

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Monday, 30th June 2014 at 6.00 pm in Meeting Room 7, Ground Floor, Darby House, Telford

PRESENT: Councillors R Sloan (Chair), K Austin, I T W Fletcher, A Lawrence, C Mason, S A W Reynolds, W L Tomlinson

Officers: R Partington (Managing Director), P Taylor (Statutory Director of Adult Social Services), D Sidaway Director of Development Business & Customer Services), R Smith (Assistant Director: Adult Social Services), K Clarke (Assistant Director: Finance, Audit & Information Governance), F Mercer (Co-operative and Commercial Projects Manager), J Marriott (Audit & Information Governance Manager), B Morris (Finance Team Leader), and J Clarke (Democratic Services Support Officer).

IN ATTENDANCE:

A Bunting – KPMG
I Pennington – KPMG

Following Cllr D Davies standing down from his duties on the Audit Committee the Chair thanked Cllr Davies for all of the work he had undertaken during his time on the Audit Committee. The Chair also welcomed Cllr C Mason who had joined the committee in place of Cllr Davies.

AUC-01 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 28th January 2014 be confirmed and signed by the Chairman.

AUC-02 APOLOGIES FOR ABSENCE

None

AUC-03 DECLARATIONS OF INTEREST

None

AUC-04 REVIEW OF THE TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

J Marriott gave a verbal update on the current position with regard to the Terms of Reference of the Audit Committee.

The Terms of Reference had been reviewed during the year and gone through the Council Constitution Committee and then to Council and no further amendments were needed at this time.

AUC-05 KPMG INTERIM VISIT LETTER 2013/14

I Pennington from KPMG informed the Committee that following circulation of the Interim Visit Letter for 2013/14 with the Agenda there was nothing further to report.

The Audit was due to start on the 1st July and a report would be brought back to the September meeting of the Audit Committee.

AUC-06 KPMG GRANT CERTIFICATION LETTER 2013/14

A Bunting from KPMG presented the Letter of Certification of 2013/14 Grant Claims and Returns, which had been circulated prior to the Audit Committee Meeting.

The Audit Commission had announced changes in the programme of claims and returns that were being made to certification arrangements for 2013/14 and based on this information the work undertaken during 2013/14 would be the Housing Benefit Subsidy Scheme.

Further details regarding this work were appended to the report at Appendix A.

AUC-07 KPMG FEE LETTER 2014/15

I Pennington from KPMG reported to the Audit Committee the annual audit fee for 2014/15. The main fee remained unchanged from 2013/14 and was in line with the scale of fees recommended by the Audit Commission.

The fee quoted for 2013/14 for the certification work differed slightly from the original figure quoted in the fee letter. This was due to the scale fee being revised by the Audit Commission and the scope of certification work being reduced, details of which could be found in the fee letter.

A question was raised as to who would undertake the audit of localised council tax schemes. This audit would be undertaken by the Internal Audit Team.

AUC-08 ABACUS UPDATE

P Taylor and R Smith gave a joint report on the current position with Abacus.

R Smith and P Taylor had recently held a meeting with the Chair and J Marriott to give them an update of the position prior to the Audit Committee Meeting. There had been a lot of improvements although at this time they could not totally assure the Committee that all of the recommendations had been completed.

The four main areas of concern were:

1. Selecting against price
2. Potential financial costs
3. Potential overpayments
4. Duplicate forecasting capacity

The concerns regarding these four areas dated back to 2011.

Item 1 – selecting against price - A brokerage system was now in place for home care providers and all suppliers were contacted by a secure e-mail to tender. The cheapest was always selected where possible although careful consideration was given to safeguarding issues and duties.

There had been further developments with regard to the domiciliary care contract and there was now a framework in place and caps on the pricing which was £14.50 rising to £16.50 for

very complex cases. Some 47 providers had signed up to the new framework which was a very positive step forward.

Item 2 – Potential financial costs – R Smith was now able to reassure the Committee that there was now a system in place where any care support package could only be considered if a declaration of income had been completed. This request was now triggered at the point of referral. There had been improvements with regard to hospital transfers and the loophole had now been closed. R Smith now chairs a weekly Panel which looked at all referrals for care and support.

Item 3 – Duplicate payments – There was now a system in place which allowed no tolerance on payments therefore avoiding duplicate payments, although this did create queries when small differences occurred ie with mileage costs and bank holiday payments. R Smith reassured the Committee that he was confident duplicate payments could no longer take place.

Item 4 – Forecasting – R Smith reported that this was a slightly more complex issue, but that it was moving in the right direction. The care first system and abacus system did not currently interlink. An upgrade to the systems was due to take place in the Autumn which should resolve many issues and would allow up-to-date financial information to be available at the push of a button. There was now a robust process in place which was checked at the weekly Panel. Some manual forecasting did still take place but manual systems were now in place.

J Marriott and C Hall-Salter had led an independent review on information sharing and all staff would have received an induction and training by 19th August 2014. This would lead to the work force being competent in using the systems which would put them in a far better place. This was still a work in progress.

J Marriott reported that the issues had been identified and the new processes were being put in place. Training was due to be completed shortly and that, together with the training and the better use of the systems, a more streamlined approach and robust responsibilities would be a good start to moving this forward. There was still some work to be done.

A discussion took place including:

- Tenders – pre-vetting of service providers
- Providers must be registered with the Care Quality Commission
- Providers must sign up to the Council Quality Standards

The Committee asked for a further report to be brought back to the Audit Committee and that a written report was more preferable.

The Chair thanked the Team for the work they had undertaken so far and requested that a further report be brought back to the January 2015 meeting.

RESOLVED – that a report on Abacus be brought back to the Audit Committee to be held in January 2015.

AUC-09 COMMERCIAL BOARD UPDATE

R Partington and F Mercer presented a report on the Commercial Board.

R Partington updated the Committee on the budget cuts that the Government had made. Some £53m of cuts had been made up to the 31st March 2014 which had been managed not to impact on front line staff. The forecast for the next year was total cuts of £68m which was a net budget of £130m. The Council were trying to reduce its dependency on Government Grants and had been through re-organisation processes from the top through to the bottom which was aimed at getting a grip on costs and preventing duplication.

The work that had taken place was to move to a more commercial approach. There had been a lot of ideas forthcoming from service areas around reducing dependency on grants and increasing income. Income targets had been set to introduce income generation as part of the day job. They had been pro-active in asking staff for ideas around saving and income generation and had taken an entrepreneurial approach to insulate the Council from further cuts.

The Council had asked the staff for ideas and actively encouraged people to bring forward any business cases, big or small, to be considered. Any business cases which made sense would be backed.

It was not just all about the commercial strategy and selling services, but ensuring all business rates were collected in. This year £1m business rates had been identified that had not been paid but had now been collected. Other income sources were the new homes bonus which could be accessed through good planning which would also increase the amount of Council Tax receipts. The new homes bonus equated to £1,000 per year, per house for up to 6 years and for every dwelling that was brought back into use.

F Mercer reported that the Council had begun to sell services to schools outside Telford and Wrekin Council as they had a good track record with local schools. The uptake could be improved and in January 2014 the council promoted the services to schools both within Telford and Wrekin and Shropshire. The numbers of schools now on board had gradually increased to 40 and the Council had now won 17 new contracts totalling £184,000 the majority of which was from Shropshire Schools. There was a further contract pending which, if secured, would be worth a further £25,000.

The Team were encouraging schools to access a one-off service initially ie training in order for them to gain confidence with the Council which would hopefully lead them to buy into further services offered by the Council. Referrals from schools which already accessed services were also being received.

The next steps were to continue to promote the Council's services, but also nurture the relationships with the schools who already bought into services in order to keep their business when the contracts come up for renewal in April 2015.

It was also hoped to promote to other groups of customers through new web pages.

There was now a single point of contact for Parish and Town Councils which had been launched at the Parish forum on the 24th June and had been well received.

Further work was being undertaken to develop offers of help to small and start-up businesses and bringing the hire of venues all into one place and making this user friendly with a link to services such as catering. This work was a work in progress.

The Catering Team had won a contract to provide catering services at Haughmond Hill Café and the cleaning services had also won contracts which had totalled £300k+. These small projects added together could add up to significant amounts

Some new large commercial projects and initiatives which were taking place were the housing programme and the solar farm.

The Solar Farm had now secured planning permission and grid connection which added significant value to the site. Six bidders had been invited to tender and these would be back by the 10th July. It was hoped that the project would be up and running by the end of November and would become a significant income stream.

Sponsorship and Advertising was being looked at with scope to expand the selling of roundabouts. Sponsorship was also being sold for T Party and T Live. Advertising was also being sold in Your Voice which hoped to raise a further £100k in additional income. In total over 3100k of income had been generated in sponsorship over the last few months. Advertising was also now available on the top 10 pages of the website together with advertising in Southwater.

An eBay account had been opened and this had generated a small sum of £5,000 selling unwanted items.

Business Switch and Save – this price comparison site had been launched which aimed to help save businesses money on their energy bills. The Council made a small commission on each sale. This was more about supporting local businesses, but uptake had been slow.

The team asked that Members as well as employees pass on any ideas for business and also any experiences of service or customer feedback.

A discussion took place including:

- Rental of public sector body empty office space – ie Malinsgate Police Station
- Payroll/Accountancy – selling of services to outside bodies
- Energy Savings Comparison Site for residents of Telford and Wrekin
- Commercial properties – keeping them up-to-date and well-maintained
- Commercial Board – Informal Working Group – not decision making body
- Governance arrangements for the Housing Project – keeping a controlling interest
- Focus on producing income and less on staff cuts

AUC-10 TREASURY MANAGEMENT – 2013/14 ANNUAL REPORT AND 2014/15 TO DATE

B Morris presented a report on the Treasury Management for 2013/14 and on 2014/15 to date.

The treasury portfolio ended the year with a net indebtedness of £102.1m (borrowing: £125.6m less investments: £23.5m), an increase of £22.9m compared to the position at 31 March 2013. Base rate was 0.5% for the whole year and was predicted to stay at 0.5% until 2016.

Overall, treasury delivered a net over-achievement of £1.546m against the budget in 2013/14. This included £250,000 which was generated as a one-off saving in 2013/14 as a result in changing the accounting policy in relation to capitalisation of interest on capital projects pending their completion.

A one-off benefit of £4.884m was also generated as a result of an adjustment to the

Minimum Revenue Provision (MRP). This provision would help to fund the Pride in Your Community Initiative for the next 12 years.

The total over-achievement against budget was £6.5m on treasury management activities for the year.

For 2014/15 to date, there had been a £400k over-achievement due to benefits arising from active management and re-phasing of capital spending from 2013/14.

There would be a number of amendments to the prudential indicators to accommodate very significant capital regeneration projects and Council approval would be sought to increase the following:

- Capital Expenditure
- Gross Debt
- Capital Financing Limit
- External Debt
- Operation Limit for External Debt

It was also proposed to amend the limit to non UK Sovereign Counterparty Limits to a total of £20m, subject to them meeting the requirements in terms of the security of the counterparty.

A discussion took place including:

- Base rate increase
- Investments
- Shropshire Council Debt
- Capital Receipts
- Higher spending on projects and managing higher debts
- Business cases to assess the level of risk against the debt
- The necessity of Members continuing to ask the questions

It was suggested that an invitation be sent out to the Members of the Budget and Finance Scrutiny Committee to attend the September Meeting of the Audit Committee which would discuss capital receipts.

RESOLVED –

- a) that members of the Budget and Finance Scrutiny committee be invited to attend the September meeting of the Audit Committee;**
- b) that the contents of the report be noted;**
- c) that the performance against Prudential Indicators be noted;**
- d) that the proposed amendment to non UK sovereign counterparty limits be approved;**
- e) TO RECOMMEND to COUNCIL that the increases in Authorised and Operational limits for 2014/15 to facilitate the Council to potentially undertake very significant capital regeneration investments of a commercial nature, and the other changes to prudential indicators, be approved.**

AUC-11 DRAFT FINAL ACCOUNTS 2013/14

B Morris reported that the draft Statement of Accounts for 2013/14 had been circulated to members prior to the meeting. There was a lot of information for members to take in and there may be one or two amendments to be made.

It was suggested that the Members read the Foreword to the draft Accounts which gave the best explanations of the accounts including changes that have happened to the Council which included:

- Costs in terms of the Council's services
- Council Tax discount
- Public Health

The accounts would come back to the September meeting of the Audit Committee following audit and it was suggested that Members contact the Finance Team if they have any queries or questions prior to September.

Members were also reminded about the training session that would take place prior to the September meeting regarding the Annual Statement of Accounts.

AUC-12 INTERNAL AUDIT UPDATE REPORT – QUARTER FOUR 2013/14

J Marriott presented the Internal Audit Quarter Four update report 2013/14 which gave details of the work undertaken in this period.

There had been 30 reports issued within Quarter Four and details of these could be found at Appendix A to the report.

Appendix B to the report listed all of the work undertaken within Quarter Four for a period of 1 day or more.

Details of previously graded reports from October 2011 to December 2013 with their current status could be found at Appendix C to the report.

Appendix D gave a summary of the amber and red reports which had been issued in Quarter Four which included 6 amber reports and 2 red reports. Since the report had been written a follow up had been completed for Oakengates Children's Centre and it had moved to yellow and Dawley Primary School was due to be undertaken and follow ups for the other areas were planned.

Five reports remained amber which were:

- Abacus System
- Car Parking - superceded
- Transport PIR
- Moorfield Primary School
- Service User Journey

A discussion took place which included:

- Follow up on Recommendations
- Recommendation of Training, if required

RESOLVED – that the report be noted.

AUC-13 2013/14 INTERNAL AUDIT AND INFORMATION GOVERNANCE ANNUAL REPORT

J Marriott presented the Internal Audit and Information Governance Annual Report for 2013/14.

Members were informed that there had been new standards from April last year and revised requirements. They were similar to those previously used.

The table at 5.15 to the report set out the number of reports that had been issued and the types of recommendations made during the year. This also showed the split in gradings. There had been a decrease in the number of financial regulations recommendations, but an increase on the number of legal recommendations.

This change was thought to be related to re-structures where staff had come into new roles and may not fully understand their roles, policies and procedures.

Further work was being undertaken with regard to data protection which also generated legal recommendations.

Customer feedback had remained constant except for a slight decrease in communication.

The Information Governance Annual Report set out the Information Governance arrangements for the Council and information regarding subject access requests and freedom of information requests.

There had been a large increase in the number of Freedom of Information requests although the Council was responding well within the ICO's guidance of 80% in 20 days.

There had been 163 reported cases of data security incidents of which 83 had been confirmed. This was a slight percentage decrease on last year. The main categories were very similar and the most common being information being sent or made available to the wrong recipient. Appendix B to the report showed the lessons learnt which was circulated to the staff every six months.

Appendix C to the report set out the Governance work programme which included information requests compliance work and updating policies and procedures.

This was positive report but there would continue to be challenges during 2014/15 as the cuts in services continue.

This document supported the Annual Governance Statement.

RESOLVED – that the report be noted.

AUC-14 THE ANNUAL GOVERNANCE STATEMENT 2013/14

J Marriott presented the Annual Governance Statement for 2013/14 which outlined whether the Council had been adhering to its Local Code of Corporate Governance, continually reviewing procedures to maintain and demonstrate good corporate governance and that it

had in place robust systems of internal control. During 2013/14 the Council could be assured that during the organisational changes that the revised governance arrangements continued to support proper governance.

Appendix A to the report set out the Annual Governance Statement for 2013/14. Some of the reviews which had taken place included:

- Management
- Internal Audit
- Information Governance
- Scrutiny
- External Audit
- CQC
- Ofsted
- Peer Reviews of Children's Services and Adult Services

These all provided a recognition of where things were being done well and identified areas of improvement.

Annex 1 to Appendix A set out the Action Plan to ensure continued robust Governance arrangements.

RESOLVED – that

- a) the Annual Governance Statement 2013/14 be approved; and**
- b) the information in the report be noted.**

AUC-15 INTERNAL AUDIT PLAN AND INFORMATION GOVERNANCE WORK PROGRAMME 2014/15

J Marriott presented the Internal Audit Plan and Information Governance Work Programme 2014/15.

Due to only 3 meetings a year these plans were presented now for approval but clearly work has continued and Quarter one of the work plan had almost been completed. Appendix A – Plan 2014/15 to the report also showed how the work linked to the priorities and objectives.

The planned resources for 2013/14 were 931 days plus 45 days specialist ICT audit work (total of 976 days). For 2014/15 the resources are 963 days plus 55 days specialist ICT audit work (total of 1018). This increase has been achieved by a restructure including removal of the Team leader post and replacing it with two full time auditor posts and half an apprentice. The increase in specialist IT audit days has been achieved by procurement savings arising from the Council entering into a framework agreement with Staffordshire, Shropshire and Worcestershire Councils.

There may be a necessity to put some general work out, possibly on short-term contracts, due to being unable to appoint to a post. This was currently being investigated with the Procurement Team.

Appendix B to the report was the Information Governance Work Programme for 2014/15 which showed the Team's role of compliance and investigation of data breaches.

RESOLVED – that

a) the Internal Audit Plan 2014/15, attached as Appendix A to the report, be approved; and

b) the Information Governance Work Programme for 2014/15 be noted.

AUC-16 OUTLINE OF BUSINESS FOR FUTURE MEETINGS 14/15

J Marriott presented the outline of business for 2014/15 which included for September:

- Update on Capital Receipts
- Anti-fraud and corruption
- Strategic risks

For the January 2015 meeting there would also be an update on Adult Social Services.

There would also be Treasury Management Training before the January 2015 meetings.

A Commercial Board update would be brought back to the Audit Committee.

The meeting ended at 7.41 p.m.

Chairman:

Date:



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Report to those charged with governance (ISA 260) 2013/14

Telford & Wrekin Council

September 2014



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Appendices

1. Key issues and recommendations
2. Declaration of independence and objectivity

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 Ian Pennington, 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Telford & Wrekin Council ('the Authority') in relation to the 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in January 2014, set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during March 2014 (interim audit) and July 2014 (year end audit).

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

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

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

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Proposed audit opinion	Our work is significantly complete and we are currently undertaking our internal review process. We anticipate issuing an unqualified audit opinion on the Authority's financial statements on 16 September 2014. We also anticipate reporting that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. We identified a number of non-trivial adjustments of a presentational nature, and the Authority has adjusted these accordingly. There was no impact on the General Fund.
Accounts production and audit process	<p>The Authority has good processes in place for the production of the accounts and the majority of supporting working papers were of good quality. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately.</p> <p>We will hold a debrief meeting with the Authority after the close of the audit to help Officers identify all pertinent learning points and enable early preparation for next year's audit.</p> <p>Of the recommendations raised in previous years only one has not been fully addressed. This relates to the implementation of Single Status which is still an ongoing matter for the Authority.</p>
Control environment	<p>The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems.</p> <p>As part of our controls work we undertook a review of the work of internal audit. Our review did not identify any significant issues and we were able to fully rely on their work.</p>
Completion	<p>At the date of this report our audit of the financial statements is substantially complete. Our work regarding payroll costs is on-going, however we anticipate completing this ahead of the Audit Committee. Before we can issue our opinion we require a signed management representation letter.</p> <p>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.</p>
VFM conclusion and risk areas	<p>Subject to our ongoing internal review process, we have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion on 16 September 2014.</p>

We have identified no issues in the course of the audit of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements on 16 September 2014.

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

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 16 September 2014.

We have received a challenge to the accounts from a member of the public, and are carrying out work on the question. This means that we will be unable to certify the audit as complete until we have dealt with the matter.

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.

We did not identify any material misstatements. We identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. The Authority has addressed all of these adjustments.

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; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made comments in respect of its format and content which the Authority has agreed to amend.

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


In our *External Audit Plan 2013/14*, presented to you in January 2014, we identified the key risks affecting the Authority's 2013/14 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.


Additionally, we considered the risk of management override of

controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key audit risk	Issue	Findings
	<p>Following a balance sheet efficiency review, the Authority revised its accounting policy on the capitalisation of borrowing costs. This revision resulted in borrowing costs being capitalised as part of the cost of constructing fixed assets and subsequently charged to the Income & Expenditure account as part of the annual depreciation charge.</p> <p>In addition, the Authority has changed its methodology for calculating the Minimum Revenue Provision (MRP) from 2013/14 onwards - a move from a straight line approach to the annuity method, which will defer more of the cost to later years. As well as changing the calculation method going forward, the Authority reassessed historic charges so as to be in accordance with the annuity method.</p>	<p>We reviewed the accounting policy changes to ensure that they comply with the Code of Practice and that have been accounted for correctly. We also tested the revised MRP calculations to confirm their accuracy and that the required accounting entries have been properly processed and disclosed.</p> <p>We did not identify any issues from our testing.</p>

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

Key audit risk	Issue	Findings
	<p>During the year, the Local Government Pension Scheme for Shropshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013, in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pension assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014.</p> <p>There is an audit risk that the data provided to the actuary for this exercise is inaccurate, which could lead to errors in the actuarial figures in the accounts. Most of the data is provided to the actuary by Shropshire County Council, who administer the Pension Fund.</p>	<p>We have undertaken detailed testing to ensure that the Authority has correctly accounted for the results of the triennial valuation.</p> <p>We have also confirmed that appropriate processes and controls have been implemented to ensure that data provided for the purposes of the valuation is accurate and complete. Our testing did not identify any issues in relation to the operation effectiveness of these controls.</p> <p>In order to provide the actuarial valuation, the Pension fund's actuary, Mercers, made a series of assumptions in relation to factors such as discount rates, salary inflation and mortality figures. We have benchmarked these assumptions against our expectations and found no significant issues.</p>

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

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13*.

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	<p>The quality of the financial statements has improved from the prior year reflected in a reduction in number and impact of adjustments.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 30 June 2014 in accordance with deadlines.</p>
Quality of supporting working papers	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 21 February 2014 and discussed with the Finance Manager, set out our working paper requirements for the audit.</p> <p>The Authority has made improvements to the quality of working papers provided. However, in a small number of areas, working papers still rely on complex underlying processes, with a large number of manual adjustments, and do not always provide a clear audit trail (for example, movements in reserve balances). Additional explanations were required from officers in these instances, and resulted in changes to the analysis in the accounts.</p>

Element	Commentary
Response to audit queries	<p>Officers resolved audit queries in a reasonable time. This was facilitated by the use of the Authority's SharePoint site which was used to share working papers and track audit queries.</p>

As a result of the above we have raised one recommendation in respect of the Authority's working papers which is included in Appendix 1.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in prior years' ISA 260 reports.

The Authority has implemented all of the recommendations raised in our *ISA 260 Report 2012/13*, although there are further improvements needed to the analysis of debtors and creditors (see Appendix 1).

We raised a recommendation in our *ISA 260 Report 2010/11* regarding the implementation of single status for the Authority's workforce. We noted in our *ISA 260 Report 2012/13* that implementation had been delayed until April 2014; however, at the date of this report, this is still in progress. The balance sheet as at 31 March 2014 includes a £16.3m provision including schools provision (2013: £15.9m), for the estimated liabilities to be incurred upon implementation. The Authority has presented the liability within provisions this year, rather than within creditors, reflecting the uncertainty surrounding the estimate. We agree that this is the appropriate treatment.

The Authority's organisation and IT control environment is effective, and controls over the key financial systems are sound.

Following our assessment of internal audit, we were able to place reliance on their work on the key financial systems.

During March 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

We found that your organisational control environment is effective overall.

Review of Internal Audit

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them.

We did not identify any significant issues with internal audit's work and are pleased to report that we are again able to place reliance on internal audit's work on the key financial systems.

We also reviewed internal audit's self assessment against the United Kingdom Public Sector Internal Audit Standards (PSIAS), which have applied to local authorities since April 2013.

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular

meetings during the course of the year, we have not identified any significant matters which would indicate internal audit are not compliant with the PSIAS.

The PSIAS require public sector organisations to commission an external review of internal audit; our work does not constitute an external review with respect to this requirement.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work of your internal auditors, and our own work on controls over the year end process, the controls over the financial systems are sound.

We noted some minor weaknesses in respect of individual financial system controls. Internal audit have already included recommendations in their reports as appropriate.

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 and Wrekin Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Telford and 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 Assistant Director: Finance, Audit and Information Governance for presentation to the Audit Committee. 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, non disclosure, related party, public interest reporting, questions/objections, opening balances 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 2013/14 financial statements.

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.



Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following pages include further details of our VFM risk assessment and our specific risk-based work.

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	✓

We identified two specific VFM risks.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:


- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and


- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas.

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

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

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>As at December 2013, the Authority forecast that it would deliver its 2013/14 budget in overall terms. This included a savings programme for 2013/14 totalling £11.3m (including savings identified in year).</p> <p>The Authority estimates that its funding gap will increase to £11.4m in 2014/15 rising to £22.3m in 2015/16. 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. The Authority is forecasting future funding gaps of around £10-13m in each of the following 3 years.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>The Authority continues to progress its savings plans and reports to the Cabinet on progress made as part of its regular financial monitoring processes. No significant delays in achieving savings have been identified to date through these monitoring processes.</p> <p>The Authority reported an under-spend of £0.100m in 2013/14 as a result of successful delivery of its savings plans. Whilst there were some directorates which encountered overspends, these were offset by the identification of additional savings opportunities during the year. The positive outturn position has enabled the Authority to contribute £4.6m to reserves to support the 2014/15 budget strategy.</p> <p>In relation to future savings, the Authority has established savings plans for 2014/15 and is in the process of finalising plans for future periods. These plans identify savings throughout the organisation and are being monitored in an appropriate manner.</p> <p>Specific risk based work required: No</p>

Key VFM risk	Risk description and link to VFM conclusion	Assessment
 <p>New projects & Contracts</p>	<p>During 2012/13 the Authority re-tendered the contract for the collection, treatment and disposal of its waste in attempt to maximise savings. The 24 year contract was awarded to Veolia Environmental Services in October 2013.</p> <p>As part of its income strategy the Authority identified two significant commercial opportunities. One which involves the development of new homes for the private rental market. The Authority committed to undertake a detailed feasibility study, beginning in 2014 to assess the viability of the project. The costs associated with this study are approximately £1.1m in 2013/14.</p> <p>Similarly, the Authority has committed to costs of £0.1m regarding its energy strategy and the proposal to develop a commercial-scale solar farm on Authority-owned land.</p> <p>This is relevant to the economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>Waste Management Contract</p> <p>Following publication of the Contract Notice through OJEU on 6 July 2012, the Council has worked on a procurement process to replace waste management contracts, which begin to expire from April 2014 up until 2019, with a single Contract. The Council set an affordability limit of £137.43m for the 24 year contact.</p> <p>The Council received two final bids in July 2013. The bids were evaluated against the Council's published Evaluation model and the preferred bidder was approved by Cabinet on 8 October 2013.</p> <p>Commercial projects</p> <p>The Authority obtained Cabinet approval to undertake feasibility studies for both commercial projects. The costs incurred by the Authority in 2013/14 - £0.977m (new homes) and £0.100m (solar farm) - were in line with values approved by Cabinet. These sums have been included within Assets under Construction on the Authority's March 2014 balance sheet, which is the appropriate accounting treatment. If the projects were not to proceed, then the Authority would at that time need to write the costs off.</p> <p>Specific risk based work required: Yes</p> <p>We reviewed the costs incurred in 2013/14 for each project, and the approval processes which the Authority has taken to ensure that this represents value for money, in order to inform our overall VFM conclusion.</p> <p>We also reviewed the accounting treatment applied to these transactions to confirm expenditure had been accounted for appropriately.</p>

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		
<p>1 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.</p>	<p>2 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.</p>	<p>3 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.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	3	<p>Debtor and Creditor Working Papers</p> <p>We reported in 2012/13 that we experienced some difficulties completing the debtors and creditors testing efficiently due to the format of the working papers provided.</p> <p>Although improvements have been made to the 2013/14 working papers, the information still required significant manipulation to allow testing.</p> <p>Where such manipulation is required it reduces the efficiency of the audit process and results in additional pressures for both the audit team and finance officers.</p> <p>Recommendation</p> <p>The Authority, working with the audit team, should identify an approach which will allow for debtors and creditors data to be made available for audit without the need for extensive manipulation.</p>	<p>Towards the end of the audit process, officers were able to provide a more useful report, however further work is needed in advance of next years' audit to specify and, where possible, develop reports which more closely meet audit testing requirements.</p> <p>Responsible Officer: Bernie Morris, Finance Team Leader</p> <p>Implementation Date: March 2015</p>

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 this. 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 Engagement Lead 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.

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 and Wrekin Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Telford and 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.



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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 16 SEPTEMBER 2014

2013/14 STATEMENT OF ACCOUNTS

**REPORT OF THE ASSISTANT DIRECTOR: FINANCE, AUDIT & INFORMATION
GOVERNANCE (CHIEF FINANCIAL OFFICER)**

LEAD CABINET MEMBER – CLLR BILL McCLEMENTS

PART A) SUMMARY REPORT

- 1.1 This report informs Members of the outcome of the audit of the Council's accounts for 2013/14 and presents the Statement of Accounts for approval.
- 1.2 The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice which continues to add a level of complexity.
- 1.3 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 and provided to the external auditors to undertake the audit of accounts. As required by regulation, the final statement of accounts are now presented to members for approval, prior to publication. This Committee has delegated authority to approve the council's final audited Statement of Accounts.
- 1.4 KPMG, the Council's external auditors have given the accounts an unqualified audit opinion and their Auditor's Report is included in the Statement of Accounts.
- 1.5 There are no financial adjustments required as a result of the audit and the outturn position remains as reported to Cabinet on 26 June 2014. The only changes identified are presentational which have been agreed and included in this final version.
- 1.6 As part of the statement of accounts process local electors may inspect the accounts and raise questions with the external auditor. KPMG have received one query through this process, which is currently under review. The financial statements have been signed off, however we will not receive an audit certificate for 2013/14 until the matter is concluded.
- 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 2013/14 Statement of Accounts attached at Appendix I.**
- 2.2 That delegated authority be granted to the Head of Finance to make any presentational changes required to the Statement of Accounts prior to publication.**
- 2.3 That members approve the updated (for presentational changes) Annual Governance Statement.**

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Cooperative Council priorities?	
	Yes	Delivery of all cooperative council priorities depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan.
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	To publish audited accounts by the end of September 2014	
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 2011 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

PART B) ADDITIONAL INFORMATION

4.0 INFORMATION

- 4.1 The 2013/14 outturn position was reported to Full Council on the 26 June 2014. In accordance with the Accounts and Audit (England) Regulations 2011, the Council is required to prepare formal Statement of Accounts in a prescribed format, following International Financial Reporting Standards. The Chief Financial Officer certified the draft statement of accounts at the end of June. These were then made available for public inspection and provided to the external auditors to undertake the audit of accounts.
- 4.2 The final overall underspend of £0.1m (-0.07% of net budget) is the same as previously reported to members in June.
- 4.3 A number of presentational changes have been made to the accounts during the course of the audit after discussion with KPMG. None of these has impacted on the General Fund Balance position previously reported.
- 4.4 The final statement of accounts including all agreed amendments is attached at Appendix 1.
- 4.5 An unqualified audit report is expected.
- 4.6 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.

5.0 IMPACT ASSESSMENT

There is no further information to add.

6.0 PREVIOUS MINUTES

Cabinet – Service & Financial Planning Report – 26 June 2014
Council – Service & Financial Planning Report – 14 July 2014

7.0 BACKGROUND PAPERS

2013/14 Draft Statement of Accounts
2013/14 Outturn Report
General Ledger Reports
2013/14 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

2013/14

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Telford & Wrekin Council

Statement of Accounts

2013/14

Financial Statements

Explanatory Foreword

1. INTRODUCTION

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

The Council is committed to openness and transparency and publishes details of all spending of over £100 every month. The Statement of Accounts are a public record of the Council's financial position for 2013/14; showing what has been spent, income that has been received together with assets and liabilities. The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. The information is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

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

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

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

The main statements are supplemented by the Collection Fund Account.

The Council's accounts for the year 2013/14 are set out in the remainder of the report. They consist of:

- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £3.224m at 31st March 2014). This statement represents the authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable;

- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This statement reports on how the Authority performed financially during the year and whether its operations resulted in a surplus or deficit. This shows a deficit for the year of £22.634m as compared the outturn report which shows an underspend of £0.100m. The reasons for this difference relate to technical transactions required to put the accounts on an IFRS basis including losses on disposal of fixed assets (notably trust schools and academies which are removed from the asset register by disposing for nil proceeds), depreciation, Revenue Expenditure Financed from Capital Under Statute (REFCUS), impairments and pensions, these are all offset by capital grants. These do not impact on either General Fund Balances or Council Tax;
- ... **The Balance Sheet** - This is a "snapshot" of the Authority's financial position which sets out the financial position of the Council on 31st March 2014 and show net assets for the Council of £48.865m, an increase from £16.847m for the previous year. This is mainly due to the reduction in the Pensions Liability, which will ultimately be covered by future contributions to the fund;
- ... **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties, analysing them into operating, investing and financing activities, and shows a net increase in Cash and Cash Equivalents of £6.6m;
- ... **The Notes to the Core Financial Statements** - which provide further information supporting the financial statements and includes the Statement of Accounting Policies and provides further detailed information on specific items;
- ... **The Collection Fund** - the statutory account in which income from business rates and council tax is held temporarily, pending payment to the precepting authorities. There is an increase on the council tax fund balance of £0.665m for the year and the Council's share of the surplus was £1.6m at 31st March 2014. The localisation of business rates means that we also show similar information in respect of this. The business rates show an increase in the deficit for the year of £1.9m and the Council's share of that deficit was £0.9m;

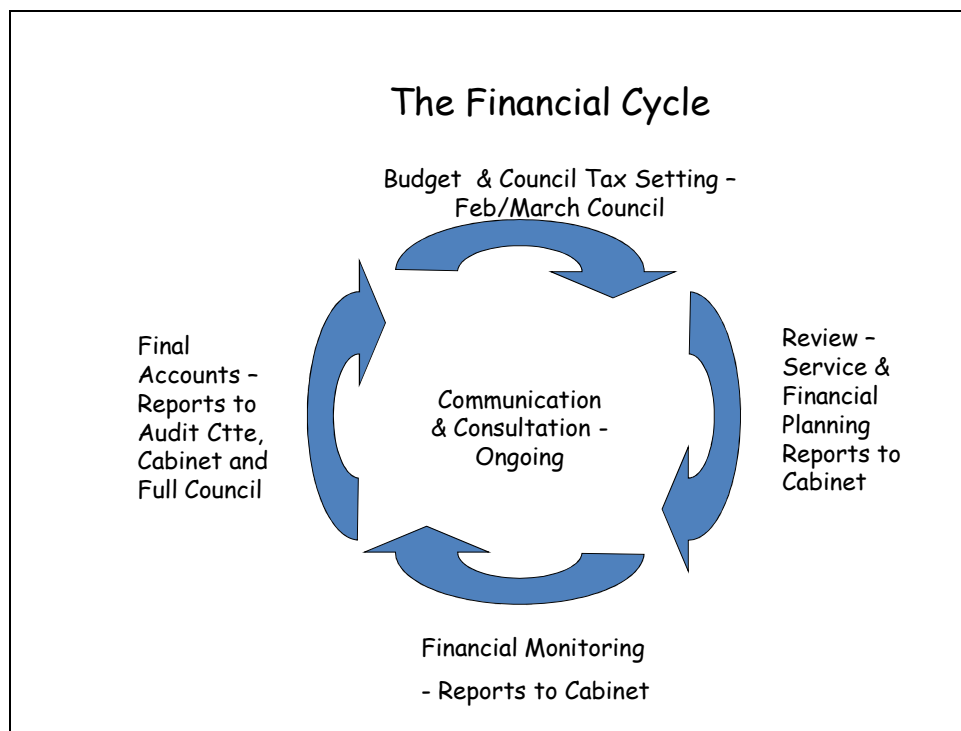
These accounts are supported by the Statement of Responsibilities, which follows this foreword.

2. FINANCIAL CONTEXT

This section of the Statement of Accounts summarises the background to the Council's accounts for 2013/14. In particular it sets out

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2013/14
- Issues highlighted during 2013/14
- The final outturn for 2013/14
- A commentary on 2014/15

2.1 The Council's Financial and Reporting Cycles



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

2.2 An Overview of the Budget 2013/14

The Council's 2013/14 budget was set in the context of a three year policy and planning strategy which covered the period 2013/14 to 2015/16 (in line with the Government's Comprehensive Spending Review/Spending Round Period). The budget is the financial expression of the Council's priorities and plans linked to funding allocations. The Council is a relatively low spending Local Authority, which has a comparatively low level of Council Tax for its own services (Telford & Wrekin had the fourth lowest council tax for Unitary Services in the Midlands in 2013/14 and is the third lowest in 2014/15).

The Government made major changes to its funding mechanism for local government in 2013/14 with the implementation of the business rates retention scheme. Under the new arrangements 50% of business rates collected is retained locally (49% for the Council; 1% for the Fire Authority). This transferred more risk to the Council as any changes in the amount of business rates collected directly impacts on our financial position. Collection and maximisation of business rates was therefore a priority during 2013/14.

The Government also abolished Council Tax Benefit in 2013/14 and Councils were required to implement a Local Council Tax Support (CTS) Scheme in its place. Unlike Council Tax Benefit, which was grant funded, CTS is given as a council tax discount (i.e. a reduction to the council tax bill similar to a single person discount) and so reduces the amount of council tax income the Council receives. Funding for Council Tax Support was allocated to local authorities as part of the business rates retention scheme, however the amount of funding provided was cut by 10%. The Council met the funding gap through a combination of changes to council tax exemptions and discounts and by applying a 21% global reduction in support given to less-vulnerable claimants below pension age.

Responsibility for Public Health transferred to the Council from the NHS in April 2013 together with the associated, ring-fenced grant funding, totalling £10.6m in 2013/14. Overall, including a small balance carried forward to 2014/15 (as permitted by the grant conditions), the grant was fully spent during the year.

The financial position facing the Council is one of the most challenging experienced with projected real terms grant cuts of £40m over the period 2011/12 to 2014/15 (the Government's Comprehensive Spending Review period) on top of grant reductions in previous years and with anticipated further annual reductions of around £10m p.a. each year over the medium term. Alongside the strategy to deliver savings there was a drive to increase income, with a particular focus on commercial activities so that going forward there is less reliance on central government grant funding.

The Cabinet launched its service and financial planning strategy for 2013/14 to 2015/16 in January 2013 and extensive public consultation was undertaken on the proposals. The final budget strategy was approved at Council in March 2013 taking account of consultation responses.

The base budget gap for 2013/14 was £10m. The finally agreed budget package included net savings of £8.7m, £0.3m collection fund surpluses and a council tax increase of 1.9%. The average charge (Band B) for the Council's services was £892 per year. The table below shows how Net Revenue Spend was funded.

2013/14 Net Revenue Spend - £m	
2013/14 Total Net Revenue Spend	133.731
Funded From:	
Government Grant (RSG and Top Up)	52.391
Retained Business Rates	31.548
Council Tax	49.591
Collection Fund and Balances	0.201
Total Funding	133.731

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

2.3 Issues Highlighted During 2013/14

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

Service Area	Budget	Outturn	Variance	Outturn as a percentage of budget
	£	£	£	%
Children's Safeguarding & Specialist Services	22,221,497	23,573,072	1,351,575	106.1
Education & Corporate Parenting	10,847,377	10,044,921	(802,456)	92.6
Family, Cohesion & Commissioning Services	12,508,492	11,879,498	(628,994)	95.0
Development, Business & Employment	625,361	254,722	(370,639)	40.7
Neighbourhood & Leisure Services	28,242,966	28,102,071	(140,895)	99.5
Adult Social Services	41,961,534	44,895,606	2,934,072	107.0
Public Health, Well Being & Public Protection	1,825,860	1,801,548	(24,312)	98.7
Customer Services	8,143,546	7,958,108	(185,438)	97.7
Law, Democracy & People Services	367,410	271,155	(96,255)	73.8

Finance, Audit & Information Governance	10,374,051	8,563,873	(1,810,178)	82.6
Cooperative Council Delivery Unit	1,418,590	1,361,850	(56,740)	96.0
Council Wide	(4,706,284)	(9,659,717)	(4,953,433)	205.3
Total before Transfers to Reserves	133,830,400	129,046,707	(4,783,693)	96.4
Transfers to Reserves		4,684,000	4,684,000	
Total after Transfers to Reserves	133,830,400	133,730,707	(99,693)	99.9

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

A summary of the key issues highlighted during the year is shown below:

(A "+" is an increase in expenditure or a reduction in income, a "-" is a reduction in expenditure or an increase in income)

Service Area	Variance £m
<u>Children's Safeguarding & Specialist Services</u>	
Children in Care (CiC) – the number of children in care at 31 March 2014 was 309 with a £2.090m overspend reported at year end. This compares to 321 children in care at 31 March 2013 and a reported overspend of £2.397m. There was an increase in costs relating to Internal Fostering/Relative Carers and other Internal care during the year which has been offset by a reduction in costs relating to External Residential and External Foster Care. The Service continues to closely monitor and review all placements in line with their Cost Improvement Plan.	+2.090
Contingency – set aside to meet CiC pressures as part of service and financial planning strategy for 2013/14.	-0.930
Parenting Assessments – The overspend reflects both the costs associated with court proceedings and parenting assessments. These are specialist assessments of parents' abilities to meet the needs of their children and are sometimes court ordered. The service is currently exploring more cost effective methods of undertaking this work.	+0.287
Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care.	+0.374
<u>Education & Corporate Parenting</u>	
Corporate Parenting – a benefit of £0.144m has arisen due to rationalisation of funding for spending on Education.	-0.144
ICT Commissioning – a benefit of £0.170m has arisen due to rationalisation of funding for spending on Education.	-0.170
Joint/Community Use – loss of school income arising from the requirement to implement a new funding formula for schools.	+0.104

<p>Education Services Grant – updated grant following conversion of several secondary schools to academies.</p>	<p>+0.139</p>
<p><u>Family Cohesion & Commissioning Services</u></p>	
<p>Cohesion - close budgetary control has resulted in an underspend of £0.296m at year end. This is a combination of staffing vacancies, successful income generation within the Youth Service and a general tightening of spend throughout the year. This area will contribute to savings proposed as part of the approved 2014-17 budget strategy.</p>	<p>-0.296</p>
<p>Early Intervention – close budgetary control has resulted in an underspend of £0.347m at year end which is a combination of reduced spending and vacant posts.</p>	<p>-0.347</p>
<p>Shortbreaks – a number of projects scheduled for 2013/14 have not progressed as quickly as anticipated which has resulted in an underspend at year end.</p>	<p>-0.159</p>
<p><u>Adult Social Services</u></p>	
<p>Purchasing budgets – the overspend relates to increased caseload and the impact of the CCG policy on continuing health care cases and increased costs relating to the purchase of externally purchased care. One-off funds from the CCG are being used in 2013/14 to help offset an element of the significant ongoing additional cost pressures relating to Continuing Health Care clients consistently reported throughout the year. New governance arrangements have been implemented to monitor the service, including financial and service delivery performance, with a clear aim to deliver cost reductions and service transformation which should result in lower unit costs of care.</p>	<p>+2.760</p>
<p>CCG contribution towards Continuing Health Care costs – lower than anticipated funding.</p>	<p>+0.500</p>
<p>In House Services – this overspend relates to salaries, including overtime, paid to staff delivering in house support services as part of care for Adults with Learning Disabilities (ALD) clients. This service now sits within Customer Services and a review of internal ALD services is currently underway.</p>	<p>+0.444</p>
<p>Supporting People – delay in achievement of saving combined with an increase in demand for the service.</p>	<p>+0.501</p>
<p><u>Public Health, Well Being & Public Protection</u></p>	
<p>Staffing and operational budgets – savings arising from both vacancies in posts and underspend on contingency budgets agreed as part of transition arrangements.</p>	<p>-0.558</p>

<u>Neighbourhood & Leisure Services</u>	
Leisure Centres – shortfall on income across various sites including the Ice Rink, Horsehay Golf Centre, the Town Park and Oakengates net of an overachievement at Wellington relating to Aspirations fitness centre and swimming lessons.	+0.221
Highways Maintenance – increased costs associated with pothole and minor resurfacing gangs working Jan-Mar partly offset by.	+0.278
– savings to mitigate costsof pothole and minor resurfacing gangs.	-0.187
Waste – savings as a result of round reductions/changes to domestic refuse collection, partly offset by	-0.246
- increased costs relating to the purchase, delivery and storage of replacement bins, boxes and bags.	+0.158
<u>Development, Business & Employment</u>	
Lifelong Learning – largely as a result of loss of government grant funding, partly offset by	+0.168
use of one off grant reserves.	-0.133
Estates & Investments – loss in Property Investment Portfolio investment income arising from the longer term rationalisation of the property portfolio to secure a more sustainable income position ongoing. This includes income targets for the retail units in Southwater and Business Development Centre.	+0.223
Southwater – the multi-storey car park was under construction at year end but has since become operational although this was slightly later than originally anticipated when the budget for 2013/14 was prepared in the Winter of 2012 and therefore the part-year budgeted income anticipated was not fully received. However the programme for capital spend has also slipped which will reduce borrowing costs in 2013/14; the benefit of this is included in the Treasury Management underspend shown below.	+0.165
Development Management – net of additional income in line with significant inward investment and other development activity and additional appeal costs.	-0.173
Business & Development Planning – there is a net one off, in year benefit due to vacancy management across the service area.	-0.192
Management Account – reduced use of consultants and	-0.137
– higher income than budgeted due to planned capitalisation of costs.	-0.110

<p><u>Customer Services</u></p> <p>ICT – additional project income being used to offset additional staffing costs for corporate ICT projects and PC replacement programme, together with</p> <p>– supplies and services underspend relating to some system costs being shared by schools and a general saving on computer costs through robust contract negotiations and</p> <p>– offset by contribution to corporate ICT reserve to support essential investment in ICT infrastructure and kit as part of the overall ICT and customer services strategy.</p> <p>Revenues & Benefits – printing service income shortfall due to work being given to some external providers, this has now ceased and a general reduction in the amount of printing as we increase use of technology.</p> <p>– additional income from court fees.</p> <p>Catering – additional income due to increased take up in school meals and impact of new commercial catering activity.</p>	<p>-0.276</p> <p>-0.334</p> <p>+0.520</p> <p>+0.107</p> <p>-0.129</p> <p>-0.154</p>
<p><u>Finance, Audit & Information Governance</u></p> <p>Treasury Management - benefit of active treasury management including the impact of prevailing low interest rates during the year and lower than budgeted capital spend. This also includes £0.250m relating to capitalisation of interest for assets under construction which has been undertaken as part of year end and required a change in accounting policy to be approved as part of the approval of the statement of accounts.</p> <p>As agreed in the 2014/15 budget strategy report, the £4.9m that has been generated from the back-dating of the change in the methodology for calculation of Minimum Revenue Provision is being transferred to a reserve to fund the debt charges for the Pride in Your Community Initiative for the next 12 years.</p>	<p>-1.546</p> <p>-4.884</p> <p>+4.884</p>
<p><u>Law, Democracy & People Services</u></p> <p>Licensing – shortfall in licensing income.</p> <p>Land Charges – additional income relating to land charges.</p> <p>Car Parking – delayed implementation of employee car parking charges.</p>	<p>+0.154</p> <p>-0.112</p> <p>+0.111</p>

<u>Council Wide</u>	
Government Funding Refund – refund in relation to previously top-sliced Revenue Support Grant.	-0.731
Housing & Council Tax Benefit Subsidy - Projected benefit from recovery of overpayments.	-0.374
Purchase Rebates - The majority relates to surplus dividend from West Mercia Energy relating to 2012/13 outturn performance.	-0.186
Other One off Resources – identified to contribute to service overspends.	-2.368
Other Council Wide Items – includes one-off benefit from review of funding set aside for contractual inflation being and the delivery of in year savings.	-2.228

2.4 **Final Outturn for 2013/14**

Revenue

Final net service expenditure was £133.731m, after the transfers to reserves mentioned above, compared to a budget of £133.830m, an underspend of £0.099m (or -0.07%). Given the context of the Council having to make £11.3m of budget savings in 2013/14 (including additional in year savings of £2.6m), on top of £42m delivered in previous years, it was a particularly positive outturn position which demonstrates the strong financial management in the Council.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Council	133.830	133.731	-0.099
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates	133.830	133.830	0.000
Contribution to (-)/from (+) balances	0.000	-0.099	-0.099

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	431,121	316,928	114,193
Trading Services	3,595	7,492	(3,897)
Pensions Adjustments under IAS 19	(2,405)	0	(2,405)
Interest Payable and Similar Charges	9,373	0	9,373

Description	Expenditure £m	Income £m	Net Expenditure £m
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(469)	0	(469)
Interest and Investment Income	0	1,581	(1,581)
Capital Grants and Revenue Grants Unapplied	0	(42,842)	42,842
General Grants (LSSG, Section 31)	0	780	(780)
Remove Depreciation & Impairments, REFCUS etc from Net Operating Cost	(38,824)	0	(38,824)
Accumulated Absences	899	0	899
Minimum Revenue Provision	1,686	0	1,686
Net Movement on Reserves	12,694	0	12,694
Total	417,670	283,939	133,731

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

The outturn position has resulted in a general fund balance of £2.748m and a special fund balance of £0.476m (see Note 51 to the Core Financial Statements), giving a consolidated balance of £3.224m. The total for all reserves and usable revenue balances held by the Authority is £54.0m, although almost all of this is held to meet known or likely commitments. The total amount available to support future budget strategies is estimated to be £3.7m.

Workforce Analysis

At 31 March 2014 Telford & Wrekin Council employed 2,929 people [2,308 FTEs]. At 31 March 2013 the comparative figures were 3,014 people [2,354 FTEs]:

	31 March 2013		31 March 2014	
	Head Count	FTEs	Head Count	FTEs
Male	791	697.3	765	676.7
Female	2,223	1,656.7	2,164	1,631.8
Total	3,014	2,354.0	2,929	2,308.5

INTERNATIONAL ACCOUNTING STANDARD NOTE NO 19 – Retirement Benefits

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council's share of the pension fund has decreased by £45.8m; this has been as a result of actuarial gains on liabilities and assets. The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £13.876m (comprises contributions of £10.348m plus a lump sum payment of £3.528m). The contribution rate was set for 2013/14 at 16.3%. Following the valuation at 31/3/13 the contribution rate was reduced to 12.6% for 2014/15 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2014/15 is estimated at 16.4% only slightly higher than 2013/14.

Capital Accounting

Capital

The Council spent £84.575m on capital projects during the year, an underspend of £14.6m against budget within the year although, this will be re-phased into future years. Detail is shown in the table below.

Priority Area	2013/14 Approved Budget £m	2013/14 Expenditure £m
Protect and Support Our Vulnerable Children & Adults	3.745	2.441
Protect and Create Jobs as a 'Business Supporting, Business Winning Council'	17.926	19.012
Improve the Health and Well Being of our Communities and Address Health Inequalities	2.244	1.412
Regenerate Those Neighbourhoods in Need and Work Hard to Ensure That Local People Have Access to Housing	7.971	5.693
Ensure That Neighbourhoods are Safe, Clean and Well Maintained	15.639	15.088
Improve Local People's Prospects through Education and Skills Training	47.696	38.326
Managing the Organisation	3.904	2.603
Total	99.125	84.575
Funded by:		
Supported Borrowing	1.292	0.474
Prudential Borrowing	33.915	29.817
Capital Receipts	5.374	4.132
Government Grants	57.764	48.345
Revenue	-0.041	0.493
Other External Sources	0.821	1.314
Total	99.125	84.575

The Council has ready access to borrowings from both the Money Markets and PWLB, who also act as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council spent £84.6m during 2013/14. There was an increase in borrowing by the Council of £30.3m.

Overall the Council's net indebtedness is £102.1m at 31st March 2014 which is an increase of £22.9m from the previous year.

The Council has a 28 year PFI contract in place for the building and servicing of school and leisure facilities at Hadley Learning Community and JIGSAW (which provides Education, Health and Social Care packages) for £289m. The costs of the contract will be met from a combination of Government support, school contributions and Council support. The Council has approved a budget strategy which makes provision for its commitments. In 2013/14 the Authority made payments of £9,718,789 (£9,607,950 in 2012/13) in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 per annum (index linked starting point September 2006) until the contract expiry date of 2034 and receives £5.9m per annum from the Government to help offset this cost.

Changes to Accounting Policies

Capitalisation of Interest – interest costs relating to assets under construction will be capitalised with effect from 1 April 2013 during the construction phase of the scheme. A threshold of £1m will be applied to this policy i.e. interest will only be capitalised for programme items where prudential borrowing exceeds £1m. This change in policy will generate revenue savings in the short term, but these will be offset by higher debt repayments in future years.

Provisions (see Note 20)

Severance Costs – the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2014 was £0.4m.

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 2013/14 accounts, as was the case last year and previous years. Previously this was treated as a creditor in the Statement of Accounts; the treatment has been changed, for the 2013/14 and it is now shown as a provision which better reflects its purpose. The amount in the provision at 31 March 2014 was £16.3m.

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

Other Notable Changes Affecting the Accounts

Non Domestic Rates (NDR) – From 1st April 2013 49% of the income collected from business properties is retained by the Council, 50% is paid to Central Government and 1% paid to the Fire Authority. This has had an impact on some figures for 2013/14 when compared to 2012/13. NDR included in the Comprehensive Income and Expenditure Statement is lower and consequently Revenue Support Grant is higher because the amount of NDR paid to the Council under the previous arrangements was higher than the 49% now retained. We now also show balances within the accounts in respect of sums owed to and from central government and the fire authority.

Council Tax Support Scheme – Council tax support is now offered as a discount rather than a payment from government in respect of benefits. Consequently Council Tax income is lower and Revenue Support Grant is higher to compensate. Both income and expenditure for Central Services has also fallen.

Public Health – From 1st April 2013 the Council took over responsibility for Public Health. There is a new line in the Comprehensive Income and Expenditure Statement in respect of this.

Group Accounts

The Council has no significant relationships with other bodies that would necessitate the production of Group Accounts. The Council has examined the relationship with partners including West Mercia Energy (see note 59 to the accounts) and have concluded that group accounts do not need to be prepared.

2.5 2014/15 Commentary

The Council has a rolling financial planning process. This was updated for 2014/15 formally by reports to the Council's Cabinet in November 2013, January 2014 and February 2014. The decisions on the medium term budget strategy at 27 February 2014 Council reflect the outcome of extensive consultation with a wide variety of stakeholders following publication of the draft strategy on the 3 January 2014.

The provisional funding settlement for 2014/15 was announced very late on the 18th December 2013, followed by the final settlement on the 5th February 2014; as anticipated the Council faced a very significant reduction in funding. After delivering £53m of savings over the previous 5 years, further savings of £22m are required in the coming two years to meet Government grant cuts. Projections beyond 2014/15 have a degree of uncertainty because of the impending Comprehensive Spending Review expected in Autumn 2015, which is likely to impose further savings targets on local government as central government strive, to reduce public spending.

The projected revenue budget gap for 2014/15 was £11.4m. The strategy to meet this and continue to invest in the area to support both the community and businesses is:

- a savings package delivering £15.6m to general fund budgets;
- creation of a "draw-down" budget of £1.2m for safeguarding pressures;
- investments totalling £3m including the revenue element of "Pride in Your Community" initiative and initiatives to tackle youth unemployment.

The decision has been made to freeze council tax for 2014/15 and as a result, the Council Tax for Council Services in 2014/15 (Band B) remains at £892 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,147).

2014/15 Net Revenue Budget - £m	
2013/14 Total Net Revenue Spend	129.186
Funded From:	
Government Grant (including RSG)	44.314
Retained Business Rates	33.731
Council Tax	50.841
Balances and Collection Fund	0.300
Total Funding	129.186

Looking Ahead

Full Council approved the medium term financial strategy on the 27 March 2014 (available on the Council's web site). Future projections show a remaining budget shortfall of £1m (over and above the savings already identified for that year) in 2015/16 which is likely to rise to around £10m-£13m per annum for the following 3 years. Projections are difficult due to a number of factors; uncertainty around the Comprehensive Spending Review for 2015/16 and no information on spending totals beyond this. It is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance inevitable.

3. FURTHER INFORMATION

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

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

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

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

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

Chart 1

**Midlands Authorities 2013/14 Band D Council Tax for Equivalent Unitary Services
(Excluding Police, Fire* and Parish Precepts)**

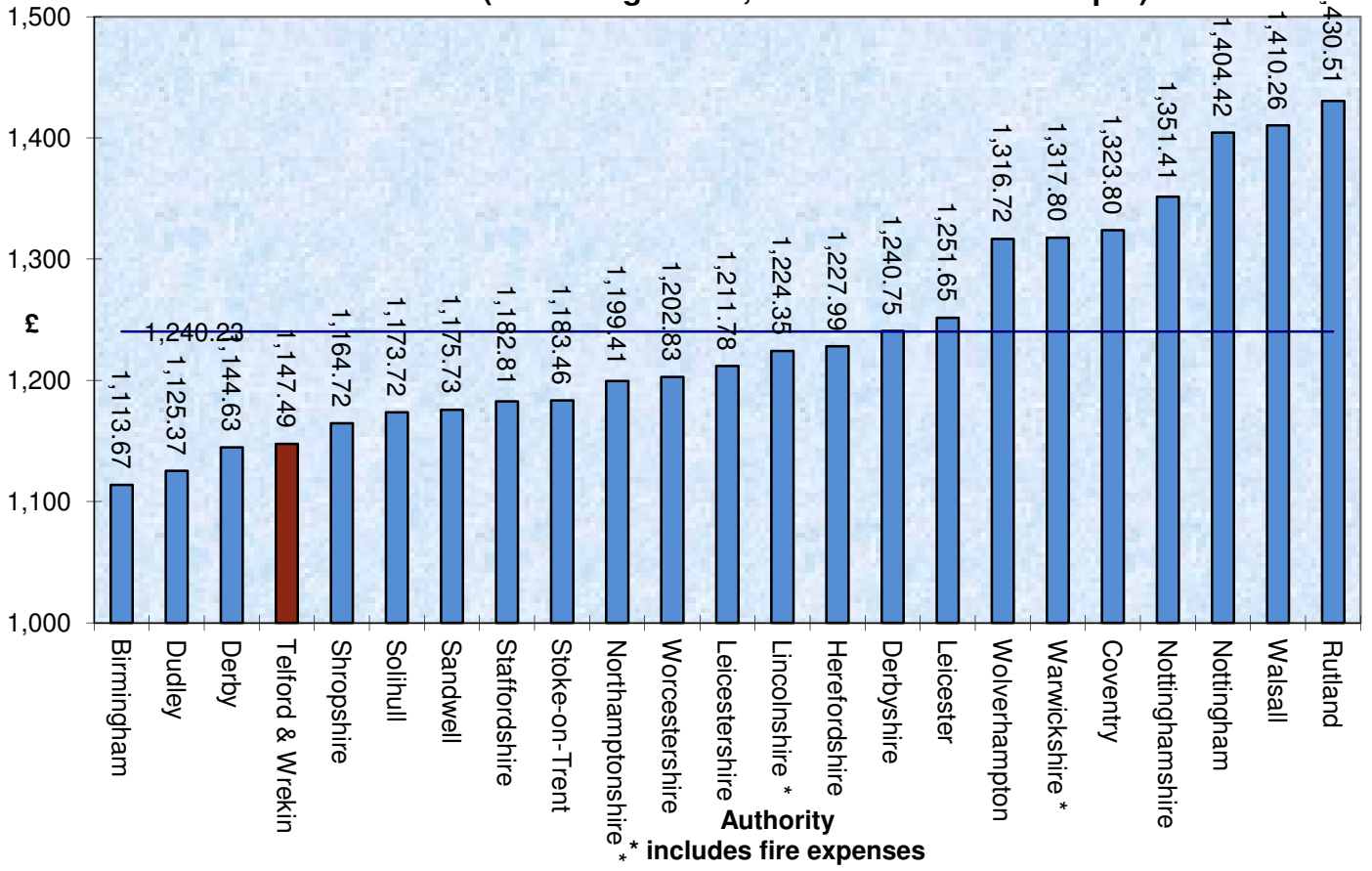


Chart 2

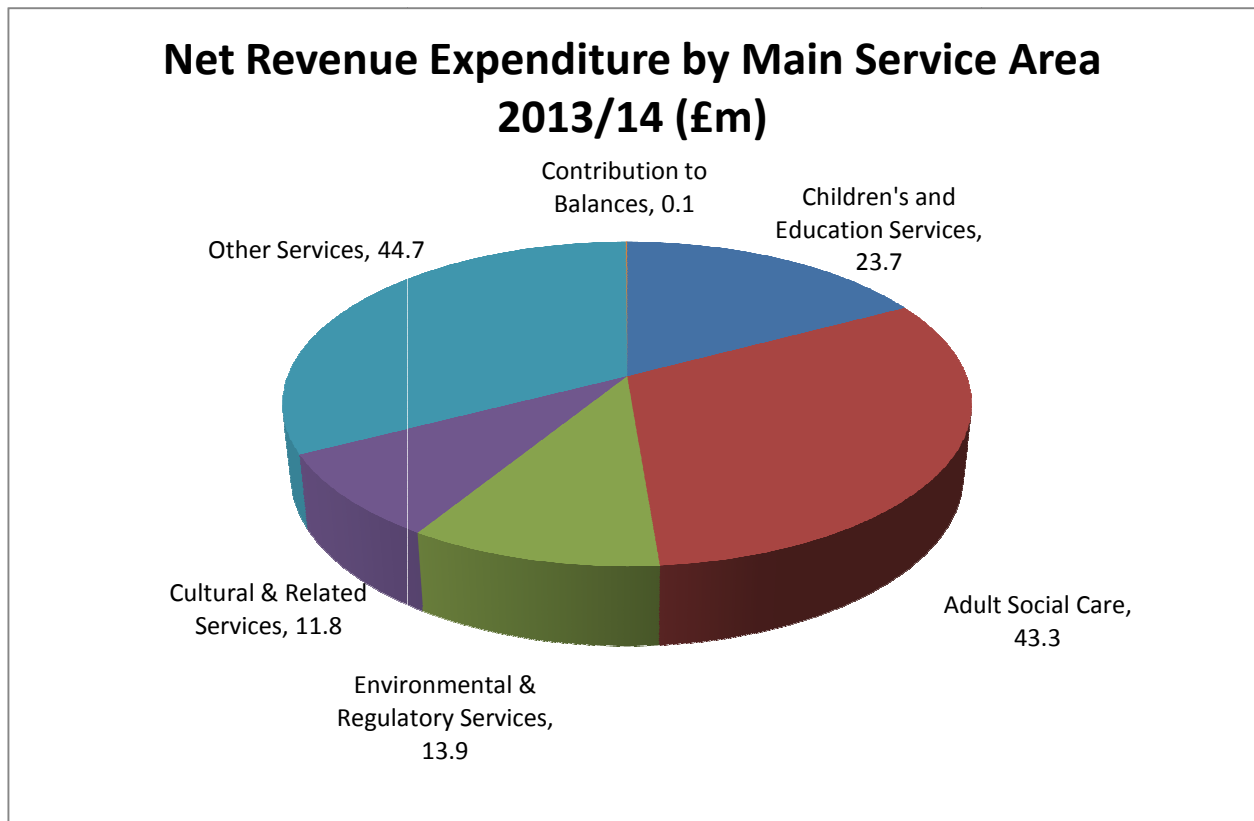


Chart 3

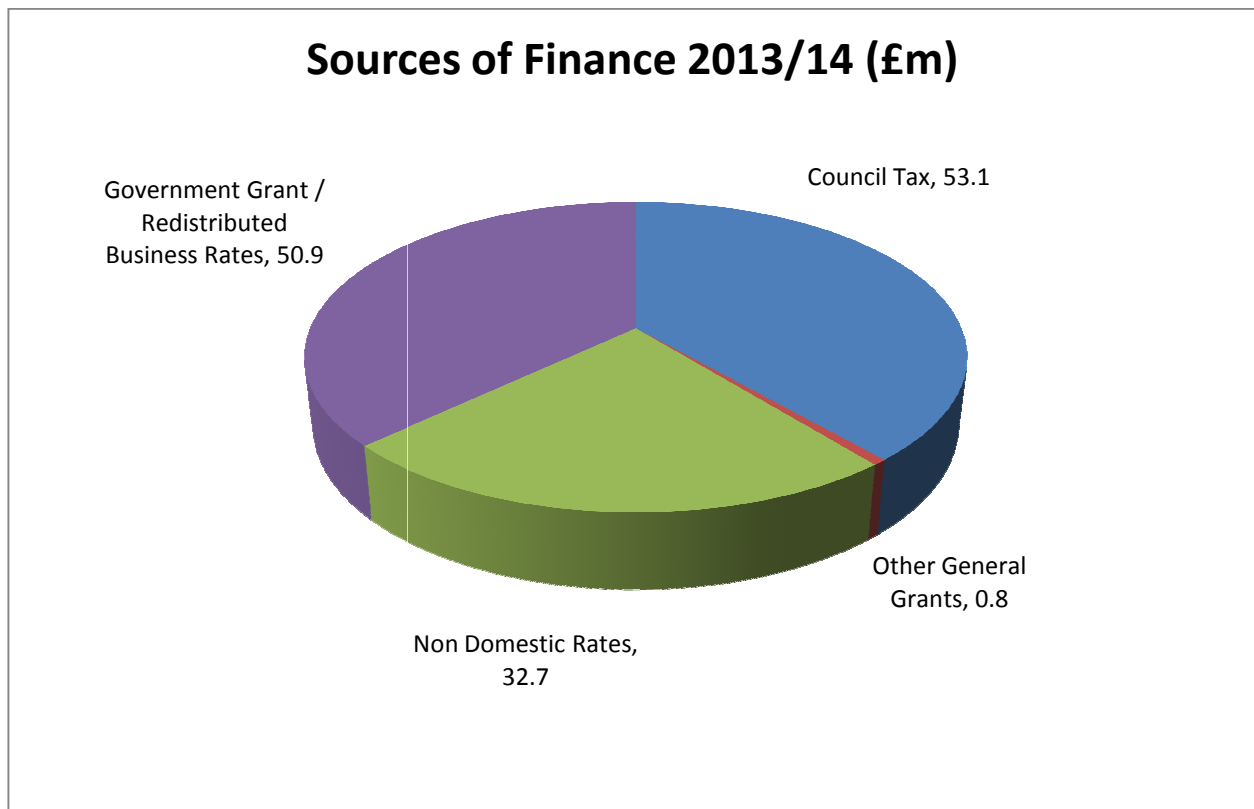


Chart 4

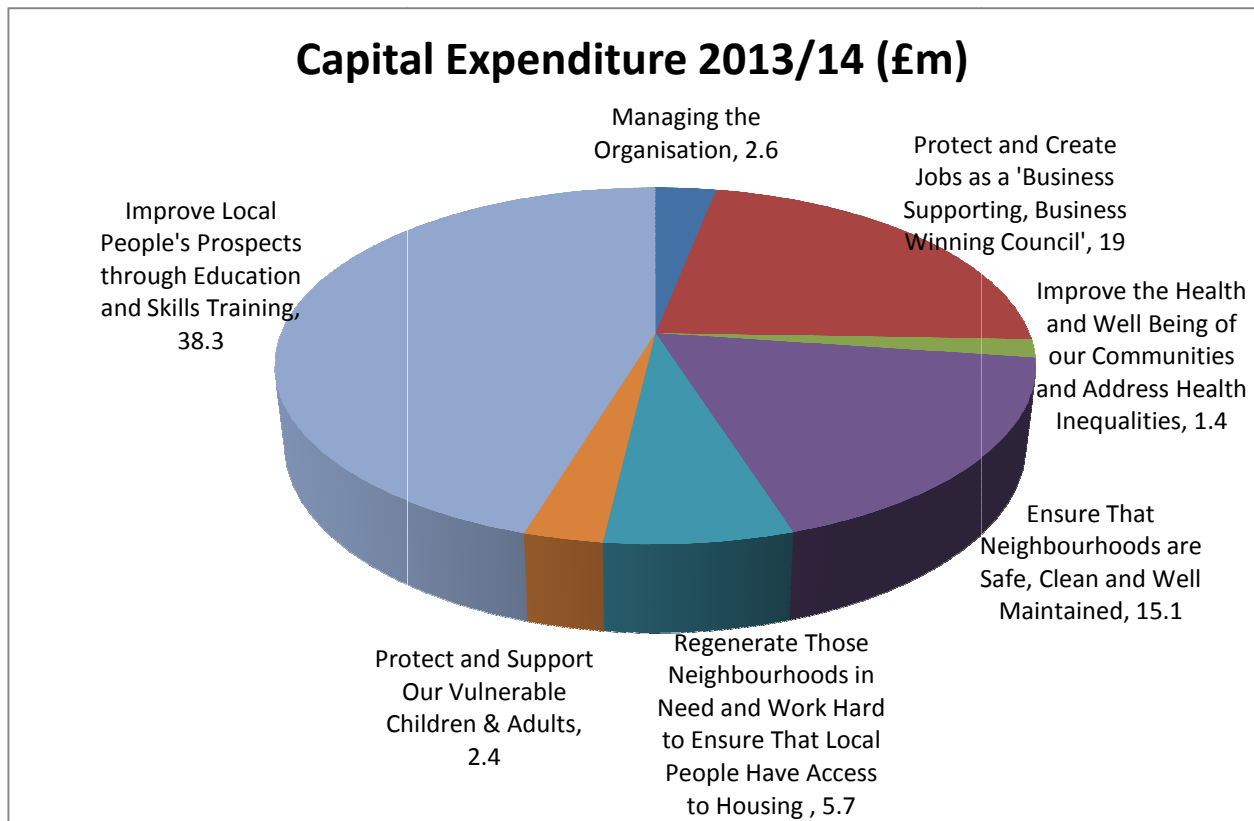
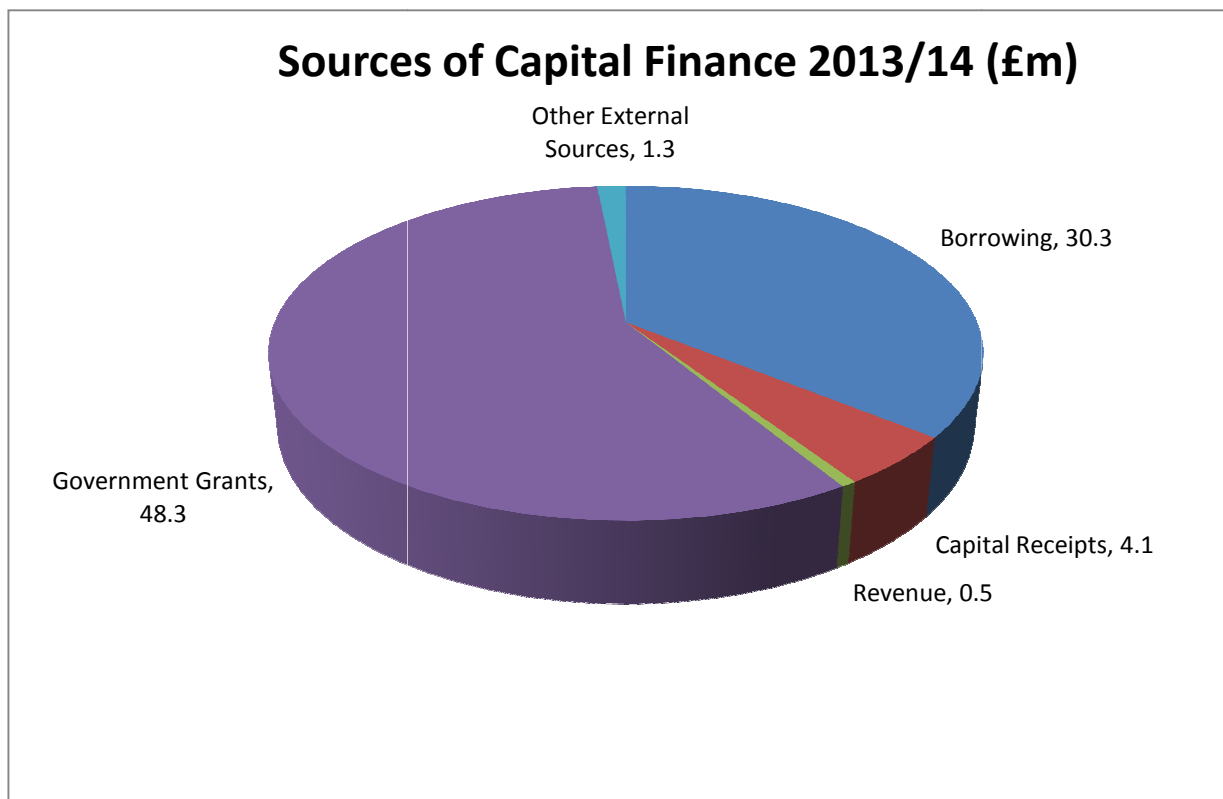


Chart 5



Statement Of Responsibilities
The Council's Responsibilities

The Council is required:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2014.

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

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

The Chief Finance Officer has also:

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

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I hereby certify that the Statement of Accounts on pages 3 to 104 complies with the requirements of the Accounts and Audit Regulations 2011 as amended.

Ken Clarke CPFA,
Assistant Director

Dated: 16 September 2014

APPROVED BY AUDIT COMMITTEE

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

Councillor Rob Sloan
Chair of Audit Committee
Dated: 16 September 2014

ANNUAL GOVERNANCE STATEMENT 2013/14

Introduction

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

1. Standards of Governance

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

2. Scope of Responsibility

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

2.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities 2012 edition. Within this code and to meet its responsibilities, the Council (members and officers) is responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations¹ and ensuring the effective exercise of its functions.

2.3 The Council continues to review its arrangements against best practice and

¹ Regulations 4(2), 4 (3) and 4(4) of the Accounts and Audit (England) Regulations 2011

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 2014 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2014/15 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:

- Community Strategy- Shaping Our Future – Telford and Wrekin's Journey to 2020 - approved by Council on 2nd May 2013;
- The Council's Medium Term Plan 2013/14 to 2015/16 which outline the Council's ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial

regulations and contract standing orders), Forward Plan and decision making processes;

- Co-operative Council principles and clear vision and values² for the Council and the Community;
- Clear governance arrangements to manage the Council's change programmes and restructuring occurring across the Council and key capital projects;
- Designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services, Director of Public Health and Scrutiny Officer;
- The Council's Information Governance 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 SMT³, Cabinet and Scrutiny;
- A Legal Services Team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/Team Leaders;
- Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's people services and workforce/organisational development

² Co-operative values of ownership, openness & honesty, involvement, fairness & respect

³ Senior Management Team – Managing Director, Directors and Assistant Directors.

procedures⁴ 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 Officer⁵ Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected from members and officers;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council's communication and consultation strategies ensure that the local community knows what the Council is doing and receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The deputy Leader of the Cabinet is the lead member responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and the strategic risks are reviewed by SMT;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit, on a risk basis, reviews the Council's systems and processes set out to

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

⁵ The Employee Code of Conduct and was re-issued in April 2013.

achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;

- Anti-fraud and Corruption, Speak Up and Prosecution policies to 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;
- The External Auditor has previously satisfactorily measured the Audit & Information Governance Manager against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010) and they have also reviewed the Internal Audit team against the Public Sector Internal Audit Standards;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management.
- Awareness and training for members within their member development programme and for officers through induction, Staff news, and update sessions on any revised governance arrangements (including information governance).

5. Review of Effectiveness

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

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

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

objectives. Issues of strategic and corporate importance are referred to the Cabinet.

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

5.4 The Internal Audit plan is informed by the Council's service and financial planning processes, external inspection reports, external networking, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance risk and internal control arrangements. During 2013/14 the Internal Audit team achieved over 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on adequacy and effectiveness of the Council's governance, risk management and internal control framework.

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

5.6 Internal Audit undertook a review of the Adult Social Services financial system and associated processes reporting initially in September 2011 a grading of limited assurance. This was followed up in July 2012 with the grading remaining at the same level so another follow up took place in March 2013 which was reported by the Assistant Director to the Audit Committee to provide assurance that the desired improvements were being made. Further work was undertaken by Internal Audit in August 2013 and reported to the Audit Committee in January 2014, but limited improvements have been made. Senior Management changes have been implemented and additional resources have been allocated. The Audit Committee have been kept up to date with progress and received a further update at their meeting in June 2014 in addition to an interim update meeting with the

Chair of the Audit Committee and Cabinet member which was held in April 2014. A further report will be provided to the September 2014 Audit Committee.

5.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up policy. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Speak Up policy supports this. Internal Audit undertakes proactive fraud work based on a fraud risk register and will be re-reviewing the Council's anti-fraud activities against best practice (Audit Commission's Red Book) during 2014/15. Other specific anti-fraud and corruption activities are undertaken by Revenues & Benefits and Trading Standards. An annual report on these activities is presented to the Audit Committee

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

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

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

5.11 The Council recognises the importance of Information Governance and has been formalising its Information Governance framework which will be agreed in 2014/15. It has taken significant steps to improve the security of its IT, paper and handling processes

to meet the compliance requirements for Data Handling in Government. The Information Governance team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2013/14 no enforcement action has been taken by the ICO against the Council despite exchanges of correspondence between the ICO and the Council due to referrals to the ICO by the public and other third parties.

5.12 ICT infrastructure upgrades during the year have further improved security, data handling and business continuity and work has commenced on a full review of the ICT strategy.

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

5.14 The 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.

5.15 The External Auditor's Annual Audit Letter 2012/13 included in its headlines:

- VFM conclusion – We issued an unqualified value for money ("VFM") conclusion for 2012/13 on 24 September 2013. 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 24 September 2013. 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. We noted improvement in the quality of the accounts and many of the supporting working

papers. We issued our certificate on 4 October 2013.

5.16 The External Auditors undertook their interim visit at the end of March 2014 in preparation for their Final accounts audit 2013/14. They completed their control evaluation work, examining the work of Internal Audit, to ensure that the Council's controls are in line with good practice and so that any significant matters could be reported to those charged with governance in a timely manner. They reported in letter form to the CFO which was also presented to the June 2014 Audit Committee that they had "identified no matters which we are required to draw to the attention of the Authority".

5.17 Whilst T&W Council is primarily a commissioner of care services, the Council does directly provide some care services which are registered and inspected by the Care Quality Commission. In 2013/14 CQC undertook the following inspections and the outcomes were:

Service	Comments	Date
Intermediate Care - Care in the Home and supported living	All standards met	15/03/14
Carwood Residential Home	All standards met	25/01/14
Downing House Residential Home	All standards met	30/10/13
Shared Lives - Adult Placement Scheme	All standards met	20/03/14
Community Services – Learning Disability, Domiciliary Care	All standards met	11/02/14

5.18 There were 2 Ofsted inspections of Childrens Centres in the Borough during 2013/14. Copies of the reports are available at www.ofsted.gov.uk but the main findings were

Location	Date	Grading ⁶
Hadley Castle Group	17/12/2013	Requires improvement (3)
Lakeside South	12/11/2013	Requires improvement (3)

⁶ Grades are 1 = Outstanding; 2 = Good; 3 = Requires improvement; 4 = Inadequate

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

5.19 In addition to formal external reviews Children and Family Services had a Peer Review in June 2013 and Peer Challenge in March 2014. There was an Adult Social Care Peer Challenge in July 2013. From these peer reviews/challenges improvement plans have been developed to ensure efficient, effective and robust processes including appropriate governance.

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

Richard Partington

Managing Director
Dated 3/9/2014

Kuldip Sahota

Leader of the Council
Dated: 3/9/2014

Rob Sloan

Chair of Audit Committee
Dated: 16/9/2014

AGS ACTION PLAN FOR 2013/14 TO BE IMPLEMENTED 2014/15

No	Action	Lead Officer	Comments	Date
1.	Continued strategic management of organisational change in respect to revised structures, new ways of working and business approach which links to the continued development and implementation of revised governance framework (encompassing information security, information technology, partnership and project governance).	Managing Director and SMT	Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members. Final Constitution changes to be in place by May 2015.	Ongoing 31/03/15
2.	Preparations for the revised external audit arrangements.	AD Finance, Audit & IG	Local Audit and Accountability Act 2014 is now statute but secondary legislation and guidance still to be developed. Therefore continued need to respond to any consultations on these.	On going-respond to any consultations during 14/15 as required.
3.	Complete the review and implementation of Workforce Development priorities and delivery. Continue to review and update the management competencies and skills required in the revised organisation. Review of People Services policies and procedures to support the priorities and organisational change.	AD – Law, Democracy & People Services	Continue the work on workforce development, management competencies and policy and procedures review.	On going as agreed with SMT (31/03/15).
4.	Deliver the improved processes and associated governance to deliver savings and service improvements in Adult Social Services alongside the development of the processes and Council governance arrangements for the revised Social Care and Health agendas and changes proposed for 2014/15 and beyond.	Interim Director: Care, Health & Wellbeing; Interim AD – Adult Social Services	Implement control changes and deliver savings targets. Implement appropriate governance arrangements to meet the changes arising from the Care Act.	31/03/15 and on-going
5.	Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges.	Director: Children & Family Services & Interim Director: Care, Health & Wellbeing	This action plan is particularly focussed on any recommendations that improve the governance arrangements in these areas.	Various dates throughout 2014/15
6.	Continue to develop and implement appropriate governance arrangements to support commercial projects including the setting up of a company.	Managing Director/ Monitoring Officer/CFO/ Director of Development, Business & Customer Services	Some commercial activities will require a separate company to be set up and appropriate governance within and in relation to the Council will need to be implemented.	Company by 09/14 and others on going during 2014/15

Auditors' Report

Report to be added after audit complete

Report to be added after audit complete

Report to be added after audit complete

Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 carried forward	3,686	30,785	0	18,035	52,506	15,150	67,656
Movement in reserves during 2012/13							
Surplus or (deficit) on the provision of services	(22,015)	0	0	0	(22,015)	0	(22,015)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(28,794)	(28,794)
Total Comprehensive Income and Expenditure	(22,015)	0	0	0	(22,015)	(28,794)	(50,809)
Adjustments between accounting basis & funding basis under regulations (Note 7)	22,752	0	53	(4,680)	18,125	(18,125)	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	737	0	53	(4,680)	(3,890)	(46,919)	(50,809)
Transfers to/(from) Earmarked Reserves	(1,302)	1,302	0	0	0	0	0
Increase/ (Decrease) in 2012/13	(565)	1,302	53	(4,680)	(3,890)	(46,919)	(50,809)
Balance at 31 March 2013 carried forward	3,121	32,087	53	13,355	48,616	(31,769)	16,847

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Movement in reserves during 2013/14							
Surplus or (deficit) on the provision of services	(22,634)	0	0	0	(22,634)	0	(22,634)
Other Comprehensive Income and Expenditure	0	0	0	0	0	54,652	54,652
Total Comprehensive Income and Expenditure	(22,634)	0	0	0	(22,634)	54,652	32,018
Adjustments between accounting basis & funding basis under regulations (Note 7)	34,357	0	(53)	(6,239)	28,065	(28,065)	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	11,723	0	(53)	(6,239)	5,431	26,587	32,018
Transfers to/(from) Earmarked Reserves	(11,620)	11,620	0	0	0	0	0
Increase/ (Decrease) in 2013/14	103	11,620	(53)	(6,239)	5,431	26,587	32,018
Balance at 31 March 2014 carried forward	3,224	43,707	0	7,116	54,047	(5,182)	48,865

Comprehensive Income and Expenditure Account

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

SERVICE	2012/13 Gross Expenditure £'000	2012/13 Income £'000	2012/13 Net Expenditure £'000	2013/14 Gross Expenditure £'000	2013/14 Income £'000	2013/14 Net Expenditure £'000
<u>Continuing Services</u>						
Children's and Education Services (note 33)	177,268	154,159	23,109	168,489	144,771	23,718
Adult Social Care	70,701	32,022	38,679	64,163	20,850	43,313
Environmental & Regulatory Services	15,898	2,777	13,121	15,923	1,974	13,949
Cultural and Related Services	22,630	10,794	11,836	22,024	10,239	11,785
Planning Services	11,865	8,681	3,184	12,377	12,071	306
Highways & Transport Services	18,368	13,249	5,119	18,574	18,572	2
Housing Services	81,384	75,504	5,880	80,828	75,051	5,777
Court & Probation Services	287	2	285	279	2	277
Contribution re Former County Council Debt	2,033	0	2,033	2,004	0	2,004
Corporate & Democratic Core	3,784	0	3,784	3,695	0	3,695
Central Services	50,634	41,343	9,291	29,740	22,782	6,958
Non Distributed Costs	2,117	0	2,117	2,218	0	2,218
<u>Acquired Services</u>						
Public Health (note 27)	0	0	0	10,807	10,616	191
Net Cost of Services (Note 26)	456,969	338,531	118,438	431,121	316,928	114,193

Other Operating Expenditure (Note 9)	21,364	34,020
Financing and investment income and expenditure (Note 10)	11,112	11,850
Taxation & Non Specific Grant Income and Expenditure (Note 11)	(128,899)	(137,429)
(Surplus) or deficit on provision of services	22,015	22,634
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets	(4,963)	1,531
(Actuarial Gains)/Losses on Pension assets/liabilities (Note 42)	33,757	(56,183)
Other Comprehensive Income & Expenditure	28,794	(54,652)
Total Comprehensive Income and Expenditure	50,809	(32,018)

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 2013		31 March 2014	31 March 2014
£'000		£'000	£'000
346,896	Property, Plant & Equipment (Note 12)	357,309	
52,564	Investment Properties (Note 13)	54,275	
1,842	Intangible Assets (Note 49)	1,627	
10,033	Long Term Investments (Notes 14,45,48)	33	
598	Long Term Debtors (Note 14)	573	
411,933	Total Long Term Assets		413,817
	Current Assets		
294	Inventories (Note 15)	298	
21,182	Debtors (Notes 14,16)	20,731	
15,000	Investments - (short term) (Notes 14,45,48)	10,000	
6,874	Assets held for sale (Note 18)	4,842	
18	Landfill Allowances Asset Account (Note 60)	0	
7,885	Cash and Cash Equivalents (Note 17)	14,467	
51,253		50,338	
	Current Liabilities		
(18,697)	Provisions (Note 20)	(18,654)	
(11,093)	Short term borrowing (Notes 14,45)	(37,063)	
(60,999)	Creditors (Notes 14,19)	(62,521)	
(21)	Landfill Allowances Liability Account (Note 60)	(0)	
(90,810)		(118,238)	
(39,557)	Total Net Current Assets/(Liabilities)		(67,900)
(99,521)	Less Long Term Borrowing (Notes 14,45)		(88,520)
(59,774)	Less Long Term Creditors (PFI & Finance Leases) (Note 14)		(58,274)
(196,006)	Less Pensions Liability (Note 42)		(150,183)
(228)	Capital Grants Receipts in Advance (Note 34)		(75)
16,847	Net Assets		48,865
48,616	Usable Reserves (Note 8)		54,047
(31,769)	Unusable Reserves (Note 22)		(5,182)
16,847	Net Reserves		48,865

Cash Flow Statement

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

2012/13		2013/14
£000		£000
22,015	Net (surplus) or deficit on the provision of services	22,634
(85,203)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 61)	(67,461)
59,246	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 62)	47,992
(3,942)	Net cash flows from Operating Activities (Note 23)	3,165
(37,088)	Investing Activities (Note 24)	4,469
36,796	Financing Activities (Note 25)	(14,216)
(4,234)	Net (increase) or decrease in cash and cash equivalents	(6,582)
3,651	Cash and cash equivalents at the beginning of the reporting period	7,885
7,885	Cash and cash equivalents at the end of the reporting period (Note 17)	14,467

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 2013/14 (COP), based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). They are further supplemented by International Public Sector Accounting Standards (IPSAS) and United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) comprising the Application of Statements of Standard Accounting Practice (SSAPs) Financial Reporting Statements (FRSs) and pronouncements of the Urgent Issues Task Force (UITF).

b) Concepts

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

c) Accruals of Expenditure & Income

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

d) Local Services Support Grant

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

e) Cash and Cash Equivalents

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

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

f) Contingent Asset

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

g) Contingent Liability

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

h) Employee Benefits

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

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

- Salaries and Wages
- Compensated Absences (paid annual leave and sick leave)
- Pensions Benefits
- Termination Benefits

Salaries and Wages

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

Compensated Absences

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

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

Pensions Benefits

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

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

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

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

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

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) additional disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2013/14 COP. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any Authority's share of the assets and liabilities under the Teachers' scheme or the National Health Service scheme.

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

Termination Benefits

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

i) Events After the Balance Sheet Date

Where a material post balance sheet event occurs which

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

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

j) Exceptional Items and Prior Period Adjustments

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

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

k) Financial Instruments

Investments are disclosed in the Balance Sheet at amortised cost.

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

l) Government Grants and Other Contributions

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

m) Intangible Assets

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

n) Inventories and long term contracts

Stocks are valued in accordance with 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 are classified as being held for sale if the following conditions are met

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

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 usable capital receipts.

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

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

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

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

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

As at 31st March 2014 there were 10 significant capital contracts in place. These total £92.9m and are detailed in the notes.

v) Depreciation

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

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

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

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

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

x) Provisions

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

y) Reserves

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

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

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

z) Revenue Expenditure funded from Capital under Statute

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

aa) Value Added Tax

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

ab) Direct Revenue Financing of Capital Expenditure

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2013/14, 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 usable capital receipts account until such time as they are used to finance other capital expenditure or to repay debt.

ae) The Redemption of Debt

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

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

af) Estimation Techniques

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

ag) Heritage Assets

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

A list of the Council's Heritage assets is included in Note 63.

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. As of 31 March 2014, the scheme reached the end of the first reporting phase. The Authority is required to report carbon emissions associated with its electricity and gas consumption annually, and purchase and surrender allowances retrospectively to cover these emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. 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. Allowances to cover 2013/14 emissions will be purchased and surrendered during summer 2014. The Authority does not qualify for Phase 2 of the CRC scheme. This means allowances will not need to be purchased to cover 2014/15 emissions unless the Government changes the Phase 2 qualifying criteria.

ai) Capitalisation Of Interest

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

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

For 2013/14 the following new standards have been issued but not yet adopted;

- IFRS 10 Consolidated Financial Statements (May 2011). Identifies control as the basis for consolidation and inclusion in the accounts. The Council does not currently produce group accounts and it is not anticipated that we will have to under the new standard, however, all our relationships will be reviewed to determine whether group accounts need to be produced. However it is likely to change how we report schools. This won't produce group accounts, but will mean that our asset register will have to be increased to take account of schools not currently included. The following groups of schools will be added to the balance sheet. 3 Foundations schools valued at £14.744m, 8 Foundation Trust schools valued at £19.464m, 8 Voluntary Aided schools valued at £17.115m and 7 Voluntary Controlled schools valued at £12.279m, increasing the total for Property Plant & Equipment by £63.602m.
- IFRS 11 Joint Arrangements (May 2011). Relates to group accounts. The Council does not currently produce group accounts and it is not anticipated that we will have to under the new standard, however, all our relationships will be reviewed to determine whether group accounts need to be produced.
- IFRS 12 Disclosure of Interests in Other Entities (May 2011). Requires the entity to disclose information in relation to the nature and associated risks of its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. At present the Council does not have any significant relationships that would require disclosure.
- IAS 27 Separate Financial Statements (as amended in May 2011). Provides additional guidance for authorities in relation to group accounts.
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011). Provides additional guidance for authorities in relation to group accounts.
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended December 2011). Provides guidance for offsetting financial assets and liabilities where applicable. Has no impact on the Authority.
- IAS 1 Presentation of Financial Statements (as amended in May 2011) Part of Annual Improvements to IFRS 2009 – 2011 Cycle. As this standard only addresses presentation issues, no disclosure of the impact of the change is required.

IAS 19 Employee Benefits (June 2011 Amendments) was amended for inclusion in financial statements from 2013/14 onwards. As a result of these there are some restatements required to the statement of accounts as below (only the changed lines shown).

There are also some changes to the Balance Sheet to reflect a reassessment of how to account for Single Status in the light of updated guidance. A provision has been created in 2013/14 whereas it was previously shown mainly as a creditor, but also a small part in reserves. Prior year figures have been restated to account for these changes.

Movement In Reserves Statement

The change relates to pension remeasurements being shown differently and a move between reserves and provisions in relation to single status.

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Earmarked General Fund Reserves – Balance at 31/3/12	31,285	-500	30,785
Total Usable Reserves – Balance at 31/3/12	53,006	-500	52,506
Total Authority Reserves – Balance at 31/3/12	68,156	-500	67,656
Movement During 2012/13 – Surplus on the provision	(21,437)	-578	(22,015)

of services – General Fund Balance			
Movement During 2011/12 – Other Comprehensive Income and Expenditure – Unusable Reserves	(29,372)	+578	(28,794)
Adjustments between accounting basis and funding basis under regulations – General Fund Balance	22,174	+578	22,752
Adjustments between accounting basis and funding basis under regulations – Total Usable Reserves	17,547	+578	18,125
Adjustments between accounting basis and funding basis under regulations –Unusable Reserves	(17,547)	-578	(18,125)
Earmarked General Fund Reserves – Balance at 31/3/13	32,587	-500	32,087
Total Usable Reserves – Balance at 31/3/13	49,116	-500	48,616
Total Authority Reserves – Balance at 31/3/13	17,347	-500	16,847

Comprehensive Income and Expenditure Account

Description	Original Figure £000	IAS 19 £000	Revised Figure £000
Children’s and Education Services – Gross Expenditure	177,152	+116	177,268
Children’s and Education Services – Net Expenditure	22,993	+116	23,109
Adult Social Care – Gross Expenditure	70,666	+35	70,701
Adult Social Care – Net Expenditure	38,644	+35	38,679
Environment & Regulatory Services – Gross Expenditure	15,892	+6	15,898
Environment & Regulatory Services – Net Expenditure	13,115	+6	13,121
Cultural and Related Services – Gross Expenditure	22,611	+19	22,630
Cultural and Related Services – Net Expenditure	11,817	+19	11,836
Planning & Development – Gross Expenditure	11,846	+19	11,865
Planning & Development – Net Expenditure	3,165	+19	3,184
Highways & Transport Services – Gross Expenditure	18,360	+8	18,368
Highways & Transport Services – Net Expenditure	5,111	+8	5,119
Housing Services – Gross Expenditure	81,373	+11	81,384
Housing Services – Net Expenditure	5,869	+11	5,880
Central Services – Gross Expenditure	50,580	+54	50,634
Central Services – Net Expenditure	9,237	+54	9,291
Non Distributed Costs – Gross Expenditure	1,823	+294	2,117
Non Distributed Costs – Net Expenditure	1,823	+294	2,117
Net Cost of Services – Gross Expenditure	456,407	+562	456,969

Net Cost of Services – Net Expenditure	117,876	+562	118,438
Financing and Investment Income and Expenditure	11,096	+16	11,112
(Surplus) or deficit on provision of services	21,437	+578	22,015
Pensions Remeasurements	34,335	-578	33,757
Other Comprehensive Income & Expenditure	29,372	-578	28,794

Balance sheet

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Creditors	(76,471)	+15,472	(60,999)
Provisions	(2,725)	-15,972	(18,697)
Total Current Liabilities	(90,310)	-500	(90,810)
Net Current Assets/Liabilities	(39,057)	-500	(39,557)
Net Assets	17,347	-500	16,847
Usable Reserves	49,116	-500	48,616
Net Reserves	17,347	-500	16,847

The following Notes were also amended to correspond with these changes

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

Note 8 – Transfers to/from Earmarked Reserves & Balances

Note 10 – Financing and Investment Income and Expenditure

Note 13 – Investment Properties

Note 19 – Creditors

Note 20 – Provisions

Note 28 – Market Undertaking and Industrial Units

Note 42 - Defined Benefit Pension Schemes Participation in Pension Schemes

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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £4.0m 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 pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £9.9m. However, the assumptions interact in complex ways.
Arrears	At 31 March 2014, the Authority had a balance of sundry debtors for £27.704m. The Council has set aside a bad debts provision of 25.2% (£6.973m) in relation to these. It is our view that this level of provision is sufficient.	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £1.4m to be set aside as an allowance.
Single Status	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the	The costs in relation to the scheme could be lower or higher than the sum provided. If the costs are lower then any excess in the provision would be transferred into the General Fund Balance. If the costs are higher than the provision then there will be an impact on general fund balances and future Council Tax increases.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	2013/14 accounts, as was the case last year.	

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 26 June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no after Balance Sheet Date events that we are aware of.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	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	25,564	0	0	(25,564)
Movement in the market value of Investment Properties	(761)	0	0	761
Revenue expenditure funded from capital under statute	14,021	0	0	(14,021)
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	34,888	0	0	(34,888)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(1,686)	0	0	1,686

Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(43,913)	0	43,913	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(50,152)	50,152
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	(4,079)	4,079	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,132)	0	4,132
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	469	0	0	(469)
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)	23,614	0	0	(23,614)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,254)	0	0	13,254
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	393	0	0	(393)
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	(899)	0	0	899
Total Adjustments	34,357	(53)	(6,239)	(28,065)

2012/13 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	18,578	0	0	(18,578)
Movement in the market value of Investment Properties	1,092	0	0	(1,092)
Revenue expenditure funded from capital under statute	14,748	0	0	(14,748)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	47,199	0	0	(47,199)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(6,978)	0	0	6,978
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(30,664)	0	30,664	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(35,344)	35,344
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(28,886)	28,886	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(28,833)	0	28,833
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	380	0	0	(380)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	19,837	0	0	(19,837)

Statement (see Note 42)				
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,175)	0	0	12,175
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(291)	0	0	291
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(88)	0	0	88
Total Adjustments	22,752	53	(4,680)	(18,125)

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 2013/14.

	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 2012 carried forward	3,686	22,050	6,384	2,351	0	18,035	52,506
Movement / Use of reserves during 2012/13	(565)	666	256	380	53	(4,680)	(3,890)
Balance at 31 March 2013 carried forward	3,121	22,716	6,640	2,731	53	13,355	48,616
Movement / Use of reserves during 2013/14	103	13,468	(627)	(1,221)	(53)	(6,239)	5,431
Balance at 31 March 2014 carried forward	3,224	36,184	6,013	1,510	0	7,116	54,047

9. Other Operating Expenditure

2012/13		2013/14
£000		£000
3,051	Parish Council precepts	2,695
0	Payment of RSG to Parishes	516
20,231	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	31,184
(1,918)	(Gains)/losses on the disposal of non-current assets – Other Assets	(375)
21,364	Total	34,020

10. Financing and Investment Income and Expenditure

2012/13		2013/14
£000		£000
9,850	Interest payable and similar charges	9,373
7,307	Pensions interest cost and expected return on pensions assets	7,955
(1,850)	Interest receivable and similar income	(1,581)
(4,181)	Income and expenditure in relation to investment properties and changes in their fair value	(3,906)
(14)	Other investment income and expenditure	9
11,112	Total	11,850

11. Taxation and Non Specific Grant Income and Expenditure

2012/13		2013/14
£000		£000
(61,161)	Council tax income	(52,827)
(400)	Collection Fund Surplus/Deficit	(300)
(65,378)	Non domestic rates	(30,614)
(0)	Non domestic rates Top Up Grant	(2,037)
(593)	Local Services Support Grant	(183)
(1,267)	Revenue Support Grant	(50,871)
(0)	Section 31 Grant	(597)
(100)	Other grants and contributions	(0)
(128,899)	Total	(137,429)

There was a change in funding arrangements between 2012/13 and 2013/14 that affect the figures in the above table. Council Tax Benefit is now a discount which results in a lower tax base, rather than a grant. This has resulted in lower Council Tax income, but is partly offset by Higher Revenue Support Grant. Revenue Support Grant is also higher because of the change in arrangements through localised non domestic rates. The Council now retains 49% of non domestic rates, whereas in 2012/13 all of non domestic rates were paid to the Government and the Council received back non domestic rates in the form of a grant.

12. Property, Plant and Equipment

Movements in 2013/14:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2013	262,711	21,963	70,145	24,893	379,712	60,039
Additions	20,007	916	17,152	30,746	68,821	569
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(4,291)	0	0	0	(4,291)	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,591)	0	0	(672)	(12,263)	0
derecognition – disposals	(31,347)	0	0	0	(31,347)	0
assets reclassified (to) /from Assets Under Construction	29,276	0	0	(29,276)	0	0
assets reclassified (to)/from Held for Sale	(543)	0	0	0	(543)	0
assets reclassified (to) /from Investment Properties	(934)	0	0	0	(934)	0
At 31 March 2014	263,288	22,879	87,297	25,691	399,155	60,608
Accumulated Depreciation and Impairment						
at 1 April 2013	15,190	12,359	5,267	0	32,816	2,863
depreciation charge	5,989	4,290	1,715	0	11,994	1,381
depreciation written out to the Revaluation Reserve	(2,939)	0	0	0	(2,939)	0
derecognition – disposals	(25)	0	0	0	(25)	0
At 31 March 2014	18,215	16,649	6,982	0	41,846	4,244
Net Book Value						
at 31 March 2014	245,073	6,230	80,315	25,691	357,309	56,364
at 31 March 2013	247,521	9,604	64,878	24,893	346,896	57,176
Information on Assets Held at 31/3/14						
Nature of Holding						
Owned	188,697	5,311	80,315	25,691	300,014	
Leased	0	919	0	0	919	
PFI	56,374	0	0	0	56,374	
Total	245,071	6,230	80,315	25,691	357,307	

Comparative Movements in 2012/13:

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

Accumulated Depreciation and Impairment							
at 1 April 2012	12,569	7,622	3,866	0	0	24,057	1,489
depreciation charge	5,858	4,737	1,401	0	0	11,996	1,374
depreciation written out to the Revaluation Reserve	(2,572)	0	0	0	0	(2,572)	0
derecognition – disposals	(665)	0	0	0	0	(665)	0
At 31 March 2013	15,190	12,359	5,267	0	0	32,816	2,863

Depreciation

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

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

Capital Commitments

At 31 March 2014, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £92.9m. Similar commitments at 31 March 2013 were £40.0m. The major commitments are:

- Ercall Wood School – £4.9m
- Adams Grammar School – £3.1m
- Burton Borough School - £7.9m
- Charlton School - £14.4m
- Holy Trinity Academy £13.4m
- Lakeside Learning Community £16.4m
- Telford Co – Operative Academy £14.2m
- Southwater One – £1.7m
- Ironbridge Gorge Stability – £8.6m
- Box Road – £8.3m

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

12a. Fixed Asset Valuation

The Council's property was valued on 1 April 2013 by internal valuers, James Dunn MRICS, Dylan Webster MRICS and David Scrimgeour MRICS, all Register Valuers of Telford & Wrekin Council.

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

The valuation of the property was on the basis of:

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

Special assumptions – Operational Property:

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

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

- Where physically-adjointing properties that have been acquired separately by the Council for site assembly for future development/regeneration, the proposed development scheme will be used as the basis for valuation for the assembled site(s).

- No account will be made where the ownership of a number of separate properties would be of particular advantage to the Council as a single owner, such as drop in or contact centres, libraries, schools, etc
- No account will be made where individual properties are used collectively or are an essential component of the Council's operation, even though they may cover a large geographical area.
- We have not been told of any groups of properties that do not want valuing together.
- We will value units within industrial estates, office complexes and local shopping centres within the PIP as groups of properties.

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

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

Not all of the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Assets with a value of less than £10,000 are excluded from the register.

Investment Properties are valued annually and their current value is £54.275m, 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
2009/10	40,867
2010/11	59,882
2011/12	120,710
2012/13	85,058
2013/14	27,555
Total	334,072

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

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

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

13. Investment Properties

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

	2012/13	2013/14
	£000	£000
Rental income from investment property	(7,753)	(6,754)
Direct operating expenses arising from investment property	2,480	3,609
Net Operational (gain)/loss	(5,273)	(3,145)
Net (gain)/loss on revaluation of properties	1,092	(761)
Total Net (gain)/loss	(4,181)	(3,906)

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

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

	2012/13	2013/14
	£000	£000
Balance at start of the year	53,611	52,564
Additions	2,349	1,604
Disposals	(3,106)	(1,588)
Revaluation Increases/Decreases met from net surplus /deficit on provision of services	(1,092)	761
Transfers:		
- to/from Property, Plant and Equipment	802	934
Balance at end of the year	52,564	54,275

14. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
Investments				
Loans and receivables	10,033	33	15,000	10,000
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	10,033	33	15,000	10,000
Debtors				
Financial assets carried at contract amounts	598	573	21,182	20,731
Total Debtors	598	573	21,182	20,731

Borrowings					
Financial liabilities at amortised cost	99,521	88,520		11,093	37,063
Total borrowings	99,521	88,520		11,093	37,063
Other Liabilities					
PFI and finance lease liabilities	59,774	58,274		2,150	2,186
Other Creditors	0	0		58,849	60,335
Total Other Liabilities	59,774	58,274		60,999	62,521

Income, Expense, Gains and Losses

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	9,850	0	9,850	9,373	0	9,373
Total expense in Surplus or Deficit on the Provision of Services	9,850	0	9,850	9,373	0	9,373
Interest income	0	(1,850)	(1,850)	0	(1,581)	(1,581)
Total income in Surplus or Deficit on the Provision of Services	0	(1,850)	(1,850)	0	(1,581)	(1,581)
Net gain/(loss) for the year	9,850	(1,850)	8,000	9,373	(1,581)	7,792

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:

	2012/13		2013/14	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	110,614	155,204	125,583	156,779
Long-term creditors	59,774	59,774	58,274	58,274

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 2014) arising from a commitment to pay interest to lenders above current market rates.

	2012/13		2013/14	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	25,033	32,805	10,033	13,186
Long-term debtors	598	598	573	573

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 2014) 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 £0.298m at 31/3/14 and £0.294m at 31/3/13. These mainly consist of stocks at Leisure Centres, Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

16. Debtors

2012/13 £'000		2013/14 £'000
	Amounts falling due in one year:	
1,306	Central Government	873
1,058	Other Local Authorities	1,174
4,258	NHS Bodies	5,190
58	Public Corporations and Trading Funds	1,045
20,090	Other Entities and Individuals	19,422
26,770	Gross Debtors	27,704
(5,588)	Provision for doubtful debts	(6,973)
21,182	Total	20,731

17. Cash and Cash Equivalents

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

2012/13		2013/14
£000		£000
182	Cash held by the Authority	165
1,310	Bank current accounts	825
6,393	Call Accounts	13,477
7,885	Total Cash and Cash Equivalents	14,467
0	Bank Account Overdrawn	0
7,885	Net Cash Position for Cash Flow Purposes	14,467

18. Assets Held for Sale

Current		Current
2012/13		2013/14
£000		£000
25,547	Balance outstanding at start of year	6,874
3,635	Reclassified from - Property, Plant and Equipment	543
39	Revaluation gains	0
0	Impairment losses met from the revaluation reserve	(178)
(257)	Impairment losses met from income and expenditure	(247)
(22,090)	Assets sold	(2,194)
0	Acquisitions	44
6,874	Balance outstanding at year-end	4,842

19. Creditors

2012/13		2013/14
£'000		£'000
8,629	Central Government	6,629
276	Other Local Authorities	514
4,677	NHS Bodies	306
234	Public Corporations and Trading Funds	883
45,033	Other Entities and Individuals	52,003
2,150	PFI and Leases	2,186
60,999	Total	62,521

20. Provisions

	2013/14 Opening £'000	Transfers/ Receipts in year £'000	Transfers/ Payments in year £'000	2013/14 Closing £000
Restructure Provision	2,458	182	(2,273)	367
Single Status Provision – Non Schools	11,947	0	(0)	11,947
Single Status Provision – Schools	4,025	304	(0)	4,329
NDR Appeals Provision	0	2,011	(0)	2,011
Insurance Provision	267	25	(292)	0
Total	18,697	2,522	(2,565)	18,654
<i>2012/13</i>	<i>18,742</i>	<i>1,800</i>	<i>(1,845)</i>	<i>18,697</i>

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2009/10. A provision to meet the one off costs associated with the re-structure was made in the 2009/10, 2010/11 and 2011/12 accounts. The balance at 1 March 2013 was mainly used during 2012/13. Further restructures took place in 2012/13 and an additional provision was created for these costs as at 31 March 2013. This balance was mainly used during 2013/14 and an additional provision was created for the one offs costs at 31 March 2014. It is anticipated that there will be further restructures as the cuts to Local Government funding continue.

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 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 2013/14 accounts, as was the case last year and previous years. Previously this was treated as a creditor in the Statement of Accounts; the treatment has been changed, for the 2013/14 and it is now shown as a provision, which better reflects its purpose. The amount in the provision at 31 March 2014 was £16.3m.

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

21. Usable Reserves

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

22. Unusable Reserves

2012/13		2013/14
£000		£000
49,828	Revaluation Reserve	46,467
116,391	Capital Adjustment Account	100,479
467	Financial Instruments Adjustment Account	(2)
0	Deferred Capital Receipts Reserve	0
(196,006)	Pensions Reserve	(150,183)
1,094	Collection Fund Adjustment Account	701
(3,543)	Accumulated Absences Account	(2,644)
(31,769)	Total Unusable Reserves	(5,182)

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.

2012/13		2013/14
£'000		£'000
65,022	Balance brought forward	49,828
8,644	Upwards revaluation of assets	3,108
(3,681)	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	(4,639)
(1,095)	Difference between fair value depreciation and historical cost depreciation	(1,080)
(19,062)	Accumulated gains and losses on assets sold or scrapped	(750)
49,828	Balance carried forward	46,467

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.

2012/13		2013/14
£'000		£'000
106,392	Balance Brought Forward	116,391
(17,765)	Charges for depreciation and impairment of non-current assets	(24,504)
(813)	Amortisation of intangible assets	(1,060)
(14,748)	Revenue expenditure funded from capital under statute	(14,021)
(46,895)	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	(34,888)
20,157	Adjusting amounts written out of the Revaluation Reserve	1,830
28,833	Capital financing - Capital receipts	4,132
35,344	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	50,152
6,978	Minimum Revenue Provision	1,686
(1,092)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	761
116,391	Balance Carried Forward	100,479

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 2014 will be charged to the General Fund over the next 14 years.

2012/13		2013/14
£000		£000
847	Balance at 1 April	467
(380)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(469)
467	Balance at 31 March	(2)

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.

2012/13		2013/14
£000		£000
154,587	Balance at 1 April	196,006
33,709	Actuarial (gains) or losses on pensions assets and liabilities	(56,183)
939	Added Years	1,042
626	Entity Combination	0
18,320	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	22,572
(12,175)	Employer's pensions contributions and direct payments to pensioners payable in the year	(13,254)
196,006	Balance at 31 March	150,183

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.

2012/13		2013/14
£000		£000
304	Balance at 1 April	0
(304)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	Balance at 31 March	0

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.

2012/13		2013/14
£000		£000
803	Balance at 1 April	1,094
291	Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	(393)
1,094	Balance at 31 March	701

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.

2012/13		2013/14
£000		£000
3,631	Balance at 1 April	3,543
(3,631)	Settlement or cancellation of accrual made at the end of the preceding year	(3,543)
3,543	Amounts accrued at the end of the current year	2,644
3,543	Balance at 31 March	2,644
(88)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(899)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities includes the following items:

2012/13		2013/14
£000		£000
(516)	Interest received	(5,040)
9,942	Interest paid	9,281

24. Cash Flow Statement – Investing Activities

2012/13		2013/14
£000		£000
47,768	Purchase of property, plant and equipment, investment property and intangible assets	65,571
0	Purchase of short-term and long-term investments	0
754	Other payments for investing activities	966
(29,801)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,667)
(25,000)	Proceeds from short-term and long-term investments	(15,000)
(30,809)	Other receipts from investing activities	(44,401)
(37,088)	Net cash flows from investing activities	4,469

25. Cash Flow Statement – Financing Activities

2012/13		2013/14
£000		£000
(37,590)	Cash receipts of short and long term borrowing	(117,500)
(1,974)	Other receipts from financing activities	(714)
(291)	Appropriation to/from Collection Fund Adjustment Account	(541)
74,645	Repayments of short and long term borrowing	102,531
2,006	Cash payments in relation to finance leases and PFI agreements	2,008
36,796	Net cash flows from financing activities	(14,216)

26. Amounts Reported for Resource Allocation Decisions

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

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

For 2013/14 a number of reallocations of responsibility were made from 2012/13 and Public Health was an Acquired Service from 1/4/13 and included within Health, Well Being & Public Protection.

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

2013/14	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Adult Social Services	12,776	60,610	73,386	23,942	1,276	25,218	48,168
Education & Corporate Parenting	4,121	97,830	101,951	3,894	92,563	96,457	5,494
Children's Safeguarding & Specialist Services	4,880	17,742	22,622	2,745	1,006	3,751	18,871
Family, Cohesion & Commissioning	11,946	23,543	35,489	11,426	9,617	21,043	14,446
Development, Business & Employment	7,152	12,011	19,163	18,844	2,235	21,079	(1,916)
Neighbourhood & Leisure Services	9,541	37,116	46,657	18,971	1,471	20,442	26,215
Customer Services	5,512	5,549	11,061	6,857	2,198	9,055	2,006
Law, Democracy & People Services	3,723	2,881	6,604	4,530	209	4,739	1,865
Finance, Audit & Information Governance	6,521	83,591	90,112	9,324	63,811	73,135	16,977
Health, Well Being & Public Protection	652	5,623	6,275	0	6,075	6,075	200
Co-Operative Council	2,874	1,476	4,350	2,930	15	2,945	1,405
Total	69,698	347,972	417,670	103,463	180,476	283,939	133,731

Less items in above table but not shown under provision of services in statement of accounts			(26,879)			(9,073)	(17,806)
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			40,330			42,062	(1,732)
Provision of services in the statement of accounts			431,121			316,928	114,193

2012/13	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Adult Care & Support	12,282	63,084	75,366	24,969	7,948	32,917	42,449
Education & Skills	7,286	111,844	119,130	3,210	112,464	115,674	3,456
Children's Safeguarding	5,482	17,198	22,680	1,275	335	1,610	21,070
Family & Cohesion Services	12,081	21,934	34,015	9,665	11,439	21,104	12,911
Development, Business & Housing	8,501	16,005	24,506	26,256	36	26,292	(1,786)
Neighbourhood & Leisure Services	8,762	35,985	44,747	17,876	1,434	19,310	25,437
Customer & People Services	12,068	12,649	24,717	18,305	1,986	20,291	4,426
Law, Democracy & Public Protection	3,376	3,169	6,545	4,395	25	4,420	2,125
Finance, Audit & Information Governance	6,047	80,866	86,913	17,654	55,077	72,731	14,182
Co-Operative Council	2,601	2,049	4,650	3,265	226	3,491	1,159
Total	78,486	364,783	443,269	126,870	190,970	317,840	125,429
Less items in above table, but not shown under provision of services in statement of accounts			(20,412)			(9,636)	(10,776)
Items not reported to Corporate Management Team but are shown			33,550			30,327	3,223

within provision of services in the statement of accounts							
Provision of services in the statement of accounts			456,407			338,531	117,876

Items within "Less items in above table but not shown under provision of services in statement of accounts" General grants including Section 31 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.

Public Health

Responsibility for Public Health transferred to the Council from the NHS in April 2013 together with the associated specific ring-fenced grant funding, totalling £10.6m in 2013/14. The conditions of the grant are that it must be used to address health needs and improve health and well-being in the community. Improving public health outcomes is delivered across a number of Service Areas and a summary of the application of the grant in 2013/14 is shown in the table below:

	£
Public Health, Well Being & Public Protection	(7,424,998)
Children's Safeguarding & Specialist Services	(100,000)
Family, Cohesion & Commissioning Services	(1,287,835)
Neighbourhood & Leisure Services	(502,490)
Development, Business & Employment	(302,809)
Adult Social Services	(997,567)
Total Public Health Grant 2013/14	(10,615,699)

Overall, the grant was fully spent during the year with only a small balance carried forward to 2014/15 in accordance with the grant conditions.

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:-

	2012/13 £'000	2013/14 £'000
Income from Stallholders' Rents and charges	45	43
Expenditure	<u>(31)</u>	<u>(52)</u>
(Deficit)/Surplus taken to General Fund	<u>14</u>	<u>(9)</u>

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

	2012/13 £'000	2013/14 £'000
Income from rents	7,204	6,166
Other income	549	588
Net gains/(losses) on revaluation of property	(1,092)	761
Direct operating expenses	<u>(2,480)</u>	<u>(3,609)</u>
(Deficit)/Surplus taken to General Fund	<u>4,181</u>	<u>3,906</u>
Total Trading Accounts	<u>4,195</u>	<u>3,897</u>

29. Pooled Budgets

During 2013/14 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. This now forms part of Public Health for 2013/14.

	2012/13 £000	2013/14 £000
Expenditure	65	0
Income	168	0

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. This now forms part of Public Health for 2013/14.

	2012/13 £000	2013/14 £000
Expenditure	288	0
Income	288	0

Carers Pooled Budget

The Authority has entered into a pooled budget arrangement with Telford & Wrekin CCG to improve the service provided to Carers through closer working between the Health Service and the Council. Under/overspends will be returned or funded in proportion to the Partners' contribution. The Council's contribution to this budget is £321k

	2012/13 £000	2013/14 £000
Expenditure	0	385
Income	0	516

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 £52k.

	2012/13 £000	2013/14 £000
Expenditure	313	313
Income	357	368

ALD Pooled Budget

Funding Transferred to Local Authorities from CCG to help with Valuing People, Healthcare for All, World Class Commissioning. This now forms part of Public Health for 2013/14.

	2012/13 £000	2013/14 £000
Expenditure	14,522	0
Income	15,717	0

Pooled Budgets where Shropshire Community NHS Trust 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. This is no longer a pooled budget.

	2012/13 £000	2013/14 £000
Expenditure	76	0
Income	76	0

Substance Misuse

To promote a partnership approach to the development of local systems of effective drug misuse treatment. This now forms part of Public Health for 2013/14.

	2012/13 £000	2013/14 £000
Expenditure	1,195	0
Income	1,233	0

30. Members' Allowances

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

2012/13		2013/14
£000		£000
615	Allowances	616
4	Expenses	3
619	Total	619

31. Senior Officers' Remuneration

This note shows the amounts paid to Senior Officers in 2013/14 and 2012/13. Senior Officers are defined as:

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

2013/14

<i>Post Holder Information (Post title)</i>	<i>Notes</i>	<i>Annualised salary £</i>	<i>Salary (Including Fees & Allowances) £</i>	<i>Compensation for Loss of Office £</i>	<i>Benefits in Kind £</i>	<i>Total Remuneration excluding Pension contributions 2013/14 £</i>	<i>Pension contributions £</i>	<i>Total Remuneration including pension contributions 2013/14 £</i>
<i>Current Posts</i>								
Managing Director			137,000	0	0	137,000	22,331	159,331
Director of Children & Family Services			109,600	0	0	109,600	17,865	127,465
Director of Development, Business & Customer Services	1	109,600	100,467			100,467	16,376	116,843
Interim Director of Care, Health & Wellbeing	2	109,600	80,727	0	0	80,727	13,158	93,885
Assistant Director: Finance, Audit & Information Governance			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Development, Business & Housing</i>	3	82,304	6,859	0	0	6,859	1,118	7,977
Assistant Director: Development Business & Employment	4	75,836	59,995	0	0	59,995	9,779	69,774
Assistant Director: Planning Specialist		82,304	80,080	0	0	80,080	13,053	93,133
Assistant Director: Family Cohesion & Commissioning			82,304	0	0	82,304	13,416	95,720
Assistant Director: Education & Corporate Parenting			82,304	0	0	82,304	13,416	95,720
Assistant Director: Children's Safeguarding & Specialist Services		79,073	77,451	0	0	77,451	12,624	90,075
Assistant Director: Adult Social Services			82,304	71,033	0	153,337	13,416	166,753

Assistant Director: Health Wellbeing & Public Protection	5	82,304	41,381	0	0	41,381	5,793	47,174
Interim Assistant Director: Health & Wellbeing	6	74,220	24,740	0	0	24,740	3,464	28,204
Assistant Director: Law, Democracy & People Services			82,304	0	0	82,304	13,416	95,720
Assistant Director: Neighbourhood & Leisure Services			82,304	0	0	82,304	13,416	95,720
Assistant Director: Customer Services			82,304	0	0	82,304	13,416	95,720
Service Delivery Manager: Delivery & Planning	7	58,471	58,456	0	0	58,456	9,528	67,984
Service Delivery Manager: Policy	7	52,821	37,168	0	0	37,168	6,058	43,226
Service Delivery Manager: Community Engagement	7		58,471	0	0	58,471	9,531	68,002
Posts No Longer Within Council Structure								
<i>Director: Adult & Community Services</i>	8	109,600	27,089	88,745	0	115,834	4,415	120,249
<i>Assistant Director: Social Care Specialist</i>	9	82,304	21,096	0	0	21,096	3,439	24,535
<i>Commercial Enterprise Manager</i>	7,10	58,471	31,946	0	0	31,946	4,842	36,788
			1,528,654	159,778	0	1,688,432	247,286	1,935,718

Notes:

Those roles shown in bold above represent the current posts.

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

2012/13

<i>Post Holder Information (Post title)</i>	<i>Notes</i>	<i>Annualised salary £</i>	<i>Salary (Including Fees & Allowances) £</i>	<i>Compensation for Loss of Office £</i>	<i>Benefit s in Kind £</i>	<i>Total Remuneration excluding Pension contributions 2012/13 £</i>	<i>Pension contributions £</i>	<i>Total Remuneration including pension contributions 2012/13 £</i>
<i>Current Posts</i>								
<i>Managing Director</i>			137,000	0	0	137,000	22,331	159,331
<i>Director of Adult & Community Services</i>		109,600	106,040	0	0	106,040	17,285	123,325
<i>Director of Children & Family Services</i>	1	109,600	97,520	0	0	97,520	15,896	113,416
<i>Interim Director of Children's Services</i>	2	94,473	10,412	0	0	10,412	1,697	12,109
<i>Assistant Director: Finance, Audit & Information Governance</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Development, Business & Housing</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Planning Specialist</i>			80,080	0	0	80,080	13,053	93,133
<i>Assistant Director: Family & Cohesion Services</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Education & Skills</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Children's Safeguarding</i>	3	77,451	75,988	0	0	75,988	12,361	88,349
<i>Assistant Director: Social Care Specialist</i>			80,080	0	0	80,080	13,053	93,133
<i>Assistant Director: Adult Care & Support</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Law, Democracy & Public Protection</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Neighbourhood & Leisure Services</i>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Customer & People Services</i>			82,304	0	0	82,304	13,416	95,720
<i>Service Delivery Manager: Delivery & Planning</i>	6	51,308	57,923	0	0	57,923	9,441	67,364
<i>Service Delivery Manager: Policy</i>	6	50,430	29,460	0	0	29,460	4,802	34,262
<i>Service Delivery Manager: Community Engagement</i>	6		58,471	0	0	58,471	9,531	68,002
<i>Commercial Enterprise Manager</i>	4,6	58,471	21,807	0	0	21,807	3,590	25,397
<i>Posts Made Redundant</i>								

<i>Corporate Director</i>	5	118,893	2,642	105,804	0	108,446	431	108,877
			1,415,855	105,804	0	1,521,659	230,799	1,752,458

Notes:

Those roles shown in bold above represent the current posts.

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

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

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

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

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

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

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 2012/13	Number of Employees 2013/14
£50,000 - £54,999	43	43
£55,000 - £59,999	50	48
£60,000 - £64,999	28	22
£65,000 - £69,999	12	11
£70,000 - £74,999	2	5
£75,000 - £79,999	3	2
£80,000 - £84,999	2	3
£85,000 - £89,999	2	1
£90,000 - £94,999	0	0
£95,000 - £99,999	1	1
£100,000 - £104,999	0	0
£105,000 - £109,999	1	1

The 2013/14 figures include 80 school based employees (99 in 2012/13). The 2013/14 figures include 11 employees (6 in 2012/13) who left under redundancy or retired during the year.

32. External Audit Costs

The Council's accounts have been audited by KPMG in 2012/13 and 2013/14. In 2013/14 the Council incurred the following fees relating to external audit and inspection:

	2012/13 £000	2013/14 £000
Fees payable to KPMG with regard to external audit services	155	155
Fees payable to Audit Commission in respect of statutory inspection	(11)	(18)
Fees payable to KPMG for the certification of grant claims and returns	17	16
Fees payable in respect of other services provided by the appointed auditor, for 2012/13 this includes £4,000 paid to the Audit Commission in relation to the National Fraud Initiative	8	9

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 2013/14 are as follows:

Schools Budget Funded By Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2013/14			121,061
Brought forward from 2012/13	432	161	593
Academy Figure recouped for 13/14			(21,861)
Agreed budgeted distribution in 2013/14	7,627	92,166	99,793
In Year Adjustments	0	0	0
Final Budget Distribution for 2013/14	7,627	92,166	99,793
Actual Central Expenditure	(7,273)		(7,273)
Actual ISB deployed to Schools		(92,062)	(92,062)
Local Authority contribution for 2013/14	0	0	0
Carry Forward to 2014/15	354	104	458

34. Grant Income

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

2012/13		2013/14
£000		£000
	Credited to Taxation and Non Specific Grant Income	
1,267	Revenue Support Grant	50,871
65,378	Non Domestic Rates – no longer a grant for 2013/14	0
0	Non Domestic Rates Top Up Grant	2,037
593	Local Services Support Grant	183
0	Section 31 Grant	597
100	Other grants	0
67,338	Total	53,688
	Credited to Services	
109,290	Dedicated Schools Grant	99,200
69,566	Mandatory Rent Allowances Subsidy	69,349
14,699	Council Tax Benefits Subsidy	0
0	Public Health Grant	10,616
4,354	Pupil Premium Grant	5,740
7,933	Early Intervention Grant	0
0	Education Services Grant	2,856
6,824	Learning Disability and Health Reform Grant	0
1,430	New Homes Bonus	2,542
5,835	Other grants	6,468
219,931	Total	196,771

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

2012/13		2013/14
£000		£000
	Capital Grants Receipts in Advance	
75	Rural Enterprise Investment Programme	75
153	Other grants	0
228	Total	75

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 2013/14 is shown in Note 30. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

During the year transactions with related parties arose as follows:

Councillor Stephen Burrell is a Director of Peace of Mind Homecare a company that provided services to the Council through service contracts and received £516,649 in 2013/14.

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

The Authority had pooled budget arrangement with Shropshire Community NHS Trust which ended in 2012/13. Transactions and balances outstanding for 2012/13 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.

2012/13		2013/14
£'000		£'000
249,804	Opening Capital Financing Requirement	241,957
	Capital Investment	
45,962	Property, Plant & Equipment	68,820
2,349	Investment Properties	1,604
0	Assets Held for Sale	44
496	Intangible Assets	846
14,748	Revenue Expenditure funded from Capital under Statute	14,021
252	Leased Vehicles	69
	Sources of Finance	
(28,833)	Capital Receipts	(4,132)
(499)	Finance Leases	(285)
(35,344)	Government Grants and Other Contributions	(50,152)
(6,978)	Revenue Provision (NB: includes MRP)	(1,686)
241,957	Closing Capital Finance Requirement	271,106
(7,847)	Movement for Year	29,149
	Explanation of movements in the year	
361	Increase in underlying need to borrow (supported by Government financial assistance)	474
(8,208)	Increase in underlying need to borrow (unsupported by Government financial assistance)	28,675
(7,847)	Increase/(decrease) in Capital Financing Requirement	29,149

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

At 31 March 2014 there were 10 significant contracts in place with outstanding commitments of £92.9m, as detailed in note 12.

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

Unitary payments are being paid to the operator, and PFI credits received from the Government as a specific annual grant from 2007/08, when all of the buildings became operational. The Council has approved a budget strategy which makes provision for its future commitments. In 2013/14 the Authority made payments of £9,718,789 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 2013/14 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £68,769. Finance lease rentals of £324,133 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	Within 1 Year £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
Outstanding Obligations	280	537	0	817

The aggregate amount of finance charges in respect of finance leases was £37,691 for 2013/14 (£56,223 for 2012/13)

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

Operating Leases

During 2013/14 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £19,282 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

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

Hire Purchase Contracts

During 2013/14 no hire purchase payments were made to lessors. No new hire purchase agreements were entered into during the year and the total obligation outstanding at the end of the year was zero.

Building Leases

The Council owns a number of industrial units, commercial premises and offices throughout the Borough. The Council acts as lessor in respect of these properties which are rented out at commercial rates, these are classified as operating leases. The rental and other income received from these properties for 2013/14 amounted to £6,754,000 (£7,753,000 for 2012/13). 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 £56.4m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £59.7m as at 31st March 2014 (£61.0m as at 31st March 2013). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.1m in to the interest paid for 2013/14 (£5.2m 2012/13). Amounts due are shown in the table below:-

	2012/13				2013/14			
	Service	Lifecycle	Interest	Finance Lease	Service	Lifecycle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	1,925	476	5,088	1,786	2,177	284	4,971	1,959
2 to 5 years	5,826	4,393	19,448	8,624	6,057	4,416	19,098	9,213
6 to 10 years	7,457	6,820	21,871	14,626	7,765	6,869	21,225	15,606
11 to 15 years	8,999	7,154	17,728	20,523	9,166	7,391	16,628	22,000
16 to 20 years	13,918	4,358	10,694	27,614	14,506	4,227	8,757	29,366
21 to 25 years	5,745	1,194	1,257	12,256	2,274	732	320	5,498

39. Impairment Losses

During 2013/14, the Authority has recognised impairment losses of £11.749m (2012/13 £6.861m) in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss has been charged to the Comprehensive Income and Expenditure Statement. This is then reversed out as part of the Movement In Reserves Statement.

40. Exit Packages

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies included in the 2013/14 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	3	37	40	320
£20,001 - £40,000	0	17	17	463
£40,001 - £60,000	0	6	6	309
£60,001 - £80,000	1	1	2	137
£80,001 - £100,000	0	2	2	173
£100,000 - £150,000	0	2	2	347
Total	4	65	69	1,749

An analysis of the total cost of exit packages shows:	Redundancy etc	Pension Fund Charges*	Total
	£'000	£'000	£'000
Exit Packages agreed and charged to the Income & Expenditure Account during 2013/14	818	625	1,443
Provisions included in the Authority's Income & Expenditure Account :			
Provision for the cost of exit packages where the Authority had made a commitment at 31 March 2014 (i.e. employees who had received formal notice at 31 March 2014 and will leave during 2014/15)	234	72	306
Total	1,052	697	1,749

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

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

Teachers Pensions Authority:

In 2013/14 the Council paid an employer's contribution of £5,468,791 (£6,307,559 in 2012/13) representing 14.1% of Teacher's pensionable pay into the Teachers Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31st March 2013. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £6,360,863 (£6,307,559 in 2012/13) representing 16.4% of pensionable pay.

National Health Service Pension Scheme:

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

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £42,669 representing 14.0% 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 Accounting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 1(h) of the Accounting Policies, the Council participates in three formal schemes, the Local Government Pension Scheme, National Health Service Scheme and the Teacher's Scheme. The Council is not required to record information related to the Teacher's Scheme and National Health Service Scheme as the assets and liabilities of the fund cannot be attributed to individual authorities.

The Local Government Pension Scheme is administered by Shropshire Council and is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Overall the deficit on the Council's share has reduced by £45.8m; this has been as a result of remeasurements on liabilities (due to changes in assumptions as a result in the amendments to the Local Government Pension Scheme and a higher discount rate) and remeasurements (actuarial gains) on assets.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services act 2013. Under the act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

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

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £13.876m (comprises contributions of £10.348m plus a lump sum payment of £3.528m).

The contribution rate was set for 2013/14 at 16.3%. Following the valuation at 31/3/13 the contribution rate was reduced to 12.6% for 2014/15 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2014/15 is estimated at 16.4% only slightly higher than 2013/14.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/14 the cumulative amount of actuarial losses recognised in the statements is £53.174m.

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

	2012/13	2013/14
	£000	£000
Present Value of Funded Benefit Obligations	(530,160)	(519,302)
Present Value of Unfunded Benefit Obligations	(8,975)	(10,241)
Total Present Value of Benefit Obligations	(539,135)	(529,543)
Fair Value of Pension Fund Assets	343,129	379,360
Surplus/(Deficit)	(196,006)	(150,183)

Change in Benefit Obligation during year.

	2012/13	2013/14
	£000	£000
Benefit Obligation at Beginning of Year	(453,881)	(539,135)
Current Service Cost	(11,297)	(14,300)
Interest on Pension Liabilities	(22,067)	(22,404)
Member Contributions	(3,952)	(4,024)
Entity Combinations	(2,079)	0
Remeasurements (Liabilities)	(60,099)	35,888
Curtailment Cost	(939)	(1,042)
Settlements	0	0
Benefits / Transfers Paid	15,179	15,474
Surplus / (Deficit) at End of Year	(539,135)	(529,543)

Change in Plan Assets during year.

	2012/13	2013/14
	£000	£000
Fair Value of Plan Assets at Beginning of Year	299,294	343,129
Expected Return on Plan Assets	14,760	14,449
Remeasurements (Assets)	26,968	20,295
Employer Contributions	12,175	13,254
Member Contributions	3,952	4,024
Entity Combinations	1,453	0
Administration Expenses	(294)	(317)
Benefits / Transfers Paid	(15,179)	(15,474)
Surplus / (Deficit) at End of Year	343,129	379,360

Statement of Gains and Losses

	2012/13	%	2013/14	%
	£000		£000	
Actuarial Gain/(Loss)	(33,131)	6.3% of liabilities	56,183	10.6% of liabilities
Actual Return on Plan Assets	41,728		27,125	
Experience Gains/(Losses) On Assets	26,968	7.9% of assets	20,295	5.3% of assets
Experience Gains/(Losses) On Liabilities	0	0.0% of liabilities	4,901	0.9% of liabilities

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

	2012/13		2013/14	
	£000	%	£000	%
Equity Investments	191,123	55.7%	207,207	54.6%
Government Bonds	44,950	13.1%	38,011	10.0%
Other Bonds	34,656	10.1%	52,997	14.0%
Property	10,294	3.0%	15,061	4.0%
Cash/Liquidity	16,813	4.9%	9,294	2.4%
Other	45,293	13.2%	56,790	15.0%
Total	343,129	100.0%	379,360	100.0%

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

	2012/13	2013/14
Equity Investments	7.0%	7.0%
Government Bonds	2.8%	3.4%
Other Bonds	3.9%	4.3%
Property	5.7%	6.2%
Cash/Liquidity	0.5%	0.5%
Other	7.0%	7.0%

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2013 and updated for the following 12 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31 March 2016. The main assumptions used in the calculations are:

	2012/13	2013/14
- rate of inflation (CPI)	2.4%	2.4%
- rate of increase in salaries	3.9%	3.9%
- rate of increase in pensions	2.4%	2.4%
- proportion of employees opting to take a commuted lump sum	50%	50%
- rate for discounting scheme liabilities	4.2%	4.5%
- longevity at 65 for current pensioners		
Male	22.4	23.8
Female	25.1	26.1

- longevity at 65 for future pensioners

Male	24.2	26.0
Female	27.1	29.0

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

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

Sensitivity Analysis as at 31/3/2014

Disclosure Item	Central	Sensitivity 1 +0.1%p.a. discount rate	Sensitivity 2 +0.1%p.a. inflation/pensions	Sensitivity 3 +0.1%p.a. pay growth	Sensitivity 4 1 year increase in life expectancy
	£000	£000	£000	£000	£000
Liabilities	529,543	519,609	539,666	531,807	539,559
Assets	(379,360)	(379,360)	(379,360)	(379,360)	(379,360)
Deficit/(Surplus)	150,183	140,249	160,306	152,447	160,199
Projected Net	6,507	6,195	6,977	6,624	6,972
Interest Cost for next year					

Scheme History

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
Present Value of Liabilities	(448,125)	(416,773)	(453,881)	(539,135)	(529,543)
Fair Value of Assets	271,491	294,478	299,294	343,129	379,360
Surplus/(Deficit) on scheme	(176,634)	(122,295)	(154,587)	(196,006)	(150,183)
(Gains) and Losses on Assets	(21.2%)	(1.0%)	3.5%	(7.7%)	(7.2%)
Gains and (Losses) on Liabilities	0.0%	2.5%	0.0%	0.0%	0.9%

Pensions Asset/Liability Account

	2012/13	2013/14
	£000	£000
Opening Balance	(154,587)	(196,006)
Past Service Cost - Added Years	(939)	(1,042)
Current Service Cost	(11,297)	(14,300)
Interest Cost	(22,067)	(22,404)
Return On Assets	14,760	14,449
Payments to Pension Fund	12,175	13,254
Administration Expenses	(294)	(317)
Entity Combination	(626)	0
Actuarial Gain or (Loss)	(33,131)	56,183
Closing Balance	(196,006)	(150,183)

Pensions Reserve

	2012/13	2013/14
	£000	£000
Opening Balance	154,587	196,006
Past Service Cost - Added Years	939	1,042
Charging Pensions Costs Payable	(12,175)	(13,254)
Entity Combination	626	0
Reversing Out IAS 19 Items	18,898	22,572
Actuarial (Gain) or Loss	33,131	(56,183)
Closing Balance	196,006	150,183

43. Contingent Liabilities

At 31 March 2014, the Authority had no known material contingent liabilities. It should be noted however that a group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. The Council was initially informed that the value of those claims was £350,000 plus interest and costs. However, after further exchanges of information, it appears that the value of the claims could end up being reduced to around £250,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. Four additional claimants have already come forward and submitted further claims for refunds, but these later claims do not alter significantly the overall position. The legal process is ongoing.

44. Contingent Assets

At 31 March 2014, 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	10,000	13,153
Other	33	33
	10,033	13,186
Financial Liabilities		
Money Market Loans (LOBO's)	60,000	75,129
PWLB Loans	39,521	55,588
Temporary Loans	26,062	26,062
	125,583	156,779

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 2014 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2014 (rounded to 1 decimal place) %	Estimated maximum exposure to default and uncollectability £000s
	A	B	C	A * C
Deposits with banks and financial institutions	10,000	0.0	0.0	0
Other	33	0.0	0.0	0
Debtors	27,704	12.0	25.2	6,973
Total	37,737	8.8	18.5	6,973

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:

	2012/13	2013/14
	£'000	£'000
Maturing in 1-2 years	11,001	1,001
Maturing in 2-5 years	3,002	3,002
Maturing in 5-10 years	2,506	1,506
Maturing in more than 10 years	83,012	83,011
	99,521	88,520

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

Market risk

Interest rate risk

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

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

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

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

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

Price risk

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

Foreign exchange risk

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

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

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

Sensitivity Analysis

At the 31st March 2014 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	(13,477)	26,062	12,585	125.9
Fixed	(10,033)	99,521	89,488	0.0
Total	(23,510)	125,583	102,073	125.9

A 1% change in interest rates would have an impact on the budget of £125,900, this is as a result of, that at 31st March 2014 we had more variable borrowing than variable investments. The most likely next move in interest rates is upwards, although not expected before late 2015, this would lead to a net increase in borrowing costs based on the position at 31st March 2014, however, since then, all of the temporary borrowing we had has been repaid and we just hold temporary investments. 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	
		2012/13 £'000	2013/14 £'000
Public Works Loan Board	1.92 - 9.375	39,521	28,520
Money Market Loans (LOBOs)	3.98 - 4.50	60,000	60,000
		99,521	88,520

An analysis of loans by maturity is:

	2012/13 £'000	2013/14 £'000
Maturing in 1-2 years	11,001	1,001
Maturing in 2-5 years	3,002	3,002
Maturing in 5-10 years	2,506	1,506
Maturing in more than 10 years	83,012	83,011
	99,521	88,520

	2012/13 £'000	2013/14 £'000
Total Long Term Borrowing	99,521	88,520
Temporary Borrowing	11,093	37,063
Total Borrowing	110,614	125,583

In total fixed and temporary borrowing increased by £15.0m, from £110.614m to £125.583m during the year. This was due to some increased temporary borrowing in late March 2014, which was repaid in early April 2014 mainly as a result of capital spending during 2013/14.

46. Local Services Support Grant

Local Services Support Grant (LSSG) is non ring-fenced i.e. there are no conditions on its use. The grant is therefore not income which flows into the Net Cost of Services but instead is included alongside other general sources of funding, such as Government Revenue Support Grant and Council Tax income. The total value of LSSG received by the Council in 2012/13 was £0.593m, the value of LSSG for 2013/14 is £0.183m.

47. Income & Expenditure Account Surplus/Deficit.

For 2013/14 the accounts show a deficit on the Income and Expenditure Account of £22.634m. There was no planned use of General Fund Balances for 2013/14. The actual outturn was an underspend of £0.100m and an adjustment of Landfill Allowance Trading Scheme balance of £0.003m the actual contribution to General Fund Balances of £0.103m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which form part of the Movement in Reserves Statement and summarised below:

Deficit on Income & Expenditure Account	£22.634m
Less:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	£36.645m
Plus:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£1.217m
Changes in Reserves	£12.691m

48. Investments

In total our investments have fallen by £23.5m as a result of the approved policy to run down investments rather than incur borrowing to fund capital expenditure.

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

The Council also has a number of short term investments totalling £10.000m. These have reduced over the year as the sum of the value of investments maturing during the year is higher than the longer term investments that are nearing maturity. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

Summary of Investments

Category	2012/13	2013/14
	£000	£000
Long Term Investments		
Fixed Term Deposits	10,000	0
Other	33	33
Total Long Term	10,033	33
Short Term Investments		
Fixed Term Deposits	15,000	10,000
Total Short Term	15,000	10,000
Cash & Cash Equivalent Investments	6,393	13,477
Total Investments	31,426	23,510

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 movement on Intangible Asset balances during the year is as follows

	2012/13	2013/14
	£000	£000
Balance at start of the year		
- Gross Carrying Amount	2,325	2,821
- Accumulated Amortisation	(166)	(979)
Net Carrying Amount at Start of Year	2,159	1,842
Additions		
- Purchases	496	845
Amortisation for the Period	(813)	(1,060)
Net Carrying Amount at Year End	1,842	1,627
Comprising		
- Gross Carrying Amount	2,821	3,665
- Accumulated Amortisation	(979)	(2,038)
Total	1,842	1,627

50 Usable Capital Receipts Reserve

	2012/13	2013/14
	£'000	£'000
Opening balance	0	53
Capital receipts received during year	28,886	4,079
Less		
Capital receipts used for financing during year	<u>(28,833)</u>	<u>(4,132)</u>
	53	0

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

51 Special Fund Revenue Account

	<i>2012/13 Net Expenditure £'000</i>	<i>2013/14 Gross Expenditure £'000</i>	<i>2013/14 Income £'000</i>	<i>2013/14 Net Expenditure £'000</i>
EXPENDITURE ON SERVICES				
Cemeteries	(92)	138	189	(51)
Highways – footway lighting	656	750	20	730
Total expenditure on services	564	888	209	679
INCOME				
Council Tax	(731)			(628)
(Surplus) or deficit for year	(167)			51
Special Fund				
Balance at beginning of the year	360			527
Surplus or (deficit) for year	167			(51)
Balance at end of year	527			476

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:-

	2012/13	2013/14
	£000	£000
School Balances - Revenue	5,900	5,419
School Balances - Capital	740	594
Total School Balances	6,640	6,013

53. Soft Loan

During 2013/14 the Council extended for 10 years a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 2.85% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2013/14 and the balance at 31st March is £387,225. This is shown as a debtor on the Balance sheet at a fair value of £299,465 and a notional £89,760 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place from The Ironbridge (Telford) Heritage Foundation Limited, which covers the outstanding amount of the loan.

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 £3.521m, this was offset by an adjustment to prior years MRP of £3.843m, the principal repayment in respect of leases was £0.222m and the principal repayment in respect of the PFI lease was £1.786m giving a total provision of £1.686m in 2013/14 (*£6.599m in 2012/13*).

55. Building Control Account 2013/14

<u>Expenditure</u>	<u>Chargeable</u>	<u>Non- Chargeable</u>	<u>Total Building Control</u>
	<u>2013/14 £'000</u>	<u>2013/14 £'000</u>	<u>2013/14 £'000</u>
Employee Expenses	82	117	199
Support Services	67	95	162
	149	212	361
<u>Income</u>			
Building Regulation Charges	266	114	380
	266	114	380
(Surplus)/Deficit	(117)	98	(19)
2012/13	21	5	26
(Surplus)/Deficit			

56. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2013/14 expenditure on this totalled £14.021m and grant receivable amounted to £12.252m. 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. 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 2013/14 indicates the following:-

	General Fund		Education	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Balance b/f	1,593	2,058	1,058	1,234
Charges in the Year	(791)	(1,001)	0	(87)
Transfers to other reserves	0	0	0	(200)
Contributions	1,256	879	176	0
Balance c/f	2,058	1,936	1,234	947

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	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Balance B/f	410	761	1,183	1,298
Charges In Year	(435)	(699)	(356)	(302)
Contributions	786	408	471	471
Balance c/f	761	470	1,298	1,467

For 2013/14 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, libel and slander and officials indemnity claims.

58. Single Status

This is now accounted for as a provision. See note 20.

59. West Mercia Energy Joint Committee

West Mercia Energy (WME) is a Purchasing Consortium (formerly West Mercia Supplies (WMS) established in 1987) which is a Joint Committee (JC). Telford & Wrekin Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Shropshire Council. On 19 April 2012, the stationery division of WMS - JC was sold with only the energy division being retained by the four member authorities. The energy division trades under the name "West Mercia Energy".

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

The conclusion of the Council is that the exclusion of its share of WME' 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 2013/14 balances of WME - JC are included below, along with an analysis of this Council's share of those balances based on 23.8%. The WME balance sheet has been provided by Shropshire Council, in their capacity as Section 151 Officer to the joint committee.

Extract from WME Balance Sheet	2013/14	Telford & Wrekin Share
	£'000	£'000
Long Term Assets		
Property, Plant & Equipment	15	3
Current Assets		
Short Term Debtors	9,388	2,234
Cash and Cash Equivalents	4,977	1,185
Current Liabilities		
Short Term Creditors	(11,798)	(2,808)
Long Term Liabilities		
Other Long Term Liabilities	(3,979)	(947)
Total Assets Less Liabilities	(1,397)	(333)
Financed By		
Usable Reserves	2,567	611
Unusable Reserves	(3,964)	(944)
	(1,397)	(333)
Turnover	64,372	4,019

60. 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.

The scheme ended in 2012/13 and the final values used for 2012/13 are as follows. This Authority was allocated an allowance of 24,944 tonnes and used 27,714 tonnes of the allowance. This resulted in 2,770 tonnes (valued at £1,108) of shortfall in allowances purchased in 2012/13. Any balances relating to LATS have now been written out of the accounts.

The impact on the income and expenditure account is as follows. Environmental Services has reduced expenditure of £18,198, reduced income of £21,200 and the LATS balance was reduced by £3,002 to leave a nil balance.

The impact on the balance sheet is as follows;

Liability to DEFRA for Landfill Usage

	2012/13 £'000	2013/14 £'000
Balance Brought Forward	(16)	(21)
Adjustment to previous year usage	0	0
Write out actual usage for previous year	16	21
Estimated usage for year	(21)	0
Balance Carried Forward	(21)	0

Landfill Allowances Asset Account

	2012/13 £'000	2013/14 £'000
Balance Brought Forward	15	18
Adjustment to pricing of Brought Forward Balance	0	0
Less Confirmed usage for previous year	(15)	(18)
Allowance for Year	18	0
Purchase of Allowances		1
Written Off To Revenue		(1)
Balance Carried Forward	18	0

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

2012/13		2013/14
£000		£000
(18,570)	Impairment and depreciation of property, plant and equipment and intangible assets	(25,564)
92	(Increase)/decrease in interest creditors	92
(6,082)	(Increase)/decrease in creditors	4,335
1,334	Increase/(decrease) in interest/dividend debtors	(3,459)
(6,700)	Increase/(decrease) in debtors	1,576
(64)	Increase/(decrease) in inventories	4
(7,662)	Pension Liability	(10,360)
436	Contribution (to)/from provisions	43
(46,895)	Carrying amount of non current assets sold	(34,889)
(1,092)	Movement in Investment Property Values	761
(85,203)	Total	(67,461)

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

2012/13		2013/14
£000		£000
30,664	Capital grants credited to surplus or deficit on the provision of services	43,913
	Proceeds from sale of short and long term investments	
28,582	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,079
59,246	Total	47,992

63. Heritage Assets

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

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

Collection Fund Account

	<i>NDR 2012/13 £'000</i>	<i>Council Tax 2012/13 £'000</i>	<i>Total 2012/13 £'000</i>	<i>NDR 2013/14 £'000</i>	<i>Council Tax 2013/14 £'000</i>	<i>Total 2013/14 £'000</i>
Income from Council Tax (Note 1)		60,833	60,833		66,332	66,332
Transfers from the Council's General Fund						
– Council Tax Benefits		14,989	14,989		0	0
– Transitional Relief		(2)	(2)	(353)	0	(353)
Income collectable from business ratepayers (Note 2)	66,214		66,214	68,497		68,497
Contributions						
Adjustment of previous years' community charges		0	0		0	0
	66,214	75,820	142,034	68,144	66,332	134,476
Expenditure						
Precepts, demands and Shares						
Telford & Wrekin Council	0	58,219	58,219	31,548	49,891	81,439
West Mercia Police Authority		9,238	9,238		7,769	7,769
Shropshire & Wrekin Fire Authority	0	4,492	4,492	644	3,854	4,498
Parish Councils		3,051	3,051		2,695	2,695
Central Government	66,000		66,000	32,192		32,192
Cost of Collection	214		214	213		213
Bad and Doubtful Debts/Appeals						
– Write Offs	0	128	128	1,098	155	1,253
– Provisions	0	340	340	4,356	1,303	5,659
Contributions						
Adjustment of previous years' community charge		0	0		0	0
	66,214	75,468	141,682	70,051	65,667	135,718
Movement on fund balance (Increase)/Decrease	0	(352)	(352)	1,907	(665)	1,242

Notes To Collection Fund Accounts

1. Council Tax Base for 2013/14

2012/13 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
14,685	Band A	25,991	(11,296)	14,695	9,787
12,524	Band B	18,449	(4,932)	13,517	10,513
8,095	Band C	10,355	(1,835)	8,520	7,573
7,220	Band D	7,652	(663)	6,989	6,989
5,006	Band E	4,416	(390)	4,026	4,920
2,727	Band F	2,013	(137)	1,876	2,709
1,538	Band G	991	(71)	920	1,533
67	Band H	49	(14)	35	70
51,862	TOTAL	69,916	(19,338)	50,578	44,094
(517)	Adjustments for growth and losses				(877)
51,345	Taxbase for year				43,217
£1,451.17	Average Council Tax for year				£1,477.23
2012/13 £'000					2013/14 £'000
74,510	Gross Yield				63,841
(14,987)	Less Benefits and Transitional Relief				0
1,310	Add increase in debit net of exemptions and relief's				2,491
60,833					66,332

2. <u>Income Collectable from Business Rate Payers</u>	2012/13 £'000	2013/14 £'000	2013/14 £'000
Effective non-domestic rateable value for year	160,603	162,306	
Uniform Business Rate for year	45.8p	47.1p	
Gross Yield for year	73,556		76,446
Less Reductions & Transitional Rate Relief	(7,342)		(7,949)
	66,214		68,497

The rateable value was £168,032,887 at 31.3.2014

3. <u>Allocation of Fund Balance (Council Tax)</u>	2012/13 £'000	2013/14 £'000
Telford & Wrekin Council	(1,092)	(1,633)
West Mercia Police Authority	(162)	(245)
Shropshire & Wrekin Fire Authority	(80)	(121)
	(1,334)	(1,999)

4. <u>Allocation of Fund Balance (NDR)</u>	2012/13 £'000	2013/14 £'000
Telford & Wrekin Council	0	934
Shropshire & Wrekin Fire Authority	0	19
Central Government	0	954
	0	1,907

Glossary

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

Dedicated Schools Grant (DSG)	Specific ring-fenced grant allocated by the Department for Education for the funding of schools
Discounts	The benefit obtained from re-scheduling debt
International Accounting Standard 19 (IAS19)	Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Damping	A method that is intended to provide stability in Local Authority funding. A “floor” guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
LOBO	A LOBO is a market loan to the Authority. LOBO stands for Lenders Option Borrowers Option. What this means is that the loan has a fixed interest rate but the lender has the option to increase that rate at specified intervals. If they exercise that option then the Authority has to option to either accept the new rate or repay the loan.
Local Services Support Grant (LSSG)	Local Services Support Grant is a general grant that is not allocated to the cost of services but is shown with other grants such as RSG.
MRP	Minimum Revenue Provision – This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Non Domestic Rates (NDR)	This is the income collected from business premises in respect of National Non Domestic Rates (NNDR). Also know as Non Domestic Rates (NDR), Business Rates and Retained Business Rates.
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 Expenditure funded from Capital under Statute	This is expenditure that is classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of stock issues, expenditure on properties not owned by the authority and amounts directed by the Government.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Formula Spending Share, also determined by Government.
Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs. For Telford & Wrekin this is the Assistant Director Finance Audit and Information Governance
Soft Loan	A loan granted at lower than the prevailing interest rate
Special Fund Revenue Account	Included in the Income And Expenditure Account but specifically summarises the cost of providing some specific services that in some areas are provided by Parish Councils but in others are provided by the Council
Trading Services	A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users.
Variance	The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend.
Virement	A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations.



cutting through complexity™

Protecting the Public Purse Fraud Briefing 2013

Borough of Telford and Wrekin

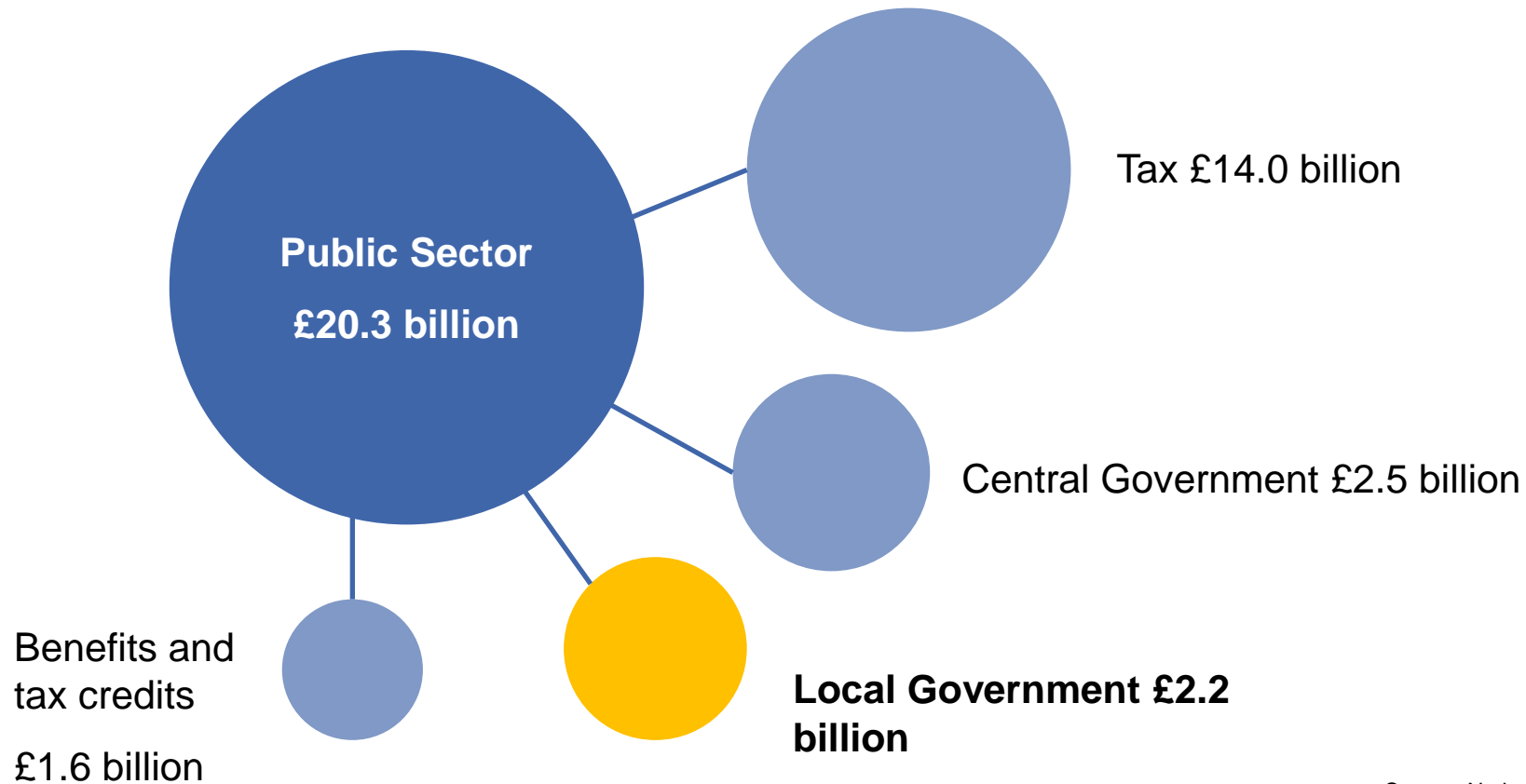
Agenda

- Introduction and purpose of your fraud briefing
- Protecting the Public Purse (PPP) 2013 report – national picture
- Interpreting fraud detection results
- The local picture
- Fraud drivers
- Questions
- KPMG resources

Introduction

Fraud in the public sector

Public Sector fraud costs the UK economy billions each year.



Source: National Fraud Authority:
Annual Fraud Indicator, March 2012

Introduction

Purpose of your fraud briefing

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

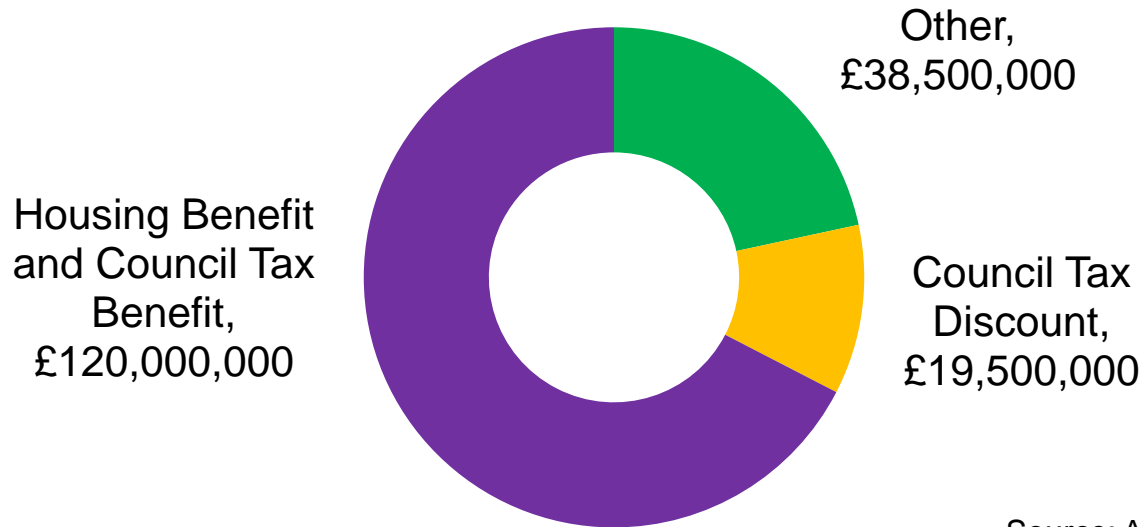
Your council is compared with the metropolitan districts and unitary authorities of the west midlands, east midlands and east of England regions

National Picture 2012/13

107,000 total cases detected with value of £178m (excluding social housing fraud)

Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%

Detected Fraud



Source: Audit Commission

Interpreting fraud detection results

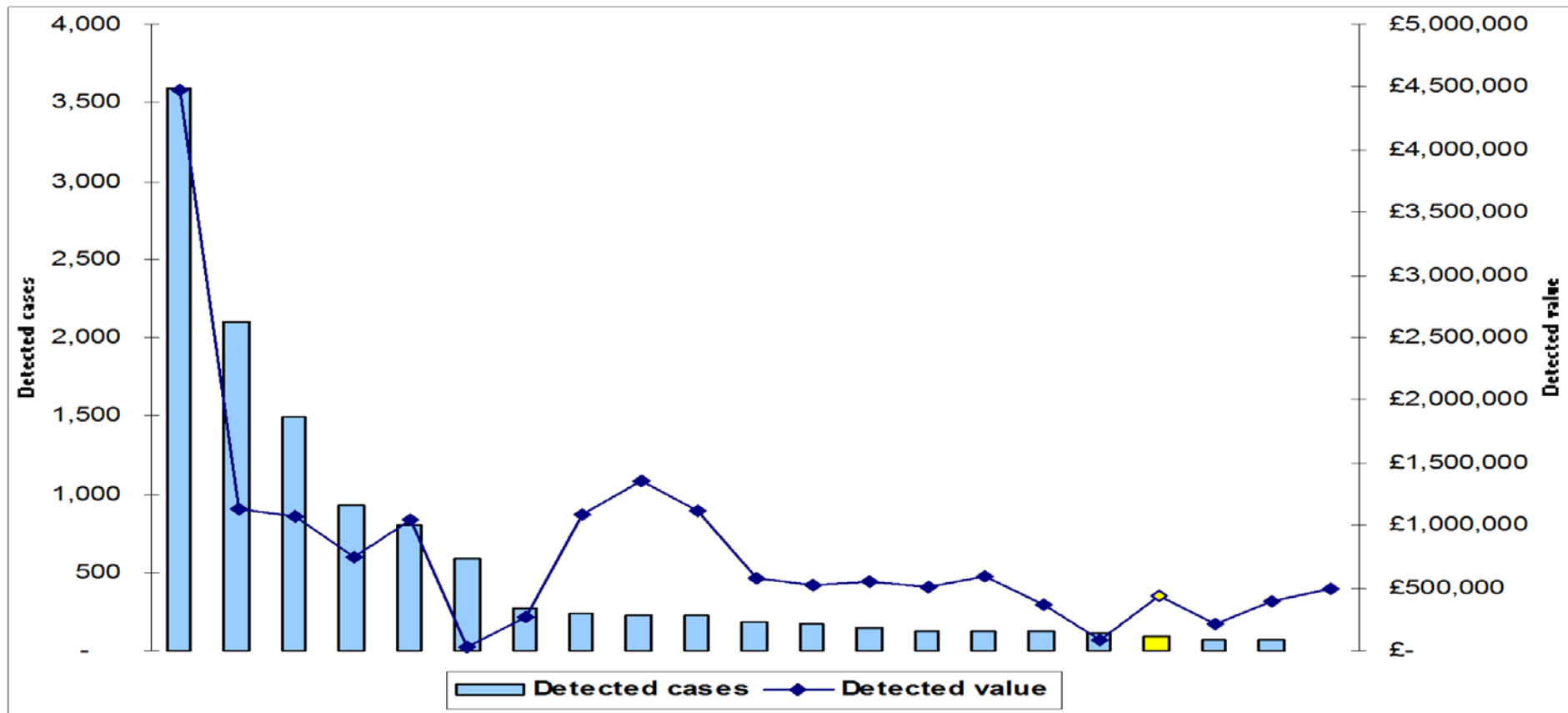
- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (fraud will always be attempted and even with the best prevention measures some will succeed)
- Council who look for fraud, and look in the right way, will find fraud (there is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in yellow in the graphs that follow

The local picture

How your council compares to other Midlands and East of England metropolitan districts and unitary authorities.

Total detected cases and value 2012/13 (excluding social housing fraud)

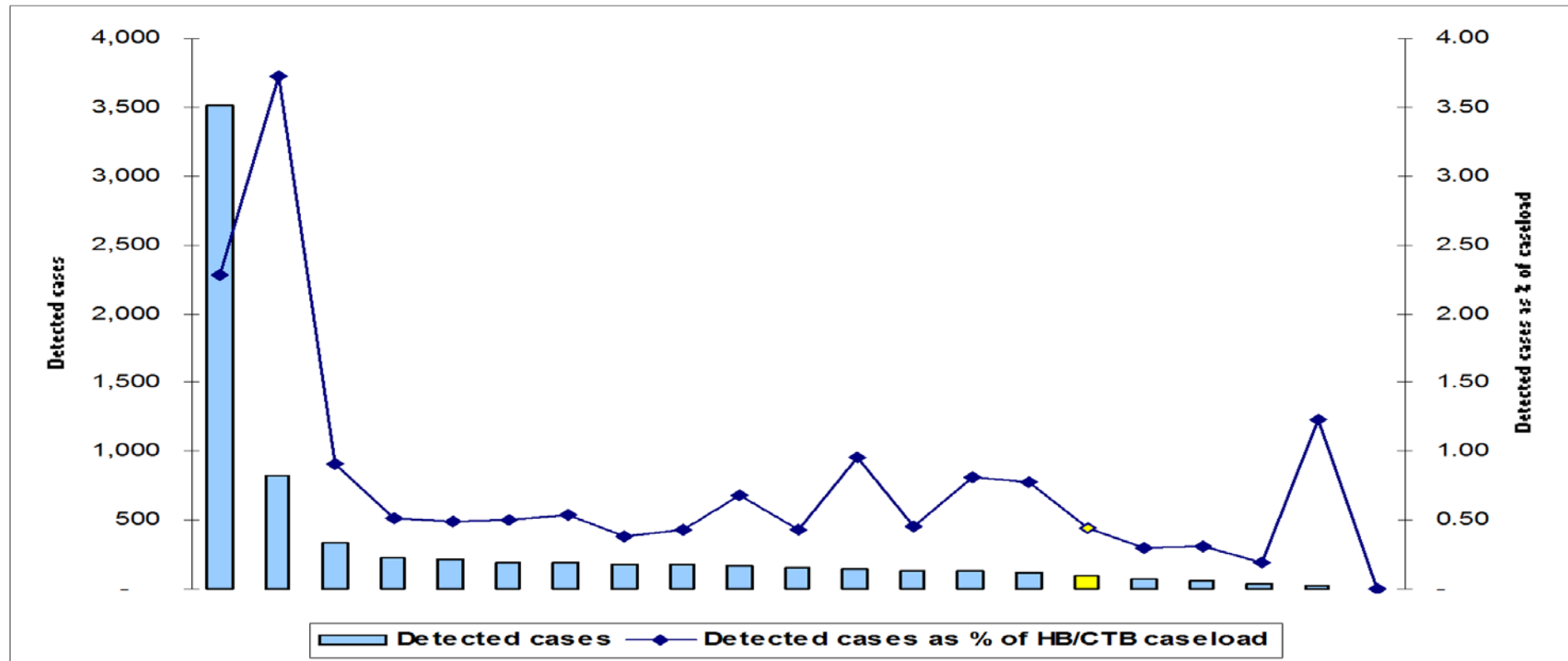


Telford and Wrekin detected: 91 cases, valued at £442,709

Source: Audit Commission

The local picture

Midlands and East of England metropolitan districts and unitary authorities 2012/13 Housing benefit (HB) and Council tax benefit (CTB) fraud Detected cases and detected cases as a percentage of HB/CTB caseload



Telford and Wrekin detected: 91 cases, valued at £442,709

Midlands and East of England average: 332 cases, valued at £698,296

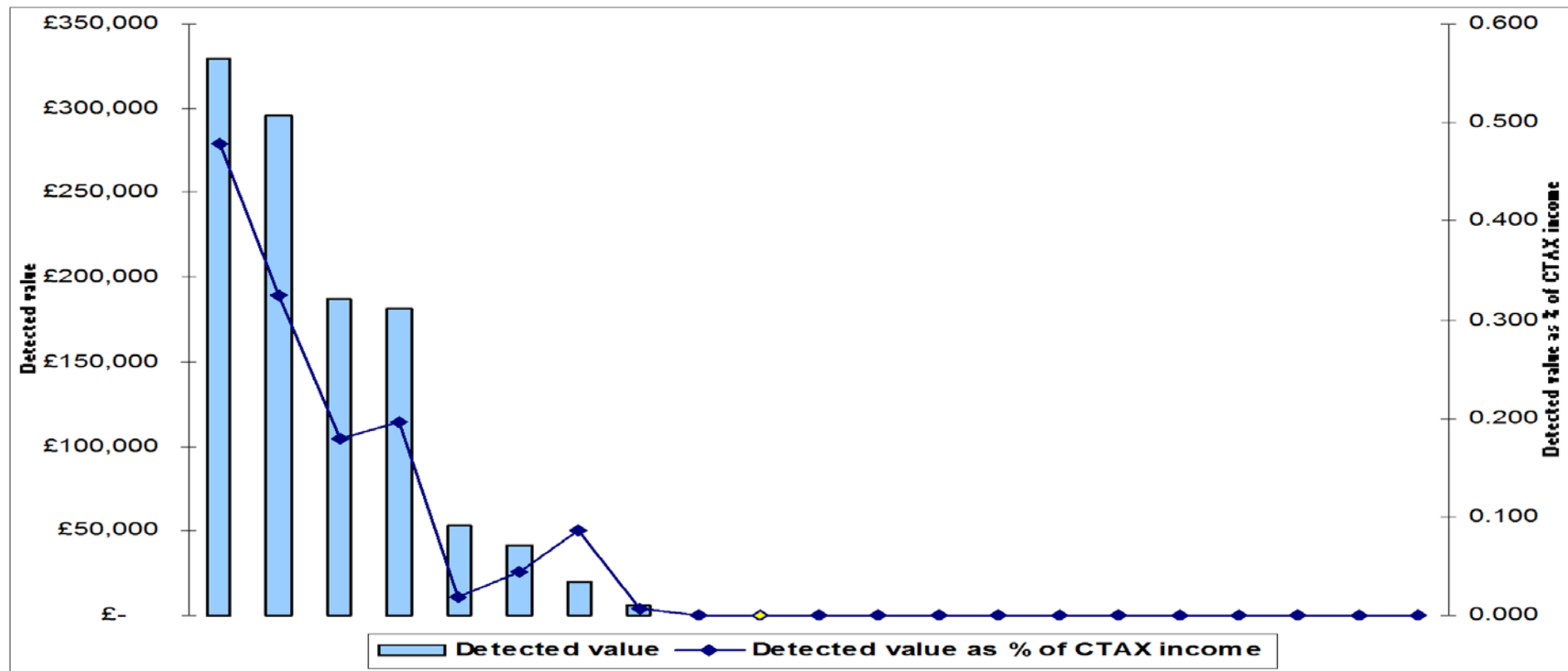
Source: Audit Commission

The local picture

Midlands and East of England metropolitan districts and unitary authorities 2012/13

Council tax (CTAX) discount fraud

Detected value and detected value as a percentage of council tax income



Telford and Wrekin detected: not recorded

Midlands and East of England average: 188 cases, valued at £53,054

Source: Audit Commission

The local picture

Midlands and East of England councils without housing stock 2012/13

Social housing fraud

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation to work in partnership with local housing associations?

The local picture

Midlands and East of England metropolitan districts and unitary authorities 2012/13

Disabled parking (Blue Badge) fraud

Detected cases



Telford and Wrekin detected: no cases

Midlands and East of England average: 18 cases

Source: Audit Commission

The local picture

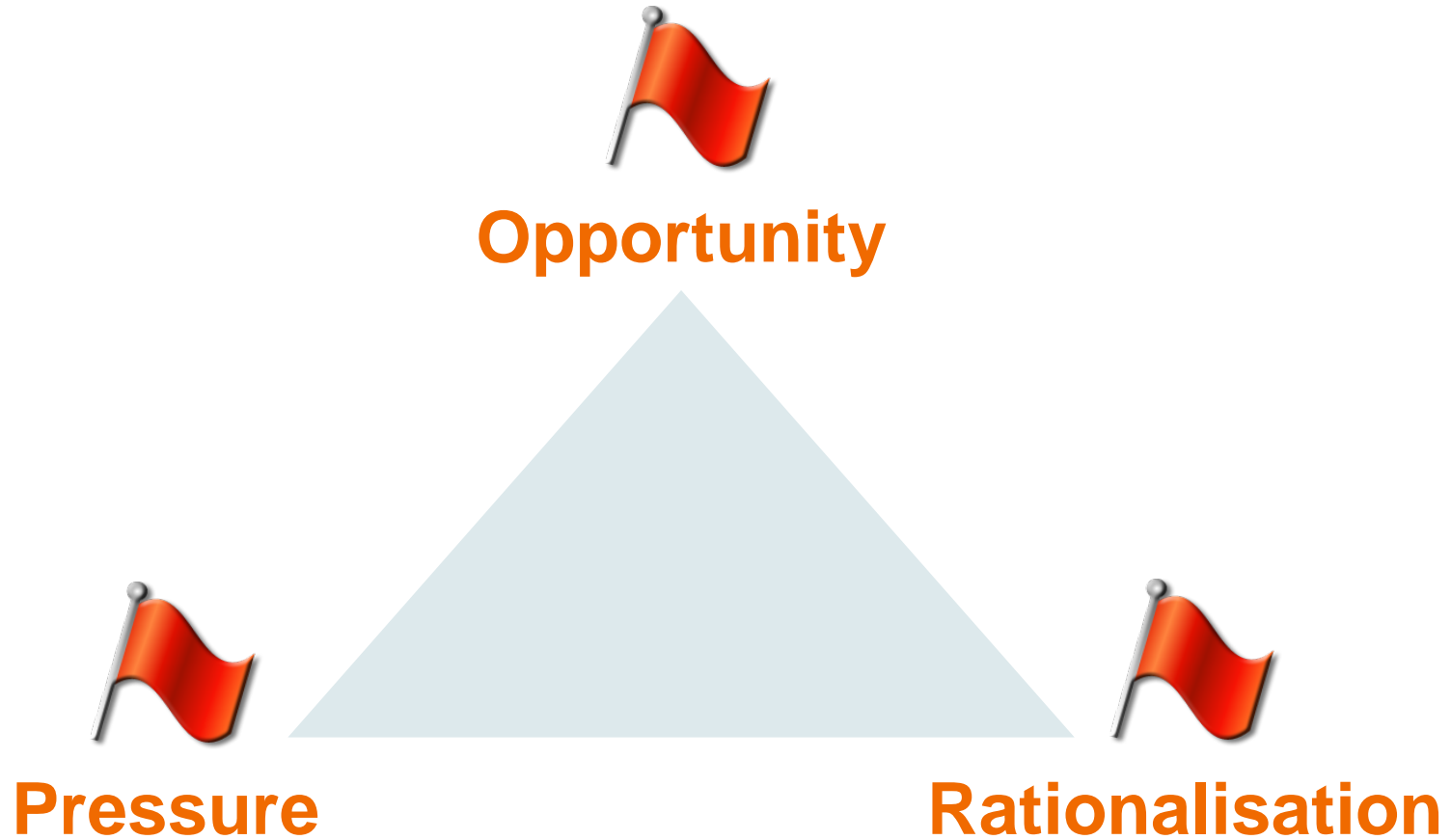
Telford and Wrekin Council

Other frauds

- Procurement: no cases
(Ave per Midlands and East of England Met & UA: 5 cases, valued at £963)
- Insurance: no cases
(Total Midlands and East of England Met & UA: 3 cases reported, valued at £53,500)
- Social care: no cases
(Total Midlands and East of England Met & UA: 5 cases, valued at £140,874)
- Economic & Third sector: no cases
(Total Midlands and East of England Met & UA: 1 case, valued at £34,730)
- Internal fraud: 2 cases, valued at £4,284
(Ave per Midlands and East of England Met & UA: 6 cases valued at £17,791)

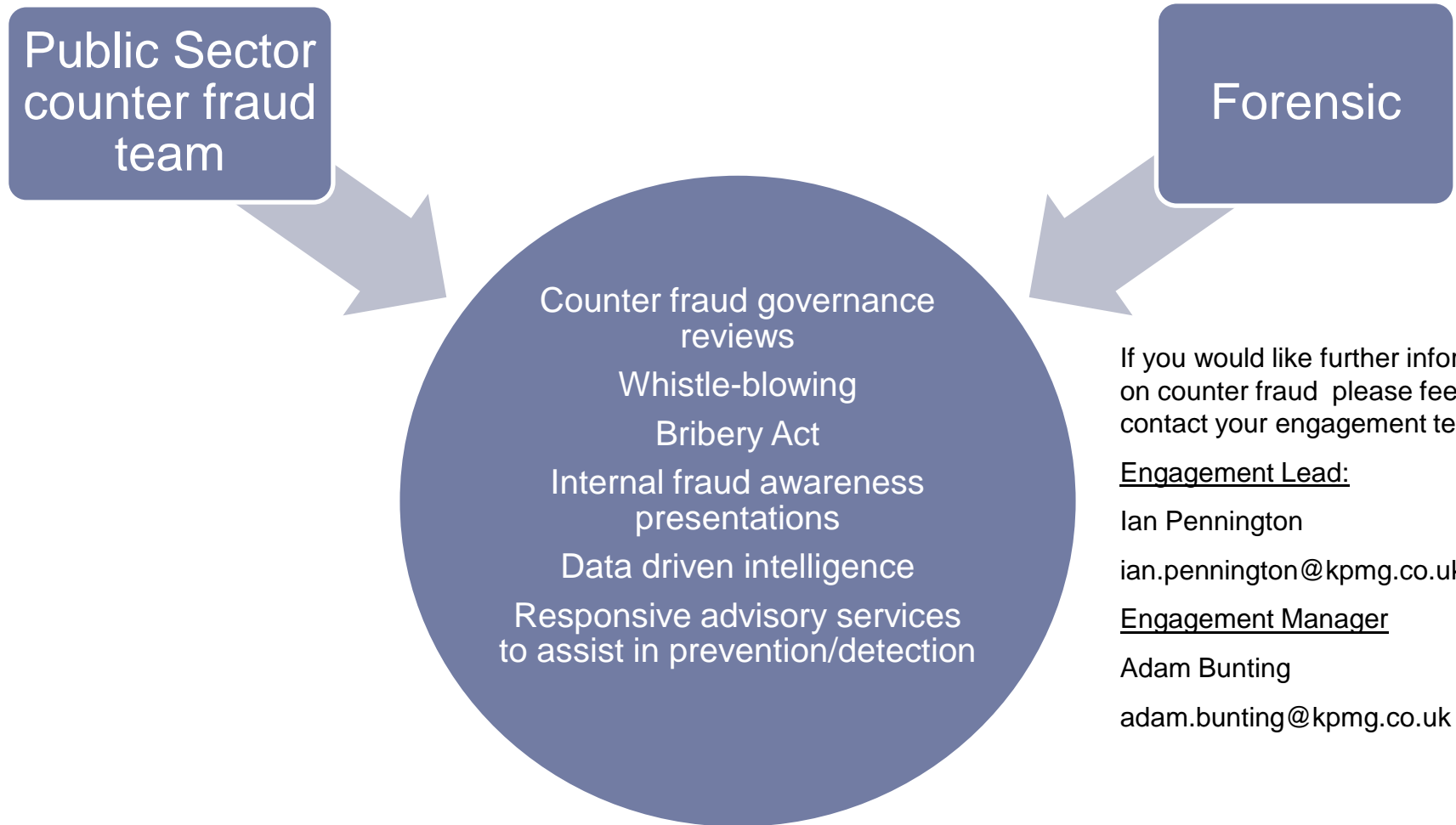
Correctly recording fraud levels is a central element in assessing fraud risk

It is best practice to record the financial value of each detected case



Questions?





If you would like further information on counter fraud please feel free to contact your engagement team:

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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 16th SEPTEMBER 2014

CORPORATE ANTI-FRAUD & CORRUPTION POLICY – 2013/14 ANNUAL REPORT AND POLICY UPDATE

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

- 1.1 For the Audit Committee to:
- a) consider the 2013/14 Annual Report on Corporate Anti-Fraud and Corruption activity; and
 - b) agree an updated policy and to recommend its adoption by the Council.

2. RECOMMENDATIONS

- 2.1 That the Audit Committee notes the 2013/14 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Audit Committee agrees the updated policy attached as Appendix B and recommend its adoption by the Council.

3. SUMMARY

- 3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. These procedures include the Anti-Fraud & Corruption Policy.
- 3.2 The terms of reference of the Audit Committee include:
“15. To approve the Anti-Fraud and Corruption Policy for adoption by the Council and to monitor its operation. The policy will be reviewed it at least once every two years.”
- 3.3 This report includes information in respect to the sixth annual report setting out the Corporate Anti-Fraud and Corruption activity for 2013/14 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix B is an updated policy for members to agree and recommend on for adoption by the Council.

4. PREVIOUS MINUTES

- 4.1 Audit Committee 22nd March 2011 – Update of Anti-Fraud & Corruption Policy 2011
Audit Committee 20th September 2011 – Annual Report 2010/11
Audit Committee 26th June 2012 – Annual Report 2011/12
Audit Committee 25th June 2013 – Annual Report 2012/13 and Policy Update

5. INFORMATION - ANNUAL REPORT 2013/14

- 5.1 The Anti-Fraud and Corruption Policy supports one of the key dimensions of good Corporate Governance – Standards of Conduct. The Council aims to ensure that all those associated with it maintain high standards of ethics and conduct in public life contributing to good Corporate Governance.

- 5.2 Nationally due to the economic climate there are indications from Police and Government statistics that fraudulent activity has and will continue to increase. Therefore it is important that the Council continues to maintain its vigilance in respect to Council services and the Community.
- 5.3 This report contains information for 2013/14 on counter fraud and investigation activities within Benefits, Internal Audit and Trading Standards, including Licensing. The Committee should note that the Councils procedures and controls are designed to minimise the opportunity for fraud and to highlight where possible fraudulent activity may have occurred.
- 5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide information for investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

6. BENEFITS

- 6.1 The benefit caseload has decreased over the last 12 months, from 20,333 (live cases) at 25th March 2013 to 19,551 at 31st March 2014. The main reason for this reduction is the introduction of the government's Welfare Reforms (Social Sector Size Criteria) and Council Tax Support. They have resulted in reductions in benefit for some working age people and others being cancelled off benefit all together.
- 6.2 The Council has followed the Department for Work & Pensions (DWP) lead in "securing the gateway". The DWP aim at 'getting it right, and keeping it right' i.e. ensuring only those properly entitled are granted and paid benefit. A telephone claim process is still in place and the vast majority of claims continue to be processed in this way. A telephone appointment is made within anyone making contact to make a new claim. A Benefit Assessment Officer takes all the necessary details and then an appointment is made for the claimant to see a Benefit Assessment Officer at the Council's First Point facility where the information they have given is checked against the relevant proof of income, identity and rent details. To this end the majority of new benefit claimants who make a claim direct to the Council are seen in person by a Benefit Officer. This ensures the best possible service for the customer as claims are processed whilst they wait and the Benefit Assessment Officer explains to the customer their responsibilities regarding reporting of changes in circumstance. Entitlement letters are given to the customer at the end of the interview and explained and checked with the customer to ensure accuracy.
- 6.3 Referrals to the Benefits Investigation team come from various sources. The table below show the sources, number and percentage of total.

Source	Number of Referrals	Percentage of Total
Anonymous letter	40	3.85
Anonymous telephone call	250	24.04
Member of staff	286	27.5
Housing Benefit Matching Service (HBMS)	15	1.44
DWP	99	9.52
Police	15	1.44
Landlord	29	2.79
Internet/email	169	16.25
Other Local Authority	13	1.25
National Fraud Initiative	121	11.63
Fraud drive	2	0.19
Other	1	0.10
Total Referrals	1,040	100

6.4 In the last six months of 2013/14 the Investigation Team commenced a project looking into Council Tax fraud and error including incorrectly claimed discounts and Council Tax Support. For those people who have delayed in reporting a change we have for the first time started to administer a civil penalty of £70. This project has been extended into 2014/15.

6.5 In March 2014 we began a two month "Put the Record Straight" amnesty giving people the opportunity to cancel any Council Tax discount which they were no longer entitled to and repay anything they owe without facing any further action. Any person found not to have reported a change after this period may face a criminal prosecution or fines of up to £1,000.

6.6 Benefits Data Matching

6.6.1 In 2013/14 there were 12 investigations closed which had been opened due to a Housing Benefit Matching Service (HBMS) referral. Of these, 12 resulted in a positive outcome i.e. benefit was affected / fraud found.

6.6.2 The Investigation Team have also been completing matches identified through the National Fraud Initiative (NFI) 2012/13. In total 48 investigations have so far been completed, of which 3 resulted in a sanction (a further 37 resulted in the level of benefit paid being affected). The overpaid benefit for the cases which received a sanction total £5,562.13.

6.6.3 Unfortunately Benefit fraud is not just external to the Council. The Council undertakes internal checks in respect to monthly data matches with all new starters. This ensures all changes in circumstances have been declared. During the last year one person who was a Telford and Wrekin employee has accepted an administrative penalty following investigations into benefit fraud.

6.7 Cases Investigated

6.7.1 We use a risk based approach to ascertain which cases are investigated. In 2013/14 a total of 312 investigations were closed and of which 202 proved positive (benefit was affected in some way). Of this total, 70 cases received a formal sanction:

- Prosecutions – 36
- Administrative Penalties – 25
- Formal Cautions - 9

6.7.2 Although no credit is given, sanctions are also applied to partners/landlords/employers where it can be demonstrated that they were complicit in the fraud. As a result, 2 further people (partners) were prosecuted.

6.7.3 For the prosecutions fines of £1,015 were imposed and costs of £4,825 were awarded, please note that some of these are attributable to joint working with Department for Work and Pensions. Other sentences imposed by the courts in the last year include a suspended custodial sentence, community orders, curfews and unpaid work. In addition to recovery of the overpaid benefit amount anyone accepting a caution, administrative penalty or successful prosecution cases will have a loss of benefit sanction applied which means that any ongoing benefit entitlement is reduced for a period of four weeks.

6.7.4 Overpayments detected in the above sanction cases totalled £311,244.

6.8 Benefit Fraud Sanction & Prosecution Policy

6.8.1 The benefit fraud policy was rewritten and approved by Cabinet in January 2010. The refreshed policy was to give much clearer guidance to decision makers on a wider range of

factors that they should consider when deciding which sanction to apply to a fraud case, as well as streamlining the decision making process to speed up the time taken for sanction authorisation to be granted.

7. INTERNAL AUDIT

- 7.1 Internal Audit has an important role in the investigation of suspected internal fraud and assisting managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud.
- 7.2 Annually days are allocated within the audit plan to undertake proactive fraud work and work in areas where previous frauds have occurred. This work is informed by a Fraud Risk register¹. A summary of the Internal audit work undertaken during 2013/14 for fraud and corruption risk areas, proactive work and requests is attached as Appendix A for your information. For 2013/14 the planned proactive fraud days (including NFI work – see below) were 40 days with an actual of 10 days. The reduction was due to unplanned work and the loss of resources due to staff turnover. In addition where possible the proactive activities were included within other planned audits (see Appendix A).
- 7.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit also has role to investigate potential irregular activities reported to them throughout the year. During 2013/14 although management requested areas to be reviewed due to restructures and new responsibilities no potential frauds were identified. The time taken for these reviews was 22 days. Changes to procedures and controls have been implemented as a result of these reviews and additional training and awareness provided to employees.
- ### **7.4 National Fraud Initiative (NFI)**
- 7.4.1 The Audit Commission's NFI exercise is part of Central Government's national recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect their money from fraud. The national public bodies included in this exercise are police authorities, local probation boards, fire and rescue authorities and all upper tier and districts councils.
- 7.4.2 The Council has a statutory responsibility to provide data to the Audit Commission for the prevention and detection of fraud as part of the NFI. NFI is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud.
- 7.4.3 Investigation continued on the NFI matches provided to the council as part of the 2012/13 exercise (as previously reported). In total 1649 matches have been processed with a further 91 in the process of being investigated. In total £94,508.31 worth of fraud has been found.
- 7.4.4 In January 2014 the council provided council tax and electoral registration datasets to the Audit Commission as part of the council tax – single person discount data match. In total 1205 matches were identified and on a risk basis to date 395 records have been investigated with a further 16 in the process of being investigated. In total £2,876.33 worth of fraud has been found.
- 7.4.5 The full 2014/15 NFI exercise is due to commence from October 2014.

¹ This register was developed based on good practice, local internal intelligence and the West Midlands Fraud Group (this is a specialist fraud networking and training group of West Midlands metropolitan authorities and unitary authorities).

7.5 Training & Awareness

- 7.5.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption Policy.
- 7.5.2 All new staff within Revenues & Benefits (R&B) (as part of their induction) receive Fraud Awareness training from the Corporate Training Team. In addition periodic refresher training is given to existing staff. Out of the fraud referrals received in 2013/14, 286 came from members of staff.
- 7.5.3 For officers there is the Code of Conduct for Employees which is included as part of induction and is available on the intranet. The principles of the Anti-Fraud and Corruption and Speak Up policies are included in induction for new employees.

7.6 Publicity

- 7.6.1 As per the policy publicity of cases is important as a deterrent. The Benefit Fraud Team and Trading Standards use Corporate Communications to issue press releases about upcoming notable cases. Often the press then follow up with the headlines about the action/fine. The press releases are also published on the Council's website.
- 7.6.2 Internally cases of note are included within the Revenues and Benefits weekly team brief notes and also included in the quarterly Service Area report. These are issued to all R&B staff.
- 7.6.3 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the staff news bulletins and in management meetings.

8. TRADING STANDARDS & LICENSING

- 8.1 The Trading Standards and Licensing services of the Council play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted. As such investigations may involve Council officers, Members, suppliers to the Council and the business activities of the Council itself.
- 8.2 Officers of these services have access to specific legal, procedural and operational training to enable effective discharge of their responsibilities.
- 8.3 Staff undertake extensive professional training and mentoring before being permitted to commence enforcement duties, and have access to a range of professional competency training facilities through CEnTSA (Central England Trading Standards Authorities) and the Institute of Licensing (IOL) and their regional professional networks.

8.4 Anti Fraud responsibilities

- 8.4.1 Specific and identifiable responsibilities falling to Trading Standards and Licensing within the Public Protection Service Delivery Unit, to combat fraud in the community include:

For the Licensing Service:

- **Street trader consents**
Prevention and detection of the illegal and highly lucrative transfer of street trader consents ('burger wars')
- **Taxi licensing**
Ensuring the correct vehicle, correctly insured and driven by the licensed driver.
Ensuring that licences are granted to people who have the right to work in the UK.
- **National Insurance Fraud Network.**
Partnership working to detect and report vehicle accident patterns.
- **Scrap metal dealers licensing.**
Joint working with police to detect illegal trading in stolen vehicles through scrap metal dealers.
- **National Fraud Initiative.**
Provision of information for the purposes of detection of benefit and other related frauds.
- **Intelligence Data System.**
New data system linked to DVLA for the detection of driving licence frauds.
- **Gambling Act enforcement**
Gaming establishments, registration of gaming machines, enforcement of 'amusement machines licensing duty certificates' in respect of the avoidance of taxation payments.
- **Money Laundering.**
Taxis, private hire vehicles, gaming machines, as a means of converting large quantities of cash.
- **Street Collections, Charity collections.**
Identification, detection and enforcement of fraudulent collections

For the Trading Standards Service:

8.4.2 Trading Standards has responsibility for enforcing a wide range of legislation that supports the authority's anti fraud responsibilities, and could be considered under the following broad headings:

- **Intellectual Property crime**
Copyright, Trade marks
- **Consumer Protection from Unfair Trading legislation**
Wide ranging legislation to keep pace with constantly changing fraudulent practices. This legislation covers a wide range of goods and services including houses purchases, animals, vehicles, food & drink and all personal and professional services
- **Consumer Credit**
Credit, finance agreements, misleading advertising
- **Cattle identification legislation**
To prevent fraudulent transfer to limit disease spread.
- **Weights and Measures**
Misrepresentation of quantity of goods supplied.
- **Fraud Act**
This legislation is applicable to all the above legislative areas. The act allows Trading Standards to take action against serious criminality and persistent offenders to achieve the appropriate fines and sentences where necessary.

8.4.3 Trading Standards receives intelligence about rogue trader activities in Telford and deal with complaints about fraudsters that specifically target vulnerable and older people, carrying out

unnecessary or misrepresent home improvement work and as a result defraud them out of thousands of pounds. This area of fraud remains a priority for Trading Standards for 2014/15.

- 8.4.4 The team also aims to educate residents, other members of the community, such as carers and voluntary groups who come in to contact with more vulnerable consumers, by raising awareness of rogue traders and making consumers better able to distinguish the rogues from the reputable businesses.

8.5 Trading Standards Regional Initiatives

Scambusters

8.5.1 Dedicated Trading Standards officers working alongside officers from the Police, HM Revenue & Customs and other enforcement agencies. They work across local authority boundaries focusing on the hardest to tackle scams and rogue traders that set out to defraud people out of their money/assets.

8.5.2 This regional approach has demonstrated that targeted, proactive and intelligence led enforcement works. There has been much closer co-operation and data sharing between Trading Standards and other agencies, partly due to the level of criminality the teams have investigated.

Examples of the types of issues that have been targeted are:

- o Doorstep crime
- o Deceptive selling techniques
- o 'Cowboy' builders doing shoddy and unnecessary work
- o Large scale organised counterfeiting operations

8.6 Loan Shark Team

8.6.1 A loan shark is an unlicensed moneylender. Licensed moneylenders are regulated by the Competition Markets Authority (CMA) and must follow the CMA's codes of practice. Because they're not licensed, loan sharks operate outside the law. If you borrow from them it's likely you'll:

- o get a loan on very bad terms
- o pay an extortionate rate of interest
- o be harassed if you get behind with your repayments
- o be pressured into borrowing more from them to repay one debt with another

8.6.2 The role of this team is to identify, investigate and if necessary prosecute loan sharks and to work with victims to secure a satisfactory financial outcome. It also has a proactive role to educate and raise awareness in local communities of the pitfalls of loans harks and promotes alternative sources of obtaining small loans and savings plans.

9. Challenges for 2014/15

- Reduced resources for the provision of Council services and therefore reduction in control and supervision and therefore potential increased opportunities for internal fraud
- Reduced resources for the provision of Council services, including Governance and therefore reduction in fraud awareness, investigation of data matches and opportunities for proactive work.
- Impact of the economic climate on the potential incidence of fraud

- The continuing impact of the government's welfare reform which has seen a reduction in Housing Benefit for many working age people which may result in some people not accurately reporting their circumstances.
- Localised Council Tax Support replaced the national Council Tax Benefit scheme with effect from April 2013. This poses a challenge as Council Tax Support is a discount and operates under different legislation to Housing Benefit. The Department for Work and Pensions (DWP) cannot prosecute this discount alongside DWP benefits.
- Introduction of Single Fraud Investigation Service (SFIS). SFIS will take over the responsibility for investigating Housing Benefit and all DWP fraud. SFIS are due to take over Telford & Wrekin Council's responsibility in June 2015. In the lead up to this date additional work will be required to deal with the migration of cases and staff. If staff do transfer then the Council will lose experienced investigation officers.

10. ANTI-FRAUD & CORRUPTION POLICY UPDATE

- 10.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 25th June 2013 and was approved by Council on 11th July 2013. It was agreed at the June 2013 meeting that the Anti-Fraud & Corruption Policy would be reviewed annually to coincide with the annual report (unless urgent changes are required in between).
- 10.2 The updated Policy is attached as Appendix B for comment and agreement. There have been minimal changes to the policy to reflect organisational changes and to ensure consistency with the Constitution.

11. OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council's associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met.
Environmental Impact	None
Legal Implications	Regulatory and enforcement teams throughout the Council (including internal audit) have powers and responsibilities set out in statute and regulation to detect, investigate and take enforcement action in relation to fraud and corruption. Such roles and responsibilities also include information sharing which is referred to in this report. When undertaking these actions all relevant statutory requirements need to be adhered to.
Links with Corporate Priorities	The policy supports all Corporate Priorities and good Corporate Governance demonstrating the Council's desire to ensure sound conduct and ethical procedures for all those associated with the Council and service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity.
Financial Implications	None as all current activity is met from within existing budgets.
Opportunities and Risks	Having a policy which sets out the Council's anti-fraud and corruption culture and associated procedures assists in the management of the risk of fraud and corruption against the Council.
Ward Implications	Borough wide implications.

12. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2013

Speak Up Policy 2012

Benefits Counter Fraud and Sanctions Policy 2010

Audit Commission requirements for the National Fraud Initiative

Trading Standards & Licensing Legislation

Report prepared by Jenny Marriott – Audit & Information Governance SDM - 01952 383101; Becky Owen-Jones – Benefit Welfare and Assurance Group Manager – 01952 83881 & Anita Hunt – Trading Standards Team Manager – 01952 381998; Suzanne Fisher – Licensing & Support Team Manager

**INTERNAL AUDIT WORK UNDERTAKEN FOR FRAUD & CORRUPTION RISK AREAS,
PROACTIVE WORK AND REQUESTS 2013/14**

Work Area	Work undertaken
Cash collection	Annual cash collection audit Review of cash collection arrangements in respect to the Trolley Service, Gypsy & Traveller Sites and Training for Employment Now. Park & Ride
Catering	Schools cashless catering follow up Cafe Go
Procurement – Contract Monitoring	ICT contract monitoring Revenues & Benefits Contract monitoring
Procurement	Contract Life Cycle – Property & Design Park & Ride Contract
Training for Employment Now	Review of comforts fund and controls in place to manage the fund
Mobile Telephone	Query raised by ICT due to excessive use of a mobile telephone that had been transferred from an employee who had left the Authority
Moorfield School	Initial review to ascertain if there were any financial discrepancies which were not confirmed but a full audit was then undertaken.

TELFORD & WREKIN COUNCIL - ANTI-FRAUD AND CORRUPTION POLICY 2014³

1. INTRODUCTION

- 1.1 The Council through this policy clearly demonstrates its zero tolerance commitment to dealing with fraud, bribery and corruption and will deal equally with perpetrators from inside (members¹ and employees²) and outside the Council.
- 1.2 The policy outlines measures designed to frustrate attempted fraud, bribes or corruption (defined in Appendix A) and the steps that will be taken if such action occurs. It is separated into four areas:-
1. Culture
 2. Prevention/Deterrence
 3. Detection and Investigation
 4. Training
- 1.3 The Council also recognises the high degree of external scrutiny of its affairs by a variety of external bodies. These bodies are important in highlighting any areas where improvements to anti-fraud, anti bribery and anti corruption activities can be made.

2. CULTURE

- 2.1 The Council's co-operative values include openness and honesty which supports the Council's commitment to zero tolerance in respect to fraud, bribery and corruption.
- 2.2 The prevention and detection of fraud, bribery or corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. The anti-fraud, bribery and corruption culture and associated procedures assist the Council in its management of the risk of fraud, bribery and corruption against the Council and are an integral part of its governance framework.
- 2.3 The Council's members, employees, partners, volunteers and governors play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud, bribery and corruption, regardless of seniority, rank or status, in the knowledge that such concerns will be investigated and wherever possible be treated in confidence³. Suppliers/contractors to the Council and the public also have roles to play in this process and should inform the Council if they feel that fraud, bribery or corruption may have occurred. Examples of types of concerns are listed in Annex 1.
- 2.4 The Council will deal firmly and take appropriate action against those who defraud the Council or who are corrupt. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees/members raising malicious allegations) will also be dealt with appropriately.
- 2.5 When fraud, bribery or corruption has occurred due to a breakdown in the Council's systems or procedures, senior managers will ensure that appropriate improvements in systems of control are implemented within a reasonable timeframe to prevent a re-occurrence.

3. PREVENTION & DETERRENCE

3.1 MEMBERS

- 3.1.1 All members of the Council have a duty to the citizens of the Borough to protect the Council and public money from any acts of fraud, bribery or corruption. This is achieved through the Anti-Fraud and Corruption Policy, compliance with the Code of Conduct for Members, the Council's

¹ The term "members" is used in the policy to include elected, co-opted and independent members.

² The term employees is used in the policy to include employees, temporary staff, volunteers, partners

³ The Council's Speak Up policy sets out how concerns can be raised (including anonymous information) and how they will be dealt with, including allegations in respect to fraud and corruption.

Constitution⁴, relevant legislation and any other protocols and procedures adopted by the Council.

3.2 EMPLOYEES

3.2.1 The Role of the Chief Financial Officer – one of the Assistant Directors⁵ has been designated the statutory responsibilities of the Chief Financial Officer as defined by s151 ~~of the~~ Local Government Act 1972. These responsibilities are set out in Annex 2.

3.2.2 Employees and their managers are responsible for controls and ensuring that adequate systems of internal control exist within their areas of responsibility, that these controls operate effectively and that they test them regularly to confirm this. They should also operate so as to prevent and detect fraud and implement appropriate controls into new/developed systems and new controls into existing systems to reduce the risk of fraud occurring or recurring.

3.2.3 Managers at all levels are responsible for managing the risk of fraud, bribery and corruption through:

- a) Recruitment – following the Council's recruitment policies and procedures
- b) Appropriate induction and training in order for their staff to do their job
- c) Their adherence to and promotion of the Employee Code of Conduct
- d) Providing awareness of the Council's constitution, appropriate policies and procedures (key documents associated with this policy are listed in Annex 2)
- e) Regular reminders, updates and vigilance in respect to fraud, bribery & corruption
- f) Encouraging staff to raise concerns with them or through the Speak Up policy

3.3 MEMBERS & EMPLOYEES

3.3.1 Both members and employees must ensure that they avoid situations where there is a potential for a conflict of interest⁶. Such situations can arise particularly with planning and land issues, procurement (especially tendering), recruitment etc. Effective role separation is essential to ensure decisions made are based upon impartial advice to maintain public confidence in the Council's decision-making processes and avoid questions about improper disclosure of confidential information.

3.3.2 All members and officers are expected to fully co-operate with whoever is conducting fraud, bribery and corruption investigations, proactive checks or data matching exercises.

3.4 INTERNAL AUDIT

3.4.1 Internal Audit plays a vital preventative role in ensuring that systems and procedures are in place to prevent and deter fraud, bribery and corruption and has specific rights within the constitution (see Annex 2). Internal Audit investigates all employee cases of suspected financial irregularity, fraud, bribery or corruption⁷, except Benefit fraud investigations (see below), in accordance with agreed procedures. Internal Audit liaises with management to recommend changes in procedures to improve controls, reduce risks and prevent losses to the Authority.

3.5 BENEFITS INVESTIGATION TEAM

3.5.1 Benefits administration is recognised nationally as being complex and difficult to administer. This results in the scheme being prone to error and abuse. The Authority is committed to tackling poverty but it must also ensure that the administration of housing and council tax benefit is secure, fair and provides prompt help to those who need it. Equally, it must also be vigilant in tackling fraud and error to ensure value for taxpayers' money. The Revenues & Benefits Service

⁴ Including Financial Regulations and Standing Orders

⁵ Assistant Director Finance, Audit & Information Governance

⁶ Conflicts could also arise where employees have additional employment outside the Council but this is managed through the Private Works procedure.

⁷ Except where they are referred to the Police when they may leave it to the Police or assist, as appropriate

operates within legislation, government guidance and local procedures with the aim of improving the quality and accuracy of benefit determinations and to both prevent and reduce the incidence of fraud.

- 3.5.2 The Benefits Investigation Team is responsible for the investigation of welfare benefit fraud, often jointly with the Department for Works & Pensions (DWP), in accordance with legislation, agreed codes of conduct and a separate Council policy. In cases where employees and/or members are involved the team will work with Internal Audit, ~~People Services~~Human Resources, the Monitoring Officer and appropriate senior management to ensure that correct procedures are followed.

3.6 DATA MATCHING

- 3.6.1 The Council participates in all mandatory Data Matching exercises. In respect to Benefits there are also regular external exercises with HBMS (Housing Benefits Matching Service) and DWP. In addition internal data matching exercises are undertaken. All exercises adhere to Data Protection requirements.

3.7 EXTERNAL AUDIT

- 3.7.1 Independent External Audit is an essential safeguard of the stewardship of public money. This is currently carried out by suppliers appointed by the Audit Commission who operate through a Code of Practice that is designed to test (amongst other things) the adequacy of the Council's financial systems, the arrangements for preventing/limiting the opportunity for fraud and the arrangements for the detection of fraud, bribery and corruption. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. Where External Audit is required to undertake an investigation they will operate within legislation and their codes of conduct.

3.8 OTHER AGENCIES

- 3.8.1 Appropriate Council services have arranged (in compliance with the Data Protection Act 1998) the exchange of information on national and local fraud, bribery and corruption activity with appropriate external agencies.

3.9 CONTRACTORS/SUPPLIERS AND THE PUBLIC

- 3.9.1 This policy, although primarily aimed at those within or associated with the Council, encourages contractors/suppliers and the public to assist in the Council's zero tolerance commitment to fraud, bribery and corruption.

3.10 PROSECUTION AND RECOMPENSE

- 3.10.1 To support this policy the Council has a Corporate Prosecution Policy which is complemented by the Benefit Fraud Sanction & Prosecution Policy. The corporate policy is designed to clarify and ensure consistency in the Council's action in specific cases and to deter others from committing offences against the Authority. The Benefit Fraud Sanction & Prosecution policy ensures that Benefits prosecutions are undertaken within the requirements of Benefits legislation.
- 3.10.2 In addition or instead of prosecution, the Council will seek to recover any money or assets fraudulently/corruptly obtained from the Council.

3.11 DISCIPLINARY OR OTHER ACTION

- 3.11.1 Theft, fraud, bribery and corruption are serious offences against the Authority and employees will face disciplinary action if there is evidence that they have been involved in these activities, including Benefit fraud. Disciplinary action will be taken in addition to, or instead of,

criminal proceedings depending on the circumstances of each individual case but in a consistent manner.

- 3.11.2 Members will face appropriate action under this policy if there is evidence that they have been involved in theft, fraud, bribery and corruption against the Authority. Action will be taken in addition to, or instead of criminal proceedings, depending on the circumstances of each individual case but in a consistent manner. If the matter is a potential breach of the Code of Conduct for Members then it will also be referred to the Standards Committee.

3.12 PUBLICITY

- 3.12.1 The Council's Corporate Communications Team will optimise the publicity opportunities associated with anti-fraud, anti bribery and anti corruption activity within the Council. Information will be publicised in respect to prosecutions and other appropriate cases as a deterrent.
- 3.12.2 Internally where the Council can learn from incidents the relevant points will be communicated to members and employees.
- 3.12.3 Any notifications received by the Council of possible regional/national frauds, scams or alerts will be communicated to employees and members, as appropriate.
- 3.13.4 All anti-fraud, anti bribery and anti corruption activities, including the update of this policy⁸, will be publicised in order to make employees, members and the public aware of the Council's commitment to taking action on fraud, bribery and corruption, when it occurs.

4. DETECTION AND INVESTIGATION

- 4.1 Internal Audit plays an important role in the detection of fraud. Included in their audit plan (informed by a fraud risk register) are specific fraud tests, spot checks and unannounced visits. However it is often the vigilance of employees, partners, volunteers, members, governors, suppliers/contractors and the public that aids detection.
- 4.2 All suspected fraud, bribery and corruption irregularities (except benefit fraud) are required to be reported (verbally or in writing) to the Audit & Information Governance Manager either by the person with whom the initial concern is raised or through the Council's Speak Up policy. (See paragraph 3.4.1).

5. AWARENESS AND TRAINING

- 5.1 The Council recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of training and awareness for Members, employees and affected external parties. The principles of this policy are integrated into the officer and member's induction programme and incorporated in the Member Development programme. Specialist training for certain employees is provided by their service area due to their specific roles.
- 5.2 Regular awareness through corporate communication, staff news and Ollie will support the successful application of this policy. Full copies of the Anti-Fraud and Corruption and Speak Up policies are available on the intranet.

⁸ This policy will be reviewed annually and updated where necessary.

DEFINITIONS OF FRAUD, BRIBERY & CORRUPTION

Fraud is defined by the Audit Commission as:-

Fraud – *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”*.

In addition, fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to mislead or misrepresent”*.

The Fraud Act 2006 which came into effect on 15th January 2007 created a new general offence of fraud with three ways of committing it:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

It also created new offences:

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in frauds
- Fraudulent trading applicable to non-corporate traders.

Corruption is defined by the Audit Commission as:-

Corruption – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”*.

In addition, this policy also covers *“the failure to disclose an interest in order to gain financial or other pecuniary benefit.”*

Bribery is defined under the Act as:-

A bribe is a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity.

EXAMPLES OF THE TYPES CONCERNS that should be raised:

- * A criminal offence
- * A failure to comply with a statutory or legal obligation
- * Improper or unauthorised use of public or other official funds
- * A miscarriage of justice
- * Maladministration, misconduct or malpractice
- * Discriminatory behaviour
- * Endangering an individuals health and/or safety
- * Damage to the environment
- * Benefit Fraud
- * That offers or requests have been made in respect to a promise, gift, financial or other advantage to or from a person that results in improper performance of a decision or action
- * Deliberate concealment of any of the above

Roles and Responsibilities of the Chief Financial Officer (CFO) in respect to Financial Affairs including Fraud & Corruption

Section 151 of the Local Government Act (1972) sets out that in every local authority in England & Wales should:

“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs”.

Section 114 of the Local Government Finance Act (LGFA) 1988 requires the Chief Financial Officer to report to the Council if the authority, one of its committees, the Leader and Cabinet Executive or one of its officers:

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- Has made – or is about to make – a decision which has or would result in unlawful expenditure;
- Has taken, or is about to take, an unlawful action which has or would result in a loss or deficiency to the authority; or
- Is about to make an unlawful entry in the Council's accounts.

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Section 114 of the LGFA 1988 also requires the Chief Financial Officer to nominate a properly qualified member of staff to deputise, should the Chief Financial Officer be unable to perform the duties under Section 114 personally.

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Under the Constitution the CFO responsibilities of proper administration encompasses all aspects of local authority financial management including:

- provision of financial advice for service delivery, strategic planning and policy making across the authority;
- provision of advice on the optimum use of available resources on the management of capital and revenue budgets;
- provision of financial management information;
- preparation of statutory and other accounts, associated grant claims and supporting records;
- provision of an effective internal audit function and assistance to management in providing safe and efficient financial arrangements;
- the proper exercise of a wide range of delegated powers both formal and informal;
- provision of effective financial management systems and procedures;
- provision of effective income collection and payments systems;
- advising on treasury, investment and cash-flow management;
- advising on the safe custody of assets and insurance; and
- The recognition of the fiduciary responsibility owed to local tax payers.

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- ~~Compliance with the statutory requirements for accounting and internal audit;~~
- ~~;~~
- ~~The responsibility for the proper administration and management of the Council's financial affairs and dealings;~~
- ~~The proper exercise of a wide range of delegated powers both formal and informal; and~~
- ~~—~~
- ~~The recognition of the fiduciary responsibility owed to local tax payers.~~

KEY COUNCIL DOCUMENTS THAT SUPPORT THIS POLICY

(This list contains examples but is not exhaustive)

- Constitution
- Financial Regulations and Standing Orders and associated detailed procedures
- Fraud Response Plan
- Employee Code of Conduct

- Health and Safety Policies
- Corporate Information Security Policy (which includes the E-mail and Internet Usage Policies and IT Strategy).
- Gifts and Hospitality Guidance
- Equalities policies
- Private Works Procedure

CONSTITUTION POWERS FOR REPRESENTATIVES OF INTERNAL AUDIT

(Part 4 – Rules of Procedure: Section 6 – Financial Regulations paragraph 9.7)

9.7 The Chief Finance Officer's authorised Internal Audit representatives shall be empowered to:

- enter at all reasonable times any Council premises or land
- have access to all Council and partner records (includes business e-mails and internet records), documentation and correspondence relating to any financial and/or other transactions or other business of the Council, its employees or members, as considered necessary by the CFO, Monitoring Officer or Audit & Information Governance Manager.
- have access to records belonging to third parties such as contractors or partners when required
- require and receive such explanations as are regarded necessary concerning any matter under examination from any employee, member, partner or third party.
- require any employee or member of the Council or any partner/third party to account for cash, stores or any other Council property which is under his/her control or possession on behalf of the Council.

TELFORD & WREKIN COUNCIL

Audit Committee – 16th September 2014

Customer Feedback Performance 1st April 2013 to 31st March 2014

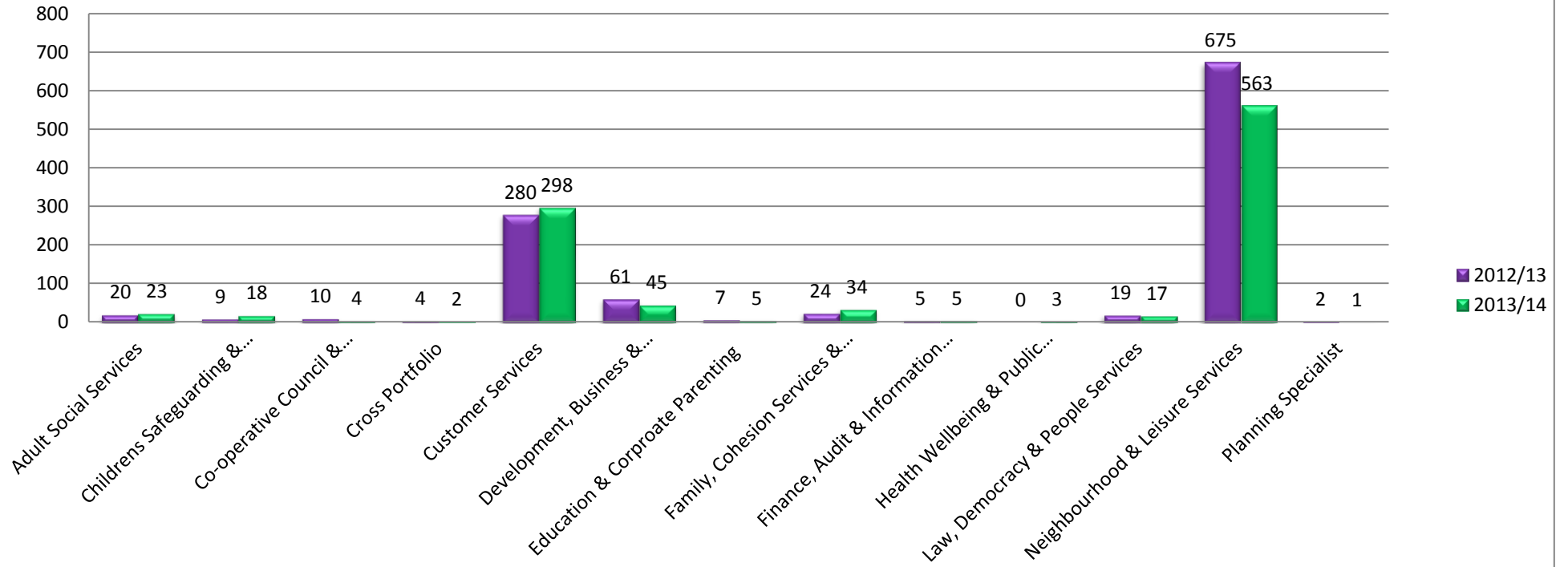
REPORT OF: Angie Astley, Assistant Director – Customer Services

Please note figures in brackets below relate to the corresponding period last year

1. Summary for the Period 1st April 2013 to 31st March 2014

- 1.1 Detailed below are the main areas of customer compliments and complaints for this period. It should be acknowledged that there are relatively small numbers of complaints registered when compared to the number of services provided by the Council on a daily basis and against a backdrop of having delivered £53m in savings over the last 5 years. Given these circumstances, it is really pleasing to note that the number of complaints received in 2013/14 has reduced by 9%, with fewer complaints having elements fully or partly upheld, and that compliments received have increased by 17% for the same period. Complaints continue to be viewed as a good form of customer feedback and the Council already has a culture of embracing and learning from complaints over a number of years and this will continue in order to help continually improve service delivery.
- 1.2 For this period we received **592** (506) compliments an increase of 17% from this time last year, which is excellent news. The majority of the compliments were addressed to our front line services, particularly those in Neighbourhood and Leisure Services 211, Customer Services 115 and Adult Social Services 81.
- 1.3 We have received **1018** (1116) corporate complaints, a decrease of 9% over the same period last year. There has been a significant reduction in the numbers of complaints partly or fully upheld, to 54% compared to 66% for the same period last year. In part, this will be as a result of reminding managers to correctly determine whether a complaint is upheld or not.
- 1.4 It is also pleasing to note that 87% of Stage 1 complaints were responded to within 15 working days against a target of 83%.
- 1.5 The service area titles throughout this report have been updated following the structure changes introduced from 2nd January 2014

Comparison of corporate complaints received



2. Stage 2 – Independent Investigations of Corporate Complaints

Of the 1018 customer complaints received, only 40 requests were made for an independent ‘Stage 2’ investigation. Please find breakdown below.

Service	Number of requests received	Outcome of request/ investigation
Adult Social Services	1	<ul style="list-style-type: none"> Investigated - partly upheld
Children’s Safeguarding & Specialist Services	3	<ul style="list-style-type: none"> 3 investigated – 2 upheld, 1 partly upheld
Customer Services	3	<ul style="list-style-type: none"> 1 investigated – partly upheld 2 requests refused (nothing further to add to Stage 1 response)
Development, Business & Employment	15	<ul style="list-style-type: none"> 11 investigated (6 not upheld, 5 partly upheld) 2 requests refused (nothing further to add to Stage 1 response) A further response at Stage 1 sent for 1 request as some issues from original complaint weren’t addressed in the Stage 1 response. Awaiting customer to provide further evidence for 1 request
Family, Cohesion & Commissioning	3	<ul style="list-style-type: none"> 3 investigated (1 not upheld, 2 partly upheld)
Neighbourhood & Leisure Services	15	<ul style="list-style-type: none"> 10 investigated (1 upheld, 4 partly upheld, 5 not upheld) 2 withdrawn 2 request refused (nothing further to add to Stage 1 response) 1 resolved prior to escalation.

3. Adult & Children's Statutory Complaints

For this period we received **120** (105) statutory complaints made up of:

- **51** (45) Adult Statutory
- **69** (60) Child Statutory

Both areas have seen an increase from the previous year.

53% (54%) of Adult statutory complaints had elements upheld, a slight decrease compared to last year and **27%** (31%) were responded to within the timescale. The average overall time taken to respond to a complaint was **42** days.

45% (55%) of Children's statutory complaints had elements upheld, a decrease compared to last year. **27%** (22%) were responded to within 10 working days, **50%** (25%) were responded to within 20 working days. The average time taken overall to respond was **17** days.

6 (3) Children's Statutory Stage 2 requests were received during this period. 1 was resolved through a mediation meeting, 2 were upheld, 1 was partly upheld and 2 were not upheld.

4. Freedom Of Information & Data Protection

Whilst Data Protection requests have remained static, there has been a 25% increase in Freedom Of Information requests.

- **1076** (862) Freedom of Information (FOI) requests with **95%** (90%) responded to within 20 working days
- **65** (65) Data Protection (DP) requests with **95%** (82%) responded to within 40 days

5. MP Enquiries

The customer services strategy, which will shortly be presented to Cabinet, contains an amendment to response timescales for MP Enquiries moving from 10 days to 15 days to bring this response time in line with those for customer complaints. This recommended

change reflects the reduction in resources and therefore our ability to respond within 10 days particularly in high volume areas such as Neighbourhood & Leisure Services. Therefore for this reporting period performance against both 10 and 15 days has been reported.

For this reporting period we have received a total of **200** (146) MP enquiries;

- ✚ David Wright, MP has submitted 152 enquiries and Mark Pritchard, MP has submitted 35. There were 13 enquiries submitted by other MP's.
- ✚ Of the 200 enquiries due a response at 31st March 2014, we have responded to 67% (57%) within the target of 10 working days or 82% within 15 days.
- ✚ David Wright MP - We have responded to 65% within 10 days & 79% within 15 days
- ✚ Mark Pritchard MP - We responded to 71% within 10 days and 91% within 15 days
- ✚ Neighbourhood & Leisure Services have received the highest number of MP enquiries 37% = 73.

The table in Appendix C shows the distribution of enquiries across the Service Area's and the levels of performance.

6. Member & Parish Council Enquiries

For this period we received:-

- ✚ **1037** (974) Member enquiries, with 98% (95%) responded to in target*
- ✚ **752** (1538) Parish enquiries, with 98% (92%) responded to in target*

* This includes enquiries and requests for service that have been received and had an initial response within 10 days. However, as a significant number of these relate to highways maintenance and improvements, not all of the work will have been completed within 10 days.

7. Ombudsman Enquiries

7.1 The Local Government Ombudsman received a total of 27 (24) enquiries relating to Telford & Wrekin Council. Please find breakdown below.

Service	Number of enquires received	Number formally investigated by the LGO	Outcome of LGO enquiry/ investigation
Adult Social Services	8	2	<ul style="list-style-type: none"> • Still under investigation (1) • Could not reach a conclusion (1) • Not investigating (3) • Premature complaint (3)
Children's Safeguarding & Specialist Services	1	0	<ul style="list-style-type: none"> • Premature complaint (1)
Customer Services	1	1	<ul style="list-style-type: none"> • Still under investigation (1)
Development, Business & Employment	6	3	<ul style="list-style-type: none"> • Still under investigation (3) • Not investigating (3)
Family, Cohesion & Commissioning	3	1	<ul style="list-style-type: none"> • Still under investigation (1) • Premature complaint (2)
Law, Democracy & People Services	3	2	<ul style="list-style-type: none"> • Injustice remedied during enquiry (1) • Awaiting final decision (1) • Premature complaint (1)
Neighbourhood & Leisure Services	5	0	<ul style="list-style-type: none"> • Outside jurisdiction (2) • Not investigating (2) • Premature complaint (1)

- The premature complaints were referred back to the Council's complaints procedure.
- A time and trouble payment of £750 was paid for the complaint where the LGO found injustice.
- There were no findings of maladministration served on the authority in this period.

- 7.2 To ensure that we take every opportunity to identify issues within our processes, we have now introduced a review of all Stage 2 complaint investigations, where the LGO identifies issues that weren't addressed in the Stage 2 investigation. In addition, all cases where the LGO finds fault with the Council will be presented to the Senior Management Team by the relevant Assistant Director, to ensure that lessons are shared across the Council.
- 7.3 Following criticism of the LGO service in a national report we have noticed a change in the approach to investigations and an increase in monetary recompense for time and trouble payments where fault has been found. In addition to being more thorough in their investigations they also appear to be more robust in respect to the follow up of actions required by the Council included in their final decision.

8. Summary & Impact Assessment

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	The information within this report impacts on all of the Council's Priorities.
	Will the proposals impact on specific groups of people?	
	No	The Corporate and Statutory feedback procedure is open to all our customers. Appropriate support is available to meet the diverse needs of our customers to enable them to make representation to the council.
TARGET COMPLETION/DELIVERY DATE	Not applicable	
FINANCIAL/VALUE FOR MONEY IMPACT	No	The costs associated with administering the complaints process is in the form of officer time. This is met from within existing budgets across the Council
LEGAL ISSUES	No	There are no direct legal implications arising from this report, however compliance with the Freedom of Information Act 2000 , the Data Protection Act 1998 and the Statutory complaints procedure are legal requirements
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	The council's robust feedback mechanisms support the council to maintain its reputation by being responsive to our customers concerns and implementing service improvements as appropriate.
IMPACT ON SPECIFIC WARDS	No	

9. DETAILED INFORMATION

- 9.1 **Refuse & Kerbside** received **283** (262) complaints from approximately 70,000 properties which equates to over 3.6m collections. Of the 283 complaints, 65% had elements upheld. The upheld elements were mainly about missed pull outs and collections, bins/boxes not being returned and receptacles being taken or not delivered and items being spilt, along with a small number of inappropriate behaviour concerns by the contractors. It should be noted although we are reporting an increase in complaints compared to the same period last year, a review of internal processes, including what is classified as a complaint, has led to a significant reduction in the number of complaints recorded against this service in the last quarter of this period. The review related to missed refuse collections and it is now only recorded as a formal complaint where a missed collection isn't subsequently collected on time or there is a repeat occurrence of the event. This approach was agreed with the Assistant Directors for Neighbourhood & Leisure Services and Customer Services in October 2013. If this rationale had been applied throughout this year it would have resulted in an overall decrease in complaints recorded. This has been implemented without a reduction in the contract management data required to fully manage the waste contract.
- 9.2 **Council Tax & Benefits Service** received **195** (166) complaints from approximately 70,000 properties from whom we collect council tax and 21,100 benefit claimants. 46% of complaints had elements upheld. The upheld elements were mainly due to Benefit and Council Tax processing errors and delays. There has been a significant increase in workload due to the Governments welfare benefit reforms which commenced in April 2013 and this has also resulted in a major increase in the amount of correspondence that has been received across this particular service area. However, since the first quarter of this reporting period the number of upheld complaints has continued to decrease.. The Revenues and Benefits service analyse all complaints and any errors are put through the services quality monitoring process. Where necessary procedures are introduced or improved to reduce further errors or complaints. The majority of complaints relate to the recovery of council tax, which by its very nature will attract a larger volume of complaints.
- 9.3 **Traffic Management** received **51** (51) complaints, 45% of which had elements upheld. The upheld elements included traffic calming and road safety issues, obstructive parking and concerns around signage. Even though local authorities are facing reduced budgets and staffing levels there is still a high expectation from the public that we have the ability to respond positively to all requests for traffic calming and general road safety issues, i.e. to introduce measures to slow vehicles, provide pedestrian crossings etc. In many cases the issues are one of perception; we would always act promptly if there was a serious road safety problem.
- 9.4 **Leisure Centres** received **49** (102) complaints out of 1.2m visitors each year. Of the 49 complaints, 14 were fully upheld and a further 25 were partly upheld. Telford Ice Rink received 21 of the complaints and 76% of these were fully or partly upheld, these related to

the level of service and facilities available. It must be noted that the number of complaints for all the Leisure Centres has dropped significantly by over 50% compared to the 102 received in 2012/13 which is an excellent reflection on the service.

- 9.5 **Customer Contact Centre** received **47** (43) complaints, from approximately 279,000 customer contacts, during this period. Of these 70% had elements upheld which related to a range of issues. The majority of these related to the length of time taken for a call to be answered during peak periods when the welfare reforms went live earlier during the year and a smaller number relating to services not being provided as agreed. The latter two issues are always addressed with the individual officer concerned to minimise the likelihood of a similar incident occurring in the future.
- 9.6 **Highways Planned Maintenance** received **26** (6) complaints, 23% of which had elements upheld. The upheld elements related to the recent road works in the Telford area, including those that coincided with the road works the Highways Agency were carrying out on the M54.

Report prepared by Sarah-Jane Ballantyne, Customer Quality Team, 01952 382507

Top 10 Customer Complaints Investigated at Stage 1

Service	No. Of Complaints Received	Numbers with elements fully/partly upheld	% fully/partly upheld
Refuse & Kerbside	283	183	65%
Council Tax & Benefits	195	90	46%
Traffic Management	51	23	45%
Leisure Centres	49	39	79%
Customer Contact Centre	47	33	70%
Highways Planned Maintenance	26	6	23%
CRC's	20	9	45%
Planning (Decision Making)	18	4	22%
Housing Options	16	3	19%
Trees & Woodlands	15	7	47%

Complaints Response Performance for Each Service Area

Corporate Stage 1 Complaints

Service	% responded to within deadline	No Responded to In 15 days	No Responded To After 15 days	Total Complaints	% Upheld/ Partly Upheld
Adult Social Services	57%	13	10	23	57%
Children's Safeguarding & Specialist Services	39%	7	11	18	61%
Co-operative Council & Commercial Delivery unit	100%	4	0	4	75%
Cross Portfolio	100%	2	0	2	100%
Customer Services	95%	282	16	298	54%
Development Business & Employment	73%	33	12	45	40%
Education & Corporate Parenting	100%	5	0	5	40%
Family , Cohesion Services & Commissioning	91%	31	3	34	47%
Finance, Audit & Information Governance	80%	4	1	5	60%
Health Wellbeing and Public Protection	67%	2	1	3	100%
Law, Democracy & People Services	53%	9	8	17	29%
Neighbourhood & Leisure Services	87%	489	74	563	56%
Planning Specialist	0	0	1	1	0%
Overall Total	87%	881	136	1018	54%

MP Enquiries

Appendix C

Service	Number Received due for Response				Number Responded to in 10 Days				% Responded to in 10 Days				% Responded to in 15 Days [#]
	Mark P	David W	Other MP	Total	Mark P	David W	Other MP	Total	Mark P	David W	Other MP	Total	Total
Adult Social Services	4	10	0	14	4	5	-	9	100	50	-	64%	79%
Children's Safeguarding & Specialist Services	0	9	3	12	-	2	1	3	-	22	33	25%	42%
Co-operative Council & Commercial Delivery Unit	0	2	0	2	-	2	-	2	-	100	-	100%	100%
Cross Portfolio	1	2	0	3	1	1	-	2	100	50	-	67%	67%
Customer Services	4	31	1	36	3	29	1	33	75	94	100	92%	97%
Development Business & Employment	4	17	0	21	3	12	-	15	75	71	-	71%	81%
Education & Corporate Parenting	1	5	0	6	1	4	-	5	100	80	-	83%	83%
Family, Cohesion Services & Commissioning	4	14	4	22	2	12	3	17	50	86	75	77%	90%
Finance, Audit & Information Governance	0	0	0	0	-	-	-	-	-	-	-	-	-
Health, Wellbeing & Public Protection	0	0	1	1	-	-	1	1	-	-	100	100%	100%
Law, Democracy & People Services	1	6	1	8	1	3	1	5	100	50	100	63%	75%
Neighbourhood & Leisure Services	16	54	3	73	10	27	3	40	63	50	100	55%	78%
Planning Specialist	0	2	0	2	-	1	-	1	0	50	-	50%	100%
Overall Total	35	152	13	200	25	98	10	133	71	65	77	67%	82%

A target of 15 days will be adopted subject to Cabinet approval, and this represents performance against a 15 day target.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 16 SEPTEMBER 2014

REVIEW OF STRATEGIC RISK REGISTER – JUNE 2014

REPORT OF THE MANAGING DIRECTOR – LEAD OFFICER FOR GOVERNANCE

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1. For the Audit Committee to note the latest Strategic Risk Register. The Council keeps the Strategic Risk Register under constant review in order to reflect the changes affecting the Council, its risks and the effectiveness of the controls implemented to manage these risks.
- 1.2. The risks are designed to be clear and strategic in nature. They have been combined into themes where appropriate.
- 1.3. The Register was last presented to Cabinet in July 2014 and are scheduled to receive the Register next in November 2014.

2. RECOMMENDATIONS

- 2.1. That the Audit Committee note the strategic risks in Appendix A.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priority objective(s)?	
	Yes	<i>All Priorities</i>
	Will the proposals impact on specific groups of people?	
	Yes	<i>The Council's priorities impact across all communities</i>
TARGET COMPLETION/DELIVERY DATE	<i>This is part of the on-going monitoring of delivery of the Council's priorities.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	Strategic risks are considered as part of the budget setting process and the effective management of risks helps to maximise the financial resources available to deliver services to the community.
LEGAL ISSUES	Yes	The Council has statutory responsibilities to undertake functions which are, in many cases, subject to central government regulations and guidance. As mentioned in the report, the attached risk register is a strategic one and therefore will not provide detail for all individual

		statutory responsibilities. However, the strategic risk register must continue to comply with the Council's statutory duties and this should be a consideration if/when any changes to the register are made.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	The report identifies key risks to the delivery of the Council's priorities
IMPACT ON SPECIFIC WARDS	No	Borough-wide impact

PART B) – ADDITIONAL INFORMATION

4. PREVIOUS MINUTES

4.1. N/A

5. BACKGROUND PAPERS

5.1. Cabinet – 24th July

Report prepared by Jon Power, Delivery & Planning Manager. Tel 80141

Appendix A

**Strategic Risk Register
September 2014**

	Risk	What are we doing to manage the risk? (Controls)	Lead Director
1	Failure to match available resources (both financial , people and assets) with statutory obligations, agreed priorities and service standards	<ul style="list-style-type: none"> • Rigorous service and financial planning and regular monitoring through S&FPG, SMT and Policy Review Group. • Savings programme, service reviews and restructuring • In-year savings exercise as necessary • Rationalisation of Council assets and accommodation • Delivery capital receipts/rigorous monitoring of capital receipts realisation and impact on the budget • If necessary contingency plans reviewing phasing of planned capital expenditure, schemes included in capital programme, alternative potential disposals and further revenue budget cuts would be prepared • Review of reserves and balances against risk exposure and available contingency • Safeguarding Cost Improvement Plan 	RP
2	Failure to deliver financial strategy: <ul style="list-style-type: none"> ○ capital receipts ○ delivery of Council savings 	<ul style="list-style-type: none"> • Adult Social Care Change • Commercial Strategy • “Culture Change” to budget management by managers • Specialist legal advice as required • Cabinet Members regularly briefed 	RP
3	Not managing the impact of organisational and culture change in the Council and partner organisations within the constraints of the public sector economy	<ul style="list-style-type: none"> • Engagement and communication with all staff through structured sessions and interactive sessions with Cabinet to support Co-operative working • Regular meetings with Trade Union representatives • Loss of service delivery performance and risk exposure monitored through SMT • Constitution – assurance by AD’s, Finance, Legal, Internal Audit and external reviews (i.e. External audit and government bodies) • Transparency • Codes of conduct • LSP Executive • Maintaining communication channels with appropriate senior executives 	RP

	Risk	What are we doing to manage the risk? (Controls)	Lead Director
		<ul style="list-style-type: none"> • Health & Wellbeing Board • New Organisational Development Strategy (see 8 below) • Strategic Commissioning Board + Commissioning and Transformation Partnerships 	
4	Death or serious harm of a vulnerable child or vulnerable adult (Breach of duty of care)	<ul style="list-style-type: none"> • Children’s and Adult Safeguarding Boards (ASBs becomes a statutory requirement of the Care Act from April 2015) & Community Safety Partnership scrutinises performance, call partners to account and drives practice improvement in the light of learning (e.g. from Serious Case & Domestic Homicide Reviews) • Created draw down budgets of £1.2m for children and £2.5m for adults for 2014-15 • Work to national inspection standards (Ofsted and Care Quality Commission) and respond to actions required from inspections <p>Children:</p> <ul style="list-style-type: none"> • Workforce development strategy – recruitment and retention, learning and development including Systemic Practice across councils children’s workforce • Children’s Services - Systematic quality assurance role for all managers from frontline team manager through to MD and DCS • No staff savings target for Children’s Social Workers <p>Adults:</p> <ul style="list-style-type: none"> • Review of Adult Safeguarding arrangements will be undertaken jointly with T&W CCG to ensure compliance with Care Act requirements once new Adult Safeguarding Guidance & Regulations are released • Adult Safeguarding – following review, new multi-agency strategy agreed and regional procedures are now operational • Regional Quality Surveillance Group chaired by Chief Officer of NHS England Area Team ensures co-ordination of quality & safeguarding issues across health & social care 	LJ/PT
5	Failure to manage the impact of poverty and deprivation on future wellbeing of our residents	<ul style="list-style-type: none"> • Council has adopted a “Business Supporting, Business Winning” approach that will provide a joined up, business facing service that provides the conditions to enable businesses to start up, expand and to attract new investors. • Working through/with the LEP to drive economic growth • Community Loans 	RP

	Risk	What are we doing to manage the risk? (Controls)	Lead Director	
		<ul style="list-style-type: none"> • Telford Crisis Network/Food Bank • Youth Unemployment Programme • “Pride in your community” Project • Target Intervention Area programme • Public Health Grant to drive improvements in health of population/address health inequalities (Public Health outcomes) • Health & Wellbeing Board and Commissioning & Transformation Partnerships 		
	6	Major emergency affecting the community and/or ability to provide priority services	<ul style="list-style-type: none"> • Maintaining appropriate, risk based contingency plans (Civil Resilience Team) which are exercised and reviewed on regular basis • Individual Service Delivery Managers are responsible for maintaining and exercising their Business Continuity Plan. These plans would be coordinated corporately and the emergency plan activated if necessary. • Maintain appropriate levels of trained staff to be able to respond to an emergency. • Work collaboratively with other LRF partner agencies, maintaining effective working relationships with the relevant bodies • Gorge - Additional funding with conditions received from DCLG which has enabled further stabilisation work to commence in Jackfield • Operation ‘Tangent’ – multi agency plan to respond to landslide in the Gorge is in place and is reviewed and exercised regularly 	PT
7	Significant business interruption affecting ability to provide priority services	<ul style="list-style-type: none"> • ICT controls – Disaster Recovery facilities in place based on Priority Services in line with Business Continuity Plans • Investment in ICT infrastructure within the server room to provide business continuity • Improvement to Business Continuity Plans to reflect risk and appropriate mitigation 	DS	
8	Key skills shortages (retention & recruitment)	<ul style="list-style-type: none"> • Organisational Development Plan e.g.: <ul style="list-style-type: none"> - skills gap analysis and needs - flexible working policy - staff benefit scheme • Council values, ethos, rewards and recognition 	RP	
9	Failure to manage the health & safety risks in delivering the council’s	<ul style="list-style-type: none"> • Reviewing, writing and monitoring of health and safety policies through SMT and Health and Safety Committee 	PT	

	Risk	What are we doing to manage the risk? (Controls)	Lead Director
	functions.	<ul style="list-style-type: none"> • Risk based health and safety audit process of service areas and local authority managed schools, which not only audit implementation of health and safety policies but also proactively identifies short comings, actions and controls that need to be in place to manage those risks. Significant findings of the audits are reported back through SMT and Health and Safety Committee. • Internal Health and Safety work to Health and Safety Executive (HSE) guidance and revise Policies and Procedures to ensure compliance with legal standards. Revisions reported back through SMT and Health and Safety Committee • There is a system in place for reporting all accidents, incidents and near misses. Non reportable accidents investigated by service area • All reportable accidents are investigated by Internal Health and Safety Team and significant findings reported to Health and Safety Committee. Other findings reported back to relevant Service area management • Training provided on Health and Safety through a mixture of OLLIE and face to face. • Regular meetings with Trade Unions • Coordination and management of Personal Safety Precautions Risk Register to ensure safety of employees. 	
10	Information Governance	<ul style="list-style-type: none"> • The Council has an Information Governance Framework which includes the Corporate Information Security Policy (CISP) and other policies (Data protection, Information Sharing policies) • Small dedicated team promoting sound Information Governance within the Council and ensuring that good practise is shared across the Council • Training and awareness programme put in place annually and Information Governance module on OLLIE forms part of induction • Established procedures for investigating and recording data breaches including identifying and communicating lessons learnt • Information Governance compliance programme includes tasks to check on Council compliance with local and legal requirements • Secure Communication System in place • Compliance with Public Service Network (PSN) requirements • Governance includes regular review by Internal Audit and reporting to Audit 	RP

	Risk	What are we doing to manage the risk? (Controls)	Lead Director
		Committee twice a year to provide assurance on Information Governance <ul style="list-style-type: none"> • ICT Security Group in place which considers Information Governance matters of new developments/issues arising 	

Existing Strategic Risks Being Managed Through Appropriate Significant Projects

- Single Status
- Better Care Fund and Care Bill, Social Care Change Board
- Children Safeguarding Service Reconfiguration
- Commercial project for additional income generation
- Housing Investment Programme

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 16th SEPTEMBER 2014

PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2013/14

JOINT REPORT OF THE MONITORING OFFICER AND THE CHIEF FINANCIAL OFFICER

1 PURPOSE

- 1.1 To present to the Audit Committee the information to be published in respect to Councillors who traded with the Council during 2013/14.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee note the contents of the report and information that will be published on the Council's website.

3 SUMMARY

- 3.1 To improve transparency it was agreed in autumn 2012 that details of Councillors who have an interest in companies that receive a payment from the Council, for example a directorship, should be separately reported to the Council through the Audit Committee.
- 3.2 This information is collected as part of the final accounts process and this report represents information for 2013/14.
- 3.3 This information will be reported to Council following presentation to the September Audit Committee.

4 PREVIOUS MINUTES

- 4.1 Council's Constitution Committee 4th September 2012
Council 19th September 2012
Audit Committee 28th January 2014

5 BACKGROUND AND INFORMATION

- 5.1 As part of the annual account process councillors disclose where they have an interest in a company/companies that receive payment from the Council. These are shown annually in the Final Accounts which go to the Audit Committee. This makes the information available to anyone who may wish to access the information.
- 5.2 However, the Council through the Constitution Committee and Council agreed that in order to provide better transparency additional details of any Councillors who have an interest in companies that benefit from trading with the Council will be taken to Full Council via the Audit Committee as a separate report each year and published on the Council's website.

This information will be more readily accessible by the public and demonstrate the Council's co-operative commitment to openness.

5.3 It was agreed that the information reported would be the previous year's value and description of any payments received from the Council to any businesses/companies where that Member has an interest.

5.4 The only Councillor during 2013/14 who received any such payments from the Council was Councillor Stephen Burrell in respect to the company Peace of Mind Ltd. The value of the payments was £516,649.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	Transparency supports equalities and demonstrates the Council's commitment to be open and fair.
Environmental Impact	This report has limited environmental impact due to the nature of the work companies reported.
Legal Implications	None
Links with Corporate Priorities	The report supports the Council's values which are embedded in the delivery of all the Council's priorities.
Risks and Opportunities	The risks and opportunities in respect to this report will be appropriately identified and managed.
Financial Implications	There are no financial implications arising from this report as the information is already collected as part of the final accounts process.
Ward Implications	Borough wide

7 BACKGROUND PAPERS

Localism Act 2011

Co-operative Council Commissions Report 2012

Report prepared by Jonathan Eatough – Monitoring Officer and Ken Clarke, Chief Financial Officer

TELFORD & WREKIN COUNCIL

**AUDIT COMMITTEE 16th SEPTEMBER 2014
COUNCIL 27th NOVEMBER 2014**

AUDIT COMMITTEE ANNUAL REPORT 2013/14

JOINT REPORT OF THE SECTION 151 & THE MONITORING OFFICERS

1 PURPOSE

1.1 To present to the Council an Annual Report on the 2013/14 operations of the Audit Committee.

2 RECOMMENDATIONS

2.1 That Members of the Council note the contents of the annual report 2013/14.

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 and benefits arising from good governance (including risk management) and internal control including the implementation of both internal and external audit recommendations.
- ✓ demonstrating 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 who can, and do, challenge 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 2013 – April 2014). 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 3 meetings of the Audit Committee in 2013/14 compared to 4 in 2012/13. The reduction was a continuing part of the Council's wider savings/efficiency programme and the March meeting was removed. This change has resulted in comprehensive agendas but does not appear to have affected the effectiveness of the Committee. There is still the opportunity to call additional meetings whenever required by Members between the scheduled meetings in June, September and January.

4 PREVIOUS MINUTES

4.1 Audit Committee - 20th September 2011; 25th September 2012; 17th September 2013
Council - 24th November 2011; 22nd November 2012; 21st November 2013

5 INFORMATION – AUDIT COMMITTEE 2013/14

5.1 Internal Audit

- 5.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the Public Sector Internal Audit Standards (PSIAS - effective from April 2013) and Constitution, highlighting any areas requiring attention by Members. An action plan setting out outstanding actions to ensure compliance with the Standards was presented to the January 2014 committee.
- 5.1.2 The Internal Audit Charter for 2014/15 was approved by the Committee at the January 2014 meeting.
- 5.1.3 In addition updates have been provided by the appropriate Senior Management to the Committee on the progress of audit reports in respect to:
 - a) The Abacus system review; and
 - b) ICT audits update

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 of practice.

5.3 Governance

- 5.3.1 The Annual Governance Statement 2012/13 was approved after consideration of the supporting information.
- 5.3.2 Members of the Committee agreed not to review their effectiveness until after the 2015 elections but they considered the results of the skills audit and a training programme developed from the results.
- 5.3.3 The 2012/13 Information Governance annual report was presented to the Committee in June 2013. An Information Governance update report was provided for April – July 2013 at the September meeting.

5.4 Treasury Management

- 5.4.1 The Committee received the annual report 2012/13, in year updates and reviewed the 2014/15 strategy prior to approval by Cabinet.

5.5 Statement of Accounts 2012/13

- 5.5.1 The Statement of Accounts was approved by the Committee following external audit at the September 2013 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 2012/13.
- 5.5.2 There was an update to the September 2013 meeting in respect to the Council's capital receipts position.

5.6 Anti-Fraud & Corruption

- 5.6.1 The annual report on the Anti-Fraud & Corruption Policy and Policy update was received in June 2013.
- 5.6.2 A review and update of the Speak Up Policy for 2012/13 was provided to the September 2013 meeting.

5.7 Complaints

- 5.7.1 The Committee reviewed the 2012/13 Customer Performance Feedback Report at their September meeting.

5.8 General

- 5.8.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution. Additional changes were made and approved by Council in November 2013 in respect to the Committee seeking assurance in respect to the Council's income and commercial activities.

5.9 Conclusions for 2013/14 and the future 2014/15

- 5.9.1 The Committee has considered comprehensive agendas in order to provide assurance for Members and the community on the audit, governance (including information governance), risk management, financial statements, treasury management, complaints and anti-fraud and corruption arrangements of the Council. Many challenging questions have been asked by Members who have required senior officers to attend and give account for decisions taken and progress in implementing both internal and external audit recommendations.
- 5.9.2 The Committee recognises that the Council is continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2014/15. Most notable are the organisational changes, significant reductions in resources and the more commercial approach being adopted by the Council.

6 OTHER CONSIDERATIONS

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 2013/14 assists in ensuring that the Council complies 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. The Council has legal requirements in respect to Information rights – the Data Protection Act and the Freedom of Information Act (including Environmental

	Information Requirements). Receiving assurance on the appropriate policies and procedures to ensure compliance is part of the role of this Committee. 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 from 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 2013/14 (including minutes)

Constitution

Constitution Committee, Full Council – appropriate agenda's, papers and minutes

Report by Jenny Marriott, Audit & Information Governance Manager 383101

Area	Activity
Internal Audit	Annual Report 2012/13 Quarter 4 2012/13 Update report Update on the Abacus Audit Report Update on ICT Quarter 1 2013/14 Update report Quarter 2 2013/14 Update report Quarter 3 2013/14 Update report Changes to Internal Audit Charter 2014/15 and Public Sector Internal Audit Standards Action Plan for Compliance
External Audit	External Audit Fee Letter 2013/14 External Audit Plan 2012/13 Annual Governance Report 2012/13 Annual External Audit Letter 2012/13 External Audit Plan Letter 2013/14 Certification of Grant Claims and Returns 2012/13
Governance	Annual Governance Statement (AGS) 2012/13 Review of the Effectiveness of the Audit Committee September 2013 Results of Skills audit May/June 2013 Draft Training Programme 13/14 for Audit Committee Members Half yearly progress on the 2012/13 AGS Action Plan Information Governance Annual Report 2012/13 Information Governance Update Report April to July 2013 Publication of Information on Councillors who Traded with the Council during 2012/13 Audit Committee Annual Report 2012/13
Treasury Management	2012/13 Annual Outturn Report & 2013/14 update report Draft 2014/15 Treasury Management Strategy and update 2013/14
Statement of Accounts	Draft Statement of Accounts 2012/13 Approval of the audited Statement of Accounts 2012/13 Capital receipts update September 2013
Fraud & Corruption	2012/13 Annual Report on Corporate Anti-Fraud & Corruption Policy and Policy update Review and Update to the Speak Up Policy 2012/13
Complaints	Customer Feedback Performance Report – 1 st April 2012 – 31 st March 2013
General	Terms of Reference reviewed June 2013 and November 2013 Outline Audit Committee Business 2013/14

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 16th SEPTEMBER 2014

INTERNAL AUDIT UPDATE – QUARTER ONE 2014/15 AND PUBLIC SECTOR INTERNAL AUDIT STANDARDS

INFORMATION GOVERNANCE UPDATE & INFORMATION GOVERNANCE FRAMEWORK

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 2014 and implementation of the Public Sector Internal Audit Standards (PSIAS) action plan.
- 1.2 To update members on the work of Information Governance (IG) for April to July 2014 and provide information on the Council's Information Governance Framework.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note:
 - (a) the Internal Audit update information for quarter one;
 - (b) the progress on the implementation of the PSIAS action plan;
 - (c) the work of the Information Governance Team April – July 2014; and
 - (d) the Council's Information Governance Framework.

3 SUMMARY

- 3.1 The Audit Committee receives a regular update of the work of Internal Audit. This report provides the first update report for 2014/15 in respect to quarter one – April – June 2014.
- 3.2 The new PSIAS were effective from April 2013. A review was undertaken against the requirements to produce an action plan for compliance which was presented to the Audit Committee in January 2014. An update on implementation is provided to the Committee in this report.
- 3.3 The Audit Committee receives an update report in September of each year in respect to Information Governance activity and then an annual report in the following June. This report contains this IG update for work up to the end of July.
- 3.4 The Council as part of its governance arrangements has an Information Governance Framework and this report provides information to members on this framework to inform their assurance in proper information governance processes.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 25th June 2013 - Internal Audit Quarter 4 Update report and Internal Audit & IG Annual Report 12/13
Audit Committee 17th September 2013 – Internal Audit Quarter 1 and IG Update Report
Audit Committee 28th January 2014 – Internal Audit Updates Quarters Two and Three 2013/14
Audit Committee 30th June 2014 – Quarter Four Update 2013/14 and 2013/14 Internal Audit and Information Governance Annual Report

5 INTERNAL AUDIT UPDATE INFORMATION

- 5.1 The report provides information on the work of Internal Audit from 1st April – 30th June 2014 and provides an update on the progress of previous audit reports issued (January 2012 to March 2014).
- 5.2 The new structure within the Audit and Information Governance (IG) Team was effective from 1st April 2014 but there is still one vacancy as we have not managed despite two external adverts to recruit to the Auditor post which is fixed term until September 2016 (to cover for a secondment). We are currently looking at options including the use of the framework contract to address this.
- 5.3 The key focus for the team during quarter 1 has been the commencement of the work in the 2014/15 plan. In addition the Audit & IG Manager, at the request of the Managing Director and CFO, has been supporting Adult Social Services alongside other officers in respect to a Community Care Process review specifically focussing on the financial control processes. This work is continuing into quarter 2.
- 5.4 The team were also able to provide Madeley Town Council at short notice with an Internal Audit service for 2013/14 and have now secured this work (and additional income of £2,620) for the next 3 years (2014/15 – 2016/17).
- 5.5 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 for a period of 1 day or more.
 - iii) **Appendix C** - Previous graded reports from January 2012 to March 2014 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 reports issued in quarter one.
- 5.6 Appendix A shows 13 reports were issued in quarter one. For the final reports issued the time taken for the areas shown in the table below varied from the allocated time by more than +/- 10%.

Area	Variance (> +/- 10%)	Reason
General ledger including assets	-20%	No significant system or process changes from the previous audit
Contracts & Payroll	-16%	No significant system or process changes from the previous audit
John Randall School	-21%	School was very prepared & no income or lettings to test
Sir Alexander Fleming School	-47%	School was very prepared & very little income

The reasons for the variances are as explained above. Time allocations for future 2014/15 audits will be reviewed based on this information.

- 5.7 From Appendix A there were four Amber reports issued during quarter one. Summary information is provided in Appendix D. For these four Amber reports management actions to implement recommendations have been agreed and Internal Audit has follow up work planned

or in progress. Internal Audit is confident that management will implement the remaining recommendations to provide appropriate assurance and improve the grading.

5.8 Areas of more than 10 days from Appendix B are explained below:

Audit Area	Days	Explanation
Advice & Consultancy	25	Due to restructures, reductions in budgets and the implementation of revised governance, systems and procedures service areas are continuing to seek advice and support.
Adult Social Care – Financial Process review	26	Support to Adult Social Care – special review requested by the Managing Director and CFO.
Shared Lives	11	Service transferred to new AD requested review and wide range of testing required

5.9 From Appendix C the position on reports which remain amber are as shown in the table below:

No	Area Audited	Original grade	Revised grade	Current position/comments
1.	Abacus system & concerns	Amber	Red/ Amber	Separate update to be provided to the January 2015 Committee as agreed in June
2.	Transport Post Implementation Review	Amber		Follow up in progress but has been delayed due to issues with the supplier. Update will be provided to next Audit Committee
3.	Moorfield Primary School	Red	Amber	Next review booked for September 2014.
4.	Temporary Accommodation	Amber		Follow up in progress
5.	ICT contract monitoring	Amber		Follow up in progress
6.	Cafe Go	Amber		Follow up in progress

5.10 All other areas reported on in this update report but not highlighted to members 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 PUBLIC SECTOR INTERNAL AUDIT STANDARDS – UPDATE AGAINST ACTION PLAN

6.1 The Public Sector Internal Audit Standards became effective from April 2013 and the Audit Committee was presented in January 2014 with the Internal Audit Team’s action plan to achieve compliance.

6.2 The action plan was updated for the External Auditors for their interim visit at the end of March 2014 and has further been updated for this Audit Committee as at end August 2014. It is attached as Appendix E.

6.3 There are 3 tasks (5, 11 and 13) which have revised completion dates due to changes in the availability of staff. These are in respect of the formal quality assurance and improvement programme, ethics and completion of the fraud checklist.

6.4 As per the action plan a further review against compliance will be completed annually to inform the External Audit interim visit and further updates will be reported to the Audit Committee as appropriate.

7 INFORMATION GOVERNANCE UPDATE – APRIL – END JULY 2014

- 7.1 The IG work programme for 2014/15 was presented and approved at the June 2014 Audit Committee. Appendix 1 of this report details each task on the programme and a summary of the progress to date on completing each of these. IG has made good progress in respect to completing agreed tasks to date. The majority of tasks that were due for completion have either been completed on time or are within acceptable extended timescales. IG is confident that the remaining tasks on the work programme will be completed in full by the end of 14/15.
- 7.2 The Council has received 399 FOI/EIR requests for the period 1/4/13 – 31/7/13. Out of 381 requests responded to (the remaining 18 requests were not due to be responded to in this period), 355 (89%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 9 days to respond to each request we receive.
- 7.3 For the same period we had received 22 Subject Access Requests (SARs) under the Data Protection Act 1998. Of the 22 received, 4 requests are on hold pending confirmation of identification and/or other information. The current response rate for subject access requests is 100% (compared to the Information Commissioners benchmark of 80%). It takes on average 22 days to respond to each request (statutory response time 40 calendar days).
- 7.4 Also in this period we have received and responded to 2 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/Information Governance Team Leader hears all appeals received.
- 7.5 During this period we received 1 complaint which had been referred by an individual (who had thought the council had refused to reply to their Freedom of Information request) to the Information Commissioners Office (ICO). The council confirmed with the ICO that they did intend to reply to the FOI request within the 20 working day statutory deadline (which we did) and therefore the complaint was resolved to the satisfaction of the ICO. In April 2014 we also responded to 1 ICO complaint (that was initially received in February 2014) where the appellant did not agree with the initial exemption applied to their request. The ICO agreed with the appellant initially but then subsequently agreed with a further exemption that we applied in response to the request for information.
- 7.6 There have not been any major data breaches during the period and therefore no reports to the ICO. However, 20 minor data breaches were self-reported by officers and have resulted in further improvements to the Council's already robust systems for protecting personal information and reducing further the risk of future breaches. Given the volume of transactions including personal data which are processed by the Council each year it is inevitable that some minor data breaches will occur and it is important that the Council encourages a culture where officers report any issues so that further improvements can be made and appropriate support and training can be provided to employees. The table below shows a summary by type of the minor 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	19 (95%)	5

¹ Formal complaint = a formal complaint made, logged and processed through the Council's Complaints procedure

Information lost or stolen	1 (5%)	0
Total	20	5

8 INFORMATION GOVERNANCE FRAMEWORK

- 8.1 The (IG) framework sets out the way the Council handles information. It details all the relevant information/information security policies implemented or due to be implemented that provides requirements to all employees in respect to the appropriate handling of information.
- 8.2 It is a requirement of the Department of Health Information Governance Toolkit, and also recognised good practice, for the Council to have an Information Governance (IG) framework. If the Council does not meet toolkit requirements it will not be able to process health related information particularly in public health and social care service areas.
- 8.3 Attached as Appendix F is the Council's IG Framework.

9 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit & IG have attended appropriate training. If any such issues arose during an audit review they would be notified to the appropriate manager.
Environmental Impact	All members of Audit & IG 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 Public Sector Internal Audit Standards (which are the defined proper practice). 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 planning process. Where high risks are identified then Audit Services undertakes work as a priority and maybe on a more regular basis. The IG work programme supports the corporate priorities through good information governance.
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. The IG Team provides advice and guidance on the risks and opportunities in respect to information and its security across the Council.

Financial Implications	The work undertaken has been resourced by Audit staff that are funded from the Council's base budget. 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.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council's activities and at all Council locations and Information Governance affects all Council activities therefore both areas operates within all Council Wards.

10 BACKGROUND PAPERS

Annual Audit Plan 2014/15 and Charter
Public Sector Internal Audit Standards
Information Governance Work programme 2014/15

Report by Jenny Marriott, Audit & Information Governance Manager 383101 and Robert Montgomery, Information Governance Team Leader 383103.

FINAL REPORTS ISSUED QUARTER ONE – APRIL TO JUNE 2014

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Clarity Live	Amber	July 2014	5.25	5.45	+4%
General ledger including assets	Yellow	As part of annual audit	28.25	22.43	-20%
Contracts & Payroll	Yellow	As part of annual audit	23.75	19.88	-16%
ICT Contingency arrangements	Yellow	October 2014	10	TIAA	*
MIS Headway	Amber	October 2014	5.0	TIAA	*
John Randall School	Yellow	November 2014	7.25	5.70	-21%
Sir Alexander Fleming School	Yellow	November 2014	7.25	3.82	-47%
Unstructured Data Storage Audit	Amber	November 2014	10	TIAA	*
Purchase Ledger	Amber	As part of annual audit	25.75	23.75	-7%
Burton Borough – Catering Review	Yellow	December 2012	Unplanned work from contingency	2.13	n/a
Leisure Central Admin	Yellow	December 2014	7	6.76	-3%
Southall Special Schools	Yellow	December 2014	7.75	7.92	+2%
Ladygrove Primary School	Yellow	January 2015	7.75	7.91	+2%

QUARTER ONE - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR MORE ONE DAY OR MORE

Area	Days
Adult Social Care - Financial Process review	25
Adults safeguarding review of policies & electronic records	9
Advice & Consultancy including org change	26
Annual Governance Statement assurance & certification	6
Alexander Fleming Primary School	3
ASC Complaint - support for Director	1
Burton Borough - Catering Review	1
Corporate Governance	6
Corporate Leisure Services review	6
Council tax / NNDR (2014 - 2015)	1
Alleged Direct Payment Fraud	3
External Audit Liaison Meetings	2
Follow ups	8
Hadley Learning Community	7
HR/Payroll	1
ICT audit contract procurement process and set up	1
John Randall School	1
Ladygrove Primary School	8
Madeley Parish Council	7
Main Accounting	1
National Fraud Initiative & Fraud Survey	2
Oakengates Children's centre Follow Up	2
P2P (Purchase Ledger)	8
Personal Budgets Support Team	3
Queenswood Primary School	8
Shared Lives	11
Southall Special School	7
Special Guardianship	4
Trading with schools	1
Troubled Families Grant	2
Voluntary Sector Contracts /Agreements	5

STATUS ON FINAL REPORTS ISSUED JANUARY 2012 TO MARCH 2014

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.14
Putting People First – Mainstreaming & Developing Personalisation	Yellow	Yellow	Follow up completed in March 2013. No change to grade as insufficient progress evidenced. Further follow up undertaken in December 2013	Further follow up to be undertaken September 2014.
Abacus system & Abacus concerns	Amber Red	Amber	Follow up completed in August 2012. Some progress has been achieved but insufficient to change the grading. 2nd follow up undertaken in December also insufficient progress made to change grading. Further follow up/reports to Audit Committee March & September 2013 and January and June 2014.	Further update to January 2015 meeting
Building Control Fees	Yellow	Yellow	Follow up completed December 2013	5th follow up undertaken in June 2014 but insufficient progress made to change rating. No further action due to changes in follow up process ¹ .
Telford Tennis Centre	Amber	Yellow	Follow up undertaken and grade changed to yellow.	Complete – no further follow up required as the 3 outstanding recommendations are no longer valid due to changes in working practices.
Contract Changes & Waivers	Yellow	Yellow	Follow up completed May 2013. No grade change due to insufficient improvements. Followed up October 2013 & February 2014	No further action due to changes in follow up process (see footnote)
Procurement – Contract Monitoring	Yellow	Yellow	Follow up due February 2014	Further follow up undertaken in May 2014 but insufficient progress made to change rating No further action due to changes in follow up process (see footnote)

¹ After two follow ups yellow reports will not be followed up again as it will be accepted that the Service area has accepted the risks of not implementing the remaining recommendations

STATUS ON FINAL REPORTS ISSUED JANUARY 2012 TO MARCH 2014

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.14
ICT Governance of Projects	Yellow	Yellow	Follow up due January 2014	Issued June 2014 but not returned. No further action due to changes in follow up process (see footnote).
IT Service Design	Various – see below	Various – see below	Follow up due January 2014	Follow up Issued May 2014 but not returned. Due to changes in follow up process, this will not be followed up again and the audit opinion will remain the same
Continuing Health Care & Joint Funding	Yellow	Yellow	Follow up completed November 2013	No further action due to changes in follow up process (see footnote).
Lightmoor & Reflexions Overpayment	Work for CFO		Follow up completed October 2013	To be incorporated in Adult Social Services audit.
Homelessness Threshold	Yellow		Follow up completed January 2014	Further follow up currently underway. Update will be provided to the next appropriate Audit Committee
ICT Service Desk	Yellow	Yellow	Follow up due January 2014	Follow up undertaken in June 2014 but insufficient progress made to change rating. No further action due to changes in follow up process (see footnote).
Disabled Facilities Grants	Yellow	Yellow	Follow up due January 2014	Follow up undertaken in June 2014 but insufficient progress made to change rating. Follow up due November 2014
Uniform System	Yellow	Yellow	Follow up due January 2014	Due to changes in follow up process, this will not be followed up again and the audit opinion will remain the same
Remote Working	Yellow	Green	Follow up due January 2014	Follow up completed and updated audit opinion to green.

STATUS ON FINAL REPORTS ISSUED JANUARY 2012 TO MARCH 2014

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.14
Back Up & Disaster Recovery	Amber	Yellow	Follow up completed November 2013	Follow up completed and moved to yellow. Superseded by new audit so no further action required.
Transport Post Implementation Review	Amber		Follow up due February 2014	Follow up in progress but delayed due to issues with the supplier.
Local Crisis Resettlement Assistance	Yellow	Yellow	Follow up completed February 2014	No further action due to changes in follow up process (see footnote)
I World	Yellow	Yellow	Follow up due February 2014	Follow up completed but insufficient progress made to change rating. Further follow up to be undertaken November 2014.
Postal Arrangements	Yellow	Yellow	Follow up completed March 2014	No further action due to changes in follow up process (see footnote).
Telford Snowboarding & Ski Centre	Amber	Yellow	Follow up completed February 2014	Follow up complete and moved to Yellow. Next review September 2014.
Children's Brokerage	Yellow		Follow up undertaken March 2014 but not all responses received.	No further action due to changes in follow up process (see footnote).
Asset Register Review	Amber	Yellow	Follow up part of annual General Ledger audit undertaken Feb/March 2014	Completed and reported as part of General Ledger audit (Yellow).
Moorfield Primary School	Red	Amber	Follow up completed January 2014	2 nd follow up visit due September 2014
Out of Area Children's Placements	Amber	Yellow	Follow up completed January 2014	Follow up undertaken in June 2014 but insufficient progress made to change rating. No further action due to changes in follow up process (see footnote).
Temporary Accommodation	Amber	Amber	Follow up completed December 2014	2 nd follow up currently underway. Update will be provided to the next appropriate Audit Committee
Service User Journey	Amber	Yellow	Follow up due March 2014	Follow up complete and opinion changed to Yellow. Further follow up to be undertaken September 2014.

STATUS ON FINAL REPORTS ISSUED JANUARY 2012 TO MARCH 2014

APPENDIX C

Audit Area	Original Opinion	Updated Opinion	Comments	Status as at 30.06.14
Madeley Nursery School	Yellow	Yellow	Follow up due May 2014	Follow up undertaken in May 2014 but insufficient progress made to change rating. No further action due to changes in follow up process (see footnote).
Lawley Primary School	Yellow	Green	Follow up due May 2014	Follow up completed and updated audit opinion to green
Short breaks	Yellow	Yellow	Follow up due May 2014	Issued May 2014 but not returned. No further action due to changes in follow up process (see footnote).
St Mary's Catholic Primary School	Yellow		Follow up due July 2014	Follow up in progress and update will be provided to next appropriate meeting.
Council Tax & NNDR	Yellow	n/a	Follow up as part of annual audit 2014/15	n/a
Coalbrookdale and Ironbridge CofE Primary School	Amber	Green	Follow up due June 2014	Follow up completed and updated audit opinion to green
Oakengates Children's Centre	Red	Yellow	Follow up undertaken April / May 2014	Follow up visit undertaken in May 2014. Updated audit opinion to Yellow. Further follow up to be undertaken September 2014
Sales Ledger	Yellow	n/a	Follow up as part of annual audit 2014/15	n/a
Contract Life Cycle	Yellow		Follow up due July 2014	Issued July 2014 but not returned. No further action due to changes in follow up process (see footnote).
Housing Benefits & Local Council Tax Support Scheme	Yellow		Follow up as part of annual audit 2014/15	N/A – will be followed up as part of annual audit
Ironbridge Park & Ride	Yellow	Yellow	Follow up due June 2014	Follow up completed June but insufficient progress made to change rating No further action due to changes in follow up process (see footnote).

STATUS ON FINAL REPORTS ISSUED JANUARY 2012 TO MARCH 2014

APPENDIX C

Audit Area	Original Opinion	Updated Opinion	Comments	Status as at 30.06.14
Impulse	Amber	Yellow	Follow up due August 2014	Further follow up completed and moved to yellow. Next review due December 2014.
Contract Management (Revs & Bens)	Yellow		Follow up due August 2014	
ICT Contract Monitoring	Amber		Follow up due May 2014	Follow up in progress and update will be provided to next appropriate meeting.
Minimising Empty Properties	Amber	Yellow	Follow up due July 2014	Follow up complete and moved to Yellow. Further follow up to be undertaken January 2015
Crudgington Primary School	Yellow		Follow up due July 2014	In progress and update will be provided to next appropriate meeting.
St. Luke's Catholic Primary School	Yellow	Yellow	Follow up due July 2014	Follow up undertaken in July 2014 but insufficient progress made to change rating. No further action due to changes in follow up process (see footnote).
Education catering	Yellow		Follow up due Sept 2014	
Cafe Go	Amber		Follow up due June 2014	In progress and update will be provided to next appropriate meeting.
Dawley Primary	Red	Yellow	Follow up due June 2014	Follow up complete and updated audit opinion is Yellow. Further follow up to be undertaken September 2014
Family Connect	Yellow		Follow up due Sept 2014	
School Improvement Traded Services	Yellow		Follow up due Sept 2014	
Wellington Leisure Centre & Cafe	Yellow		Follow up due Sept 2014	
Cash Collection	Yellow		Follow up due Sept 2014	
Meadows Primary	Yellow		Follow up due Sept 2014	
Foster Homes Reviews	Amber	Yellow	Follow up due July 2014	Follow up complete and next review November 2014

STATUS ON FINAL REPORTS ISSUED JANUARY 2012 TO MARCH 2014

APPENDIX C

Audit Area	Original Opinion	Updated Opinion	Comments	Status as at 30.06.14
Clarity Live	Amber	Yellow	Follow up due July 2014	Follow up complete and moved to Yellow. Next review January 2015

Network Infrastructure Report Follow Up + = Various assurances split between the areas of work - Network Infrastructure – **Limited** improved to **Reasonable**; Virus Protection – **Reasonable** improved to **Good**; Data Centre – **Reasonable** improved to **Good**; Wireless Network - **Good**

ICT Service design – Various: Strategy – **Reasonable** Service Delivery – **Reasonable**; Capacity – **Limited** improved to **Reasonable**

AMBER REPORTS ISSUED QUARTER 1 2014/15

CLARITY LIVE – Leisure Services ICT System

1. Introduction and Scope

- 1.1 An audit review commenced on 10th January 2014, to provide an opinion on the control environment and a level of assurance for the Clarity IT System. The scope of the audit was agreed by Rachel Threadgold, Community Sport and Physical Activity Group Manager.
- 1.3 We would like to thank the following for their help during the audit :
- ** Various Receptionists
 - ** Administration Officer
 - ** Technical Architect ICT
 - ** Senior Infrastructure Officer ICT
 - ** Programme Manager ICT
 - ** ICT Account Manager
 - ** Senior Application Support Officer ICT

2. Management Summary and Overall Opinion

- 2.1 Based on the work carried out and the level of assurance provided by the controls for this audit area our opinion is Limited - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 2.2 Recommendations have been made to improve the controls found to require improvement and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation		
Financial Regulation – immediate Implementation	3	25%
Policy/Procedure – implementation within a month of agreement to the report.	9	75%
Best Practice – implementation at a mutually agreed date		
Total	12	100%

- 2.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in this area.

MIS HEADWAY – PLANNING SERVICES ICT SYSTEM

1. Introduction and Scope

- 1.1 An audit review commenced on 4 November 2013 but was deferred until January 2014 due to operational reasons. The scope of the audit was agreed by the Development Manager.
- 1.2 We would like to thank the following for their help during the audit:
- ** Development Manager
 - ** Planning Business Support Officer

- ** ICT Team Leader
- ** GIS Application Specialist - ICT
- ** Senior Infrastructure Officer - ICT

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the processes for the MIS Headway application were identified. These included:
- ** Users are uniquely identified in the system;
 - ** System administrators are kept to a minimum;
 - ** Training is ongoing for front line staff;
 - ** Data validations are comprehensive;
 - ** Workflow processing ensures optimum allocation of jobs to technical staff;
 - ** Audit trails are enabled for selected data inputs;
 - ** The system is routinely backed up and backup logs examined.

3. Management Summary and Overall Opinion

- 3.1 Based on the work carried out and the information in paragraph 3.2 below the level of assurance provided by the controls for this audit area our opinion is **Limited** (whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and /or there is evidence of non-compliance with some key controls). This grading was agreed with the Development Manager at the on-site exit meeting.
- 3.2 The Council at the time of the review was in a difficult position due to a legal dispute with MIS Headway the software supplier in respect to the system and its future compatibility/sustainability. There is a planned upgrade to the GIS (ESRI) element to the system which will render the Planning and Building Control Application unusable. There is a possibility that the system will be disposed of by the current provider (MIS) to a third party but the future support for the GIS element was still unclear at the time of review. Therefore at the time of the audit review it is not possible to provide a higher level of assurance due to the uncertain future of the system and the impact this could have on Council services and potentially other systems.
- 3.3 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown over the page.

Recommendation Category& timescale	Number	Percentage
Legal Requirement – immediate implementation		
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month of agreement to the report.	-	-
Best Practice – implementation at a mutually agreed date	4	100%
Total	4	100%

- 3.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

PURCHASE LEDGER – FINANCE AUDIT & INFORMATION GOVERNANCE

1. Introduction and Scope

- 1.1 An audit review commenced in February 2014 to provide an opinion on the control environment and a level of assurance for Purchase Ledger – Purchase to Pay processes. The scope of the audit was agreed by the Employment Services and Purchase Ledger Manager.
- 1.2 We would like to thank the following for their help during the audit:
- ** Employment Services & Purchase Ledger Manager
 - ** Purchase Ledger Team Leader
 - ** Agresso Support Officers
 - ** Purchase Ledger Officers
 - ** Senior Accountant (Taxation)
 - ** Business Support (Children Safeguarding)
 - ** Senior Print Officer

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for Purchase Ledger – Purchase to Pay were identified. These included:
- ** Easy to use video guidance available on the intranet
 - ** A monthly Agresso newsletter.

3. Management Summary and Overall Opinion

- 3.1 On the basis of the work carried out, our opinion based on the level of assurance provided by the controls for this audit area is limited - whilst there is basically a sound system of control, there are some weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls
- 3.2 Unfortunately due to unforeseen circumstances the PL Team Leader was originally unavailable during key parts of the audit and therefore some information could not be verified prior to the issue of the draft report but was subsequently clarified and updated during discussions about the draft report. As a result a recommendation was included about this single point of failure as other team members were unable at this time to assist and appeared to be unable to cover this work (this has now been addressed). Single points of failure are an inevitable consequence of the continued extreme pressure on resources – particularly in back-office areas which have to date faced average resource reductions of 40%.
- 3.3 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	3%
Financial Regulation – immediate implementation	1	4%
Policy/Procedure – implementation within a month of agreement to the report.	31	92%

Best Practice – implementation at a mutually agreed date	1	4%
Total	34	100%

3.4 As part of this audit we have also followed up the implementation of recommendations made in the previous audit. The table below shows the action taken since that audit:

Recommendation Category	Implemented	Not Implemented	Superseded
Legal Requirement	1		
Financial Regulation			
Policy/Procedure	10	14*	2
Best Practice			
Total	11	14 *	2

*Recommendations have been re-iterated in this report but all are in progress with the key reasons for delays in full implementation being:

- a) higher than expected volumes of work partly due to interfaces not materialising;
- b) revised systems to avoid duplicate payments also adversely affected volumes;
- c) long term sickness absence for two members of staff created resource issues and when addressed on a temporary basis there was a delay in productivity due to training and getting up to speed.

3.5 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in Purchase Ledger.

ICT UNSTRUCTURED DATA STORAGE AUDIT – ICT

1. Introduction and Scope

1.1 An audit review commenced on 13th January 2014, to provide an opinion on the control environment and a level of assurance for IT Storage. The scope of the audit was agreed by the Interim ICT Service Delivery Manager.

1.2 We would like to thank the following for their help during the audit.

- ✧ Interim ICT Service Delivery Manager.
- ✧ Technical Architect ICT
- ✧ Senior Infrastructure Officer ICT
- ✧ Information Governance Team leader.
- ✧ Support and Resilience Team Leader.

2. Good Practice Areas

2.1 During the audit, good practice areas within the process for IT storage arrangements were identified. These included:

- Use of proprietary software (VMWare) to manage server storage and load;
- Limiting and controlling use of portable storage media.

3. Management Summary and Overall Opinion

- 3.1 Based on the work carried out and the level of assurance provided by the controls for this audit area our opinion is Limited. Whilst there is basically a sound system of control there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls. The opinion was agreed with the Interim ICT SDM at the on-site exit meeting.
- 3.2 The Council does not have a formal ICT storage strategy or policy. This matter has been the subject of discussions and reports between various interested parties and the Senior Management Team. The Council's current position is to continue to fund additional storage capacity year on year. This will continue to provide the required capacity, but is inefficient and unlikely to be cost effective because there are data items being routinely stored that are old and/or obsolete and are also being replicated which also adds to the cost and inefficiency. Examples include old emails and other unstructured data such as Word and/or Excel documents, some of which have not been accessed for several years and belong to departments which no longer exist. Data ownership is therefore non-existent in some areas.
- 3.3 In the present circumstances capacity management is largely reactive and there is always a risk that 'firefighting' will be necessary or inappropriate decisions will be taken about what data to continue to store by the business. There is a requirement to begin to categorise data which may help the storage and retention process, but this has also yet to take place and is on-hold pending possible changes to the Government's data classification scheme. The file and folder structures are also old and complex which makes their management inefficient and may also have data access implications in that documents may be stored in shared areas which should be better controlled.
- 3.4 Recommendations have been made to strengthen the controls found to require improvement and these are categorised as shown below.

Recommendation Category& timescale	Number	Percentage
Legal Requirement – immediate implementation	-	-
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month of agreement to the report.	4	100
Best Practice – implementation at a mutually agreed date	-	-
Total	4	100

- 3.5 The implementation of the recommendations made in this report will further strengthen the controls and processes in this area.

Updated Position of the PSIAS Action Plan – November 2013 – as at August 2014

Audit Ref	Page	Standard	Action	Officer Responsible	Timescale	Position as at August 14
1.	P.10	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	Richard Partington to have input in to Jenny Marriott's PPD in December 2013 and then on-going	Jenny Marriott / Richard Partington	Dec 13 and annually thereafter	Completed December 13 now on going
2.	P.10	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Chair of the AC to have input in to Jenny Marriott's PPD in December 2013 and then on-going	Jenny Marriott / Chair of the AC	Dec 13 and annually thereafter	Completed December 13 now on going
3.	P.11	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	IT Auditor to carry out review of Information Governance and associated activities over a 3 year period and Ken Clarke to oversee	Jenny Marriott	2014 / 15 Audit Plan	Included in Plan & will be actioned when undertaken
4.	P.12	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	Update Charter section 2.3.5	Jenny Marriott	31 January 2014	Complete – audits rotated
5.	P.16	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	Formalise and document process	Jenny Marriott	31 January 2014	Delayed due to restructure & work for ASS so new deadline 31/10/14
6.	P.17	Periodic assessments for evaluating conformance with the PSIAS?	Review annually	Jenny Marriott	31 st March 2015	Now SDM and next review January 2015

APPENDIX E

Audit Ref	Page	Standard	Action	Officer Responsible	Timescale	Position as at August 14
7.	P.18	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	To determine arrangements for external assessment	Jenny Marriott	31 st March 2015	No change
8.	P.20	The results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.	Include in annual report to Audit Committee	Jenny Marriott	Follows on from previous action	No change
9.	P.21	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Include in annual report to Audit Committee 2013/14	Jenny Marriott	June 2014	Complete
10.	P.22	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: b) How the internal audit service will be developed in accordance with the internal audit charter? c) How the internal audit service links to organisational objectives and priorities?	b) 2014/15 plan will be updated – included in covering report to the plan c) Need to include this detail in the audit plan update 13/14 and include from 14/15 plan onwards	Wesley France	b) April 2014 C) November 2013	Complete for both 13/14 and 14/15.
11.	P.30	Has the internal audit activity evaluated the effectiveness of the organisation's ethics-related objectives, programmes and activities?	JM to talk to CFO and MD to see where we can add value and understand what is required Look to review AGS programme during 14/15	Jenny Marriott	End of Dec 2013 End of March 2014	Discussion taken place but no conclusions End Sept 2014

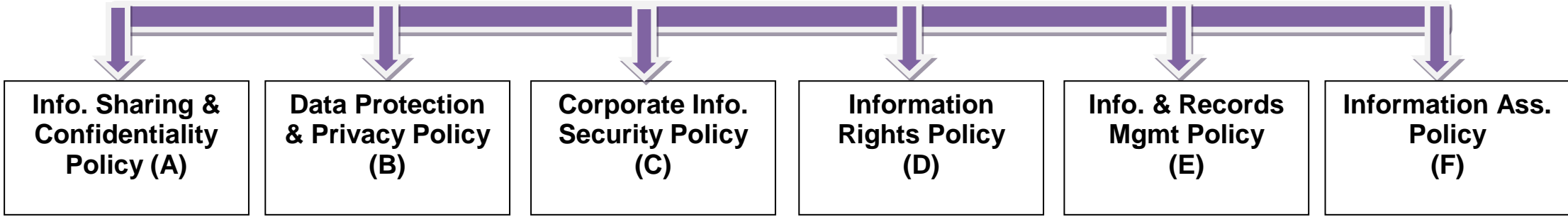
APPENDIX E

Audit Ref	Page	Standard	Action	Officer Responsible	Timescale	Position as at August 14
12.	P.31	<p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <ul style="list-style-type: none"> a) Organisational objectives support and align with the organisation's mission ? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite? d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities? 	JM to discuss with Ken Clarke	Jenny Marriott	End of December 2013	Strategic risk register updated & agreed at 24/07/14 Cabinet. To be presented to Sept Audit Committee. This informs Internal Audit planning & work undertaken.
13.	P.32	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	Undertake red book checklist.	Rob Montgomery	31 March 2014	Delayed due to staff vacancies 31/10/14
14.	Various	Consulting arrangements – many sections of the PSIAS checklist	Need to formalise how Internal Audit will handle consulting assignments. Draft flow chart process for consulting.	Wesley France	End of December 2013	Flow chart complete.

APPENDIX E

Audit Ref	Page	Standard	Action	Officer Responsible	Timescale	Position as at August 14
15.	P.43	Has the CAE developed and implemented retention requirements for all types of engagement records?	Internal Audit to cleanse files to meet requirements	Team	31/1213 and then annually	Complete
16.	P.48	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	To be included in 13/14 opinion	Jenny Marriott	June2014	Complete
17.	P.49-50	Does the annual report incorporate the following: g) A statement on conformance with the PSIAS? h) The results of the QAIP? i) Progress against any improvement plans resulting from the QAIP?	To be included in 13/14 annual report	Jenny Marriott	g) June 2014 h) June 2014 i) June 2014	Complete Referred to current process

Information Governance Framework – 13/14 Onwards



IGAF CODES OF PRACTICE

Info. Sharing & Confidentiality	Data Protection Act (DPA)	Information Security	Freedom of Information Act	Retention & Disposal (CRDS)	Information Standards
	Privacy Notices (DPA)	Equip & PAM (e.g media)	Environmental Info Regs (EIR)	Information Classification	Information Quality
	Privacy Impact Assessment	Password Management	Re-use of Public Sector Info (PSI)	File Management	Info. Asset & System Mgmt
	Surveillance (inc CCTV)	Remote Working (home/mobile)	Public Interest Test (PIT)	Information Transfer Mgmt	Naming Conventions
	Security Incident Mgmt	Patch Management	Appeals (internal review)	Metadata Management	
	Personal Info Management	Email & Internet Usage	Information Request Mgmt	Info. LifeCycle Management	
	Pseudonymise (anonymous)	Identity Management			
		Clear Desk			