5,987
Highways & Transportation – Gross Expenditure	17,268	-224	+31	0	17,075
Highways & Transportation – Net Expenditure	8,569	-224	+31	0	8,376
Housing Services – Gross Expenditure	75,720	-1,459	0	0	74,261
Housing Services – Net Expenditure	2,747	-1,459	0	0	1,288
Central Services Provided to the Public – Gross Expenditure	53,376	-1,068	+975	0	53,283
Central Services Provided to the Public – Net Expenditure	6,019	-1,068	+975	0	5,926
Net Cost of Services – Gross Expenditure	477,041	-12,559	+2,841	-215	467,108
Net Cost of Services – Net Expenditure	95,566	-12,559	+2,841	-215	85,633
Financing and Investment Income and Expenditure	18,027	-203	0	0	17,824
(Surplus) or deficit on provision of services	(23,371)	-12,762	+2,841	-215	(33,507)
Surplus or deficit on revaluation of Property, Plant and Equipment Assets	(9,919)	0	0	-3,785	(13,704)
Other Comprehensive Income & Expenditure	(47,799)	0	0	-3,785	(51,584)
Total Comprehensive Income and Expenditure	(71,170)	-12,762	+2,841	-4,000	(85,091)

Balance Sheet
These adjustments related to lower impairment, more capital expenditure being recognised against assets, increased depreciation and changes to closing 2009/10 balances.

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Property, Plant & Equipment – 31 March 2010	271,239	+16,449	287,688
Property, Plant & Equipment – 31 March 2011	303,682	+30,890	334,572
Investment Properties – 31 March 2010	53,853	+1,401	55,254
Investment Properties – 31 March 2011	49,269	+836	50,105
Intangible Assets – 31 March 2011	754	+45	799
Total Long Term Assets – 31 March 2010	365,522	+17,850	383,372
Total Long Term Assets – 31 March 2011	394,229	+31,771	426,000
Net Assets – 31 March 2010	(22,073)	+17,850	(4,223)
Net Assets – 31 March 2011	49,097	+31,771	80,868
Unusable Reserves – 31 March 2010	(57,557)	+17,850	(39,707)
Unusable Reserves – 31 March 2011	8,957	+31,771	40,728
Total Reserves – 31 March 2010	(22,073)	+17,850	(4,223)
Total Reserves – 31 March 2011	49,097	+31,771	80,868

The following Notes were also amended to correspond with these changes
Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations
Note 10 – Financing and Investment Income and Expenditure
Note 12 – Property, Plant and Equipment
Note 13 – Investment Properties
Note 22 – Unusable Reserves (Revaluation Reserve and Capital Adjustment Account)
Note 26 – Amounts Reported for Resource Allocation Decisions
Note 28 – Market Undertaking and Industrial Units
Note 49 – Intangible Assets

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:
There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £2.8m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £8.0m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had reduced by £26.4m as a result of the change to use CPI as the basis for future increases in pensions rather than RPI. No comparable change was made in relation to 2011/12.
Arrears	At 31 March 2012, the Authority had a balance of sundry debtors for £33.883m. The Council has set aside a bad debts provision of 14.5% (£4.905m) 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 £1.7m to be set aside as an allowance.
Single Status	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the	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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	process is not yet complete and it has been necessary to include a provision against the potential costs in the 2011/12 accounts, as was the case last year.	there will be an impact on general fund balances and future Council Tax increases.

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

5. Material Items of Income and Expense

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

6. Events after the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the Assistant Director on 28 June 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

2011/12	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplie d	Movements in Unusable Reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	23,518	0	0	(23,518)
Revaluation losses on property, plant and equipment	1,799	0	0	(1,799)
Movement in the market value of Investment Properties	434	0	0	(434)
Revenue expenditure funded from capital under statute	20,345	0	0	(20,345)
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	2,545	0	0	(2,545)

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	**(6,397)**	**0**	**0**	**6,397**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(55,567)**	**0**	**55,567**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	**0**	**0**	**(40,550)**	**40,550**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(1,605)**	**1,605**	**0**	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure		**(1,617)**	**0**	**1,617**
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**367**	**0**	**0**	**(367)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	**18,044**	**0**	**0**	**(18,044)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(12,042)**	**0**	**0**	**12,042**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**623**	**0**	**0**	**(623)**
Adjustments primarily involving the Accumulated Absences Account:				

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(51)	0	0	51
Total Adjustments	(7,987)	(12)	15,017	(7,018)

2010/11 Comparative Figures	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movements in Unusable Reserves**
	£000	**£000**	**£000**	**£000**
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	10,937	0	0	(10,937)
Revaluation losses on property, plant and equipment	1,356	0	0	(1,356)
Movement in the market value of Investment Properties	5,858	0	0	(5,858)
Revenue expenditure funded from capital under statute	19,299	0	0	(19,299)
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	3,404	0	0	(3,404)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(6,011)	0	0	6,011
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(44,994)	0	44,994	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(45,518)	45,518
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,611)	1,611	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(1,635)	0	1,635

Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**464**	**0**	**0**	**(464)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	**(3,456)**	**0**	**0**	**3,456**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(13,003)**	**0**	**0**	**13,003**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(544)**	**0**	**0**	**544**
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(87)**	**0**	**0**	**87**
Total Adjustments	**(28,388)**	**(24)**	**(524)**	**28,936**

8. Transfers to/from Earmarked Reserves & Balances

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010 carried forward	**4,159**	**19,339**	**4,494**	**3,914**	**36**	**3,542**	**35,484**
Movement / Use of reserves during 2010/11	**(896)**	**4,824**	**335**	**941**	**(24)**	**(524)**	**4,656**
Balance at 31 March 2011 carried forward	**3,263**	**24,163**	**4,829**	**4,855**	**12**	**3,018**	**40,140**
Movement / Use of reserves during 2011/12	**423**	**(1,613)**	**1,555**	**(2,504)**	**(12)**	**15,017**	**12,866**
Balance at 31 March 2012 carried forward	**3,686**	**22,550**	**6,384**	**2,351**	**0**	**18,035**	**53,006**

9. Other Operating Expenditure

2010/11		2011/12
£000		£000
2,923	Parish council precepts	2,927
2,884	Gains/losses on the disposal of non-current assets	3,180
5,807	**Total**	6,107

10. Financing and Investment Income and Expenditure

2010/11		2011/12
£000		£000
10,341	Interest payable and similar charges	10,096
8,919	Pensions interest cost and expected return on pensions assets	5,983
(2,762)	Interest receivable and similar income	(2,454)
1,323	Income and expenditure in relation to investment properties and changes in their fair value	(3,599)
3	Other investment income and expenditure	7
17,824	**Total**	10,033

11. Taxation and Non Specific Grant Incomes

2010/11		2011/12
£000		£000
(59,062)	Council tax income	(58,284)
(0)	Collection Fund Surplus/Deficit	(1,200)
(61,593)	Non domestic rates	(54,123)
(12,553)	Area Based Grant/Local Services Support Grant	(610)
(8,944)	Revenue Support Grant	(18,128)
(619)	Other grants and contributions	(500)
(142,771)	Total	(132,845)

12. Property , Plant and Equipment

Movements in 2011/12:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1/4/2011	280,659	13,253	41,833	100	17,807	**353,652**	**58,032**
Additions	14,955	5,587	15,578	0	11,289	**47,409**	**806**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,873	0	0	0	0	**6,873**	**886**
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,103)	0	0	0	(74)	**(11,177)**	**0**
derecognition – disposals	(3,477)	0	0	0	0	**(3,477)**	**0**
assets reclassified (to) /from Assets Under Construction	13,909	0	0	0	(13,909)	**0**	**0**
assets reclassified (to)/from Community Assets	100	0	0	(100)	0	**0**	**0**
assets reclassified (to)/from Held for Sale	(7,852)	0	0	0	0	**(7,852)**	**0**
assets reclassified (to) /from Investment Properties	1,070	0	0	0	(598)	**472**	**0**
At 31 March 2012	**295,134**	**18,840**	**57,411**	**0**	**14,515**	**385,900**	**59,724**
Accumulated Depreciation and Impairment							
at 1 April 2011	12,000	4,217	2,863	0	0	**19,080**	**1,832**
depreciation charge	7,543	3,405	1,003	0	0	**11,951**	**1,373**

depreciation written out to the Revaluation Reserve	(5,752)	0	0	0	0	**(5,752)**	**(1,716)**
derecognition – disposals	(37)	0	0	0	0	**(37)**	**0**
At 31 March 2012	**13,754**	**7,622**	**3,866**	**0**	**0**	**25,242**	**1,489**
Net Book Value							
at 31 March 2012	**281,380**	**11,218**	**53,545**	**0**	**14,515**	**360,658**	**58,235**
at 31 March 2011	**268,659**	**9,036**	**38,970**	**100**	**17,807**	**334,572**	**56,200**
Information on Assets Held at 31/3/12							
Nature of Holding							
Owned	223,145	9,978	53,545	0	14,515	**301,183**	
Leased	0	1,240	0	0	0	**1,240**	
PFI	58,235	0	0	0	0	**58,235**	
Total	**281,380**	**11,218**	**53,545**	**0**	**14,515**	**360,658**	

Comparative Movements in 2010/11:

	Other Land & Buildings	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Total Property, Plant and Equipment**	**PFI Assets Included in Property, Plant and Equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 1/4/2010	256,235	8,347	29,998	100	5,400	**300,080**	56,982
Additions	22,262	4,966	11,835	0	16,008	**55,071**	427
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	10,608	0	0	0	0	**10,608**	623
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,577)	(60)	0	0	0	**(2,637)**	0
derecognition – disposals	(3,553)	0	0	0	0	**(3,553)**	0
assets reclassified (to) /from Assets Under Construction	2,597	0	0	0	(2,597)	**0**	0
assets reclassified (to)/from Held for Sale	(4,913)	0	0	0	0	**(4,913)**	0
assets reclassified (to) /from Investment Properties	0	0	0	0	(1,004)	**(1,004)**	0
At 31 March 2011	**280,659**	**13,253**	**41,833**	**100**	**17,807**	**353,652**	**58,032**

Accumulated Depreciation and Impairment							
at 1 April 2010	9,204	1,301	1,887	0	0	**12,392**	959
depreciation charge	5,943	2,916	976	0	0	**9,835**	974
depreciation written out to the Revaluation Reserve	(3,130)	0	0	0	0	**(3,130)**	(101)
derecognition – disposals	(17)	0	0	0	0	**(17)**	0
At 31 March 2011	**12,000**	**4,217**	**2,863**	**0**	**0**	**19,080**	**1,832**

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

- Other Land and Buildings – 30–60 years
- Vehicles, Plant, Furniture & Equipment – 10% to 35% of carrying amount
- Infrastructure – 25 years

Capital Commitments
At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £22.0m. Similar commitments at 31 March 2011 were £31.0m. The major commitments are:

- Abraham Darby Sports & Learning Community – £3.88m
- Phoenix School /Dawley SLC – £16.66m
- Newport Girls High School Academy Trust – £1.46m

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

12a. Fixed Asset Valuation

The freehold & leasehold properties that comprise the Authority's Property Portfolio have been valued at 1st April 2011 by qualified internal valuers on the basis below in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Not all of the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Assets with a value of less than £10,000 are excluded from the register.
Plant and machinery are included in the valuation of the buildings where they form an integral part of the asset, for example swimming pool filtration equipment and specialist equipment at the Ice Rink. All other vehicles, plant, furniture and equipment are valued at historic cost, less depreciation, as a proxy for current value.
Properties regarded by the Authority as operational are valued on the basis of open market value for the existing use or, where this can not be assessed because there was no market for the asset, the depreciated replacement cost.
Properties regarded by the Authority as non-operational are valued on the basis of open market value.
Community assets acquired since the introduction of capital accounting are valued at cost. Other community assets are valued on a nominal basis. This list differs from the Context Sheet in the Council's Corporate Asset Management Plan, which only lists properties where the Council has a direct repairing liability.

Investment Properties are valued annually and their current value is £46.097m, 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
2007/08	45,823
2008/09	48,354
2009/10	40,867
2010/11	59,882
2011/12	120,710
Total	315,636

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

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

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

12b .Information on Assets held

Fixed assets owned by the Council include the following:-

	2010/11	2011/12
	(Nos.)	(Nos.)
Operational Assets		
Hostels	3	3
Houses for Homeless	17	18
Offices	25	24
Depot and workshop	1	1
Community centres	12	14
Parks and recreation	301.2 ha	334.8 ha
Amenity Sites	3	3
Off-Street car parks	29	29
Bus Stations	4	4
Theatres	1	1
Cemeteries	3	3
Ice Rink	1	1
Leisure Centres	5	6
Swimming Pools	2	2
Changing Rooms/ Pavilions	12	12
Nursery Schools	1	1
Schools	54	53
Outdoor Activity Centre	1	1
Special Schools	4	4
Learning Communities	1	1
Child Development Centre	1	1
Joint Service Facility	1	1

	2010/11	2011/12
	(Nos.)	(Nos.)
First Point Centre	1	1
Pupil Referral Unit	1	1
Youth Centres	5	5
Libraries	8	7
Elderly Persons Homes	3	3
Toilets	11	11
Children's Centres	2	2
Group Homes	23	23
Residential Homes	6	7
Training/Day Centres	7	7
Emergency Planning Centre	1	1
Traveller Sites	2	2
Allotments	10	10
Visitor Information Centre	1	1
Land associated with assets (ex parks)	635 Ha	629 Ha
Other land holdings	127.1Ha	127.2 Ha
Caretakers bungalows	4	2
Ski Slope Centre	1	1
Play Areas	116	116
Golf Courses	73 Ha	73 Ha
School Playing Fields	12	12
Academy School	1	2
Non Operational Assets		
Smallholdings	1	1
Offices	24	24
Retail	31	32
Industrial Estates	31	31
Misc Ground Rents	39	39
Assets Held for Sale - Current	7	9
Surplus Assets	44	41
Woodlands	5	5
Assets Under Construction	10	14
Sites for Regeneration	21	20
Misc Rents	66	69

13. Investment Properties

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

	2010/11	**2011/12**
	£000	**£000**
Rental income from investment property	(8,172)	(8,577)
Direct operating expenses arising from investment property	3,637	4,544
Net Operational (gain)/loss	**(4,535)**	**(4,033)**
Net (gain)/loss on revaluation of properties	5,858	434
Total Net (gain)/loss	**1,323**	**(3,599)**

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:

	2010/11	2011/12
	£000	£000
Balance at start of the year	55,254	50,105
Additions	1,161	2,230
Disposals	(688)	(1,050)
Revaluation Increases/Decreases met from net surplus /deficit on provision of services	(6,626)	(434)
Transfers:		
- to/from Property, Plant and Equipment	1,004	(472)
Balance at end of the year	50,105	50,379

14. Financial Instruments

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

	Long Term			Current	
	2010/11	2011/12		2010/11	2011/12
	£000	£000		£000	£000
Investments					
Loans and receivables	40,033	25,033		20,000	25,000
Financial assets at fair value through profit and loss	0	0		0	0
Total investments	40,033	25,033		20,000	25,000
Debtors					
Financial assets carried at contract amounts	0	0		21,094	28,978
Total Debtors	0	0		21,094	28,978
Borrowings					
Financial liabilities at amortised cost	106,523	110,522		24,382	37,147
Total borrowings	106,523	110,522		24,382	37,147
Other Liabilities					
PFI and finance lease liabilities	62,151	61,443		2,062	1,965
Other Creditors	0	0		79,200	67,413
Total Other Liabilities	62,151	61,443		81,262	69,378

Income, Expense, Gains and Losses

	2010/11			2011/12		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	10,341	0	10,341	10,046	0	10,046
Total expense in Surplus or Deficit on the Provision of Services	10,341	0	10,341	10,046	0	10,046
Interest income	0	(2,762)	(2,762)	0	(2,454)	(2,454)
Total income in Surplus or Deficit on the Provision of Services	0	(2,762)	(2,762)	0	(2,454)	(2,454)
Net gain/(loss) for the year	10,341	(2,762)	7,579	10,046	(2,454)	7,592

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:

	2010/11			2011/12	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	£000	£000		£000	£000
Financial liabilities	130,905	140,665		147,670	179,988
Long-term creditors	62,151	62,151		61,423	61,423

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 2011) arising from a commitment to pay interest to lenders above current market rates.

	2010/11			2011/12	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	£000	£000		£000	£000
Loans and receivables	60,033	67,190		50,033	57,294
Long-term debtors	491	491		592	592

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest above current market rates.
Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

15. Inventories

The council had inventories that totalled £0.358m at 31/3/12 and £0.449m at 31/3/11. These mainly consist of stocks at Leisure Centres, Catering Stocks and Design and Print stocks.

16. Debtors

	2010/11 £'000	2011/12 £'000
Amounts falling due in one year:		
Government Departments	1,648	5,363
General Debtors	21,743	26,032
Car Leasing to Employees	67	27
Collection Fund	2,571	2,461
	26,029	33,883
Provision for doubtful debts	(4,935)	(4,905)
Total	**21,094**	**28,978**

17. Cash and Cash Equivalents

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

2010/11		2011/12
£000		£000
179	Cash held by the Authority	189
0	Bank current accounts	435
15,645	Call Accounts	3,027
15,824	**Total Cash and Cash Equivalents**	3,651
(335)	**Bank Account Overdrawn**	0
15,489	**Net Cash Position for Cash Flow Purposes**	3,651

18. Assets Held for Sale

	Current	
	2010/11	2011/12
	£000	£000
Balance outstanding at start of year	800	5,873
Reclassified to/from - Property, Plant and Equipment	4,913	7,852
Revaluation gains	0	12,799
Impairment losses met from the revaluation reserve	(50)	(169)
Impairment losses met from income and expenditure	0	(224)
Assets sold	0	(597)
Acquisitions	210	13
Balance outstanding at year-end	5,873	25,547

19. Creditors

	2010/11 ***£'000***	**2011/12** **£'000**
Government Departments	13,634	617
Sundry Creditors	61,377	63,704
Receipts in advance	6,251	5,057
Total	**81,262**	**69,378**

20. Provisions

	2011/12 Opening £'000	**Transfers/ Receipts in year £'000**	**Transfers/ Payments in year £'000**	**2011/12 Closing £000**
Restructure Provision	1,912	3,151	1,902	3,161
Total	**1,912**	**3,151**	**1,902**	**3,161**
2010/11	*71*	*1,912*	*71*	*1,912*

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2009/10. A provision to meet the one off costs associated with the re-structure was made in both the 2009/10 accounts and 2010/11 accounts, this has been partly used during 2011/12 and the balance has been added to in 2011/12 to meet the costs of commitments in place at 31/03/12 and is expected to be used in 2012/13.

21. Usable Reserves

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

22. Unusable Reserves

2010/11		2011/12
£000		£000
47,201	Revaluation Reserve	71,300
116,861	Capital Adjustment Account	117,639
1,214	Financial Instruments Adjustment Account	847
3	Deferred Capital Receipts Reserve	304
(122,295)	Pensions Reserve	(154,587)
1,426	Collection Fund Adjustment Account	803
(3,682)	Accumulated Absences Account	(3,631)
40,728	**Total Unusable Reserves**	32,675

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.

	2010/11 £'000	**2011/12 £'000**
Balance Brought Forward	*34,545*	47,201
Impairments and downward revaluations of assets not charged to the Surplus/Deficit on provision of services	*(1,114)*	(1,799)
Upwards Revaluations	*14,818*	27,092
Depreciation Revaluations	*366*	587
Disposals	*(405)*	(398)
Depreciation	*(1,009)*	(1,383)
Balance Carried Forward	***47,201***	**71,300**

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.

2010/11		**2011/12**
£'000		**£'000**
103,584	**Balance Brought Forward**	**116,861**
(17,996)	Charges for depreciation and impairment of noncurrent assets	(22,569)
	Revaluation losses on Property, Plant and Equipment	
(19,299)	Revenue Expenditure funded from Capital under Statute	(20,345)
(4,241)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(4,726)
0	Adjusting amounts written out of the Revaluation Reserve	(146)
1,635 *45,518*	Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,617 40,550
1,649	Capital grants and contributions unapplied	0
6,011	Minimum Revenue Provision	6,397
116,861	**Balance Carried Forward**	**117,639**

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 2012 will be charged to the General Fund over the next 14 years.

2010/11		2011/12
£000		£000
1,678	**Balance at 1 April**	1,214
(464)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(367)
1,214	**Balance at 31 March**	847

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.

2010/11		2011/12
£000		£000
176,634	**Balance at 1 April**	122,295
(37,880)	Actuarial (gains) or losses on pensions assets and liabilities	26,290
1,176	Added Years	2,083
(4,632)	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	15,961
(13,003)	Employer's pensions contributions and direct payments to pensioners payable in the year	(12,042)
122,295	**Balance at 31 March**	154,587

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.

2010/11		2011/12
£000		£000
7	**Balance at 1 April**	3
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	304
(4)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
3	**Balance at 31 March**	304

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.

2010/11		2011/12
£000		£000
882	**Balance at 1 April**	1,426
544	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(623)
1,426	**Balance at 31 March**	803

Unequal Pay Back Pay Account
The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. There were no transactions in 2010/11 or 2011/12 in the Unequal Pay Back Pay Account and there was a nil balance at both 1 April 2011 and 31 March 2012.

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.

2010/11		2011/12
£000		£000
3,769	**Balance at 1 April**	3,682
(3,769)	Settlement or cancellation of accrual made at the end of the preceding year	(3,682)
3,682	Amounts accrued at the end of the current year	3,631
3,682	**Balance at 31 March**	3,631
(87)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(51)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities includes the following items:

2010/11		2011/12
£000		£000
(634)	Interest received	(1,646)
10,386	Interest paid	10,197

24. Cash Flow Statement – Investing Activities

2010/11		2011/12
£000		£000
71,357	Purchase of property, plant and equipment, investment property and intangible assets	52,863
11,000	Purchase of short-term and long-term investments	15,000
1	Other payments for investing activities	876
(1,638)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(527)
(19,811)	Proceeds from shot-term and long-term investments	(25,000)
(48,468)	Other receipts from investing activities	(49,336)
12,441	**Net cash flows from investing activities**	(6,124)

25. Cash Flow Statement – Financing Activities

2010/11		2011/12
£000		£000
(52,815)	Cash receipts of short- and long-term borrowing	(94,890)
(3,595)	Other receipts from financing activities	578
(544)	Appropriation to/from Collection Fund Adjustment Account	623
44,985	Repayments of short- and long-term borrowing	78,126
0	Cash payments in relation to finance leases and PFI agreements	2,142
(11,969)	**Net cash flows from financing activities**	(13,421)

26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting 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

2011/12	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Care & Support	13,670	60,333	74,003	24,421	5,995	30,416	43,587
Education, Culture & Skills	90,054	21,950	112,004	4,755	107,544	112,299	(295)
Children & Family Services	4,013	2,025	6,038	957	3,547	4,504	1,534
Children's Safeguarding	4,823	16,051	20,874	1,443	280	1,723	19,151
Family & Cohesion Services	7,935	16,206	24,141	3,674	7,447	11,121	13,020
Development, Business & Housing	11,631	18,056	29,687	34,538	58	34,596	(4,909)
Economy & Skills	2,907	2,338	5,245	868	1,827	2,695	2,550
Environment & Leisure Services	4,943	35,984	40,927	14,970	198	15,168	25,759
Planning	4,786	5,705	10,491	5,594	250	5,844	4,647
Customer & People Services	9,439	11,714	21,153	11,133	2,651	13,784	7,369
Law, Democracy and Public Protection	2,704	2,955	5,659	5,187	0	5,187	472
Finance, Audit & Information Governance	6,583	89,546	96,129	16,720	65,125	81,845	14,284
Co-Operative Council	4,856	1,859	6,715	6,241	34	6,275	440
Total	168,344	284,722	453,066	130,501	194,956	325,457	127,609

Less items in above table but not shown under provision of services in statement of accounts			**(21,539)**			**(10,674)**	**(10,865)**
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			**44,697**			**50,584**	**(5,887)**
Provision of services in the statement of accounts			**476,224**			**365,367**	**110,857**

2010/11	Employee expenses	Other service expenses	**Total Expenditure**	Fees, charges & other service income	Government grants	**Total Income**	**Net Expenditure**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Safeguarding (Adults & Children)	**6,987**	**15,089**	**22,076**	**530**	**2,329**	**2,859**	**19,217**
School Improvement	**93,792**	**41,281**	**135,073**	**6,594**	**125,818**	**132,412**	**2,661**
Family & Community Services	**13,772**	**13,628**	**27,400**	**3,846**	**10,339**	**14,185**	**13,215**
Property & ICT	**11,837**	**20,782**	**32,619**	**36,250**	**37**	**36,287**	**(3,668)**
Economy & Skills	**1,319**	**2,267**	**3,586**	**596**	**674**	**1,270**	**2,316**
Environmental Services	**5,622**	**34,589**	**40,211**	**11,626**	**1,524**	**13,150**	**27,061**
Housing & Planning	**4,825**	**7,619**	**12,444**	**6,846**	**336**	**7,182**	**5,262**
Care & Support (Adults & Children)	**12,812**	**58,908**	**71,720**	**6,651**	**26,754**	**33,405**	**38,315**
Customer Services, Leisure & Libraries	**9,763**	**11,672**	**21,435**	**10,976**	**2,537**	**13,513**	**7,922**
Governance	**2,883**	**3,038**	**5,921**	**5,394**	**48**	**5,442**	**479**
Finance	**4,132**	**81,097**	**85,229**	**11,155**	**74,930**	**86,085**	**(856)**
Core Services and Council Wide Items	**11,500**	**15,588**	**27,088**	**10,530**	**1,454**	**11,984**	**15,104**
Total	**179,244**	**305,558**	**484,802**	**110,994**	**246,780**	**357,774**	**127,028**
Less items in above table but not shown under provision of			**(36,229)**			**(23,761)**	**(12,468)**

services in statement of accounts							
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			**18,535**			**47,462**	**(28,927)**
Provision of services in the statement of accounts			**467,108**			**381,475**	**85,633**

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

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

27. Acquired and Discontinued Operations

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

28. Market Undertaking and Industrial Units

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

	2010/11 £'000	**2011/12 £'000**
Income from Stallholders' Rents and charges	*30*	64
Expenditure	*(33)*	(71)
(Deficit)/Surplus taken to General Fund	***(3)***	**(7)**

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

	2010/11 £'000	2011/12 £'000
Income from rents	*7,576*	7,525
Other income	*596*	631
Net gains/(losses) on revaluation of property	*(5,858)*	(1,307)
Direct operating expenses	*(3,637)*	(4,544)
(Deficit)/Surplus taken to General Fund	***(1,323)***	**2,305**
Total Trading Accounts	***(1,326)***	**2,298**

29. Pooled Budgets

During 2011/12 the Council was involved in the following pooled budgets in conjunction with Telford & Wrekin Primary Care Trust for improving life chances of all children, young people, adults and older people with learning difficulties and their families and for Integrated Community Equipment.

Pooled Budgets where Telford & Wrekin is the host.

Learning Disability Development Fund

To improve the service for users through closer working between the National Health Service and the Council. The Council's contribution to this budget for 11/12 is £177k

	2010/11 £000	2011/12 £000
Expenditure	*223*	101
Income	*223*	177

Delayed Discharges Pooled Budget

To promote independence for older people through developing a range of services that are delivered in partnership between primary and secondary health care, Local Government services and the independent sector. The Council's contribution to this budget is £303k

	2010/11 £000	2011/12 £000
Expenditure	*292*	303
Income	*292*	303

Intermediate Care Pooled Budget

To improve intermediate care services for users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £277k.

	2010/11 £000	2011/12 £000
Expenditure	*321*	296
Income	*330*	330

Joint Commissioning Scheme

To ensure an effective and integrated approach to commissioning for health and social care services, which is service user focussed and reflects local need. The Council's contribution to this budget is £173k (Adults) - £192k (Children's).

	2010/11 £000	**2011/12 £000**
Expenditure	*872*	818
Income	*1,007*	896

ALD Pooled Budget

Funding Transferred to Local Authorities from PCT to help with Valuing People, Healthcare for All, World Class Commissioning. The Local Authority contribution is £7,773k.

	2010/11 £000	**2011/12 £000**
Expenditure	*16,358*	13,017
Income	*15,708*	14,635

Stafford Park Pooled Budget (previously known as Revolution)

Provide a 'Young Person centred' environment with opportunities and support services that will help all service users achieve the five outcomes central to the Children Act 2004. This pooled budget has now finished.

	2010/11 £000	**2011/12 £000**
Expenditure	*155*	0
Income	*156*	0

Pooled Budgets where Telford & Wrekin PCT is the host.

Integrated Community Equipment Services

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

	2010/11 £000	**2011/12 £000**
Expenditure	*59*	76
Income	*81*	76

Substance Misuse

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

	2010/11 £000	**2011/12 £000**
Expenditure	*1,289*	1,203
Income	*1,285*	1,334

30. Members' Allowances

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

2010/11		2011/12
£000		£000
651	Allowances	621
12	Expenses	4
663	Total	625

31. Officers' Remuneration

Senior Officer Remuneration 2011/12

Post Holder Information (Post title)	*Notes*	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2011/12	Pension contributions	Total Remuneration including pension contributions 2011/12
		£	£	£	£	£	£	£
Managing Director		137,000	27,245	0	0	27,245	4,442	31,687
Director of Adults, Community & Customer Services		0	118,223	0	0	118,223	19,249	137,472
Interim Director of Children's Services	*1*	94,473	62,982	0	0	62,982	10,266	73,248
Assistant Director: Finance, Audit & Information Governance		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Development, Business & Housing		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Planning Specialist		0	81,748	0	0	81,748	13,325	95,073
Assistant Director: Family & Cohesion		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Education & Skills		0	80,689	0	0	80,689	13,152	93,841
Interim Assistant Director: Children's Safeguarding	*2*	75,836	46,288	0	0	46,288	7,545	53,833
Assistant Director: Children's Safeguarding	*3*	82,304	26,926	0	0	26,926	4,384	31,310
Assistant Director: Adult & Children's Social Care Specialist		0	81,748	0	0	81,748	13,325	95,073
Assistant Director: Care & Support		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Law, Democracy & Public Protection		0	82,404	0	0	82,404	13,432	95,836
Assistant Director: Environment & Leisure Services		0	82,304	0	0	82,304	13,416	95,720
Assistant Director: Customer & People Services		0	82,304	0	0	82,304	13,416	95,720

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2011/12	Pension contributions	Total Remuneration including pension contributions 2011/12
Posts Pre Council Restructure								
Chief Executive	*4*	149,000	71,310	125,000	0	196,310	11,624	207,934
Interim Chief Executive	*5*	149,000	42,381	0	0	42,381	6,908	49,289
Assistant Chief Executive	*6*	91,235	69,292	0	0	69,292	11,295	80,587
Corporate Director	*7*	0	119,017	11,401	0	130,418	19,380	149,798
Head of Economy & Skills	*8*	80,689	74,616	76,681	0	151,297	12,162	163,459
			376,616	**213,082**	**0**	**589,698**	**61,369**	**651,067**

Notes:

The roles shown in bold represent the current Senior Management Team.

1) This is an interim appointment to this post whilst external recruitment in being undertaken

2) This is an interim appointment to this post to cover the substantive post holder being appointed to the Interim Director of Children's Services

3) This represents part year costs of the substantive post holder who was appointed to the Interim Director of Children's Services post on 1st August 2011

4) Includes payments for returning officer duties

5) This was a temporary appointment to this post pending a review of the Management Structure of the Council

6) Assistant Chief Executive post was deleted as part of the Management re-structure of the Council

7) Corporate Director post deleted after 31.03.12 as part of the Management re-structure of the Council. Post holder remained in post all year.

8) Head of Service post deleted as part of the Management re-structure of the Council

Senior Officer Remuneration 2010/11

Post Holder Information (Post title)	*Notes*	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£	£
Chief Executive (Victor Brownlees)	*Note 1*		155,513	0	0	155,513	25,349	180,862
Corporate Director			118,971	0	0	118,971	19,380	138,351
Corporate Director			118,897	0	0	118,897	19,380	138,277
Assistant Chief Executive			107,519	0	0	107,519	17,533	125,052
Social Care Specialist		82,304	32,668	0	0	32,668	5,329	37,997
Head of Finance		82,304	32,675	0	0	32,675	5,329	38,004
Head of Customer & Leisure Services		82,304	32,693	0	0	32,693	5,329	38,022
Head of Safeguarding (Adults & Children)		80,689	31,385	0	0	31,385	5,120	36,505
Head of Family & Community Services		82,304	32,034	0	0	32,034	5,224	37,258
Head of Property & ICT		82,304	32,001	0	0	32,001	5,244	37,245
Head of School Improvement		80,869	31,392	0	0	31,392	5,120	36,512
Head of Governance		82,304	32,668	0	0	32,668	5,329	37,997
Head of Environmental Services		82,304	32,678	0	0	32,678	5,329	38,007
Head of Care & Support (Adults & Children)		82,304	32,036	0	0	32,036	5,224	37,260
Head of Housing & Planning		82,304	32,668	0	0	32,668	5,329	37,997
Head of Economy & Skills		80,689	31,410	0	0	31,410	5,120	36,530
Posts Pre Restructure								
Corporate Director	*Note 2*	113,485	51,047	30,000	0	81,047	8,324	89,371
Interim Corporate Director	*Note 3*	108,084	18,013	0	0	18,013	2,936	20,949

Post Holder Information (Post title)	*Notes*	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
Single Status Project Director	*Note 4*	80,689	40,573	62,676	0	103,249	3,323	106,572
Head of Adult Social Care Delivery	*Note 5*	80,869	48,603	0	0	48,603	7,928	56,531
Head of Finance	*Note 5*	80,689	48,693	0	0	48,693	7,928	56,621
Head of Customer & Leisure Services	*Note 5*	80,869	48,712	0	0	48,712	7,928	56,640
Head of Safeguarding & Corporate Parenting	*Note 5*	77,451	46,651	0	0	46,651	7,610	54,261
Head of Regeneration & Housing	*Note 5*	79,073	47,639	0	0	47,639	7,769	55,408
Head of Property & Design	*Note 5*	79,073	46,943	0	0	46,943	7,769	54,712
Head of Learning & Achievement	*Note 5*	77,451	46,661	0	0	46,661	7,610	54,271
Head of Governance	*Note 5*	80,869	48,603	0	0	48,603	7,928	56,531
Head of Environmental services	*Note 5*	80,869	48,691	0	0	48,691	7,928	56,619
Head of Adult Social Care Commissioning	*Note 5*	79,073	47,642	0	0	47,642	7,769	55,411
Head of Planning & Transport	*Note 5*	80,689	48,603	0	0	48,603	7,928	56,531
Head of ICT & Procurement	*Note 4*	79,073	68,927	52,231	0	121,158	7,769	128,927
Head of Economic Development	*Note 5*	77,451	46,686	0	0	46,686	7,610	54,296
Head of Early Intervention	*Note 4*	77,451	66,264	25,000	0	91,264	7,645	98,909
Head of Community Protection	*Note 4*	80,689	73,925	61,515	0	135,440	8,768	144,208
			1,780,084	231,422	0	2,011,506	277,138	2,288,644

Notes:

The roles shown in bold represent the current Senior Management Team.

9) Includes payments for Returning Officer duties

10) This Director left the Council on 12 September 2010. This post was held vacant pending the council restructure.

11) This post was an interim post pending the Council re-structure and the post holder left on 31 May 2010.

12) Head of Service post for part year until council restructure took place.

13) Head of service post deleted as part of Council restructure.

The following table excludes Senior Officers shown above.

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

	Number of Employees 2010/11	Number of Employees 2011/12
£50,000 - £54,999	77	66
£55,000 - £59,999	52	52
£60,000 - £64,999	27	32
£65,000 - £69,999	6	8
£70,000 - £74,999	2	5
£75,000 - £79,999	3	3
£80,000 - £84,999	2	2
£85,000 - £89,999	2	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	1
£100,000 - £104,999	2	0
£105,000 - £109,999	1	1
£190,000 - £194,999	1	0

The 2011/12 figures include 102 school based employees (103 in 2010/11). The 2011/12 figures include 24 employees (9 in 2010/11) who left under redundancy or retired during the year (including the person in the £190,000 to £194,999 band in 2010/11). Please note those bands with nil in both years have been excluded.

32. External Audit Costs

The Council's accounts have been audited by KPMG in 2010/11 and 2011/12. In 2011/12 the Council incurred the following fees relating to external audit and inspection:

	2010/11 £000	2011/12 £000
Fees payable to KPMG with regard to external audit services	270	241
Fees payable to Audit Commission in respect of statutory inspection	32	0
Fees payable to KPMG for the certification of grant claims and returns	35	35
Fees payable in respect of other services provided by the appointed auditor, for 2011/12 includes £2,000 paid to the Audit Commission in relation to the National Fraud Initiative	49	43

33. Disclosure of deployment of Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2011/12 are as follows:

Schools Budget Funded By Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2011/12			110,380
Brought forward from 2010/11			358
Carry forward to 2011/12 agreed in advance			0
Agreed budgeted distribution in 2011/12	12,349	98,031	110,380
In Year Adjustments	358	0	358
Final Budget Distribution for 2011/12	12,707	98,031	110,738
Actual Central Expenditure	(12,327)		(12,327)
Actual ISB deployed to Schools		(97,767)	(97,767)
Local authority contribution for 2011/12	0	0	0
Carry Forward to 2012/13	**380**	**264**	**644**

34. Grant Income

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

2010/11		2011/12
£000		£000
	Credited to Taxation and Non Specific Grant Income	
8,944	Revenue Support Grant	18,128
61,593	Non Domestic Rates	54,123
12,553	Area Based Grant/Local Services Support Grant	610
619	Other grants	500
83,709	**Total**	73,361
	Credited to Services	
98,643	Dedicated Schools Grant	110,094
11,876	Standards Fund	1,635
60,300	Mandatory Rent Allowances Subsidy	64,736

14,122	Council Tax Benefits Subsidy	14,189
5,309	Schools Standards Grant	0
5,827	Sure Start	0
0	Pupil Premium Grant	2,311
0	Early Intervention Grant	8,013
0	Learning Disability and Health Reform Grant	6,641
18,553	Other grants	7,522
214,630	**Total**	215,141

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

2010/11		2011/12
£000		£000
	Capital Grants Receipts in Advance	
6,396	National Growth Point	0
474	Homes & Communities Agency	0
782	Standards Fund	0
1,045	Other grants	435
768	Primary Care Trust	0
50	Other contributions	0
9,515	**Total**	435

35. Related Parties

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 30. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

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

During the year transactions with related parties arose as follows:

Councillor Stephen Burrell – his company, Peace of Mind Homecare, provided services to the Council through service contracts and received £491,479 in 2011/12.

Councillor Rae Evans – Received Ironbridge Improvement Grant in relation to a property in the Wharfage, Ironbridge.

Officers

Paul Clifford – Purchased a small plot of land at arms length from the Council for £1,000 (market value) during 2011/12.

Other Public Bodies [subject to common control by Central Government]
The Authority has a pooled budget arrangement with Shropshire Primary Care Trust. Transactions and balances outstanding are detailed in Note 29.

36. Capital Expenditure and Capital Financing

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

2010/11		**2011/12**
£'000		**£'000**
205,613	**Opening Capital Financing Requirement**	227,287
	Capital Investment	
53,266	Property, Plant & Equipment	*45,968*
1,161	Investment Properties	*2,230*
210	Assets Held for Sale	13
754	Intangible Assets	1,526
19,299	Revenue Expenditure funded from Capital under Statute	*20,345*
69	Leased Vehicles	*692*
	Sources of Finance	
(1,635)	Capital Receipts	*(1,617)*
79	Finance Leases	*307*
(45,518)	Government Grants and Other Contributions	*(40,550)*
(6,011)	Revenue Provision (NB: includes MRP)	*(6,397)*
227,287	**Closing Capital Finance Requirement**	*249,804*
21,674	Movement for Year	*22,517*
	Explanation of movements in the year	
4,563	Increase in underlying need to borrow (supported by Government financial assistance)	*494*
17,111	Increase in underlying need to borrow (unsupported by Government financial assistance)	*22,023*
21,674	Increase/(decrease) in Capital Financing Requirement	*22,517*

The main items of capital expenditure during the year related to improving schools (including sports & learning communities, roads, local housing improvement grants and ICT Broadband/VOIP/Business Transformation, Borough Towns Initiative, Woodside, Sutton Hill and Street Lighting.

At 31-3-2012 there was 3 significant contracts in place with outstanding commitments of £22.0m, as detailed in note 12.

The Council entered into a PFI transaction in March 2007 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW for £289m.

Unitary payments are being paid to the operator, and PFI credits received from the Government as a specific annual grant from 2007/08, when all of the buildings became operational. The Council has approved a budget strategy which makes provision for its future commitments. In 2011/12 the Authority made payments of £9,654,429 in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

37. Leases

Finance Leases

During 2011/12 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £588,169. Finance lease rentals of £468,578 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	Next Year £'000	**2 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Outstanding Obligations	391	699	86	1,176

The aggregate amount of finance charges in respect of finance leases was £51,034 for 2010/11 (£59,233 for 2010/11)

The Council operates a deminimis 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 6 to the accounts the value of assets held within Vehicles, Plant and Equipment are shown.

Operating Leases

During 2011/12 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £25,111 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

	Next Year £'000	**2 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Outstanding Obligations	18	18	0	36

Hire Purchase Contracts

During 2011/12 no hire purchase payments were made to lessors. No new hire purchase agreements were entered into during the year and the total obligation outstanding at the end of the year was zero.

Building Leases

The Council owns a number of industrial units, commercial premises and offices throughout the Borough. The Council acts as lessor in respect of these properties which are rented out at commercial rates, these are classified as operating leases. The rental income received from these properties for 2011/12 amounted to £8,156,000 (£8,172,000 for 2010/11). See also note 28 Trading Accounts and note 13 in respect of the valuation of these assets as Investment Properties.

38. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Jigsaw. We have assets held of £58.2m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £62.4m as at 31st March 2012 (£63.4m as at 31st March 2011). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.3m in to the interest paid for 2011/12 (£5.4m 2010/11). Amounts due are shown in the table below:-

	2010/11				2011/12			
	Service	Lifecycle	Interest	Finance Lease	Service	Lifecycle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	*1,535*	*750*	*5,300*	*1,805*	2,073	270	5,192	1,627
2 to 5 years	*7,720*	*2,006*	*20,112*	*7,500*	5,575	4,395	19,755	8,085
6 to 10 years	*7,891*	*5,698*	*22,982*	*12,872*	6,967	6,962	22,439	13,732
11 to 15 years	*8,820*	*6,555*	*19,673*	*17,850*	9,054	6,706	18,742	19,140
16 to 20 years	*10,493*	*6,902*	*14,046*	*24,635*	13,183	4,647	12,480	26,014
21 to 25 years	*11,018*	*3,504*	*4,465*	*24,200*	9,091	1,686	2,670	18,457

39. Impairment Losses

During 2011/12, the Authority has recognised impairment losses of £12.709m in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss has been charged to the Comprehensive Income and Expenditure Statement. This is then reversed out as part of the Movement In Reserves Statement.

40. Exit Packages

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies included in the 2011/12 financial statements are set out in the table below.

Exit package cost band	Number of Compulsory Redundancies	Number of other Departures Agreed	Total Number of exit packages by cost band	Total cost of exit packages in each band
				£'000
£0 - £20,000	5	209	214	1,830
£20,001 - £40,000	3	52	55	1,559
£40,001 - £60,000	0	20	20	1,008
£60,001 - £80,000	0	10	10	719
£80,001 - £100,000	1	4	5	449

£100,000 - £150,000	0	8	8	962
Total	9	303	312	6,527

The total cost of £6.527m includes £3.3m for redundancy and severance payments that have been agreed and charged to the authority's Comprehensive Income and Expenditure Statement in the year. The statement also includes a provision of £3.2 m which relates to the cost of redundancy and severance payments where the authority had issued notice at 31 March 2012 (for staff required to leave in 2012/13 and who are currently working notice periods) These costs include charges made by the Shropshire pension scheme in respect of early pension payments as required by scheme regulations which total £3.1m. Each agreed redundancy generates savings for the authority.

41. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2011/12 the Council paid an employer's contribution of £6,546,473 (£6,375,741 in 2010/11) representing 14.1% of Teacher's pensionable pay into the Teachers Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quinquennial actuarial valuations, the last review being at 31st March 2011. 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 £6,546,473 (£6,375,741 in 2010/11) representing 14.1% of pensionable pay.

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

42. Defined Benefit Pension Schemes Participation in Pension Schemes

In accordance with International Reporting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 18 of the Accounting Policies, the Council participates in two formal schemes, the Local Government Pension Scheme, and the Teacher's Scheme. The Council is not required to record information related to the Teacher's Scheme as the assets and liabilities of the fund cannot be attributed to individual authorities. The Local Government Pension Scheme is administered by Shropshire Council and is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Overall the deficit on the Council's share of has increased by £32.3m; this has been as a result of actuarial losses on scheme benefits and assets. The estimated contributions expected to be paid into the local Government pension scheme next year is £11.297m. The contribution rate is already set for 2012/13 and 2013/14 at the same level as 2011/12, with no increase currently anticipated after 2013/14, though that will be dependent on the next valuation which is as at 31/3/13.

In his budget statement on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Shropshire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change has reduced the IAS19 benefit obligations. This has resulted in a reduction in past benefit of £26.371m in relation to 2010/11 and this was been included in the Comprehensive Income & Expenditure Account as a separate line for that year, no similar change occurred for 2011/12.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/12 the cumulative amount of actuarial losses recognised in the statements is £75.648m.

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

	2010/11 £000	**2011/12 £000**
Present Value of Funded Benefit Obligations	*(408,225)*	(445,317)
Present Value of Unfunded Benefit Obligations	*(8,548)*	(8,564)
Total Present Value of Benefit Obligations	*(416,773)*	(453,881)
Fair Value of Pension Fund Assets	*294,478*	*299,294*
Surplus/(Deficit)	*(122,295)*	(154,587)

Change in Benefit Obligation during year.

	2010/11 £000	**2011/12 £000**
Benefit Obligation at Beginning of Year	*(448,125)*	*(416,773)*
Current Service Cost	*(12,820)*	*(9,978)*
Interest on Pension Liabilities	*(25,199)*	*(22,796)*
Member Contributions	*(4,549)*	*(4,141)*
Past Service Cost	*26,166*	*0*
Actuarial Gain or (Loss) on Liabilities	*35,079*	*(15,894)*
Curtailment Cost	*(971)*	*(2,888)*
Settlements	*0*	*1,069*
Benefits / Transfers Paid	*13,646*	*17,520*
Surplus / (Deficit) at End of Year	*(416,773)*	*(453,881)*

Change in Plan Assets during year.

	2010/11 £000	**2011/12 £000**
Fair Value of Plan Assets at Beginning of Year	*271,491*	*294,478*
Expected Return on Plan Assets	*16,280*	*16,813*
Actuarial Gain or (Loss) on Assets	*2,801*	*(10,396)*
Employer Contributions	*13,003*	*12,042*
Member Contributions	*4,549*	*4,141*
Settlements	*0*	*(264)*
Benefits / Transfers Paid	*(13,646)*	*(17,520)*
Surplus / (Deficit) at End of Year	*294,478*	*299,294*

Statement of Gains and Losses

	2010/11 £000	*%*	2011/12 £000	%
Actuarial Gain/(Loss)	*37,880*	*9.1% of liabilities*	(26,290)	*5.8% of liabilities*
Actual Return on Plan Assets	*21,957*		6,416	
Experience Gains/(Losses) On Assets	*2,801*	*1.0% of assets*	(10,396)	*3.5% of assets*
Experience Gains/(Losses) On Liabilities	*10,586*	*2.5% of liabilities*	0	*0.0% of liabilities*

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

	2010/11		2011/12	
	£000	*%*	£000	%
Equity Investments	*192,000*	*65.2%*	*158,625*	53.0%
Government Bonds	*33,570*	*11.4%*	*43,098*	14.4%
Other Bonds	*29,448*	*10.0%*	*31,127*	10.4%
Property	*11,190*	*3.8%*	*10,775*	3.6%
Cash/Liquidity	*15,018*	*5.1%*	*14,366*	4.8%
Other	*13,252*	*4.5%*	*41,303*	13.8%
Total	*294,478*	*100%*	*299,294*	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 is appropriate to each of the asset classes weighted by the proportion of the assets in the particular asset class. The rates are shown in the table below:

	2010/11	2011/12
Equity Investments	*7.5%*	7.0%
Government Bonds	*4.4%*	3.1%
Other Bonds	*5.1%*	4.1%
Property	*6.5%*	6.0%
Cash/Liquidity	*0.5%*	0.5%
Other	*7.5%*	7.0%

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31st March 2010 and updated for the following 24 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31.03.2013, but the full analysis won't be available until later that year. The main assumptions used in the calculations are:

	2010/11	2011/12
- rate of inflation (CPI)	*2.9%*	2.5%
- rate of increase in salaries	*4.4%*	4.0%
- rate of increase in pensions	*2.9%*	2.5%
- proportion of employees opting to take a commuted lump sum	*50%*	50%
- rate for discounting scheme liabilities	*5.5%*	4.9%
- longevity at 65 for current pensioners		
Male	*21.9*	22.0
Female	*24.6*	24.7

- longevity at 65 for future pensioners

Male	*23.3*	23.4
Female	*26.1*	26.2

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

Scheme History

	2007/08 £000	***2008/09 £000***	***2009/10 £000***	**2010/11 £000**	**2011/12 £000**
Present Value of Liabilities	*(375,240)*	*(317,604)*	*(448,125)*	(416,773)	(453,881)
Fair Value of Assets	*252,947*	*198,435*	*271,491*	294,478	299,294
Surplus/(Deficit) on scheme	*(122,293)*	*(119,169)*	*(176,634)*	(122,295)	(154,587)
(Gains) and Losses on Assets	*9.0%*	*36.4%*	*(21.2%)*	(1.0%)	3.5%
Gains and (Losses) on Liabilities	*0.0%*	*0.0%*	*0.0%*	2.5%	0.0%

Pensions Asset/Liability Account

	2010/11 £000	**2011/12 £000**
Opening Balance	*(176,634)*	(122,295)
Past Service Cost - Added Years	*(1,176)*	*(2,083)*
Current Service Cost	*(12,820)*	(9,978)
Interest Cost	*(25,199)*	*(22,796)*
Return On Assets	*16,280*	*16,813*
Payments to Pension Fund	*13,003*	*12,042*
Past Service Gain – Benefit Change	*26,371*	*0*
Actuarial Gain or (Loss)	*37,880*	*(26,290)*
Closing Balance	*(122,295)*	*(154,587)*

Pensions Reserve

	2010/11 £000	**2011/12 £000**
Opening Balance	*176,634*	122,295
Past Service Cost - Added Years	*1,176*	*2,083*
Charging Pensions Costs Payable	*(13,003)*	*(12,042)*
Reversing Out IAS 19 Items	*(4,632)*	*15,961*
Actuarial (Gain) or Loss	*(37,880)*	*26,290*
Closing Balance	*122,295*	*154,587*

43. Contingent Liabilities

At 31 March 2011, the Authority had no material contingent liabilities:

44. Contingent Assets

At 31 March 2011, the Authority had no material contingent assets.

45. Nature and Extent of Risks Arising from Financial Instruments

Fair Value of Assets & Liabilities

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

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

	Nominal/ Principal	Fair Value
	£000	£000
Financial Assets		
Fixed Term Deposits	40,000	47,261
Other	33	33
	40,033	47,294
Financial Liabilities		
Money Market Loans (LOBO's)	60,000	73,602
PWLB Loans	56,523	75,239
Temporary Loans	31,147	31,146
	147,670	179,987

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

Methodology and Assumptions

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

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

Complexities of the NPV calculation

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

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

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

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

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

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

Exposure to Risk
The authority’s activities expose it to a variety of financial risks:

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

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

Credit risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority’s customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum short term rating of A+, a minimum long term rating of F1+, a minimum support rating of 3, a minimum individual rating of C and a minimum sovereign rating of AA-. In conjunction with our treasury advisors these are overlaid with credit default swaps to produce a lending list governing both value and length of investment. The authority has a policy of not lending more than 20% of its surplus balances to one institution.
The following analysis summarises the authority’s potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2012 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability £000s
	A	B	C	A * C
Deposits with banks and financial institutions	50,000	0.0	0.0	0
Other	33	0.0	0.0	0
Debtors	33,883	12.0	14.5	4,905
Total	83,916	4.8	5.8	4,905

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

Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	2010/11 £'000	**2011/12 £'000**
Maturing in 1-2 years	*6,001*	*11,001*
Maturing in 2-5 years	*13,002*	*13,002*
Maturing in 5-10 years	*4,505*	*3,505*
Maturing in more than 10 years	*83,015*	*83,014*
	106,523	***110,522***

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 Income and Expenditure Account or STRGL. 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 Statement of Total Recognised Gains and Losses.
The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of £0 of its net borrowings and investments in variable rate loans (i.e. variable rate borrowing will not exceed variable rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.
The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

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

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

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

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

Sensitivity Analysis

At the 31st March 2012 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

	Investments £000	Borrowing £000	Net Total £000	1% Movement £000
Variable	(13,027)	31,146	18,119	181.2
Fixed	(40,033)	116,523	76,490	0.0
Total	(53,060)	147,669	94,609	181.2

A 1% change in interest rates would have an impact on the budget of £181,200, this is as a result of that at 31st March 2012 we had more variable borrowing than variable investments. The most likely next move in interest rates is upwards, although not expected before 2015, this would lead to a net increase in borrowing costs. Other considerations are that the Council is managing ongoing maturity profiles for both investments and borrowing.

Long Term Borrowing

Source of Loan	**Range of Interest rates payable (%)**			**Total Outstanding 2010/11 £'000**	**Total Outstanding 2011/12 £'000**
Public Works Loan Board	1.92	-	8.875	46,523	50,522
Money Market Loans (LOBOs)	0.80	-	4.50	60,000	60,000
				106,523	**110,522**

An analysis of loans by maturity is:

	2010/11 £'000	**2011/12 £'000**
Maturing in 1-2 years	*6,001*	*11,001*
Maturing in 2-5 years	*13,002*	*13,002*
Maturing in 5-10 years	*4,505*	*3,505*
Maturing in more than 10 years	*83,015*	*83,014*
	106,523	***110,522***

	2010/11 £'000	**2011/12 £'000**
Total Long Term Borrowing	*106,523*	*110,522*
Temporary Borrowing	*24,382*	*37,147*
Total Borrowing	***130,905***	***147,669***

In total fixed and temporary borrowing increased by £16.8m, from £130.905m to £147.670m during the year. This was due to some temporary borrowing in late March, which was repaid in early April as well as funding capital expenditure.

46. Area Based Grant/Local Services Support Grant

Area Based Grant (ABG) is non ring-fenced i.e. there are no conditions on its use. This was withdrawn in 2010/11 and replaced by Local Services Support Grant (LSSG), though at a much lower level. Both grants are 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 ABG received by the Council in 2010/11 was £12.553m, the value of LSSG for 2011/12 is £0.610m.

47. Income & Expenditure Account Deficit.

For 2011/12 the accounts show a surplus on the Income and Expenditure Account of £5.848m. The actual contribution to General Fund Balances was £0.423m. 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:

Surplus on Income & Expenditure Account	£5.848m
Plus:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	£0.096m
Less:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£6.030m
Changes in Reserves	-£0.509m
Actual Contribution to General Fund Balances	£0.423m

48. Investments

In total our investments have fallen by £22.6m as a result of the approved policy to run down investments rather than incur borrowing to fund capital expenditure.

The Council has a number of long term investments in external organisations, totalling £25.033m. The majority (£25.000m) relates to fixed term investments with banks. Investments are shown in the Balance Sheet at market value.

The council also has a number of short term investments totalling £25.000m. These have increased over the year as some of our longer term investments near maturity. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

Summary of Investments

Category	*2010/11*	2011/12
	£000	**£000**
Long Term Investments		
Fixed Term Deposits	*40,000*	*25,000*
Other	*33*	*33*
Total Long Term	***40,033***	***25,033***
Short Term Investments		
Fixed Term Deposits	*20,000*	*25,000*
Total Short Term	***20,000***	***25,000***
Cash & Cash Equivalent Investments	***15,645***	***3,027***
Total Investments	***75,678***	***53,060***

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

49. Intangible Assets

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

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

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

	2010/11	2011/12
	£000	£000
Balance at start of the year		
- Gross Carrying Amount	**0**	**799**
- Accumulated Amortisation	**0**	**0**
Net Carrying Amount at Start of Year	**0**	**799**
Additions		
- Purchases	**799**	**1,526**
Amortisation for the Period	**0**	**(166)**
Net Carrying Amount at Year End	**799**	**2,159**
Comprising		
- Gross Carrying Amount	**799**	**2,325**
- Accumulated Amortisation	**0**	**(166)**
Total	**799**	**2,159**

50 Usable Capital Receipts Reserve

	2010/11 £'000	**2011/12 £'000**
Opening balance	*36*	12
Capital receipts received during year	*1,611*	1,605
Less		
Capital receipts used for financing during year	*(1,635)*	(1,617)
	12	**0**

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

51 Special Fund Revenue Account

	2010/11 Net Expenditure £'000	2011/12 Gross Expenditure £'000	2011/12 Income £'000	2011/12 Net Expenditure £'000
EXPENDITURE ON SERVICES				
Cemeteries	*26*	125	112	13
Highways – footway lighting	*691*	760	18	742
Total expenditure on services	***717***	**885**	**130**	**755**
INCOME				
Council Tax	*(820)*			(825)
(Surplus) or deficit for year	***(103)***			**(70)**
Special Fund				
Balance at beginning of the year	*187*			290
Surplus or (deficit) for year	*103*			70
Balance at end of year	***290***			**360**

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

52. School Balances

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

	2010/11	2011/12
	£000	**£000**
School Balances - Revenue	*3,624*	*5,519*
School Balances - Capital	*1,205*	*865*
Total School Balances	***4,829***	***6,384***

53. Soft Loan

During 2010/11 the Council extended for 36 months a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 0.50% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2011/12 and the balance at 31ST March is £451,000. This is shown as a debtor on the Balance sheet at a fair value of £404,000 and a notional £47,000 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place from The Ironbridge (Telford) Heritage Foundation Limited which covers the full £500,000.

54. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £4.592m and the principal repayment in respect of the PFI lease was £1.805m giving a total provision of £6.397m in 2011/12 *(£6.011m in 2010/11).*

55. Building Control Account 2011/12

Expenditure	**Chargeable 2011/12 £'000**	**Non-Chargeable 2011/12 £'000**	**Total Building Control 2011/12 £'000**
Employee Expenses	188	132	320
Support Services	115	71	186
	303	203	506
Income			
Building Regulation Charges	253	202	455
	253	202	455
(Surplus)/Deficit	**50**	**1**	**51**
2010/11 (Surplus)/Deficit	***(25)***	***8***	***(17)***

56. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2011/12 expenditure on this totalled £20.345m and grant receivable amounted to £17.931m. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been written off against the Capital Adjustment Account during the year.

57. Trust Funds

The Council acts as a Trustee for the Telford Trust, which provides the leisure facilities at Madeley Court Recreation Centre. The Trust is a separate legal entity whose full set of accounts are audited by independent auditors. In 2011/12 the accounts will be audited by Muras Baker Jones and we expect to receive an unqualified audit opinion.

THE TELFORD TRUST	*2010/11 £'000*	2011/12 £'000
Balance at 1st April	*164*	571
Income	*1,070*	*793*
Expenditure	*(919)*	*(872)*
Actuarial loss on defined benefit pension scheme	*256*	*(128)*
Balance at 31 March	***571***	***364***

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

THE COMMON GOOD FUND	*2010/11 £'000*	2011/12 £'000
Balance at 1st April	*9*	9
Income	*0*	0
Expenditure	*0*	0
Balance at 31 March	***9***	**9**

58. Insurance Reserves

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

The reserves are in existence for the following purposes:-

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

An analysis of the reserves for 2011/12 indicates the following:-

	General Fund		Education	
	2010/11 £'000	2011/12 £'000	*2010/11 £'000*	2011/12 £'000
Balance b/f	*1,247*	1,472	*1,186*	875
Charges in the Year	*(593)*	(814)	*(311)*	0
Contributions	*818*	935	*0*	183
Balance c/f	***1,472***	**1,593**	***875***	**1,058**

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	
	2010/11 £'000	2011/12 £'000	*2010/11 £'000*	2011/12 £'000
Balance B/f	*409*	409	*838*	1,063
Charges In Year	*(347)*	*(463)*	*(246)*	*(351)*
Contributions	*347*	*464*	*471*	*471*
Balance c/f	***409***	***410***	***1,063***	***1,183***

For 2011/12 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims and £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, liable and slander and officials indemnity claims.

59. Single Status

Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2011/12 accounts, as was the case last year.

60. West Mercia Supplies Purchasing Consortium

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

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

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

However, in the interests of transparency and accountability the unaudited 2011/12 balances of WMS are included below, along with an analysis of this Council's share of those balances based on 22.47%. The WMS balance sheet has been provided by Shropshire Council, in their capacity as Section 151 Officer for West Mercia Supplies:

Extract from WMS Balance Sheet	**2011/12** £'000	**Telford & Wrekin Share** £'000
Long Term Assets		
Property, Plant & Equipment	2,898	651
Intangible Assets	2	0
Long Term Debtors	1,398	314
Current Assets		
Inventories	2,842	639
Short Term Debtors	14,500	3,259
Cash and Cash Equivalents	1,943	437
Current Liabilities		
Short Term Creditors	-14,759	-3,317

Extract from WMS Balance Sheet	2011/12 £'000	Telford & Wrekin Share £'000
Long Term Liabilities		
Long Term Creditors	-1,398	-315
Other Long Term Liabilities	-4,447	-999
Total Assets Less Liabilities	**2,979**	**669**
Financed By		
Usable Reserves	-2,979	-669
Unusable Reserves	0	0
	-2,979	**-669**
Turnover	66,932	15,042

Note: WMS, with the exception of the energy division, was sold in April 2012. The WMS name and most of the staff transferred as part of the sales agreement, with the energy side of the organisation remaining with the four member authorities. The energy division will continue in operational existence under the trading name of "West Mercia Energy" for the foreseeable future.

61. Landfill Allowances Trading Scheme (LATS)

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

There are 374 tonnes allowances carrying forward from 2010/11 to 2011/12 and the value of allowances allocated and used for the year were valued at £0.50.

The values used for 2011/12 have been affected by the market for allowances which has been very low. We have decided that allowances are valued at £0.50 per tonne.
For 2011/12 this authority was allocated an allowance of 29,113 tonnes (valued at £0.015m) and used 32,740 tonnes (valued at £0.016m) of the allowance. This resulted in 3,253 tonnes (valued at £0.002m) of shortfall in allowances requiring purchase in 2012/13.

The impact on the income and expenditure account is as follows. Environmental Services has additional expenditure of £18,713 and additional income of £14,557, a net cost of £4,156.

The impact on the balance sheet is as follows;

Liability to DEFRA for Landfill Usage

	2010/11 £'000	2011/12 £'000
Balance Brought Forward	*0*	(130)
Adjustment to previous year usage	*0*	(1)
Write out actual usage for previous year	*0*	131
Estimated usage for year	*(130)*	*(16)*
Balance Carried Forward	*(130)*	*(16)*

Landfill Allowances Asset Account

	2010/11 £'000	2011/12 £'000
Balance Brought Forward	*0*	133
Adjustment to pricing of Brought Forward Balance	*0*	(1)
Less Confirmed usage for previous year	*0*	(131)
Allowance for Year	*133*	*14*
Balance Carried Forward	*133*	*15*

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

2010/11		2011/12
£000		£000
(22,391)	Impairment and depreciation of property, plant and equipment and intangible assets	(23,518)
(45)	(Increase)/decrease in interest creditors	101
(9,246)	(Increase)/decrease in creditors	9,857
(6,606)	Increase/(decrease)in interest/dividend debtors	808
(225)	Increase/(decrease)in debtors	5,410
109	Increase/(decrease)in inventories	(91)
16,459	Pension Liability	(6,002)
(1,841)	Contribution (to)/from provisions	(1,249)
(4,224)	Carrying amount of non current assets sold	(5,124)
(5,858)	Movement in Investment Property Values	(434)
(19,811)	Carrying Amount of short and long term investments sold	0
(53,679)	**Total**	(20,242)

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

2010/11		2011/12
£000		£000
44,994	Capital grants credited to surplus or deficit on the provision of services	55,567
19,811	Proceeds from sale of short and long term investments	0
1,607	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,906
66,412	**Total**	57,473

64. Heritage Assets

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

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

65. Post Balance Sheet Event

Abraham Darby Academy was completed after the balance sheet date and subsequently became an academy school.

Collection Fund Account

	2010/11 £'000	2011/12 £'000	Notes
Income			
Income from Council Tax	58,320	58,749	1
Transfers from the Council's General Fund			
– Council Tax Benefits	14,262	14,485	
– Transitional Relief	(1)	(1)	
– Discounts for prompt payment	0	0	
Income collectable from business ratepayers	61,420	61,870	2
Contributions			
- Towards previous year's Collection Fund deficit	0	0	
- Adjustment of previous years' community charges	0	0	
	134,001	**135,103**	
Expenditure			
Precepts and demands from Unitary, Fire, Police Authority and Parish Councils	71,803	73,756	3
Business Rates			
– Payment to national pool	61,202	61,653	
– Costs of collection	217	217	
Bad and Doubtful Debts/Appeals			
– Write Offs	88	126	
– Provisions	24	117	
Contributions			
- Towards previous year's estimated Collection Fund surplus	0	0	
- Adjustment of previous years' community charges	0	0	
	133,334	**135,869**	
Movement on fund balance (Increase)/Decrease	**(667)**	**766**	

Notes To Collection Fund Accounts

1. Council Tax Base for 2011/12

2010/11 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
14,595	Band A	25,853	(3,879)	21,974	14,638
12,369	Band B	18,035	(2,043)	15,992	12,438
7,874	Band C	9,964	(1,009)	8,955	7,960
7,119	Band D	7,491	(317)	7,174	7,174
4,915	Band E	4,313	(263)	4,050	4,950
2,645	Band F	1,975	(109)	1,866	2,695
1,533	Band G	982	(58)	924	1,540
65	Band H	48	(11)	37	73
51,115	**TOTAL**	**68,661**	**(7,689)**	**60,972**	**51,468**
(511)	Adjustments for growth and losses				(513)
50,604	Taxbase for year				50,955
£1,418.92	Average Council Tax for year				£1,418.60

2010/11 £'000		**2011/12 £'000**
71,803	Gross Yield	72,285
(14,261)	Less Benefits and Transitional Relief	(14,484)
778	Add increase in debit net of exemptions and relief's	948
58,320		**58,749**

2. Income Collectable from Business Rate Payers

	2010/11 £'000	**2011/12 £'000**	**2011/12 £'000**
Effective non-domestic rateable value for year	*160,575*	159,383	
Uniform Business Rate for year	*41.4p*	43.3p	
Gross Yield for year	*66,478*		69,013
Less Reductions & Transitional Rate Relief	*(5,058)*		(7,143)
	61,420		**61,870**

The rateable value was £ 167,209,888 at 31.3.2012

3. Precepts on the Fund

	2010/11 £'000	**2011/12 £'000**
Telford & Wrekin Council	*55,595*	57,180
West Mercia Police Authority	*9,044*	9,292
Shropshire & Wrekin Fire Authority	*4,241*	4,357
Parish Councils	*2,923*	2,927
	71,803	**73,756**

4. Allocation of Fund Balance

	2010/11 £'000	**2011/12 £'000**
Telford & Wrekin Council	*(1,422)*	(800)
West Mercia Police Authority	*(221)*	(124)
Shropshire & Wrekin Fire Authority	*(104)*	(58)
	(1,747)	**(982)**

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
ABG	Area Based Grant
Balances	See Reserves and Balances
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31st March for Local Authorities
Best Value Performance Indicators (BVPI's)	A set of national performance indicators used to measure performance
Budget	The financial statement reflecting the Council's policies over a period of time i.e. what the Council is going to spend to provide services.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Receipts	The proceeds from the disposal of land or buildings, or other assets. These can be used to finance new capital expenditure.
Capping	The Government has the power to tell Councils to set a lower budget requirement if it thinks the year on year increase is excessive
CIPFA	The Chartered Institute of Public Finance and Accountancy
CIPFA/SOLACE	CIPFA/SOLACE Delivering Good Governance in Local Government - Framework - CIPFA - the Chartered Institute of Public Finance and Accountancy, have worked with SOLACE - the Society of Local Authority Chief Executives and Senior Managers, to develop the good governance framework for local authorities based on the "The Good Governance Standards for Public Services" produced by the Office for Public Management.
Collection Fund	A separate statutory fund maintained by the Council, as billing authority, which records council tax and non-domestic rates collected, together with payments to precepting authorities (Police, Fire, Parishes), the national pool of non domestic rates and the Council's own General Fund.
Comprehensive Income & Expenditure Account (CI&E)	Summarised income and expenditure during the year by service area
Council Tax	The main source of local taxation to local authorities. Council tax is levied on dwellings within the local authority area by the billing authority.
Creditors	Represent the amount that the Council owes other parties, shown on the balance sheet at year end
Debtors	Represents the amounts owed to the Council, shown on the balance sheet at year end
Revenue Expenditure funded from Capital under Statute (formerly	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

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

Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Formula Spending Share, also determined by Government.
Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 117	Refers to the aftercare required to be provided under Section 117 of the Mental Health Act 1983
Section 137	Section 137 of the Local Government Act 1972 gives authorities the power to undertake a limited amount of spending on activities for which it has no specific powers but which it considers 'will bring benefit to the area, or any part of it or some of its inhabitants'
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs. For Telford & Wrekin this is the Assistant Director Finance Audit and Information Governance
Soft Loan	A loan granted at lower than the prevailing interest rate
Special Fund Revenue Account	Included in the Income And Expenditure Account but specifically summarises the cost of providing some specific services that in some areas are provided by Parish Councils but in others are provided by the Council
Supranational Bonds	These are investments in Multilateral Development Bank Bonds which are very highly credit rated and safe bonds and are similar in nature to UK Government Gilts.
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.

AUDIT COMMITTEE BRIEFING NOTE: Children in Care Commissioning Strategy and Sufficiency Duty

Our strategy (2010 – 2013) outlines our plans to meet the placement needs of Children and Young People in Care (CIC) and on the edge of Care.

The strategy covers the service vision for CIC placements, our local needs analysis, identification of service development areas, recommendations and an action plan.

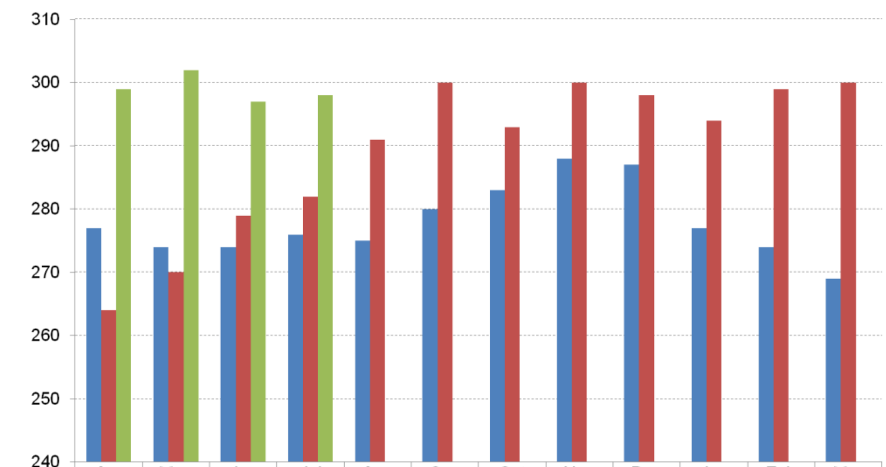
The sufficiency duty is a duty on the LA under the Children & Young Person Act 2008 to ensure that there are sufficient local placements (so far as reasonably practicable) to meet the needs of children in care, to stimulate and support the market to deliver placements, and to provide placements which meet the needs of CIC (targeted, complex and acute).

The key objectives of our strategy are to:

- Improve placement stability *(through the skills of foster carers and by utilising appropriate, good and well matched provision)*
- Promote use of special guardianship or residence orders as alternatives to care where appropriate
- Develop and strengthen early intervention and prevention services and safeguarding *(through the Council's Service restructure*)
- Develop local foster care provision, particularly internal provision *(by having a targeted recruitment campaign)*
- Increase capacity of local residential and appropriate provision and stimulate the market (*through the framework tenders and market development activity)*
- Ensure robust information and tracking of education requirements
- Ensure that placements and resources have good effective evidence models to improve outcomes for CIC *(through the framework tender, contracted outcomes, reporting and monitoring)*
- Collaborate with multi agency partners to provide flexible packages to prevent admission to care, support the needs of CIC in care and provide support to return home.
- Identify permanence planning options earlier in care planning

CHILDREN IN CARE – MONTHLY PERFORMANCE DASHBOARD 31/7/2012

Children In Care at Month End



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
10/11	277	274	274	276	275	280	283	288	287	277	274	269
11/12	264	270	279	282	291	300	293	300	298	294	299	300
12/13	299	302	297	298								

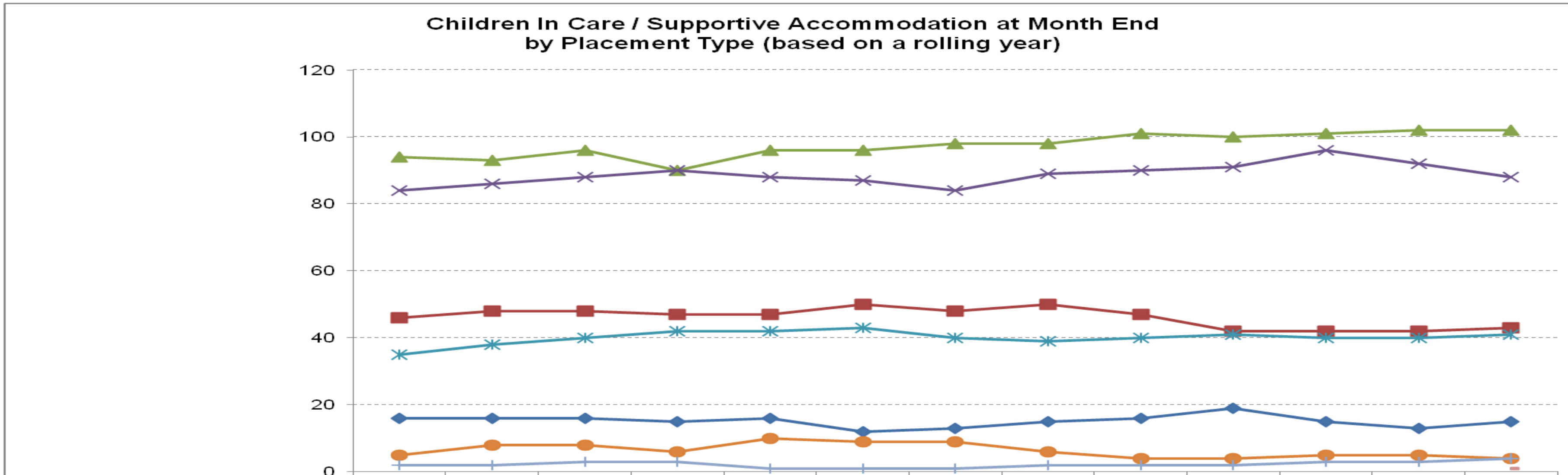
The average number of children in care (monthly) for Aug 2010-Jul 2011 was 277. For the same period in 2011/2012 the average number of children in care monthly was 297. This is a 7.2% increase.

New Children In Care by Age Group and by percentage of CIC population (Based on a rolling year)

	01/08/09 - 31/07/10	% of new CIC	01/08/10 - 31/07/11	% of new CIC	01/08/11 - 31/07/12	% of new CIC
Under 1	36	34.3%	30	24.8%	33	24%
1-4 Years	12	11.4%	26	21.5%	36	26%
5-9 Years	9	8.6%	30	24.8%	23	16%
10-15 Years	43	41.0%	32	26.4%	45	32%
16+ Years	5	4.7%	3	2.5%	3	2%
	105		**121**		**140**	

Based on data for a rolling year the percentage of children coming into care aged 10-15 between 10/11 and 11/12 has increased from 26.4% to 32%,(13 young people). Overall numbers of new episodes of care have increased significantly in 2011/12, but the running total remains stable since Sept 2011 as we are better at moving on their care plans to a return home or other permanent alternative to care. The number of under 5's coming into care has risen slightly in comparison to previous years in the same period (Previously approx 45-46% and now account for 50% of new CIC)

	Cessations in 2011-2012 split by age and reason							**Total Cessations Apr-Jul 2012**
	Under 1	**1-4 Years**	**5-9 Years**	**10-15 Years**	**16+ Years**	**Grand Total**	**% of total cessations**	
E11 - Adopted – application unopposed	1	4	1			6	4.8%	3 (7%)
E12 - Adopted, consent dispensed with		19	1			20	16.1%	5 (12%)
E4 - Returned home to live with parents (no order)	5	15	12	27	2	61	49.2%	18 (43%)
E41 - Returned home - Residence order				1		1	0.8%	2 (5%)
E43 - Special guardianship order made to former foster carers		6				6	4.8%	2 (5%)
E44 - Special guardianship order made to carers other than former foster carers							0%	1 (2%)
E5 - Independent arrangement with formalised support					18	18	14.6%	7 (17%)
E6 - Independent arrangement (no formalised support)		1			2	3	2.4%	
E7 - Transferred to adult social services					2	2	1.6%	1 (2%)
E8 - CLA ceased for any other reason	1	1	2	1	1	6	4.8%	3 (7%)
E9 - Sentenced to custody				1		1	0.8%	
Grand Total	7	46	16	30	25	124		42



	31.07.11	31.08.11	30.09.11	31.10.11	30.11.11	31.12.11	31.01.12	29.02.12	31.03.12	30.04.12	31.05.12	30.06.12	31.07.12
Placed for Adoption	16	16	16	15	16	12	13	15	16	19	15	13	15
Q1 - Rel/Friend	46	48	48	47	47	50	48	50	47	42	42	42	43
Q2 - Local Auth Carer	94	93	96	90	96	96	98	98	101	100	101	102	102
Q2 - Agency Carer	84	86	88	90	88	87	84	89	90	91	96	92	88
Residential Placements	35	38	40	42	42	43	40	39	40	41	40	40	41
P1 - Placed with Parents	5	8	8	6	10	9	9	6	4	4	5	5	4
P2 - Supportive Lodgings	2	2	3	3	1	1	1	2	2	2	3	3	4
Z1 - Other Placement													1

Placement Type	31.03.12	Unit Cost 2011/12	30.04.12	Unit Cost April 2012	30.06.12	Unit Cost June 2012	31.07.12	Unit Cost July 2012
Placed for Adoption	16	N/A	19	N/A	15	N/A	15	N/A
Relative/Friend Carer	47	£225	42	£237	42	£234	43	£233
LA Carer	101	£279	100	£291	102	£274	102	£278
Agency Foster Carer	90	£798	90	£808	92	£809	88	£808
Residential Placements	40	£3,493	40	£3,141	40	£3,097	41	£3,054
Placed with Parents	4	N/A	4	N/A	5	N/A	4	N/A
Supportive Lodgings	2	N/A	2	N/A	3	N/A	4	N/A
Other Placement							1	N/A
TOTAL =	**300**	**£832**	**299**	**£804**	**299**	**£813**	**298**	**£800**

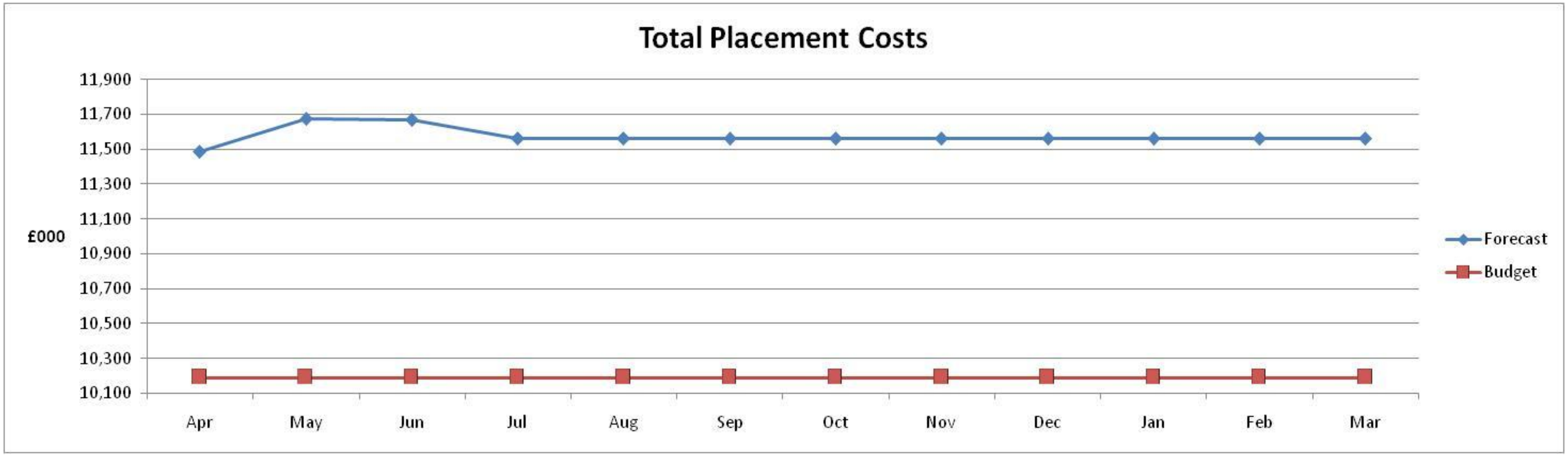
34.2% of children were placed in LA foster Care at end of July 2012 which is a slight increase from the same point last year (33.3%).

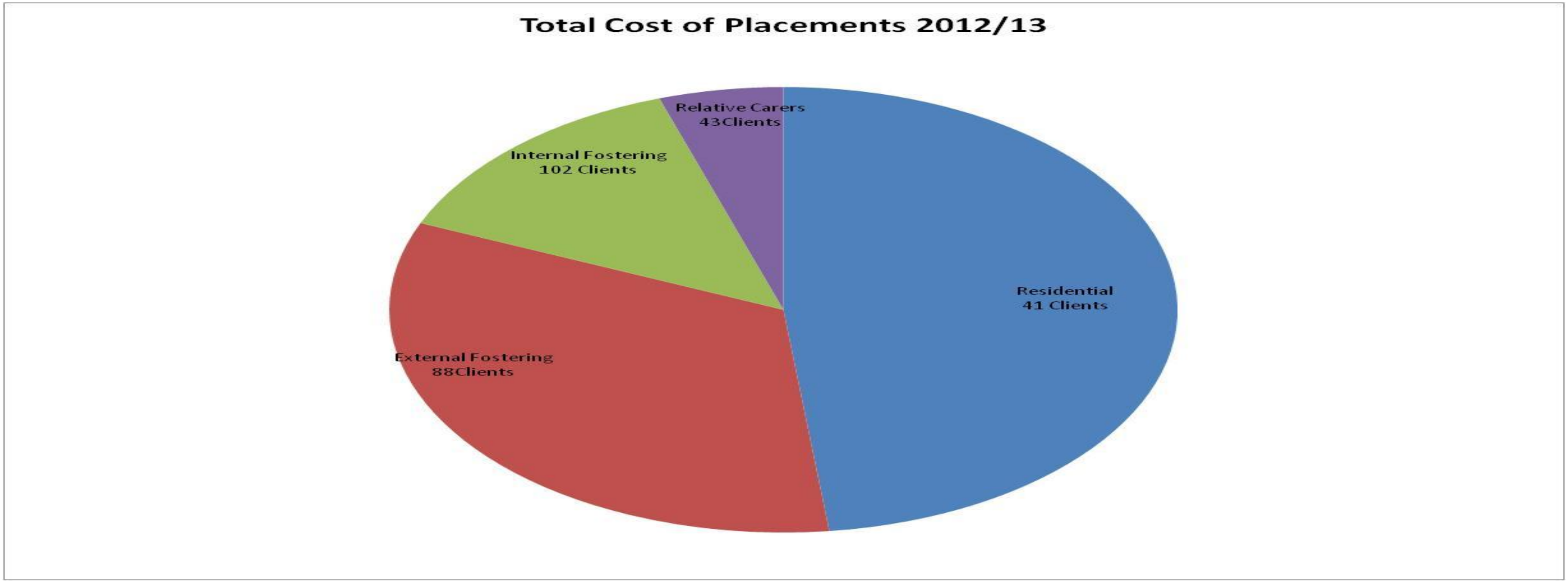
Overall 78.2% (232) of our looked after children are placed in foster care, including relative/ friend carers, in comparison to 79.4% (2011) who were in foster care at the same point last year

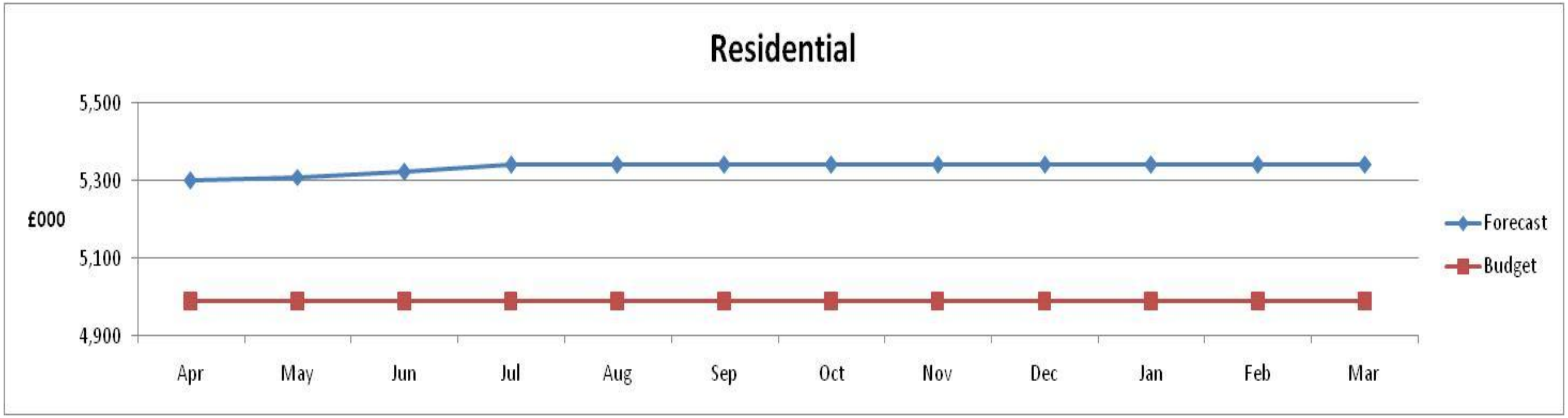
Of the 41 children and young people in residential placements, 16 are in specialist care, including 2 in hospitals and 2 in secure.

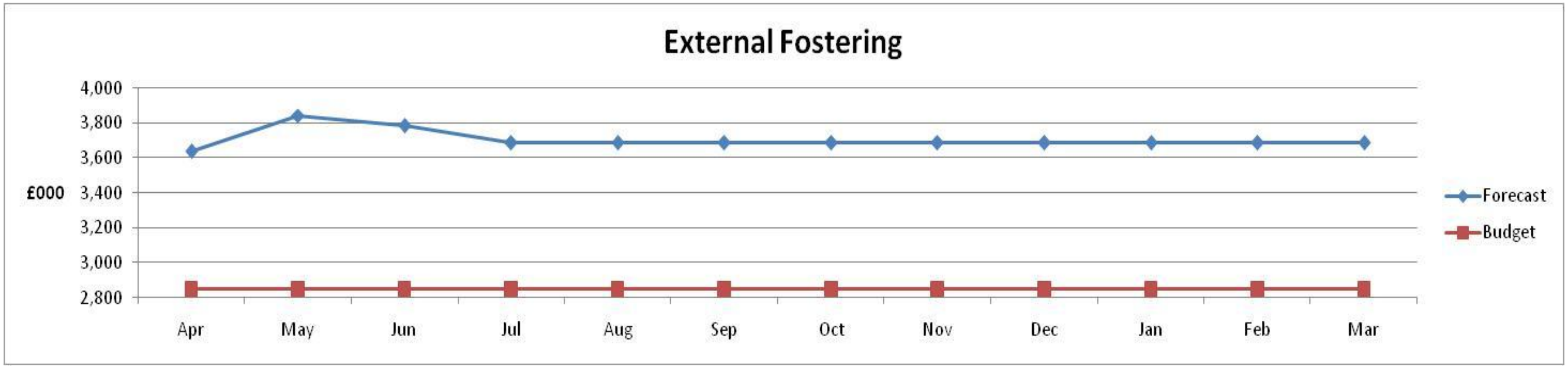
The 'other placement referred to in the table is for a young person who is due to turn 18 who has moved to a placement supported by adults services.

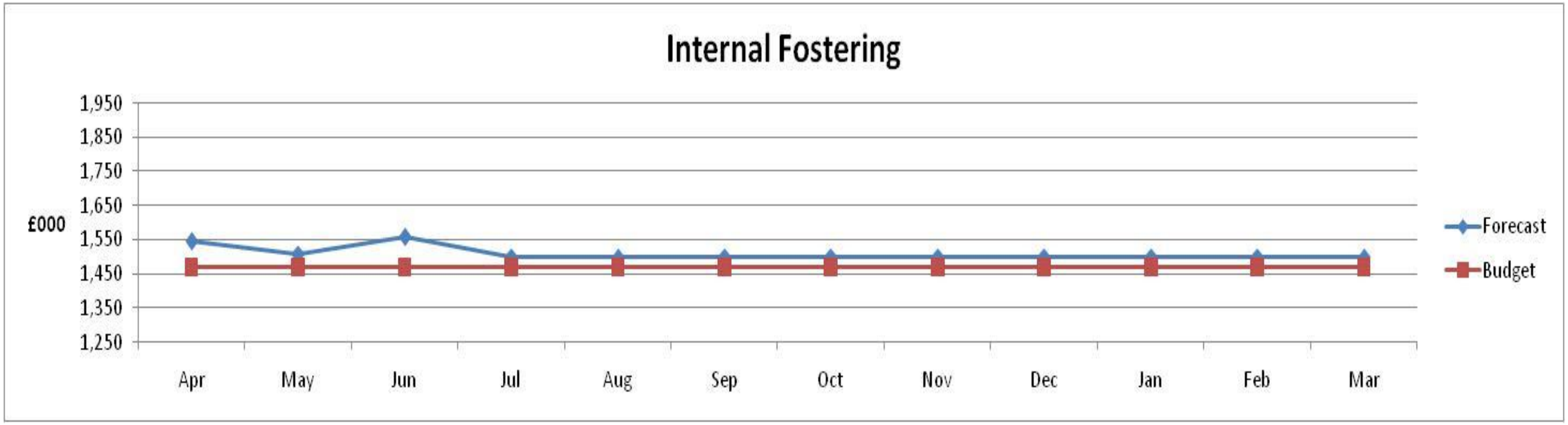
Placement Cost Analysis – Year 2012/2013

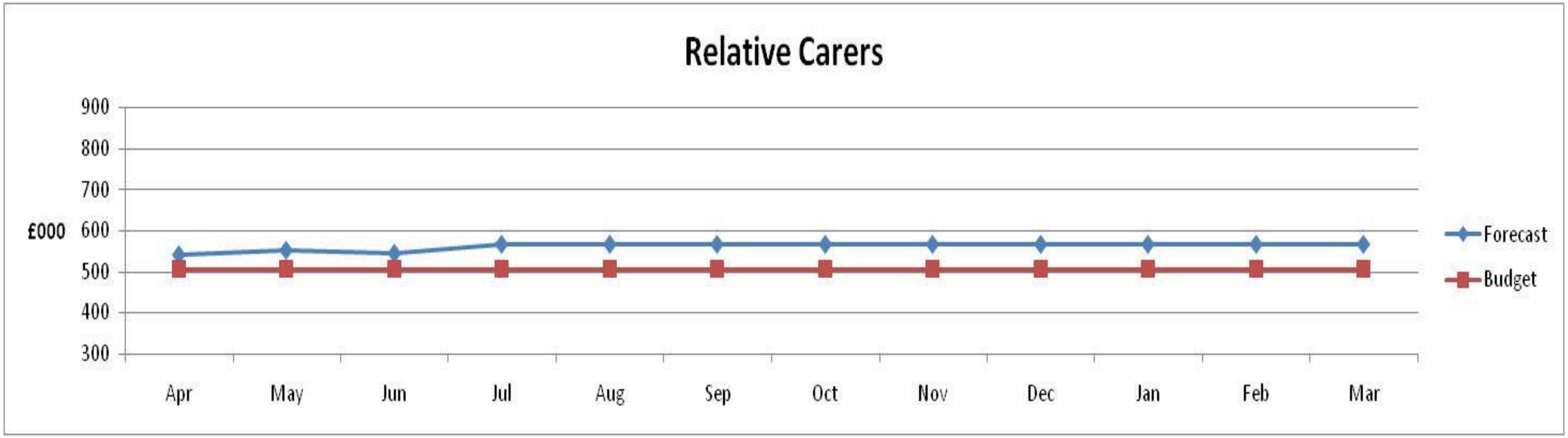





Residential
5,500
5,300
£000
5,100
4,900
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Forecast
Budget


External Fostering
4,000
3,800
3,600
£000
3,400
3,200
3,000
2,800
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Forecast
Budget


Internal Fostering
1,950
1,850
1,750
1,650
£000
1,550
1,450
1,350
1,250
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Forecast
Budget



Key examples of progress on delivery of action plan to reduce numbers of CIC and costs

Early Intervention
Analysis of issues being referred to the Helpdesk and case audits by children's Service Delivery Managers shaping implementation of Family Connect and access to other Family and Cohesion services. Family Connect base established, Helpdesk relocated and rebranded within Family Connect. Triage being implemented within FC from October 2012.

Commissioning and Procurement
Regional residential placements Contracting Framework now in place (reduced costs of individual placements) Renegotiation of care costs of Jigsaw complete. Two Quality Monitoring Officers have now been added to the team to check that contract terms are being met. Working group set up to remodel previous long term residential care home at Jigsaw to develop into a short term assessment home.

Safeguarding and Corporate Parenting
Workshops planned to develop new model of working for Child Protection conferences which focuses on the child's lived experience. Agreement within safeguarding of planned analysis of themes to speed up care planning to achieve some kind of permanent placement for children in care – including safe return home. Weekly challenge by AD regarding care plans for new CIC

Improvements in Internal Provision
Review of reports to Foster Panel completed to release additional staff capacity to assess and support council foster carers Report to Cabinet to increase allowances for internal foster carers equivalent to competitors

Performance Area	Target	July 2012	Rolling Year Data	Status and Comments	2011/2012	Good performance direction
% of LAC aged 10-16 in foster placement or placed for adoption	80%	77.5% (86/111)	N/A	The percentage of children placed in a foster placement or for adoption is slightly lower than at year end.	78% (89/114)	Higher = Better
The percentage of sessions missed due to overall absences for children who have been looked after for at least twelve months at 31 March	No Target Set	Not yet available	N/A	Information taken from adoption scorecard. Latest data available is March 2011, where T&W were ranked 17th (Best performance ranked as number one)	3%	Lower = Better
Number of looked after children adopted during the year as a percentage of the number of children looked after 6 months plus as month end	12%	**4.3% (11/258)**	*Number adopted* 01/08/10 – 31/07/11 39 01/07/11 – 31/07/12 26	At the same point last year 7.4% (17 children) had been adopted between 01/04/2012 and 31/07/2012. (This includes 3 Special Guardianship Orders) As at 31 July 15 children are placed for adoption. Further Analysis is being done to understand whether we will meet our target and if not, why not	12.8% (32/250)	Higher = Better
Adoptions within best interest timescales	100%	100% (8/8)	N/A	Please note that the11 in the previous indicator (number of adoptions includes three special guardianship orders which is the criteria for that indicator)	96.1% (25/26)	Higher = Better
New foster care households approved in the year)	14 New households 18 new places	Net Approvals 1 Households 1 Placements	Net - 01/08/10 – 31/07/11 01/08/11 – 31/07/12	Between 01/04/2012 and 31/07/2012 we approved 7 households – 3 Mainstream and 4 Kinship. (7 Kinship and 2 Mainstream were de-registered). Therefore this shows a net gain of 1 Mainstream household. 6 of the 7 deregistration of kinship carers are households who have not cared for a child since 2011. Further analysis is being completed to predict likely approvals for the remainder of this year.(Deregistrations are harder to predict)	Net Approvals 12 Households 11 Places	Higher = Better
% of children with 3 placements plus in the year (this includes repeat episodes of care)	8%	1% 3/298	01/08/10 – 31/07/11 9.7% (29/298) 01/08/11 – 31/07/12 8.9% (25/282)	As at the end of July 2012 , 3/298 children had three placements plus This mirrors the same point last year when 3/284 children had three placements plus. (There were 31 children on 2 placements as at 31/07/2012).	8.3% (25/300)	Lower = Better
CIC for 2.5 years with same placement for 2 years	79%	77.8% (81/104)	N/A	As at the same point in the previous year (July 2011) 73% of children who had been looked after for 2.5 years were in placement for two years.	79.2% (84/106)	Higher = Better

Ethnicity of Children In Care

	No of BME	Population	%
Children in Care from a BME background as at 31/07/2012	40	298	13.4%
Foster Carers from a BME background as at 31/07/2012	9	229	3.9%
% of BME children placed with LA Foster Carers from a BME background as at 31/07/2012	5	38	7.9%
% of children in T&W from a BME Group taken from 2010 School Census	2721	21926	12.4%

At the end of July 2012, 31 children in care were from a Black or minority ethnic (BME) background.

24 of these children are placed in LA foster care. Of these 5 are placed with BME carers.

7 of these children are placed with agency foster carers, 2 of which are placed with BME carers.

There are nine carers from a BME background this relates to 7 households.

12.8% of the CIC population are from a BME background and 3.9 % of fostering households are from a BME background.

Disabled Children that are looked after, with placement breakdown

Type of Placement	Mar-10	Mar-11	Mar-12	Jul-12
LA Foster Carer	51.72%	53.57%	37.14%	41%
Agency Foster Carer	3.45%	7.14%	17.14%	15.4%
Homes & Hostels	31.03%	28.57%	37.14%	33.3%
Relative/Friend	13.79%	10.71%	8.57%	7.7%
Other Placement (Adult placement)				2.6%

As at the end of July 2012, there were 39 children with a disability who were looked after. 64.1% are placed in foster care in total (including relative carers). 2 children are allocated to the Children In Care team and the rest are allocated to workers in the Disabled Children's Team.

Of the 13 placed in residential care, 5 have been in care for less than a year, 2 have been in care for between 1-2 years, 1 has been in care for just over 2 years and 5 have been in care for 3 years plus, Of these children 7 have been in the same placement for more than 1 year.

Of the 25 children in foster care, 3 have been in care for under 1 year, 2 have been in care for 1-2 years, 3 have been in care for between 2 and 3 years and 17 of the children have been in care for three years plus. Of these, 22 have been in the same placement for one year plus.

The young person in an 'other placement' has recently been moved to an adults supported placement as she is due to turn 18.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th SEPTEMBER 2012
COUNCIL 22nd NOVEMBER 2012

AUDIT COMMITTEE ANNUAL REPORT 2011/12

JOINT REPORT OF THE SECTION 151 OFFICER & THE MONITORING OFFICER

1 PURPOSE

1.1 To present to the Council an Annual Report on the 2011/12 operations of the Audit Committee.

2 RECOMMENDATIONS

2.1 That Members of the Council note the contents of the annual report 2011/12.

3 SUMMARY

3.1 The Audit Committee is part of the Council's governance and assurance arrangements. The key benefits of the Audit Committee are:

- ✓ raising awareness on the need for governance and internal control including the implementation of both internal and external audit recommendations.
- ✓ increasing public confidence in the objectivity and fairness of financial and other reporting.
- ✓ reinforcing the importance and independence of internal and external audit.
- ✓ providing additional assurance through a process of independent and objective review by a cross party group of elected Members including challenging Cabinet Members and Senior Officers.

3.2 As the key assurance Committee of the Council it is accepted best practice that an Annual Report is presented to the Council on the operations of the Committee during the municipal year (May 2011 – April 2012). The structure of the report is based on the terms of reference and includes a summary of the business conducted by the Committee during the period (attached as Appendix A).

3.3 There were 5 meetings of the Audit Committee in 2011/12 compared to 6 in 2010/11 (and 7 in 2009/10). The reduction was due to removing the July meeting as part of the Council's overall efficiency agenda and has not affected the effectiveness of the Committee.

4 PREVIOUS MINUTES

4.1 Audit Committee 23rd September 2009; 21st September 2010; 20th September 2011
Council 30th September 2009; 7th October 2010; 24th November 2011

5 INFORMATION – AUDIT COMMITTEE 2011/12

5.1 Internal Audit

5.1.1 The Internal Audit team has continued to provide the Committee with reports as outlined in the CIPFA Code of Practice and Constitution, highlighting any areas requiring attention by Members.

5.1.2 The Internal Audit Annual Plan and Strategy for 2012/13 was presented and approved by the Committee at the March 2012 meeting.

5.2 External Audit

5.2.1 The External Auditors – KPMG have made their reports to the Committee as required by legislation, accounting standards and the external audit code.

5.3 Risk Management

5.3.1 The Committee, in addition to the annual report and internal audit review of the risk management arrangements, sought further assurance in respect to ICT Back Up and Recovery arrangements and Children's Placement costs.

5.4 Governance

5.4.1 The Annual Governance Statement 2010/11 was approved after consideration of the supporting information.

5.4.2 Members of the Committee reviewed their effectiveness at the beginning of the 2012 and undertook a skills audit to inform future training programmes. No additional training was identified at this time.

5.4.3 The 2010/11 Information Governance annual report was presented to the Committee for the first time. An Information Governance update was provided to the January 2012 meeting. At the March 2012 meeting the 12/13 work programme was presented.

5.5 Treasury Management

5.5.1 The Committee continued to build on the training and experience of the new responsibilities taken on during 2009/10 and received the annual report, in year updates and reviewed the 2012/13 strategy prior to approval by Cabinet.

5.6 Statement of Accounts 2010/11

5.6.1 The Statement of Accounts were approved by the Committee following external audit at the September 2011 meeting. As in previous years the approval meeting was preceded by a training session with key Finance staff who explained the statements and the changes that had occurred during 2010/11.

5.7 Anti-Fraud & Corruption

5.7.1 The annual report on the Anti-Fraud & Corruption Policy was received in September 2011.

5.7.2 A review and update of the Speak Up Policy and activity 2011 was approved at the January 2012 meeting.

5.8 Complaints

5.8.1 The Committee reviewed the 2010/11 Customer Performance Feedback Report in September 2011.

5.9 General

5.9.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution. No changes were required at this time and none have been made during the year.

5.10 Conclusions for 2011/12 and the future 2012/13

5.10.1 The Committee has had some busy agenda's during the year.

5.10.2 The Committee has continued to seek assurance for Members and the Community on the audit, governance, risk management, financial statements, treasury management, complaints and anti-fraud and corruption arrangements of the Council.

5.10.3 The terms of reference were reviewed during May 2012 and the Audit Committee have agreed changes for review by the Council's Constitution Committee and approval by Council. These reflect the reporting of Information Governance information and organisational changes that have taken place in respect to risk management.

5.10.4 The Committee recognises that the Council is experiencing some significant challenges and that it must continue to seek and provide appropriate assurance during 2012/13. Most notable are the changes in the legislation/regulatory regime, organisational changes, significant reductions in resources and the International Financial Reporting Standards. The Committee will continue to seek assurances from Assistant Directors and other key risk owners in respect to governance and the control environment.

6 <u>OTHER CONSIDERATIONS</u>

AREA	COMMENTS
Equal Opportunities	Internal reports to the Committee consider any appropriate equalities/diversity issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Environmental Impact	Internal reports to the Committee consider any appropriate sustainability issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Legal Implications	The work undertaken by the Audit committee during the year 2011/12 ensured that the Council complied with the statutory requirements set out in the Accounts and Audit (England) Regulations 2011 ('the Regulations'). These set out certain requirements that the Council must adhere to in relation to matters such as risk and financial management. If at any point there is a review of either the Audit Committee work plan and/or terms of reference, consideration must be given to the Council's statutory obligations as set out in the Regulations which are now in force. Although Audit Committees are not a legal requirement they are good practice as defined by CIPFA and the Audit Commission.
Links with Corporate Priorities	The Audit Committee contributes to good governance and the assurance framework. The work of the Committee links to all Council priorities.
Risks and Opportunities	The Audit Committee has an assurance role in the management of the Council's risks and opportunities. The Chairman of the Committee is responsible for the management of the risks and opportunities associated with the committee but supported by appropriate officers.

Financial Implications	There are no financial implications arising from this report. The Audit Committee and support arrangements are fully funded within existing budgets.
Ward Implications	The operations of the Audit Committee encompass all Council activities and all Council locations. Therefore all Council Wards are affected by its operations.

7 BACKGROUND PAPERS

Audit Committee Papers 2011/12 (including minutes)
Constitution
Constitution Committee, Full Council – appropriate agenda's, papers and minutes

Report by Jenny Marriott, Audit & Information Governance Manager 383101

AUDIT COMMITTEE ACTIVITY 2011/12 **APPENDIX A**

Area	Activity
Internal Audit	Annual Report 2010/11 Quarter 4 2010/11 Update report Final Audit Report – Leasing of Community Centres Quarter 1 2011/12 Update report Quarter 2 2011/12 Update report Quarter 3 2011/12 Update report Internal Audit Plan and Strategy 2012/13 Results of the CIPFA Internal Audit Benchmarking exercise 2011
External Audit	Annual Audit Plan and Fee Letter 2011/12 Interim Report on 2010/11 final accounts work Value for Money Audit Plan 2010/11 Annual Governance Report (ISA 260) 2010/11 Annual External Audit Letter 2010/11 Financial Statements Audit Plan – 2011/12 Certification of Grant Claims and Returns 2010/11
Risk Management	Risk Management Annual Report 2010/11 Update on ICT Back Up & Recovery Update on Children's Placement Costs
Governance	Annual Governance Statement (AGS) 2010/11 Review of the Effectiveness of the Audit Committee 2011/12 and Skills Audit Results of the Review of the Effectiveness of the Audit Committee 2011/12 and Skills Audit Results of the Assurance Review 2010/11 Annual Governance Statement AGS) and Half yearly progress 2010/11 AGS Action Plan Information Governance Annual Report 2010/11 Information Governance Update Report April to December 2011 Information Governance Work Programme 2012/13 Audit Committee Annual Report 2010/11
Treasury Management	2010/11 Annual Report & 2011/12 to date (June 2011) Treasury In Year Update Reports 2011/12 – two separate reports 2012/13 Treasury Management Strategy
Statement of Accounts	Approval of the audited Statement of Accounts 2010/11
Fraud & Corruption	2010/11 Annual Report on Corporate Anti-Fraud & Corruption Policy Review and Update to the Speak Up Policy 2011
Complaints	Customer Feedback Performance Report – 1st April 2010 – 31st March 2011
General	Terms of Reference reviewed June 2011 Outline Audit Committee Business

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th SEPTEMBER 2012

INTERNAL AUDIT AND INFORMATION GOVERNANCE UPDATE REPORT

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

1.1 To update members on the work of Internal Audit during quarter one – April – June 2012 and the work of Information Governance for April to August 2012.

2 RECOMMENDATIONS

2.1 That members of the Audit Committee note the information in this Internal Audit and Information Governance update report.

3 SUMMARY

3.1 The Audit Committee receives a quarterly update of the work of Internal Audit. This report includes the update report for quarter one 2012/13 – April to June 2012.

3.2 The Audit Committee also agreed to receive a 5 month report in September of each year in respect to Information Governance activity and an annual report in the following June (for the full year including September to March).

4 PREVIOUS MINUTES

4.1 Audit Committee 31st January 2012 – Internal Audit Quarter 3 Update report 2011/12 and Information Governance Update April – December 2011.
Audit Committee 26th June 2012 – Internal Audit Quarter 4 Update report and 2011/12 Internal Audit, Risk and Information Governance 2011/12 Annual report.

5 INTERNAL AUDIT QUARTER ONE UPDATE (APRIL - JUNE 2012)

5.1 The report provides information on the work of Internal Audit during January to the end of June 2012 and provides an update on the progress of previous audit reports issued (July 2009 to March 2012).

5.2 A new Internal Audit Team Leader commenced employment with the Council in early April (following the previous incumbent leaving for another authority). There has therefore been familiarisation and induction into the Council during the quarter. In addition the Audit & Assurance team Phase 2 restructure was launched on 25th April 2012 for a 90 day consultation period ending on 24th July 2012. During the period the Audit & Assurance SDM has become involved with the transfer of the Public Health function to the local authority and has been identified as the work stream lead for Governance, Information Systems and Assurance. This work will continue through the year.

5.3 The following internal audit update report appendices are attached:

i) **Appendix A** – List of final reports issued in quarter one with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.

ii) **Appendix B** – List of all work undertaken for quarter one of 1 day or more.

iii) **Appendix C** - Previous graded reports from July 2009 to March 2012 with their current status. (Members should note that once reports have reached a green status and have been reported to members that are excluded from future reports).

iv) **Appendix D** – Summary of the amber report issued quarter 1.

5.4 Appendix A shows 9 final reports were issued in quarter 1. The areas shown in this table below varied from the allocated time by more than +/- 5% for the reasons highlighted.

Area	Variance (> +/- 5%)	Reason
Hospital Discharge Review	-31%	New area and over estimate of time required for testing.
Purchase Ledger	+13.5%	Although additional time had been allocated as it was a new system due to system issues it took longer to fully understand the system process and methods of working. Some additional testing was also carried out.
Markets and Cash Collection	-11%	First time the audit has been undertaken and over estimated the extent of work required.
Planning Application Fees	+108%	This area had not been audited recently resulting in an under estimate of the time due to extent of testing required.
Building Control Fees	+81%	This area had not been audited recently resulting in an under estimate of the time due to extent of testing required.
The Bridge School	-20%	Very well prepared.
Aqueduct School	-9%	Prepared and limited queries.

The reasons for the positive and negative variances are as explained and time allocations during 2012/13 will be reviewed based on this information.

5.5 Areas of more than 10 days in Appendix B are explained below:

a) Advice & consultancy – due to all the restructures and implementation of revised governance, systems and procedures service areas are seeking advice.

b) AGS assurance and certification – this work is undertaken to support the Annual Governance Statement.

c) Town Park Visitors Centre – as this was a new establishment the extent of the work was more than had been estimated (8 days).

5.6 From Appendix C there is currently one original amber report that remains amber – the Abacus review. Some progress was identified when the follow up was undertaken but insufficient to change the grade. A further review will be undertaken in quarter 4 and the results of this will be reported to members.

5.7 There were two amber reports issued during quarter 1 – Markets and Cash Collection and Purchase Ledger. Summary information is provided in Appendix D. Management actions to implement recommendations have been agreed and Internal Audit has reviewed progress in respect to the Purchase ledger and can report good progress. Follow up work in respect to the Markets report is in progress. Internal Audit is confident that management will implement the remaining recommendations to provide appropriate assurance.

5.8 All areas reported on during the quarter not highlighted in this report are either improving or the follow ups are in progress or planned. Internal Audit is confident and has been assured by management that controls have and will continue to improve in all areas where recommendations have been made. There are no other issues to bring to the attention of the Committee at this time.

6 INFORMATION GOVERNANCE UPDATE – APRIL – AUGUST 2012

6.1 Work programme – the progress against the Information Governance work programme is shown in **Appendix E**.

6.2 The Council has received 216 FOI/EIR requests for the period 1/4/12 – 31/8/12. 85% of these requests have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 13 days to respond to each request we receive.

6.3 For the same period we had received 24 Subject Access Requests (SARs) under the Data Protection Act 1998. Of the 24 received, 6 requests are on hold pending confirmation of identification and/or other information. The current response rate for subject access requests is 68% (compared to the Information Commissioners benchmark of 80%). It takes on average 31 days to respond to each request. The response rate reported for the period has been affected by the complexity and volumes of requests received, implementing the new structure, unscheduled leave and sickness. We have implemented changes to the processes including monitoring of responses to strive for improvements in response rates.

6.4 Also in this period we have received and responded to 5 appeals from requestors who were not satisfied with the response they received to their information request. In our responses to information requests we provide requestors with details on how they can make an appeal in compliance with relevant information rights legislation. The Audit & Information Governance Manager hears all appeals received.

6.5 We have also received and responded to a complaint from the Information Commissioners Office (ICO). Following response and appeal the requestor, if still not satisfied can refer the Council to the ICO. After providing additional information requested by the ICO the Complainant and ICO were happy with the resolution of this complaint.

6.6 In this period we have had 25 confirmed data breaches. None of the breaches met the Information Commissioners rationale for reporting serious breaches to them. We are continuing to work with service areas to ensure they improve procedures and where appropriate take disciplinary action where breaches have occurred. The table over the page shows a summary by type of the confirmed data breaches and the number of subsequent formal complaints received.

Category/Type	Number of cases (%)	Number of Formal[1] Complaints received from Data Subjects
Information accidentally sent/made available to the incorrect recipient	23 (92%)	7
Information lost or stolen	2 (8%)	1
Total	25	8

6.7 On the 28 May 2012 the Information Commissioner (ICO) confirmed its intention, after assessing the Council's representations and appeal, to serve a Monetary Penalty Notice of £90,000 in respect to 2 data breaches previously reported to them by the Council in 2011. The Council obtained a 20% discount from the ICO for payment within 28 days and therefore paid £72,000 to the ICO. The lessons learnt from these incidents have previously been reported to the Committee and the majority have already been implemented by the appropriate service areas.

7 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit & Assurance have attended equal opportunities/ diversity training. If any such issues arose during an audit or risk review they would be notified to the appropriate manager.
Environmental Impact	All members of Audit & Assurance are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	The Accounts and Audit (England) Regulations 2011 state that the Council must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. There is also a requirement to comply with CIPFA's Code of Practice for Internal Audit in Local Government. In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance. A person dissatisfied with the Council's response to an FOI or DPA request can complain to the ICO who can investigate and if necessary take enforcement action against the Council. As previously reported, the ICO can issue Monetary Penalty Notices for breaches of data protection.
Links with Corporate Priorities	The audit plan is linked to corporate priorities through the risk management process. Where high risks are identified then Audit Services undertakes work on a more regular basis.
Risks and Opportunities	The role of internal audit includes a review of the controls in place to manage the risks within service areas. The reports produced assist the Council in improving systems and controls (mitigating risks) and therefore the delivery of services and achievement of objectives. Internal Audit staff under the supervision of the Assistant Director Finance, Audit & IG annually review the Council's risk management process and have concluded that it is operating effectively.

[1] Formal complaint = a formal complaint made, logged and processed through the Council's Complaints procedure

Financial Implications	Where recommendations are made by Audit Services, if possible, cost/savings implications are identified. There are no specific budgets identified to cover fines from the ICO, therefore the £72k fine incurred in 2012/13 has had to be a call on the central contingency.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council's activities and at all Council locations and therefore operates within all Council Wards.

8 BACKGROUND PAPERS

Annual Audit Plan 2012/13 and strategy
Information Governance Work programme

Report by Jenny Marriott, Audit & Assurance Manager 383101

APPENDIX A

FINAL REPORTS ISSUED QUARTER ONE – APRIL – JUNE 2012

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Hospital Discharge Review	Yellow	October 2012	10	6.9 days	-31%
Purchase Ledger	Amber	June 2012	40	45.4 days	+13.5%
Payroll/HR	Yellow	Annual Audit	30	30.5 days	+1.6%
Email Arrangements	Yellow	August 2012	*	*	*
Markets & cash collection	Amber	August 2012	11.75	10.5 days	-11%
Planning Application Fees	Yellow	November 2012	10	20.8 days	+108%
Building Control Fees	Yellow	September 2012	8.75	15.8 days	+81%
The Bridge School	Green	November 2012	8.25	7 days	-20%
Aqueduct School	Green	Not required	8.25	7.5 days	-9%

* - undertaken by Deloittes under specialist IT audit contract

APPENDIX B

QUARTER 1 - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR ONE DAY OR MORE

Audit Area	Days
16+ Commissioning	7
Abacus system review	4
Accommodation project assurance	1
Advice/Consultancy	23
AGS assurance & certification	11
Aqueduct School	7
Bank contract review	4
Building control fees	10
Building Schools for the Future - Project Assurance	3
Children’s Placements	2
Contract changes & waivers of SOs	8
Carbon Reduction Return	4
Customer Relationship Management	1
Delivery & Planning - Information Audit	1
ICT Infrastructure review	1
Education liaison/dev groups	1
Email & Internet Filtering	2
Family Connect	1
Follow ups	7
Fraud & Compliance Checks	7
HR Allowances	8
HR/Payroll	2
ICT Procurement	2
Information Sharing - Advice & Guidance	2
Insurance	6
Main Accounting	4
Markets & Cash collection	1
N3 Connection	1
Oakengates Tennis contract	10
PFI facilities management contract review	2
Planning Applications review	2
Purchase Ledger	4
Replacement Jacobs/consultancy contract	2
Risk management	1
Safe checks	2
Sales Ledger	2
School Funds	1
Security review	3
Social Care ICT Service Review	1
Town Park Visitors Centre	11
St Lawrence Primary School	4
St Peters & Pauls School	6
Stage 1 Complaints - Correspondence Checks	2
The Bridge Special school	6