

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 28th January 2014 at 6.00 pm in Meeting Room 7, Ground Floor, Darby House, Telford

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

Officers: P Taylor (Statutory Director of Adult Social Services) J Eatough (Assistant Director: Law, Democracy & People Services), J Marriott (Audit & Information Governance Manager), P Harris (Finance Manager), B Morris (Finance Team Leader) and J Clarke (Democratic Services Support Officer).

IN ATTENDANCE:

A Bunting – KPMG
I Pennington – KPMG

The Chair informed the members that Item 10 on the Agenda – Draft Treasury Management Strategy 2014/15 and update 13/14 would move up the Agenda to follow Item 6 – External Audit Plan 2013/14.

AUC-26 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 17th September 2013 be confirmed and signed by the Chairman.

AUC-27 APOLOGIES FOR ABSENCE

None

AUC-28 DECLARATIONS OF INTEREST

None

AUC-29 KPMG ANNUAL AUDIT LETTER 2012/13

I Pennington from KPMG presented the Annual Audit Letter 2012/13.

An unqualified Value for Money (VFM) conclusion for 2012/13 was issued on the 24th September 2013 meaning that the Council had the proper arrangements for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.

KPMG identified one significant risk to VFM regarding the Authority's future savings plans, although the arrangements the Council had put in place would mitigate this risk.

There needed to be one adjustment in relation to an error in the prior period which resulted from a change in accounting policy for trust schools. There was no impact on the General Fund Balance as a result of this adjustment.

The majority of the information contained in the Annual Audit Letter had been with the information on the Audit of the accounts at the previous meeting of the Audit Committee which had been presented by H Garrett. Members were asked if they had any further questions. No further questions or comments from the Committee were forthcoming.

RESOLVED – that the report be noted.

AUC-30 KPMG CERTIFICATION OF GRANTS AND RETURNS 2012/13

A Bunting from KPMG presented the Certification of Grants and Returns 2012/13.

KPMG had identified a number of inaccuracies in the information report on the Teachers' Pension return. The Council had been able to correct some of the inaccuracies but some remained unresolved. These were around the salary contributions reported against the contribution rate bands applicable to the Local Government Pension Scheme and arose due to the format of the system reports which differed from the new reporting requirements of the scheme. A correction to the classifications needed to be in place for the next report on the 2013/14 return. Changes to the system were due to take place but in the meantime officers were carrying out manual adjustments. KPMG commented that this issue was not isolated to Telford & Wrekin Council and many Council's were facing the same problem.

The audit fee for 2012/13 was £155,088 excluding VAT this was down by 40% on the previous year due to the change in the fees by the Audit Commission. Additional work undertaken during the year in relation to an elector query resulted in a fee of £9,216. The NNDR grant work, which was done on a cyclical basis, had resulted in a reduction for the grant fee from £16,850 to £16,399. A refund was to be issued.

RESOLVED – that the report be noted.

AUC-31 EXTERNAL AUDIT PLAN 2012/13

I Pennington from KPMG presented a report on the External Audit Plan 2012/13.

The overall audit approach was unchanged from last year. The work would be carried out in four stages. The audit strategy and plan remained flexible as risks and issues would change throughout the process.

The following areas had been indentified as significant risks:

- Accounting policies and estimates
- LGPS triennial valuation

KPMG would assess the Authority's progress in addressing the risk areas as part of the interim work with conclusions being given at year end.

The triennial valuation of the Local Government Pension Scheme for Shropshire took place from the 31st March 2013 in line with the Local Government Pensions Scheme (Administration) Regulations 2008.

There was an audit risk that the data provided to the actuary for this exercise was inaccurate which could lead to errors in the actuarial figures in the accounts. Most of the data was provided to the actuary by Shropshire County Council as they administer the Pension Fund.

As part of the audit KPMG would need to agree the data provided to the actuary and the reports used. The data would also need to be tested for accuracy. KPMG would liaise with the auditors of the Pension Fund on the Authority's behalf. The Pension Fund may seek to recharge any additional costs arising from this work but this would be discussed with the Assistant Director: Finance, Audit & Information Governance.

KPMG were required to carry out their work with independence and objectivity and to exercise their professional judgment and act independently of both the Commission and the Council. KPMG did not have any conflicts with the Council and this maintained the quality of the Audit.

A discussion took place including:

- Valued judgment
- Pension scheme – valuation and auto-enrolment
- Timescales of VFM approach

RESOLVED – that the report be noted.

AUC-32 DRAFT TREASURY MANAGEMENT STRATEGY 2014/15 AND UPDATE 13/14

The Finance Manager presented the draft Treasury Management Strategy 2014/15 and the 13/14 Treasury Update.

A training session on the Strategy had been held prior to the Audit Committee meeting for members of the Audit Committee.

The Strategy, if approved by the Audit Committee, would then go on to Cabinet and Full Council as part of the suite of Service & Financial Planning Reports.

The treasury portfolio at the end of December showed overall net indebtedness of £102.8m. Base rates had remained at 0.5% all year with the next move expected to be upwards but not for some time, 2016/17.

The borrowing strategy for 2013/14 was to use maturing investments to reduce borrowing where possible. To date two PWLB loans had matured and no new loans had been taken out. Short term borrowing had been used to fund short term cash flow requirements.

The average return on internal investments at the end of December 2013 was 3.31% compared to a benchmark return for the period of 0.42%. This was an outstanding over-achievement against the benchmark and reflected decisions taken some years ago to place investment funds in longer-term fixed rates when interest was considerably higher than today. It was noted that this level of return was not sustainable as a number of investments yielding high returns mature during the first part of 2014/15 and given the current context of low interest rates returns are likely to be lower next year.

The Council's Treasury Management Strategy was set within the parameters of the relevant statute, guidance and accounting standards.

The Council was currently expected to be required to borrow up to £1.0m in 2014/15 based on the current capital programme and would adopt a flexible approach to borrowing. The borrowing may be increased if the Council proceeds with large commercial projects such as investment in a solar farm or housing for rent at commercial rent levels. Audit Committee

Members would be notified of any changes to Prudential Indicators Affordability, maturity profile of existing debt, interest rates, refinancing risk and borrowing source would be discussed with the Council's treasury management advisors.

Where possible maturing investments would be used to reduce the level of additional borrowing which would reduce investment exposure going forward. The strategy for new investments would be to lengthen investment periods, where cash flow permitted, to achieve higher interest rates within acceptable risk parameters.

The report also included the Council's Minimum Revenue Provisions Statement (MRPS) which remained unchanged from 2013/14 although there was an amendment to how the provisions would be calculated from a straight line to an annuity basis. KPMG confirmed that they had agreed this approach.

Economic information would be updated with the latest data released prior to Cabinet.

A discussion took place including:

- MRPS figures and savings
- Prudential Indicators
- Risks of current projections
- Capital receipts

RESOLVED – that:

- a) the treasury management activities for the first half of the year be noted;**
- b) that the Treasury Management Policy Statement be noted;**
- c) the Treasury Strategy, including the Annual Investment Strategy, for 2014/15 together with the associated treasury Prudential Indicators and the Minimum Revenue Provision Statement be approved.**

AUC-33 ABACUS UPDATE

The Statutory Director for Adult Social Services presented a verbal report on Abacus.

There had been Amber reports in both March and July 2013, but due to the actions put in place not being robust enough the report had not moved forward and further work had been undertaken and a new report issued which was now Red.

The Statutory Director reported that, to move Abacus forward, changes to the system, processes and culture were needed. There had been a number of management changes which had taken place and dedicated additional resource had been brought in from another service area as project manager.

There was a formal meeting of the Project Group to take place on 31st January 2014 and they were confident that some of the concerns highlighted had been dealt with.

Processes had been put in place to deal with potential overpayments, financial assessments and the correct invoicing of service users.

The Statutory Director had accepted all of the recommendations and had drawn up an action plan to deliver against the recommendations. There had been some improvement but there was still a lot of work to do.

Adult Social Care was taking the lead on the project with input from other service areas within the Council.

A discussion took place including:

- Overpayments
- Invoicing Suppliers
- Opening and Closing cases
- Historical payments
- Review of Brokerage and Commissioning

It was suggested that the Chair and Vice Chair of the Audit Committee, together with the Cabinet Member for Adult Social Care, hold a meeting with the Statutory Director and the Project Manager in April/May 2014 in order to discuss the position. A further report would come back to the Audit Committee in June 2014.

RESOLVED – that:

- a) a meeting would take place with the Chair and Vice-Chair of the Audit Committee, together with the Cabinet Member for Adult Social Care, Statutory Director of Adult Social Care and the Project Manager in April/May 2014;**
- b) a further report be brought back to Audit Committee in June 2014.**

AUC-34 ICT UPDATE

The Assistant Director: Law, Democracy & People Services presented an update on the Council's ICT on behalf of the Assistant Director: Customer Services.

The Audit Committee were made aware of the significant problems the Council were experiencing with ICT at the last meeting of the Committee in September 2013.

The problems with the system had been escalated to international level. It was reported that the problems had arisen following power interruptions to the system which in turn affected the servers.

A fix had now been applied and the Council was confident that the problems were now resolved.

There had been a power outage on Monday 27th January at the Madeley Data Centre but this was a fault of the energy supplier, not the Council's systems. This had caused a slight disruption because the system had to be re-booted. The systems were now back up and running and it was business as usual.

The Council were currently in negotiations regarding compensation.

A discussion took place including:

- Keeping the confidence of the School Community

- Compensation for the inconvenience to the Schools
- Back-up power for the servers

The Chair and the Audit & Information Governance Manager would speak to the Assistant Director: Customer Services and greed the best timing for a report back to the Audit Committee.

RESOLVED – that the report be noted.

AUC-35 PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2012/13

The Audit & Information Governance Manager presented a report on the publication of information on Councillors who traded with the Council during 2012/13.

To improve transparency the Council, through its Constitution Committee, agreed that details of the Councillors who have an interest in companies that receive a payment from the Council should be reported separately to the Council through the Audit Committee.

The information was collected as part of the 2012/13 final accounts process and this report represents information for 2012/13.

The Information was also available in the Declaration of Interests and through the Council's Accounts.

This report would come to the Audit Committee annually in June. The next report would be received at the June 2014 meeting and would cover the 2013/14 period.

RESOLVED – that

- a) the Audit Committee note that the report would be published on the Council's website; and
- b) the report be noted.

AUC-36 INTERNAL AUDIT UPDATE REPORT – QUARTERS TWO & THREE 2013/14

The Audit and Information Governance Manager presented a report on the Internal Audit update report – quarters two and three 2013/14.

The report provided an update on the work that had been undertaken between 1st July and 31st December 2013 and gave an update on progress on work previously undertaken.

The key focus during quarters 2 and 3 had been on the fundamental audits and completion of work identified from the 13/14 annual plan. A restructure of the service had been launched on the 26th November 2013 and which closed on the 14th January 2014 and resources had been used developing saving proposals. The restructure would commence from 1st April 2014 and the team were currently recruiting to the positions.

The Audit Committee's Terms of Reference was updated in November 2013 to include "oversight of the Commercial Board". A report from the Managing Director and the Co-operative & Commercial Projects Service Delivery Manager would be brought to the June 2014 Audit Committee meeting.

The report showed that there had been 29 reports issued in quarters 2 and 3. There were 7 amber reports and 2 red reports during quarters 2 and 3. The red reports were in respect of concerns around Abacus and Moorfield Primary School.

The William Reynolds School audit, which was amber, had now been followed up and upgraded to Green. The Back Up and Disaster Recovery review had also been followed up and the grading improved to Yellow. Recommendations and management actions had been agreed in other audit areas and Internal Audit was confident that management would implement these recommendations which would provide the appropriate reassurance and improve their gradings.

A discussion took place including:

- Commercial Board
- Audit supplying services/training to other Councils/Companies

RESOLVED – that the report be noted.

AUC-37 UPDATE ON THE ANNUAL GOVERNANCE STATEMENT 2012/13 ACTION PLAN

The Audit & Information Governance Manager presented a report on the Annual Governance Statement 2012/13 Action Plan.

The Council was required to produce an Annual Governance Statement which should include an action plan for further improvement. The report set out the progress made up to the end of December 2013 against the agreed action plan from June 2013.

The Committee were asked to note the progress on the actions contained in the 2012/13 Annual Governance Statement (AGS) Action plan which was due to be implemented during 2013/14.

RESOLVED – that the report be noted.

AUC-38 CHANGES TO THE INTERNAL AUDIT CHARTER 2014/15 AND PUBLIC SECTOR INTERNAL AUDIT STANDARDS – ACTION PLAN FOR COMPLIANCE

The Audit and Information Governance Manager presented a report on the changes to the Internal Audit Charter 2014/15 and Public Sector Internal Audit Standards – Action Plan for Compliance.

From 1st April 2013 the Public Sector Internal Audit Standards (PSIAS) replaced the existing Code of Practice. The team had undertaken a detailed review of operations against the requirements of the Standard and had identified some actions required in order to ensure compliance. The Action Plan was attached to the Report at Appendix B.

The Audit and Information Governance Manager noted that the action in respect of the development of a Quality Assurance and Improvement Programme (QIAP) had been delayed due to the restructure but was scheduled to be completed by end March 2014. Implementation of the actions would demonstrate compliance with the PSIAS.

RESOLVED – that the report be noted.

AUC-39 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

The Chair of the Committee, together with the Audit and Information Governance Manager, presented a verbal update on the Review of the Effectiveness of the Audit Committee.

The Audit Committee was a group of Members who had been on the Committee for some time and the Committee had good attendance. An annual survey had been undertaken for the last 4-5 years in respect to measuring the effectiveness of the Audit Committee and following the survey in 2013 a skills audit had been undertaken to develop the training programme.

As a training programme for Members was currently in place it was suggested that a further skills and training review take place following the 2015 Election as there was a possibility that there may be new Members on the Committee.

It was further suggested that the next review of the effectiveness of the Audit Committee take place in January 2016.

A discussion took place including:

- Paper exercise
- Induction for new members
- Independent members

RESOLVED – that the next Review of the Effectiveness of the Audit Committee takes place in January 2016.

The meeting ended at 7.38 p.m.

Chairman:

Date:



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Mr K Clarke
Assistant Director: Finance, Audit & Information Governance
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Telford Centre
TF3 4NT

Our ref TWC/1314/Interim

13 June 2014

Dear Ken

Telford and Wrekin Council – Audit progress

We have now completed our planning and interim audit work in line with the timetable set out in our detailed External Audit Plan, dated January 2014. In that plan we indicated that we would present an Interim Audit Report to the Council's Audit Committee if we identified any significant matters as part of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

To date we have completed our planning work and have substantially completed our control evaluation work. As a result of this, we have identified no matters which we are required to draw to the attention of the Authority. As our audit work to date has gone smoothly and we have not identified any significant issues, we do not consider it necessary to provide an Interim Audit Report to the Audit Committee at this stage.

In the absence of the need for an Interim Audit Report, this letter should be tabled at the next meeting of your Audit Committee, to provide them with an update on the progress of our audit. A full briefing on the audit will be provided as part of our ISA260 report which will be presented at the September 2014 meeting.

Yours sincerely

Adam Bunting
Manager

cc: Richard Partington (Managing Director)



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Our ref TWC/13-14/GrantLet

RECEIVED 01 MAY 2016

Contact Adam Bunting
07876 137 589

28 April 2014

Dear Richard

Certification of 2013/14 Grant Claims and Returns

We are writing to you to confirm our arrangements for certifying your 2013/14 grant claims and returns. We issued our Annual Audit Fee 2013/14 letter on 26 April 2013, which set out that the indicative composite fee for the certification work in 2013/14 was £13,586 (plus VAT).

However, the Audit Commission has since then announced some changes in the programme of claims and returns they are making certification arrangements for in 2013/14. The revised indicative fee for 2013/14 is £12,319. The changes to the indicative fee have been explained in our Annual Audit Fee 2014/15 letter, and include a reduction of 12% for the indicative fee for the Housing Benefit Subsidy claim to reflect the reduction in work from the abolition of Council Tax Benefit.

This is based on certifying the following scheme as notified by the Audit Commission in March 2014:

- Housing benefit subsidy claim

To assist you in providing high quality working papers to enable us to deliver the certification work we have provided a *Prepared by Client List (PBC)* for that claim. The PBC sets out what working papers we will require to carry out the certification work.

The indicative composite certification fee set by the Audit Commission is based on a number of assumptions. We may need to charge additional fee where:

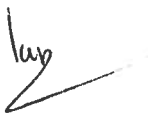
- Claims require more work in 2013/14 than previously because they now fall above the Commission's audit thresholds;
- Claims require detailed testing of the claim or return entries under 'Part B' of the Certification Instruction tests in 2013/14, because of either a change in the control environment or the Audit Commission's cyclical testing requires it in 2013/14;
- As a result of our testing, the claim or return is amended or qualified; or

- We do not receive accurate and complete claims and supporting working papers to our agreed timetable which leads us to carry out additional certification work.

Where any of these factors apply to your certification work, we will discuss the impact on your fee at an early stage. Where we have to complete additional work and request a fee variation from the Audit Commission our additional fee will be billed at the Audit Commission's standard hourly rates less the 40% reduction in fees.

If you have any queries about our certification work for the coming year, please contact Adam Bunting.

Yours sincerely



Ian Pennington
Director

Appendix A
Prepared by Client list for Housing Benefit grant claim

Our certification work on your Housing Benefit claim is determined by the Audit Commission’s HBCOUNT approach. This approach does not enable auditors to reduce the amount of testing by relying on the control environment. Instead auditors are required to carry out:

- Standard tests, covering such areas as analytical review and reconciliation of the claim form to the benefits system;
- Initial testing of 20 claims from each of the applicable benefit types (Rent Allowance, HRA Rent Rebates, Non-HRA Rent Rebates);
- Initial testing on un-cashed cheques and modified schemes
- Specific testing on any cells qualified in the previous year; and
- Extended ‘40+’ testing of an additional 40 cases in all cells where our initial testing identifies errors.

As agreed with Becky Owen-Jones (Benefits Welfare and Assurance Group Manager), our expectations are that the Authority will:

- Provide access to a computer terminal, the benefit system, and the Authority’s document management system;
- Ensure that staff are available to assist with queries throughout our work;

Adam Bunting will liaise with the benefits team throughout the process in order to ensure that any issues are addressed in a timely manner.

Our detailed requirements are as follows:

	Requirements	Reference
1	The completed original claim form signed by the chief financial officer	CI Test 2
2	An electronic (PDF) copy of the claim form	CI Test 3
3	Screen prints or system reports showing the 2013/14 up-rating for Housing Benefit cross referenced to Audit Commission’s up-rating checklist (to be provide by Adam Bunting)	Module 2
4	A transaction breakdown of all headline cells, to include the HB reference number and benefit paid. The total of the breakdown should agree to the headline cell. Where this is different a reconciliation and explanation should also be provided	Module 3
5	A comparison of 2013/14 subsidy cell values to 2012/13. Please provide an explanation for values that have increased/decreased by more than 5%	Module 4
6	System report(s) showing the latest version and patches installed for the software used to produce the final subsidy claim	Module 5
7	System report(s) used to reconcile the subsidy paid to subsidy received	Module 5
8	System report(s) showing each section of the subsidy form	CI Test 4

9	The reconciliations for each headline cell for benefits granted to benefits paid	CI Test 5
10	A breakdown of all current year un-cashed cheques and other payments	CI Test 8a
11	A breakdown of all prior year un-cashed cheques and other payments included in the claim form	CI Test 8b
12	A breakdown of all modified schemes included in the claim form	CI Test 9
13	DWP letter showing the amount of administration subsidy and payments on accounts included in the claim form for 2013/14	CI Test 10/11
14	General ledger report showing the payments on accounts included in the claim form received in 2013/14	CI Test 11



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RECEIVED 01 MAY 2014

Mr R Partington
Managing Director
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Our ref TWC/1415/FeeLetter

28 April 2014

Dear Richard

Annual audit fee 2014/15

I am writing to confirm the audit work and fee that we propose for the 2014/15 financial year at Telford & Wrekin Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

As we have not yet completed our audit for 2013/14, the audit planning process for 2014/15, (including the risk assessment) will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative audit and certification fees for 2014/15 are shown below, along with a comparison with the prior year's audit. All fees are exclusive of VAT.

Audit area	Planned fee 2014/15	Planned fee 2013/14
Code of Audit Practice audit fee	155,088	155,088
Certification of grant claims & returns	9,540	12,319
Total	164,628	170,708

The main audit fee is unchanged from both 2013/14 and 2012/13 and is in line with the scale fee recommended by the Audit Commission.

The fee quoted above for the 2013/14 certification work differs from that originally quoted in our fee letter. This is due to the scale fee being revised by the Audit Commission and the scope of certification work being reduced. It also incorporates a reduction in the level of work required in relation to the housing benefit subsidy as a result of council tax benefits being replaced by localised schemes. We have set out a reconciliation of these changes below.

	Certification of grant claims & returns 2013/14
Indicative fee quoted in our letter dated 26 April 2013	13,586
Audit Commission revision of scale fee	3,714
Removal of Teacher's Pension Return (PEN05) from certification	(3,301)
Reduction to reflect localisation of council tax benefits	(1,680)
Total	12,319

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission. These new arrangements to apply with immediate effect and therefore the Teachers' Pensions return (PEN05) now falls outside the Commission's arrangements and as a result we will not be required to carry out any work in relation to this return. The certification of the National Non-Domestic Rates return (LA01) has also been removed from the Commission's 2013/14 certification process, with DWP currently considering how alternative assurance will be sourced.

The Department for Work and Pensions (DWP) has asked the Audit Commission to prepare auditor guidance for the certification of housing benefit subsidy for 2014/15. We will therefore continue to certify the housing benefit subsidy claim under the Audit Commission's arrangements.

As a result of the changes, the estimated indicative certification fee above therefore only covers work on Housing Benefit Subsidy and has been reduced accordingly when compared with the 2012/13 fee. It is expected that arrangements for 2015/16 onwards will be made on a similar basis by an independent private company to be set up by the Local Government Association, which will take on transitional responsibility for the management of the Audit Commission's audit contracts following its closure in March 2015.

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

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the 2013/14 audit. A more detailed audit plan will be issued later this financial year. This will detail the risks identified, planned audit procedures and (if required) any changes

in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and Ken Clarke and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

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

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

The key members of our audit team for the 2014/15 audit are:

Name	Role	Contact details
Adam Bunting	Manager	adam.bunting@kpmg.co.uk +44 (0) 7876 137589
Sophie Whelan	Assistant Manager	sophie.whelan@kpmg.co.uk +44 (0) 7825 125272

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

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

Yours sincerely

Ian Pennington
Director

cc: Ken Clarke (Assistant Director: Finance, Audit & Information Governance)

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2013/14;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2014/15 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

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

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

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

Appendix 2: Planned outputs

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

Planned output	Indicative date
External audit plan	January 2015
Interim audit report (if required)	June 2015
Report to those charged with governance (ISA260 report)	September 2015
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2015
Opinion on Whole of Government Accounts return	September 2015
Annual audit letter	January 2016
Certification of grant claims and returns	January 2016

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 30 JUNE 2014

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

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

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

The report updates members on the outcome of Treasury Management activities for 2013/14 and details the position for 2014/15 to date.

2013/14 Treasury Outturn

The treasury portfolio ended the year with 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 is predicted to stay at 0.5% until 2016.

The borrowing strategy for 13/14 was to use maturing investments to reduce borrowing where possible. Borrowing was £15m higher at 31 March 2014 compared to 31 March 2013 which was due to capital expenditure that led to an increase in temporary borrowing at year end. Short term borrowing was used to fund short term cash flow requirements during the year at favourable interest rates.

The investment strategy for 13/14 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 3.38% against a benchmark of only 0.41%; further, comparative information from our treasury advisors, Arlingclose, highlights that our rate of return is once again very significantly higher than their other local authority clients.

Overall, treasury delivered a net over-achievement of £1.546m against the budget in 2013/14. This includes £0.250m generated as a one-off saving in 2013/14 as a result of changing our accounting policy in relation to capitalisation of interest on capital projects pending their completion. As well as generating a significant one-off revenue benefit this change in accounting policy will also help facilitate commercial developments (including potentially building houses for rent) more in line with private sector practices.

A very significant one-off benefit of £4.884m was also generated from back-dating the change in accounting treatment of the calculation of Minimum Revenue Provision – this has been transferred to a reserve in accordance with the agreed service and financial planning strategy for 2014/15 to fund the debt charges for the Pride in Your Community Initiative for the next 12 years.

In total, therefore, treasury management activities contributed one off benefits to the Council totalling just under £6.5m over budget assumptions during the year – equivalent to around £90 for every household in the Borough.

2014/15 Update

The strategy for 2014/15 remains consistent with that of the previous year. Investment opportunities will be reviewed as they arise, where possible maturing investments will be used to reduce the need to borrow, and we will seek to gain maximum benefit within the agreed risk parameters.

All the temporary borrowing (£26m) at 31/3/14 has been repaid and there has been no new borrowing undertaken to date in 2014/15. Investments were £35m at 31 May 2014.

On Thursday 12th June the Governor of the Bank of England, Mark Carney, in his Mansion House speech, indicated that interest rates may have to increase sooner than assumed by the market. This will have to be taken account of in the Council's Treasury activities in 2014/15.

Prudential Indicators

There are a number of amendments to prudential indicators to accommodate very significant capital regeneration projects.

2. RECOMMENDATIONS

Audit Committee Members are asked to:-

- 2.1 note the contents of the report
- 2.2 note the performance against Prudential Indicators.
- 2.3 approve the proposed amendment to non UK sovereign counterparty limits
- 2.4 recommend that Council approves 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 approve the other changes to prudential indicators

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT Do these proposals contribute to specific priority plan objectives?

Yes/No Efficient Community Focussed Council

Will the proposals impact on specific groups of people?

Yes/No

**TARGET
COMPLETION /
DELIVERY DATE**

Part of ongoing Treasury Management Activities within the Treasury Management Strategy and Policy approved by Council.

FINANCIAL/VALUE FOR MONEY IMPACT	Yes/No	Where appropriate these are detailed in the body of the report.
LEGAL ISSUES	Yes/No	The AD: Finance, Audit and IG (Section 151 Officer), has responsibility for the administration of the financial affairs of the Council. In providing this report the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Article 12, paragraph 12.04(f) which states "The Chief financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee."
OTHER IMPACTS, RISKS AND OPPORTUNITIES	Yes/No	The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.
IMPACT ON SPECIFIC WARDS	Yes/No	

4. **PREVIOUS MINUTES**
 Council 7 March 2013
 Audit Committee 25 June 2013
 Audit Committee 28 January 2014
 Council 27 February 2014

PART B – ADDITIONAL INFORMATION

5. **BACKGROUND**

Treasury Management in local government is regulated by the 2001 revision of the CIPFA Treasury Management in Public Services: Code of Practice (the Code). This Council has adopted the Code and fully complies with its requirements. The primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement, which states the policies and objectives of its treasury management activities.

A requirement of the Council's Treasury Management Practices is the reporting to the Council of both the expected treasury activity for the forthcoming financial year (the annual treasury strategy statement) and subsequently the results of the Council's treasury management activities in that year (this annual treasury report).

6. 2013/14

The annual report is covered in paragraphs 6-15 and deals with: -

- 2013/14 Portfolio position;
- the borrowing strategy for 2013/14;
- the borrowing outturn for 2013/14;
- compliance with treasury limits;
- investments strategy for 2013/14;
- investments outturn for 2013/14;
- debt rescheduling;
- Shropshire Council debt
- overall outturn position
- leasing

7. 2013/14 PORTFOLIO POSITION

The Council's treasury management position at the beginning and the end of the year was as follows: -

	31 March 2013		31 March 2014	
	Principal £m	Rate %	Principal £m	Rate %
Borrowing	110.614	3.49	125.583	3.37
Investments	31.426	3.86	23.510	3.38
Net Indebtedness	(79.188)		(102.073)	

There was new temporary borrowing and repayment of £11m PWLB during 2013/14; temporary borrowing was £26.1m at 31 March 2014. The capital programme was funded from a combination of borrowing, capital receipts, grants and other external contributions plus funds from maturing investments; this has resulted in an increase in net indebtedness during the year. Prudential borrowing increased in 2013/14 due to planned capital expenditure approved as part of the capital programme.

The Adopted Treasury Strategy was to:-

- Monitor borrowing opportunities determined by the prevailing markets.
- To use maturing investments to reduce borrowing where possible.
- Reduce the volatility of investment returns while maintaining adequate flexibility in arrangements.
- To achieve optimum return on investments commensurate with proper levels of security and liquidity.

9. COUNCILS RESPONSE TO ECONOMIC CLIMATE

- 9.1 2013/14 saw continued difficulties with both sovereign and individual bank credit ratings. Base rate remained at 0.5% throughout the whole of 2013/14. The UK economy has started to improve but the Monetary

Policy Committee remains cautious. Base rate has generally been predicted to stay at 0.5% until mid 2016 although Mark Carney, Governor of the Bank of England has recently indicated that the first rate increase may be sooner than generally expected.

9.2 The Council has reduced both the amount and duration of its investments and as other investments mature, total investments will be reduced further. These funds were used to reduce the need to borrow and reduce exposure to investment risk.

9.3 We have closely followed guidance issued by our Treasury Advisors in relation to credit ratings, financial standing and duration.

10. **BORROWING 2013/14**

10.1 **Original Economic Projections**

The Expectation for Interest Rates – When the budget was set for 2013/14 the “average” City view anticipated that Bank Rate would remain at 0.5% until mid 2015 before starting to rise gradually back towards more normal levels in 2015, though Bank Rate would take a long time to return to around 4.5%.

10.2 **Outturn 2013/14**

During 2013/14 the Monetary Policy Committee (MPC) was focused on helping the economy to recover, but with inflation falling to target level.

The MPC also maintained the level of quantitative easing at £375bn.

The dominant focus in 2013/14 was on quarterly GDP growth figures and the unemployment rate. Overall for 2013/14 the economy grew by 2.7%.

Inflation had been a major concern of the MPC but this has fallen from 2.8% in March 2013 to 1.6% in March 2014. Inflation is predicted to increase back to the 2% target level within the 2 year horizon.

Borrowing and Investment Rates in 2013/14

The overnight investment rate has varied little during the year. The 3 month investment rate has fallen slightly during the year to stand at 0.38% at year end having started the year at 0.44%.

Treasury Borrowing and Rescheduling

The borrowing strategy for the current year has been to use maturing investments to reduce the Council’s exposure to interest and market volatility and reduce borrowing where possible.

During the year we borrowed no new PWLB loans, although we did have some maturities totalling £11m.

PWLB Repayments & Discounts

No loans were repaid early or rescheduled during the year.

An analysis of the maturity structure of our debt is shown below.

Analysis of Debt Maturity as at 31st March

	2013		2014	
	£'000	%	£'000	%
Maturing in less than 1 year	11,093	10.0	37,063	29.5
Maturing in 1-2 years	11,001	9.9	1,001	0.8
Maturing in 2-5 years	3,002	2.7	3,002	2.4
Maturing in 5-10 years	2,506	2.3	1,506	1.2
Maturing in more than 10 years*	<u>83,012</u>	75.1	<u>83,011</u>	66.1
	<u>110,614</u>	100.0	<u>125,583</u>	100.0

* this includes £60m LOBO (Lenders Option Borrowers Option) loans that are potentially callable at certain points before the maturity date. There is therefore the potential that these loans would have to be replaced sooner exposing the council to the prevailing market at that time. To-date, none of our LOBOs have been called before maturity.

Debt Performance

As highlighted in section 7 the average debt portfolio rate has fallen over the course of the year from 3.49% to 3.37%. This is due to temporary borrowing the council undertaken in 2013/14 as compared to 2012/13. The low rates of this in 2013/14 reduced the overall interest rate of the portfolio in that year.

11. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the Treasury Limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement apart from borrowing exceeding the operational limit for some of the year due to a significantly changed pattern of cashflows arising from the new local government finance system introduced on 1st April 2013 and previously advised to Audit Committee members. However at all times we remained within the Council's Authorised Borrowing Limit and there are no consequences for the temporary breach of the operational limit. The outturn for the Prudential Indicators are detailed in Appendix 1 which shows that no limits were breached during the year.

12. INVESTMENTS 2013/14

12.1 Strategy

Internally Managed Investments - The authority currently manages all of its investments in-house and invests within the institutions complying with its counterparty limits and credit ratings. Some investments are short term related to cash flows and others include longer term investment instruments that benefited returns in 2013/14.

Investment Strategy - The agreed short term investment strategy for 2012/13 was to achieve optimum return on investments commensurate with proper levels of security and liquidity and to use maturing investments to reduce the need to borrow, where possible.

12.2 Outturn 2013/14

Detailed below are the results of the investment strategy undertaken by the Council, based on the average investment during the year.

	Average Investment	Rate of Return (gross of fees)	Rate of Return (net of fees)	Benchmark Return *
<u>Internally Managed</u>				
Investments	£46.609m	3.38%	3.38%	0.41%

No institutions in which investments were made showed any difficulty in repaying investments and interest in full during the year. This performance is significantly better than all other local authority clients of our Treasury Management Advisors, Arlingclose.

13. SHROPSHIRE COUNCIL DEBT

The Council makes an annual contribution (£1.968m in 2013/14) towards County Council costs on pre disaggregation debt (i.e. pre unitary inception) - interest paid averaged 5.56% last year. The rate of interest paid on this is managed by Shropshire and is considerably higher than the rate payable by Telford & Wrekin Council on its borrowing.

14. OVERALL OUTTURN FOR 2013/14

The net overall position is summarised in the table below. The sound overall position has resulted from a mix of cash flow benefits plus proactive treasury management activities. The budget reflected the position when the budget was set, the underspend has been achieved through active management of debt principal and the low interest rates prevailing for the year. Overall a net saving of just over £1.5m was made against budget for the year with a further one-off benefit of £4.884m arising from the change in accounting policy relating to the calculation of Minimum Revenue Provision.

Summary of Outturn Position

	Estimate £m	Outturn £m	Variance £m
Interest Received	(1.275)	(1.581)	(0.306)
Principal Repayments	5.314	4.562	(0.752)
MRP saving from change of policy	0.000	(4.884)	(4.884)
Set up MRP provision	0.000	4.884	4.884
Capitalisation of Interest	(0.000)	(0.252)	(0.252)
Interest Paid	4.380	4.095	(0.285)
Net Position	10.374	8.828	(1.546)

15 **LEASING**

Each year the Council arranges operating leases for assets such as vehicles, computers and equipment. This helps spread the cost over a number of years in line with the anticipated life of the equipment.

The final drawdown for 2013/14 was completed in March. The drawdown from Siemens totalled £0.052m and funded the purchase of gym equipment over five years at an interest rate of 2.05%.

16. **2014/15 UPDATE**

The remainder of this report deals with the current financial year based largely on information to 31 May 2014.

16.1 **Strategy**

The strategy for 2014/15 is to continue to use maturing investments, where possible, to reduce the need to borrow thus reducing investment exposure. We will review investment opportunities if they arise and also review borrowing opportunities as we progress through the year and look to take advantage of the advantageous interest rates if possible. 2014/15 and 2015/16 could see the Council investing in significant regeneration projects including the MoD logistics hub and building homes and commercial property for rent to the private sector as well as potential investment in a solar farm. As referred to in the Council's 2014/15 Service and Financial Planning Strategy report, investment in these projects would necessitate an increase in the Council's borrowing limits and this report recommends that as the business cases are now being fine tuned that it is appropriate to increase these limits to facilitate these investments subject to final agreement of the business cases.

16.2 **Interest Rates**

Base rate began the year at 0.5% and has remained there. The current expectation is that there will be no increase before June 2016.

16.3 **Prudential Regime**

This Council agreed its required indicators at Council on 27 February 2014. There have been no breaches of the indicators and none have been amended. The Council set itself an Operational limit for external debt of £220m for 2014/15 and an Authorised limit of £234m. Our total borrowing outstanding (including PFI) is £159m which is within both limits.

16.4 **Borrowing**

We have not taken any new borrowing in 2014/15 and have had no maturities to-date. In total we have £11m maturing during 2014/15.

16.5. **Internally Managed Investments**

The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the 7 day deposit rate. As mentioned above, we will also continue to use maturing investments, where possible, to reduce the need to borrow. For the period to 31 May 2014 some £438m worth of investments have been made in our overnight call

accounts. Rates have ranged from 0.35% to 0.40%. As at 31 May 2014 internal investments stood at £34.97m.

Potentially the Council can place up to £20.0m with any Counterparty. At the end of May the greatest exposure with a single counterparty was £19.9m with Santander (56.9% of the portfolio). We currently have no investments with non UK sovereigns. A detailed breakdown is shown in Appendix 2.

16.6 Non UK Sovereign Counterparty Limits

At present we have a non UK sovereign counterparty limit set at 20% of the portfolio. This was set when we had a much greater level of external investments, since then we have reduced both the total amount and length of our external investments. Since most of our investments are short term for cashflow purposes and the amount of investments can vary constantly a limit of 20% is difficult to manage from a treasury perspective. **We are therefore proposing to amend this limit to a total of £20m for all investments with any non UK sovereigns, but always subject to them meeting our requirements in terms of security of the counterparty.**

16.7 Amendments to Prudential Indicators for 2014/15

The Council is considering undertaking 2 major capital regeneration projects (Housing and MOD), as well as potentially building a solar farm and to accommodate the additional spending in 2014/15 it is necessary to increase a number of prudential indicators as follows;. The Authorised and Operational limits can only be approved by Full Council.

- **Capital Expenditure. It is anticipated that an additional £51m will be spent in 2014/15. This will increase capital expenditure from £115.650m approved by Council in February to £166.650, of which £51.304m will be prudential.**
- **Gross Debt will increase from £133.3m to £184.3m for borrowing and £244.7m in total.**
- **Capital Financing Limit will increase from £270.3 at 31/3/15 to £321.3m**
- **Authorised Limit for External Debt will increase by £70m to £240m for borrowing and £304m in total**
- **Operational Limit for External Debt will increase by £65m to £223m for borrowing and £285m in total.**

17 Background Papers

CIPFA Code of Practice for Treasury Management in Local Authorities;
Fund Manager Valuations; Temporary Borrowing records; PWLB records
Investment records

Report prepared by:
Bernard Morris, Finance Team Leader (Capital & Treasury)
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PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2012/13	2013/14	2013/14
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	£m	£m	£m
	Actual Outturn	Original Estimate	Actual Outturn
Capital Expenditure			
TOTAL	71.7	99.1	84.6
Ratio of financing costs to net revenue stream			
General fund	3.15%	3.11%	3.11%
Net borrowing requirement			
brought forward 1 April	147.7	121.7	110.6
carried forward 31 March	110.6	110.3	125.6
in year borrowing requirement	-31.1	-11.4	+15.0
Capital Financing Requirement as at 31 March			
TOTAL	242.0	237.9	271.1
Annual change in Cap. Financing Requirement			
TOTAL	-7.8	-3.8	+29.1
Incremental impact of capital investment decisions	£ p	£ p	£ p
Increase in council tax (band D) per annum (not cumulative)	-0.53	-3.71	-3.71

PRUDENTIAL INDICATOR	2012/13	2013/14	2013/14
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£m	£m	£m
	final	original	final
Authorised limit for external debt - borrowing	230	145	145
other long term liabilities	6	65	65
TOTAL	236	210	210
Operational boundary for external debt - borrowing	210	125	125
other long term liabilities	4	63	63
TOTAL	214	188	188
Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	100	100	100
Upper limit for variable rate exposure Net principal re variable rate borrowing / investments:-	80%	80%	80%
Upper limit for total principal sums invested for over 364 days (per maturity date)	95%	95%	95%

Maturity structure of fixed rate borrowing during 2013/14	lower limit	upper limit
under 12 months	0%	40%
12 months and within 24 months	0%	25%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

Summary of Investments at 31 May 2014

	Sovereign Credit Rating	Individual credit Rating	Total £m	%
Call Accounts				
HSBC	UK AA+	F1+AA- support 1 viability a+	5.033	
Santander	UK AA+	F1A support 1 viability a	19.935	
			24.968	71.40
Fixed Deposits				
Barclays	UK AA+	F1A support 1 viability a	5.000	
Close Brothers	UK AA+	F1A support 5 viability a	5.000	
			10.000	28.60
Variable Deposit				
			0	
Total			34.968	100.00

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 each 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 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 relates 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, REFCUS, impairments and pensions, these are 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, 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, council tax and government grants is held temporarily, pending payment of 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. Also the localisation of business rates means that we also show similar information in respect of this. The business rates show an increase in deficit for the year of £1.9m and the Council's share of that deficit was £0.9m;

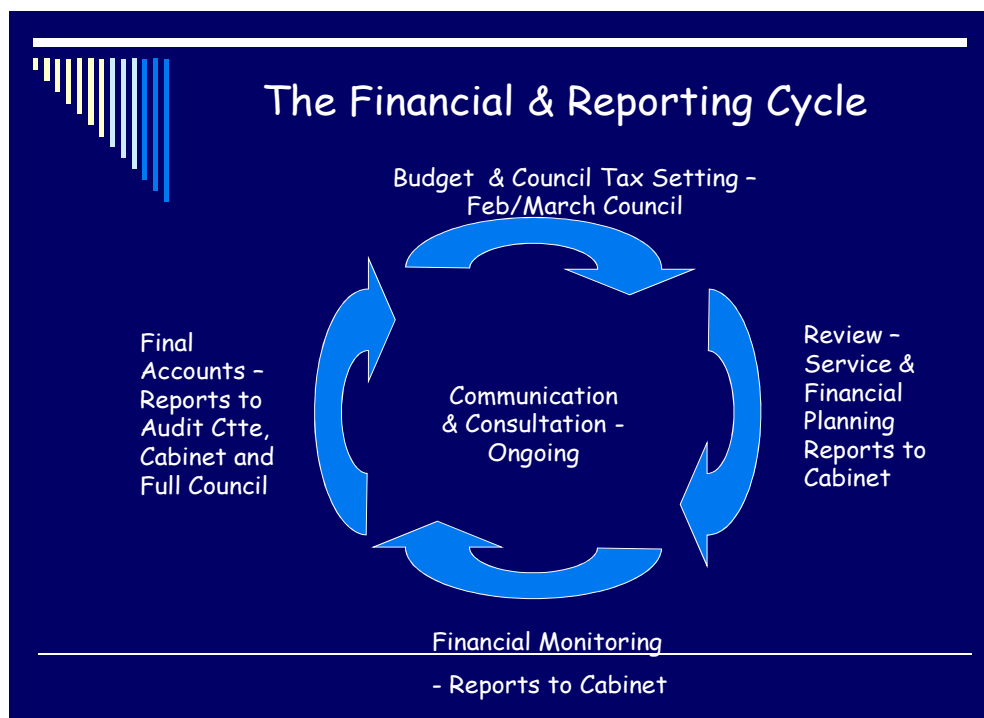
These accounts are supported by the Statement of Responsibilities, which follows this foreword.

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 fluctuations and 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 Council's 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 funding gap was met 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 further annual reductions of around £10m pa 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.

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.

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 £
Children's Safeguarding & Specialist Services	22,221,497	23,573,072	1,351,575
Education & Corporate Parenting	10,847,377	10,044,921	(802,456)
Family, Cohesion & Commissioning Services	12,508,492	11,879,498	(628,994)
Development, Business & Employment	625,361	254,722	(370,639)
Neighbourhood & Leisure Services	28,242,966	28,102,071	(140,895)
Adult Social Services	41,961,534	44,895,606	2,934,072
Public Health, Well Being & Public Protection	1,825,860	1,801,548	(24,312)
Customer Services	8,143,546	7,958,108	(185,438)
Law, Democracy & People Services	367,410	271,155	(96,255)
Finance, Audit & Information Governance	10,374,051	8,563,873	(1,810,178)

Cooperative Council Delivery Unit	1,418,590	1,361,850	(56,740)
Council Wide	(4,706,284)	(9,659,717)	(4,953,433)
Total before Transfers to Reserves	133,830,400	129,046,707	(4,783,693)
Transfers to Reserves		4,684,000	4,684,000
Total after Transfers to Reserves	133,830,400	133,730,707	(99,693)

Variations 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 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>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>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>-0.296</p> <p>-0.347</p> <p>-0.159</p>
<p><u>Care & Support</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>CCG contribution towards Continuing Health Care costs – lower than anticipated funding.</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 ALD clients. This service now sits within Customer Services and a review of internal ALD services is currently underway.</p> <p>Supporting People – delay in achievement of saving combined with an increase in demand for the service.</p>	<p>+2.760</p> <p>+0.500</p> <p>+0.444</p> <p>+0.501</p>
<p><u>Public Health</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 and swimming lessons.	+0.221
Highways Maintenance – increased costs associated with pothole and minor resurfacing gangs working Jan-Mar.	+0.278
Highways Maintenance – savings to mitigate costs of pothole and minor resurfacing gangs.	-0.187
Waste – savings as a result of round reductions/changes to domestic refuse collection.	-0.246
Waste - 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.	+0.168
Lifelong Learning – 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 BDC.	+0.223
Southwater – the multi-storey car park currently being constructed is now 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 & Dvpt 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.	-0.137
Management Account – higher income than budgeted due	-0.110

to planned capitalisation of costs.	
<u>Customer Services</u>	
ICT – additional project income being used to offset additional staffing costs for corporate ICT projects and PC replacement programme.	-0.276
ICT – supplies and services underspend relating to some system costs being shared by schools and a general saving on computer costs through robust contract negotiations.	-0.334
ICT – contribution to corporate ICT reserve to support essential investment in ICT infrastructure and kit as part of the overall ICT and customer services strategy.	+0.520
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.	+0.107
Revenues & Benefits – additional income from court fees.	-0.129
Catering – additional income due to increased take up in school meals and impact of new commercial catering activity.	-0.154
<u>Finance, Audit & Information Governance</u>	
<u>Treasury Management</u>	
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 will require a change in accounting policy to be approved as part of the approval of the statement of accounts.	-1.546
As agreed in the 2014/15 budget strategy report, the £4.9m that has been generated from the back-dating of the change in accounting treatment of calculation of Minimum Revenue Provision is being transferred to a provision to fund the debt charges for the Pride in Your Community Initiative for the next 12 years.	-4.884
	+4.884
<u>Law, Democracy & Public Protection</u>	
Licensing – shortfall in licensing income.	+0.154
Land Charges – additional income relating to land charges.	-0.112
Car Parking – as previously reported.	+0.111

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 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]:

	Head Count	FTEs
Male	765	676.7
Female	2164	1631.8
Total	2929	2308.5

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 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 year, 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

Minimum Revenue Provision – within the existing policy the method for calculating the provision has been amended from straight line to an annuity basis, as permitted in guidance. The change has produced a one off saving of £4.89m in 2013/14 and savings in the medium term (the savings gradually reduce over time and payments ultimately become higher in cash terms than they otherwise would have been).

Capitalisation of Interest – interest costs relating to assets under construction will be capitalised with effect from 1 April 2013, 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.

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 – From 1st April 2014 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. Non Domestic Rates 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 2014 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 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)**

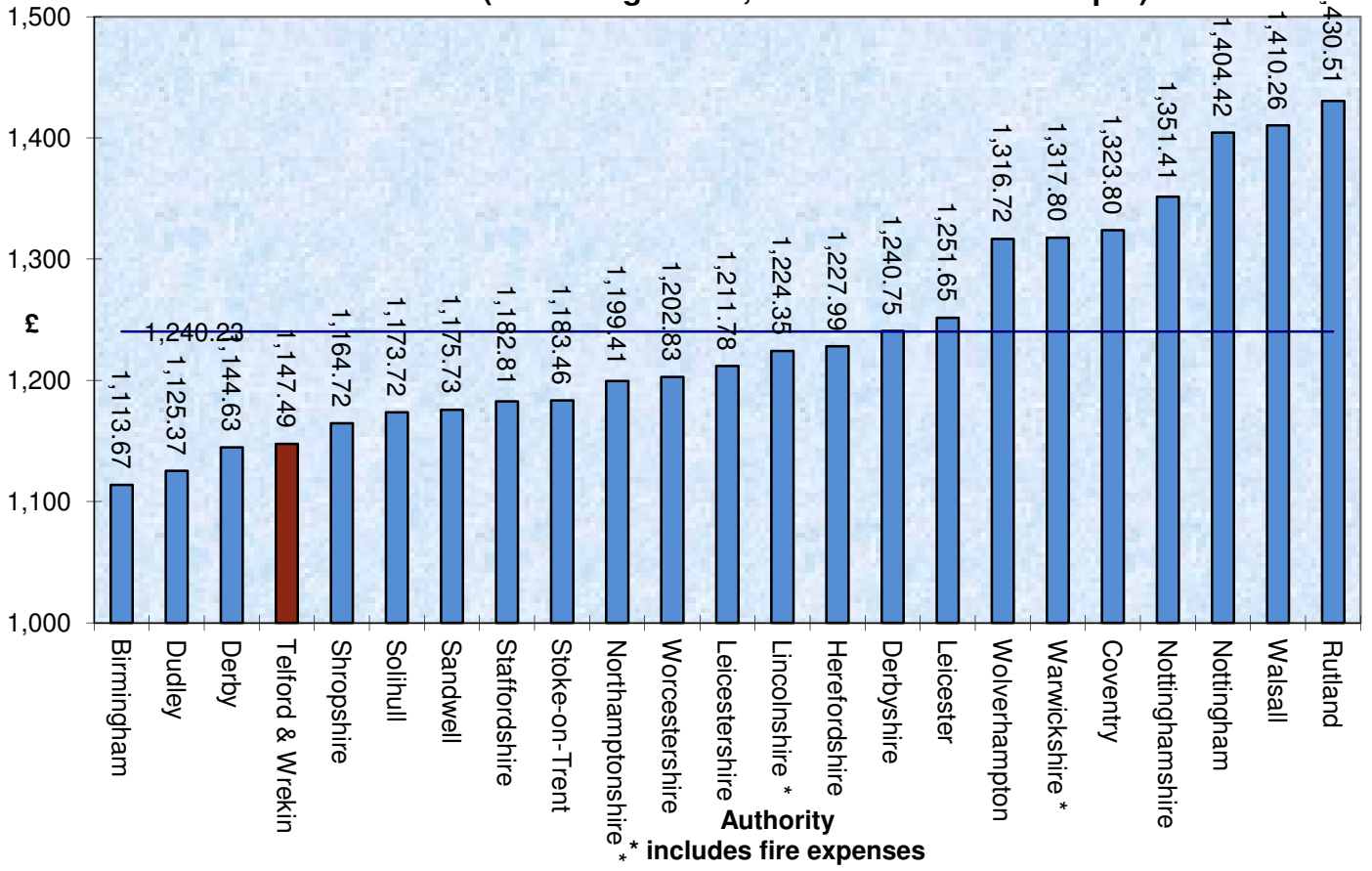


Chart 2

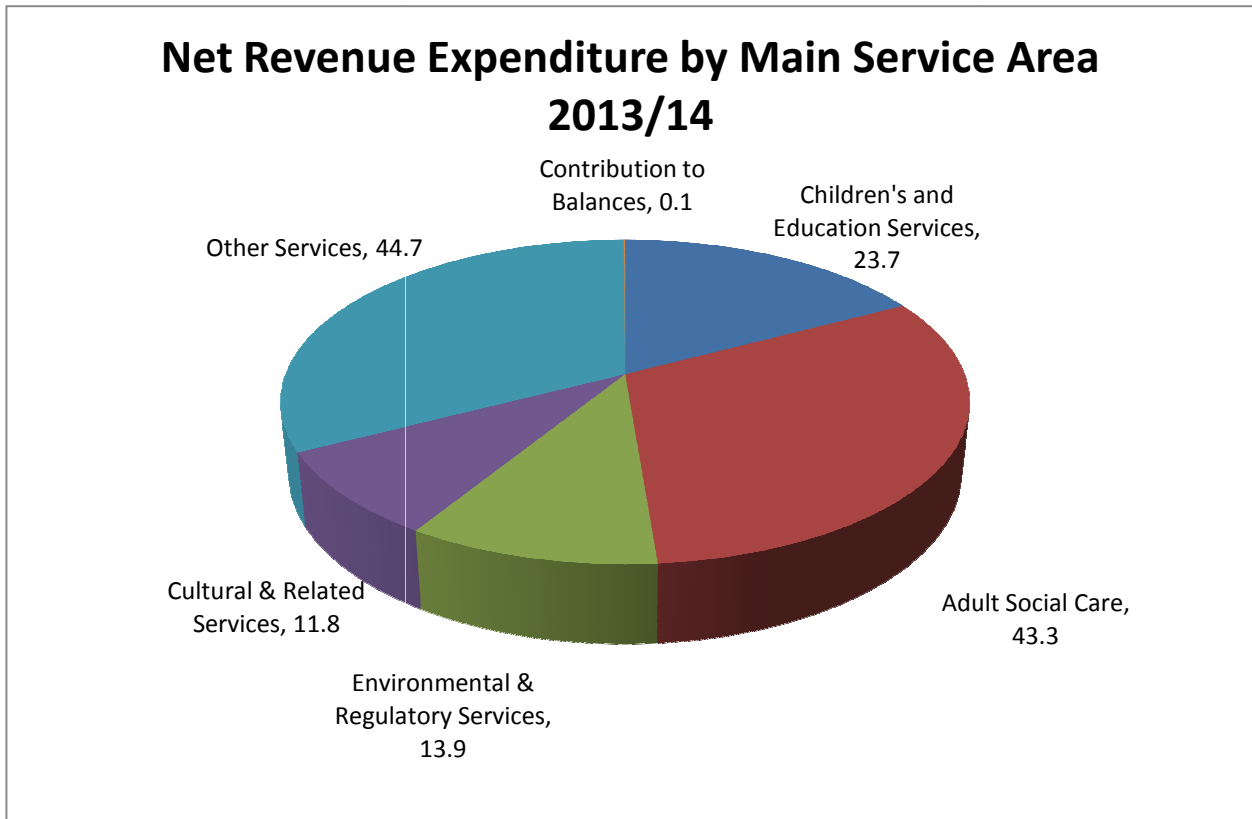


Chart 3

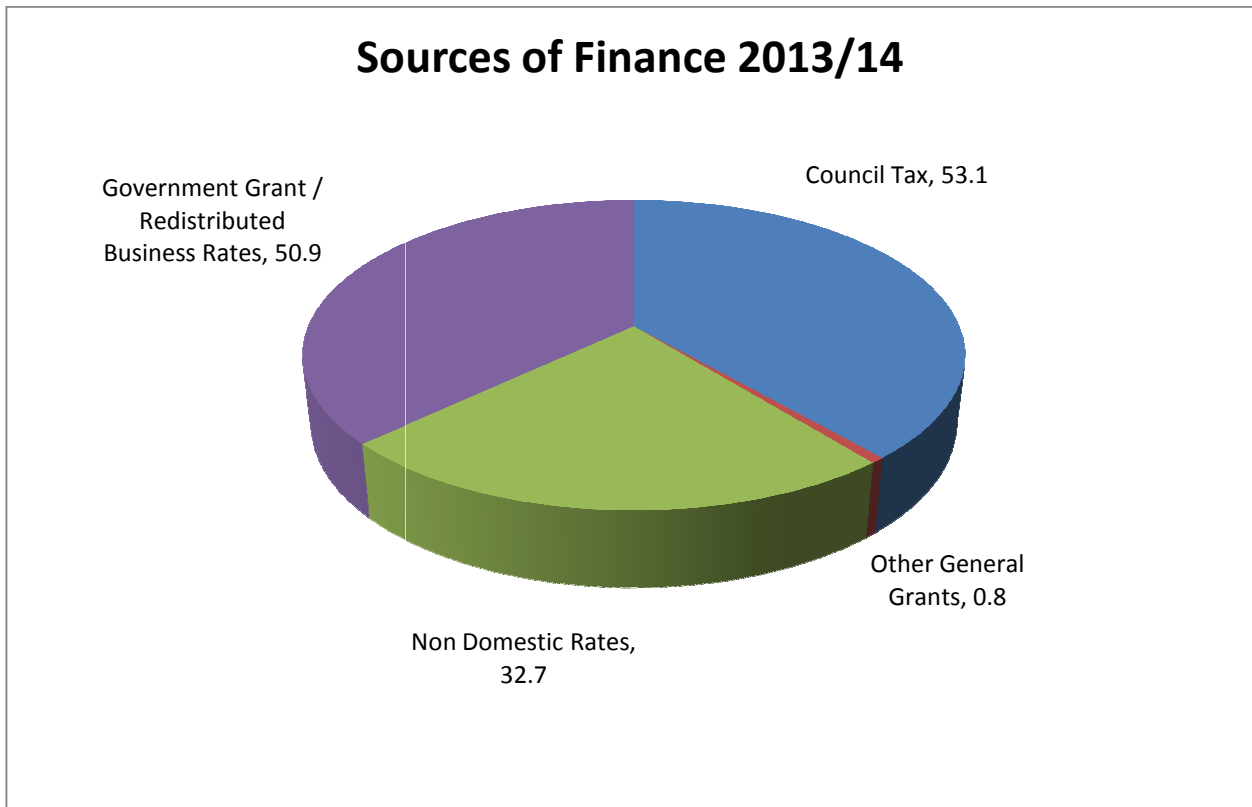


Chart 4

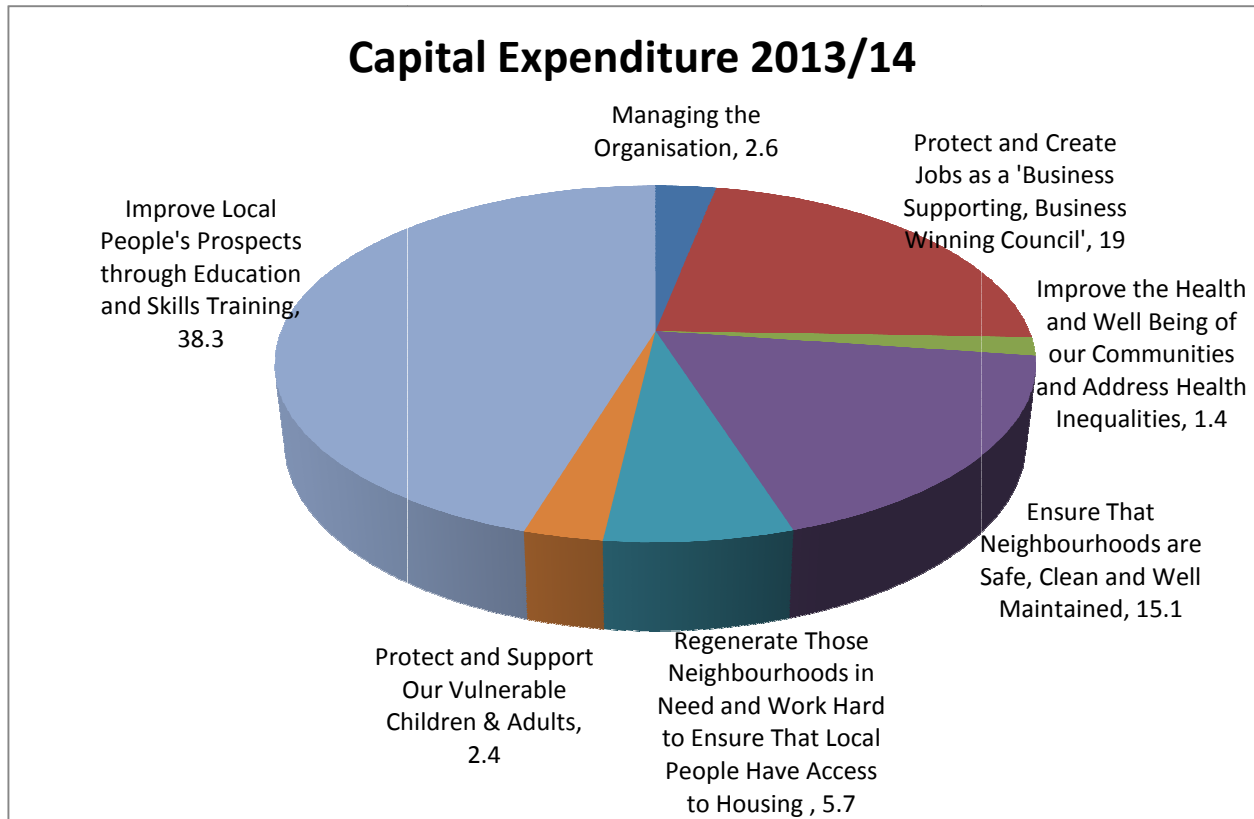
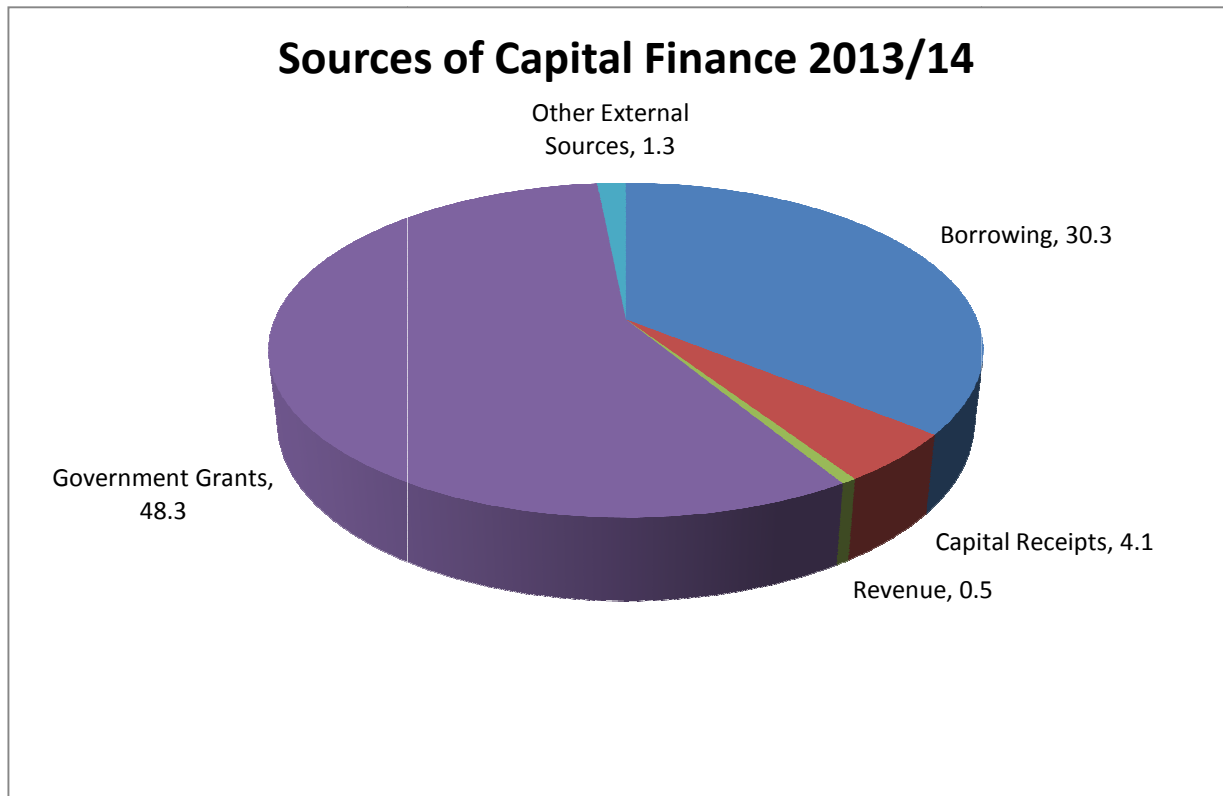


Chart 5



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: 26 June 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 : 30 June 2014

ANNUAL GOVERNANCE STATEMENT 2013/14

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) are 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 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 2014/15 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;
- The Council has designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services, Director of Public Health and Scrutiny Officer;
- The Council's Information Governance Framework including a designated Senior Information Risk Owner (SIRO), data and

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

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

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;
- Legal Services ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/Team Leaders;
- Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's people services and workforce/organisational development 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 by members and officers;
- Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council's communication and consultation strategies ensure that the local community knows what the Council is doing, receives feedback from them including the

identification of their needs for incorporation into the Council's priorities;

- The deputy Leader of the Cabinet is the lead member responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and 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 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 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 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).

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

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.

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 in August 2013 and reported to the Audit Committee in January 2014. Senior Management changes have been implemented and additional resources allocated but the Audit Committee requested a further update at their meeting in June 2014 with an interim update meeting with the Chair of the Audit Committee and Cabinet member which was held in April 2014.

5.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up policy. The Council has a zero tolerance policy 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 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:

Intermediate Care - Care in the Home and supported living – All standards met – 15/03/14
Carwood Residential Home – All standards met – 25.01.2014

Downing House Residential Home - All standards met – 30.10.2013

Shared Lives - Adult Placement Scheme – All standards met 20/03/14

Community Services – Learning Disability, Domiciliary Care – All standards met – 11/02/14

5.17 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)

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.

5.18 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.

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

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

Richard Partington

Managing Director

Dated 26/6/2014

Kuldip Sahota

Leader of the Council

Dated: 26/6/2014

Rob Sloan

Chair of Audit Committee

Dated: 30/6/2014

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)
	Less Long Term Creditors (PFI & Finance Leases)		
(59,774)	(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
21,437	Net (surplus) or deficit on the provision of services	22,634
(84,625)	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 International Accounting Standards (IAS), 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 shown 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 will be classified as being held for sale if the following conditions are met

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

s) Overheads

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

t) Private Finance Initiative

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

u) Property, Plant & Equipment

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

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

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

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

there is an insufficient balance or a clear consumption of economic benefits deficits are charged to the income and expenditure account as impairments.

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

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

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 of services – General Fund Balance	(21,437)	-578	(22,015)
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)
Revaluation losses on property, plant and equipment	4,639	0	0	(4,639)
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	30,249	0	0	(30,249)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of	(1,686)	0	0	1,686

capital investment				
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)
Revaluation losses on property, plant and equipment	3,681	0	0	(3,681)
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	43,518	0	0	(43,518)
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 Statement (see Note 42)	19,837	0	0	(19,837)
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
18,313	(Gains)/losses on the disposal of non-current assets	30,809
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 including Top Up Grant	(30,614)
	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)

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	(2,939)	0	0	0	(2,939)	0

the Revaluation Reserve						
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 freehold & leasehold properties that comprise the Authority's Property Portfolio have been valued at 1st April 2013 by qualified internal valuers on the basis below in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Not all of the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Assets with a value of less than £10,000 are excluded from the register.

Plant and machinery are included in the valuation of the buildings where they form an integral part of the asset, for example swimming pool filtration equipment and specialist equipment at the Ice Rink. All other vehicles, plant, furniture and equipment are valued at historic cost, less depreciation, as a proxy for current value.

Properties regarded by the Authority as operational are valued on the basis of open market value for the existing use or, where this can not be assessed because there was no market for the asset, the depreciated replacement cost.

Properties regarded by the Authority as non-operational are valued on the basis of open market value.

Community assets acquired since the introduction of capital accounting are valued at cost. Other community assets are valued on a nominal basis. This list differs from the Context Sheet in the Council's Corporate Asset Management Plan, which only lists properties where the Council has a direct repairing liability.

Investment Properties are valued annually and their current value is £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:	
972	Government Departments	68
22,750	General Debtors	22,167
3,048	Collection Fund	5,469
26,770		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 £000		2013/14 £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 2012/13 £000		Current 2013/14 £000
25,547	Balance outstanding at start of year	6,874
3,635	Reclassified to/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 £'000		2013/14 £'000
5,749	Government Departments	3,739
50,659	Sundry Creditors	54,288
4,591	Receipts in advance	4,494
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, this has been partly used during 2012/13 and the balance has been added to in 2012/13 to meet the costs of commitments in place at 31/03/13 and the majority of this was used in 2013/14. 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 2013/14. 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
7,979	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)
(18,397)	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
(23,194)	Charges for depreciation and impairment of non-current assets	(28,936)
(14,748)	Revenue Expenditure funded from Capital under Statute	(14,021)
(26,895)	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 Account	(33,564)
3,681	Adjusting amounts written out of the Revaluation Reserve	4,639
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
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

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. There were no transactions in 2012/13 or 2013/14 in the Unequal Pay Back Pay Account and there was a nil balance at both 1 April 2013 and 31 March 2014.

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

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	(31)	(52)
(Deficit)/Surplus taken to General Fund	14	(9)

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	(2,480)	(3,609)
(Deficit)/Surplus taken to General Fund	4,181	3,906
Total Trading Accounts	4,195	3,897

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 PCT 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		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>	2	82,304	6,859	0	0	6,859	1,118	7,977
Assistant Director: Development Business & Employment	3	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	4	82,304	41,381	0	0	41,381	5,793	47,174
Interim Assistant Director: Health & Wellbeing	5	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	6	58,471	58,456	0	0	58,456	9,528	67,984
Service Delivery Manager: Policy	6	52,821	37,168	0	0	37,168	6,058	43,226
Service Delivery Manager: Community Engagement	6		58,471	0	0	58,471	9,531	68,002
Posts No Longer Within Council Structure								
<i>Director: Adult & Community Services</i>	7	109,600	27,089	88,745	0	115,834	4,415	120,249
<i>Assistant Director: Social Care Specialist</i>	8	82,304	21,096	0	0	21,096	3,439	24,535
<i>Commercial Enterprise Manager</i>	6,9	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) The postholder secured the post of Director: Development Business & Employment on 1st May 2013
- 3) This post was appointed to on 10th June 2013
- 4) This post was appointed to on 30th September 2013
- 5) This was an interim position whilst the post was recruited to permanently
- 6) These Service Delivery Managers posts report directly to the Managing Director
- 7) Corporate Director left the organisation on 5th July. Post was deleted
- 8) This post was only occupied to 5th July 2013
- 9) 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
	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. 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. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

During the year transactions with related parties arose as follows:

Councillor Stephen Burrell 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 has a pooled budget arrangement with Shropshire Community NHS Trust. Transactions and balances outstanding are detailed in Note 29.

36. Capital Expenditure and Capital Financing

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

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 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.

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 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 year, 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 advantage of this change to the pension scheme.

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 £'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

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 2016, 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 LATS 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
Actual Contribution to General Fund Balances	£0.103m

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 Authority has replaced its Financial Management System, it is accounted for as an intangible asset.

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	(28,833)	(4,132)
	<u>53</u>	<u>0</u>

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:-

	<i>2012/13 £000</i>	<i>2013/14 £000</i>
School Balances - Revenue	5,900	5,419
School Balances - Capital	740	505
Total School Balances	6,640	5,924

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

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.

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
(7,084)	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
(84,625)	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	(1,088)	(1,633)
West Mercia Police Authority	(166)	(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.
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.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th JUNE 2014

INTERNAL AUDIT UPDATE REPORT – QUARTER FOUR 2013/14

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

1.1 To update members on the work of Internal Audit during quarter four January – March 2014.

2 RECOMMENDATIONS

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

3 SUMMARY

3.1 The Audit Committee receives a regular update of the work of Internal Audit. This report provides the update report for quarter four – January – March 2014.

4 PREVIOUS MINUTES

4.1 Audit Committee 17th September 2013 – Internal Audit Quarter 1 and IG Update Report
Audit Committee 28th January 2014 – Quarters Two and Three 2013/14

5 INTERNAL AUDIT UPDATE INFORMATION

5.1 The report provides information on the work of Internal Audit from 1st January – 31st March 2014 and provides an update on the progress of previous audit reports issued (October 2011 to December 2013).

5.2 The key focus for the team during quarter 4 has been the completion of the fundamental audits and other work identified from the 13/14 annual plan. In addition the restructure closed on 14th January 2014 and was confirmed on 17th January 2014 and recruitment has now been completed.

5.3 The following internal audit update report appendices are attached:

- i) **Appendix A** – List of final reports issued in quarter four 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 four for a period of 1 day or more.
- iii) **Appendix C** - Previous graded reports from October 2011 to December 2013 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 and red reports issued in quarter four.

5.4 Appendix A shows 30 reports were issued in quarter four. For the final reports issued the areas shown in this table below varied from the allocated time by more than +/- 10% for the reasons highlighted.

Area	Variance (> +/- 10%)	Reason
St Mary's Catholic Primary School	-20%	School well prepared
Council Tax and NNDR	-28%	Due to undertaking the audits together and seeing staff just once has reduced the time required
Coalbrookdale & Ironbridge C of E Primary School	-20%	School well prepared
Fleet management	-30%	Scope reduced due to Transport review in progress
Housing benefits & Council tax Support Scheme	-14%	Due to new local scheme difficult to plan how many days would be needed
Impulse	-41%	Testing took less time than planned
ICT Contract Monitoring	-15%	Testing took less time than planned
Crudgington Primary School	-24%	Small school and well prepared
St Luke's Catholic Primary School	-26%	School well prepared
Emergency Planning - Public Health	-33%	Reduced testing as responsibility lies with Local Resilience Forum
Cash Collection	-25%	Testing took less time than planned
Meadows Primary School	-45%	School well prepared
Oakengates Children's Centre	+24%	New SDM in post so had some difficulty finding the information. Also large volume of income to test.
Ironbridge Park & Ride	+14%	New contract
Education Catering & Cafe Go	+100%	Additional testing undertaken due to VAT issues and new set up of Cafe Go.
Dawley Primary	+51%	Audit requested by Interim Head, School Improvement and Finance due to Ofsted concerns. Therefore school not well prepared.
Wellington Leisure Centre & Cafe	+44%	Updated scope and programme and looked at standard procedures that applied across all centres

The reasons for the positive and negative variances are as explained above but generally during the last two quarters we have undertaken the audits below the time resources allocated. Time allocations for 2014/15 will be reviewed based on this information.

5.5 From Appendix A there were six Amber reports issued during quarter 4 and two Red reports – Oakengates Children's Centre and Dawley Primary School. Summary information is provided in Appendix D. For the two red reports the Oakengates Children's Centre follow up has already been undertaken and progress has been made to move the report to Yellow. The Dawley Primary School follow up is currently underway. For all the six audits issued as Amber 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.

5.6 Areas of more than 10 days from Appendix B are explained below:

Audit Area	Days	Explanation
Advice & Consultancy	12	Due to restructures, reductions in budgets and the implementation of revised governance, systems and procedures service areas are continuing to seek advice and support.
Dawley C of E Primary School	11	Audit requested and school were not well prepared

HR/Payroll	20	Fundamental system
Main accounting systems	22	Fundamental system
P2P (Purchase Ledger)	23	Fundamental system

5.7 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	Update provided to Chair of the Audit Committee in April 2014 and update to this Committee. Audit & IG SDM also providing support to ensure systems and processes are adequate.
2.	Car Parking	Amber	Superseded	New contract now in place and recommendations will be reviewed against contract compliance audit (part of annual procurement work).
3.	Transport PIR	Amber		Follow up in progress so will be reported to next Audit Committee
4.	Moorfield Primary School	Red	Amber	Improvements have been identified in the completed follow up so changed to Amber. Next review June/July 2014.
5.	Service User Journey	Amber		Follow up in progress so will be reported to next Audit Committee

5.8 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 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.
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.
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.
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.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council's activities and at all Council locations and therefore operates within all Council Wards.

7 **BACKGROUND PAPERS**
Annual Audit Plan 2013/14 and Charter

Report by Jenny Marriott, Audit & Information Governance Manager 383101

FINAL REPORTS ISSUED QUARTER FOUR – JANUARY TO MARCH 2014

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
St Mary's Catholic Primary School	Yellow	July 2014	7.5	6	-20%
Council Tax & NNDR	Yellow	2014/15	35	25	-28%
Coalbrookdale and Ironbridge CofE Primary School	Amber	June 2014	7.5	6	-20%
Wrockwardine Wood Infants School	Green	N/a	7.5	6.5	-9%
Oakengates Children's Centre	Red	April / May 2014	7.25	9	+24%
Sales Ledger	Yellow	Annual Audit	22	23	+4%
Fleet management	Green	N/a		3.5	-30%
Contract Life Cycle	Yellow	July 2014	5.50	6	+9%
Anti-virus & Malware	Green	N/a	*	*	*
Service Delivery Strategy (Schools)	Green	N/a	*	*	*
Website Hosting	Green	N/a	*	*	*
Housing Benefits & Local Council Tax Support Scheme	Yellow	Annual Audit	43.25	37	-14%
Ironbridge Park & Ride	Yellow	June 2014	7	8	+14%
Impulse	Amber	August 2014	5.13	3	-41%
Contract Management (Revs & Bens)	Yellow	August 2014	5.50	6	+9%
ICT Contract Monitoring	Amber	May 2014	8.25	7	-15%
Minimising Empty Properties	Amber	July 2014	6	6	NIL
Crudgington Primary School	Yellow	July 2014	7.25	5.5	-24%
St. Luke's Catholic Primary School	Yellow	Sept 2014	7.5	5.5	
Emergency Planning – Public Health	Green	N/A	6	4	-33%
Education catering Cafe Go	Yellow Amber	Sept 2014 June 2014	9.5	20	+110%
Dawley Primary	Red	June 2014	7.25	11	+51%
Family Connect	Yellow	Sept 2014	10	10	NIL
School Improvement Traded Services	Yellow	Sept 2014	7	7.5	+7%
Wellington Leisure Centre & Cafe	Yellow	Sept 2014	8	11.5	+44%
Cash Collection	All 4 yellow	August 2014	20	16	-25%
Meadows Primary	Yellow	Sept 2014	7.25	4	-45%
Foster Homes Annual Review Report	Amber	July 2014	+	4	

* Review undertaken under specialist IT audit contract.

+ Additional work so days taken from contingency

QUARTER FOUR - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR MORE ONE DAY OR MORE

Audit Area	Days
Abacus Special Review	1
Advice & Consultancy	12
ASC Complaint support	1
Burton Borough - Catering Process Review	1
Cash Collection	6
Catering review including Cafe Go	4
Contracts Life Cycle	1
Corporate Leisure	1
Crudgington Primary School	5
Dawley C of E Primary School	11
Emergency Planning - Public Health Resilience	1
External Audit liaison and associated issues	4
External IT Audit Contract Management	3
Family Connect workflow process	3
Flex/Clarity System review	5
Follow ups	7
Foster Home Review Reports	4
Governance	1
Housing Benefits (Inc Welfare Reforms)	2
HR/Payroll	20
ICT Contract monitoring	1
John Randall Primary School	6
Local Transport Sustainable Fund	1
Main Accounting	22
Meadows Primary School	4
Minimising Empty Homes	4
Moorfield Primary School	3
Oakengates Children's Centre	1
P2P (Purchase Ledger)	23
Park & Ride - Contract / Cash collection	1
Personal Budgets Support Team	1
Revs & Bens Contract monitoring	1
Sales Ledger	1
School Financial Regulations update	2
School Improvement Team Process	5
Shared Lives	4
Sir Alexander Fleming Primary School	4
Special Guardianship	1
St Lukes RC Primary School	5
Troubled Families Grant	2
Wellington Civic Leisure Centre	3
Wrockwardine Wood Infants School	1

STATUS ON FINAL REPORTS ISSUED OCTOBER 2011 TO DECEMBER 2013

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.14
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	Remaining outstanding recommendations to be followed up in new audit of personal budgets during 2014/15 plan
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.	Update provided to January 2014 Audit Committee and Chair of the Audit Committee to be updated April 2014. Further update to June 2014 Audit Committee.
Planning Application Fees	Yellow	Green	Further follow up completed December 2013	Completed and satisfactory so now green
Building Control Fees	Yellow	Yellow	Follow up completed December 2013	Complete but further follow up to be undertaken June 2014.
Telford Tennis Centre	Amber	Yellow	Follow up undertaken and grade changed to yellow.	Further follow up issued and awaiting response from service area. Has been chased
Network Infrastructure Report	Various – see below+	Various – see below+	Follow up completed January 2014	Majority green and other areas to be followed up in new audits in 2014.
GIS Application	Yellow	Green	Follow up completed December 2013	Completed and satisfactory so now green
Contract Changes & Waivers	Yellow	Yellow	Follow up completed May 2013. No grade change due to insufficient improvements. Followed up October 2013 & February 2014	Further follow up to be undertaken July 2014.
Procurement – Contract Monitoring	Yellow	Yellow	Follow up due February 2014	Further follow up to be undertaken in May 2014.
ICT Governance of Projects	Yellow		Follow up due January 2014	Follow up progressing. Update will be provided to the next appropriate Audit Committee.

STATUS ON FINAL REPORTS ISSUED OCTOBER 2011 TO DECEMBER 2013

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.14
Abraham Darby Leisure Centre	Yellow	Green	Follow up completed in February 2014.	Completed and satisfactory so now green
IT Service Design	Various – see below	Various – see below	Follow up due January 2014	Follow up progressing. Update will be provided to the next appropriate Audit Committee.
Newport Infants School	Amber	Green	Follow up completed January 2014	Completed and satisfactory so now green
Property & Design Help Desk	Yellow	Green	Follow up completed September 2013	Follow ups complete and satisfactory so now green.
Car Parking	Amber	Superceded – see status	Follow up due September 2013 but not undertaken see comment in status.	A new contract has been awarded therefore a review of the outstanding recommendations will be undertaken as part of the procurement / contacts time allocation in the 2014-15 annual plan.
Electronic Client Record	Amber	Green	Follow up completed.	Completed and satisfactory so now green.
John Fletcher of Madeley Primary School	Amber	Green	Follow up completed March 2014	Completed and satisfactory so now green.
Continuing Health Care & Joint Funding	Yellow	Yellow	Follow up completed November 2013	Further follow up currently underway. Update will be provided to the next appropriate Audit Committee
Lightmoor & Reflexions Overpayment	Work for CFO		Follow up completed October 2013	Complete but further follow up to be undertaken April 2014.
CareFirst System	Yellow	Green	Follow up completed.	Completed and satisfactory so now green.
Stirchley Recreation Centre	Yellow	Green	Follow up completed February 2014.	Completed and satisfactory so now green.
Homelessness Threshold	Yellow	Yellow	Follow up completed January 2014	Follow up completed but insufficient progress made to change rating. Further follow up to be undertaken June 2014.
ICT Service Desk	Yellow		Follow up due January 2014	Follow up progressing. Update will be provided to the next appropriate Audit Committee.
Holmer Lake Primary School	Yellow	Green	Follow up completed January 2014	Completed and satisfactory so now green.

STATUS ON FINAL REPORTS ISSUED OCTOBER 2011 TO DECEMBER 2013

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.14
Disabled Facilities Grants	Yellow		Follow up due January 2014	Follow up progressing. Update will be provided to the next appropriate Audit Committee.
High Ercall Primary School	Yellow	Green	Follow up completed January 2014	Completed and satisfactory so now green.
Hollinswood Primary School	Yellow	Green	Follow up completed January 2014	Completed and satisfactory so now green.
William Reynolds Primary School	Amber	Green	Follow up completed.	Completed and satisfactory so now green.
Uniform System	Yellow		Follow up due January 2014	Follow up in progress, awaiting response from service area. Have been chased.
Remote Working	Yellow		Follow up due January 2014	Follow up progressing. Update will be provided to the next appropriate Audit Committee.
Back Up & Disaster Recovery	Amber	Yellow	Follow up completed November 2013	Follow up completed and moved to yellow. Superseded by new audit.
Transport PIR	Amber		Follow up due February 2014	Follow up in progress. Update will be provided to the next appropriate Audit Committee.
Protocol System	Yellow	Green	Follow up completed February 2014	Completed and satisfactory so now green.
Deprivation of Liberty Safeguards (DOLS)	Yellow	Green	Follow up completed December 2013	Completed and satisfactory so now green.
Local Crisis Resettlement Assistance	Yellow	Yellow	Follow up completed February 2014	Follow up completed but insufficient progress made to change rating. Further follow up to be undertaken June 2014.
I World	Yellow		Follow up due February 2014	Follow up progressing. Update will be provided to the next appropriate Audit Committee.
Postal Arrangements	Yellow	Yellow	Follow up completed March 2014	Follow up complete and remains yellow with next follow up due December 2014.
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 due March 2014	Follow up progressing. Update will be provided to the next appropriate Audit Committee.

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.14
Asset Register Review	Amber	Yellow	Follow up part of annual General Ledger audit undertaken Feb/March 2014	Completed as part of General Ledger audit. Yellow.
Moorfield Primary School	Red	Amber	Follow up completed January 2014	Follow up complete and moved to Amber. Next review June/July 2014.
Out of Area Children's Placements	Amber	Yellow	Follow up completed January 2014	Follow up complete and moved to Yellow. Next review May 2014.
Service User Journey	Amber		Follow up due March 2014	Follow up currently underway. Update will be provided to the next appropriate Audit Committee.
Old Park Primary School	Yellow	Green	Follow up completed March 2014	Completed and satisfactory so now green
Madeley Nursery School	Yellow		Follow up due May 2014	
Lawley Primary School	Yellow		Follow up due May 2014	
Short breaks	Yellow		Follow up due May 2014	

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**

RED REPORTS ISSUED QUARTER FOUR**1 OAKENGATES CHILDREN'S CENTRE****1. Introduction and Scope**

- 1.1 An audit review commenced on 3 December 2013, to provide an opinion on the control environment and a level of assurance for Oakengates Children Centre.
- 1.2 We would like to thank the following for their help during the audit:
- ⌘ Head Teacher
 - ⌘ School Business Manager
 - ⌘ Administrator
 - ⌘ Apprentice Business Administrator

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the processes for Oakengates Children Centre were identified. These included:
- ⌘ Note at the bottom of the policy showing date of Governing Body meeting when the policy was reviewed and the index at the front of the folder.
 - ⌘ Operation and maintenance of the First Steps system / supporting Day Care Fee records
 - ⌘ Monthly reconciliation of the Business account used for the payment of Day Care Fees
 - ⌘ Records completed and held in support of lettings

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 Poor (the system of control is weak and there is evidence of non compliance with the controls that do exist).
- 3.2 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	2	10%
Financial Regulation – immediate implementation	5	25%
Policy/Procedure – implementation within a month of agreement to the report.	13	65%
Best Practice – implementation at a mutually agreed date	0	0%
Total	20	100%

- 3.3 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:

APPENDIX D

Recommendation Category	Implemented	Not Implemented	Agreed future Implementation
Legal Requirement	3	-	-
Financial Regulation	7	1*	-
Policy/Procedure	4	3*	-
DCSF	4	-	-
Best Practice	6	-	-
Total	24	4*	

**Reiterated within report recommendations*

- 3.4 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in your school.
- 3.5 The school have subsequently written an action plan to assist them in the implementation of the recommendations made in this report. Audit has discussed with the Head Teacher and Business Manager a further visit to the Centre in April / May 2014 to review the new processes in place. Following satisfactory implementation of the recommendations the grading of the follow up report will be reviewed.

2 DAWLEY PRIMARY SCHOOL

1. Introduction and Scope

- 1.1 Audit was advised on 19th December 2013 by the Finance Team of a poor Ofsted Inspection at the school. The School Improvement SDM requested that an audit of the School should be undertaken. The scope of the audit was provided to the School Acting Head Teacher and Acting Business Manager and copied to the Finance Team Leader and School Improvement SDM.
- 1.2 The audit review commenced on 15th January 2014, to provide an opinion on the control environment and a level of assurance for Dawley Church of England Primary School.
- 1.3 We would like to thank the following for their help during the audit:
- ⌘ Acting Head Teacher
 - ⌘ Acting Business Manager
 - ⌘ School Administrator
 - ⌘ Administrator
 - ⌘ Learning Mentor

2 Management Summary and Overall Opinion

- 2.1 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 POOR – the system of control is weak and there is evidence of non compliance with the controls that do exist. There was evidence that improved controls were being implemented by the Acting Head Teacher and Business Manager.

APPENDIX D

- 2.2 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	6	11%
Financial Regulation – immediate implementation	15	28%
Policy/Procedure – implementation within a month of agreement to the report.	32	59%
Best Practice – implementation at a mutually agreed date	1	2%
Total	54	100%

- 2.3 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 and repeated in this report	Not reviewed within this audit (recommendation superseded or are no longer part of the Audit scope)
Legal Requirement	0	1	
Financial Regulation	2	2	1
Policy/Procedure	3		1
Best Practice			1
DCSF	2		2
Total	7	3	5

- 2.4 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in the school.
- 2.5 As part of the Audit, the latest Schools Financial Value Statement (SFVS) received from Dawley C of E Primary School was reviewed. The SFVS replaced the Financial Management Standard in Schools (FMSiS) and has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management in place. The School and Governors had confirmed on their SFVS that all controls were in place and, as such, no remedial action was required. None of the non-compliance with key controls that are identified in section 4 of this report had been recognised in this statement by the School or Governors.

AMBER REPORTS ISSUED QUARTER FOUR

1 COALBROOKEDALE & IRONBRIDGE CofE SCHOOL

1. Introduction and Scope

- 1.1 An audit review commenced on 27 November 2013, to provide an opinion on the control environment and a level of assurance for Coalbrookdale & Ironbridge Church of England Primary School.
- 1.2 We would like to thank the following for their help during the audit :
 - ⌘ The Head Teacher
 - ⌘ Senior Administrator
 - ⌘ Administrative Assistant

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the processes for Coalbrookdale & Ironbridge Church of England Primary School were identified. These included:
 - ⌘ The imprest was well managed
 - ⌘ Reconciliations from variation reports to gross pay reports are clearly evidenced
 - ⌘ The School Administrator has designed a spread sheet which is used to monitor all absences both sickness and unpaid
 - ⌘ All staff are required to complete an unpaid authorised absence leave sheet which is also signed by the head teacher
 - ⌘ The condition of asset is recorded on the schools inventory as part of the review process. Any insurance claims against the school assets are also recorded on the inventory records. Where equipment has been allocated to individual pupils/staff they are named against the item on the register
 - ⌘ The Lettings diary and monitoring of hire of the school
 - ⌘ The index page and front cover on policies showing the review dates

3. Management Summary and Overall Opinion

- 3.3 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 weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 3.2 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	7%
Financial Regulation – immediate implementation	2	13%
Policy/Procedure – implementation within a month of agreement to the report.	12	80%
Best Practice – implementation at a mutually agreed date	0	0
Total	15	100%

APPENDIX D

- 3.3 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	Agreed future Implementation
Legal Requirement	2	-	-
Financial Regulation	1	-	-
Policy/Procedure	6	-	-
DCSF Requirement	2	-	-
Best Practice	3	-	-
Total	14	-	-

- 3.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in your school.

2 IMPULSE SCHOOL ADMISSIONS SYSTEM

1. Introduction and Scope

- 1.1 An audit review commenced on 13th September 2013, to provide an opinion on the control environment and a level of assurance for the Impulse Children's Admissions system.
- 1.2 The scope of the audit was agreed by the ICT Team Leader.
- 1.3 We would like to thank the following for their help during the audit :
- ⌘ Senior Application Support Officer
 - ⌘ Casework Officer Admissions
 - ⌘ ICT Project Co-ordinator

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for the Impulse Children's Admissions System were identified. These included:
- ⌘ All users have individual user accounts with unique user names.
 - ⌘ A review of active user accounts revealed that system administrator access is sufficient restricted to two ICT officers.

3. Management Summary and Overall Opinion

- 3.1 On the basis of the work carried out we propose that our opinion based on the level of assurance provided by the controls for this audit area is Amber - 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.
- 3.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

APPENDIX D

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	10%
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month of agreement to the report.	9	90%
Best Practice – implementation at a mutually agreed date	-	-
Total	10	100%

3.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

3. ICT CONTRACT MONITORING

1. Introduction and Scope

1.1 An audit review commenced on 7th August 2013, to provide an opinion on the control environment and a level of assurance for Contract Monitoring within ICT.

1.2 The scope of the audit was agreed by the Documentation Team Leader.

1.3 We would like to thank the following for their help during the audit:

- ✧ Asset & Documentation Team Leader
- ✧ ICT Team Leader
- ✧ Interim ICT Service Delivery Managers

2. Management Summary and Overall Opinion

2.1 On the basis of the work carried out we propose that our opinion based on the level of assurance provided by the controls for this audit area is Amber - 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 be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	7%
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month of agreement to the report.	13	86%
Best Practice – implementation at a mutually agreed date	1	7%
Total	15	100%

2.3 As part of this audit we have also followed up the implementation of recommendations made in the previous audit – originally reported on in December 2011 and followed up in January 2013. The table below shows the action taken in respect to these recommendations:

APPENDIX D

Recommendation Category	Implemented	Not Implemented	Agreed future Implementation
Legal Requirement	1	-	-
Financial Regulation	2	-	-
Policy/Procedure	3	8	-
Best Practice	-	1	-
Total	6	*9	-

** Reiterated in this report and included in table above*

- 2.4 The implementation of the recommendations made in this report (including those reiterated from the previous audit) will further strengthen the controls and processes in your area.

4. MINIMISING EMPTY PROPERTIES

1. Introduction and Scope

- 1.1 An audit review commenced in December 2013, to provide an opinion on the control environment and a level of assurance for Minimising Empty Properties.
- 1.2 The scope of the audit was agreed by Service Delivery Manager – Housing & Development.
- 1.3 We would like to thank the following for their help during the audit :
- ⌘ Team Leader – Inward Investment & Housing
 - ⌘ Empty Properties Officer - Inward Investment & Housing

2. Good Practice Areas

- 2.1 During the audit a couple of good practice areas within the processes for Minimising Empty Properties were identified. These were:
- ⌘ Photographic evidence of properties is retained which can be used to demonstrate state of disrepair and also improvements this particularly evident in the before and after report which is taken to the Housing Action Team Meeting
 - ⌘ There are Housing action team bi-monthly meeting chaired by the Assistant Director: Health and Well Being this group looks at empty properties or problem properties and identifies joint actions which can be taken to bring the property into habitable state for occupation.

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 weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls*
- 3.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

APPENDIX D

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	3	18%
Financial Regulation – immediate implementation	1	6%
Policy/Procedure – implementation within a month of agreement to the report.	10	59%
Best Practice – implementation at a mutually agreed date	3	17%
Total	17	100%

3.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

5 CAFE GO

1. Introduction and Scope

1.1 An audit review commenced on 11 November 2013, to provide an opinion on the control environment and a level of assurance for Cafe Go.

1.2 The scope of the audit was agreed by the Catering Service Delivery Manager.

1.3 We would like to thank the following for their help during the audit:

- ⌘ Group Catering Manager
- ⌘ Special Projects Apprentice
- ⌘ Business Support Officer
- ⌘ Workforce Development Officer
- ⌘ Health & Safety Officer
- ⌘ Finance Officer
- ⌘ Income Management Officers
- ⌘ Senior Accountant (Taxation)
- ⌘ Cafe Go Supervisor
- ⌘ Casual Kitchen Assistant

2. Management Summary and Overall Opinion

2.1 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 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 be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	7%
Financial Regulation – immediate implementation	1	7%
Policy/Procedure – implementation within a month of agreement to the report.	11	86%
Best Practice – implementation at a mutually agreed date	-	-
Total	13	100%

APPENDIX D

2.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

6. FOSTER HOMES ANNUAL REVIEW AUDIT

1. Introduction and Scope

1.1 It was agreed with the Assistant Director, Children's Safeguarding & Specialist Services, that an audit review would be commenced in February 2014 to provide an opinion on the control environment and a level of assurance for Foster Homes Annual Review Reports due to concerns around the quality assurance process.

1.2 The scope of the audit was agreed by the Service Delivery Manager – Children in Care & Fostering.

1.3 We would like to thank the following for their help during the audit:

- ✱ Family Placement Team Manager
- ✱ Business & Information Support Manager
- ✱ Business Support Officer
- ✱ Foster Home Reviewing Officer

2. Management Summary and Overall Opinion

2.1 On the basis of the work carried out, and the associated risk attached to the non-compliance with some key controls, 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 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	-	-
Policy/Procedure – implementation within a month of agreement to the report.	12	92%
Best Practice – implementation at a mutually agreed date	1	8%
Total	13	100%

2.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th JUNE 2014

2013/14 INTERNAL AUDIT AND INFORMATION GOVERNANCE ANNUAL REPORT

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To present the 2013/14 Internal Audit and Information Governance Annual Report to the members of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the 2013/14 Internal Audit and Information Governance Annual Report.

3 SUMMARY

- 3.1 To continue to demonstrate good governance and support the Annual Governance Statement (AGS) the Council produces an Annual Report on the Internal Audit and Information Governance activities of the Council.
- 3.2 The Public Sector Internal Audit Standards are deemed as proper internal control practice under the Accounts and Audit (England) Regulations 2011 for Local Government. The standards state:

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

This report meets these requirements.

- 3.3 The Councils Information Governance (IG) function forms part of the responsibilities of Audit & Information Governance within the Finance, Audit and Information Governance

service delivery unit. IG is a key component of good governance and consists of several aspects:

- Data Protection & Privacy
- Freedom of Information
- Information Security
- Information Sharing & Confidentiality
- Information & Records Management
- Information Quality & Assurance

During 2013/14 IG has continued to support senior managers and service delivery managers with the management of their information governance arrangements.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 27th June 2011 – Annual report 2010/11
Audit Committee 26th June 2012 – Annual report 2011/12
Audit Committee 25th June 2013 – Internal Audit & Information Governance Annual Report 2012/13

5 2013/14 INTERNAL AUDIT ANNUAL REPORT

5.1 Assurance and Opinion

- 5.1.1 The Council's section 151 officer's statutory obligation under the Accounts and Audit (England) Regulations 2011 to provide assurance on the systems of internal control is provided by the work of Internal Audit. This assurance forms part of the Council's assurance framework.
- 5.1.2 The system of internal control helps the Council to manage and control the risks which could affect the achievement of its priorities and objectives rather than eliminate them completely. Internal Audit and the other assurance processes therefore provide reasonable and not absolute assurance of the adequacy and effectiveness of the Council's framework of governance, risk management and internal control which is included within the Annual Governance Statement.
- 5.1.3 The planned Internal Audit resources for 2013/14 were 976 days plus 47 days specialist ICT audit provided under contract (from an external provider). These resources were just over 6% less than for 2012/13 (1090 compared to 1023) due to reduction of the Audit & IG Managers hours from September 2013 to provide additional savings. These revised resources and the plan were agreed by the Audit Committee in March 2013 with agreement that the Committee would not like to see the Internal Audit resources reduced further. The actual resources available were slightly less than planned due to the secondment of an auditor to Finance (causing a gap during recruitment) and the departure of the Internal Audit Team Leader in early February 2014.
- 5.1.4 Based on the work undertaken during the year (areas attached as **Appendix A**) and the implementation by management of the agreed recommendations Internal Audit's annual opinion provides reasonable assurance in respect to the adequacy and effectiveness of the Council's framework of governance, risk management and internal control within the areas of the Council reviewed during the year. Where necessary the Audit Committee invited Senior Management to explain why progress on the implementation of recommendations were not as agreed and appropriate assurance was provided (or further information is to be provided to the Audit Committee).

5.1.5 The previous Internal Audit Annual Report included information in respect to the type and number of recommendations made during the year (as requested by the Committee). This information has continued to be collected for 2013/14 and is shown below with comparisons to 2012/13 shown in brackets.

Number of Recommendations made by Type 2013/14 (2012/13)

No. of Audit Reports & Grading	Total number of recommendations	Financial Regulation or DCSF Requirement (schools only)	Legal	Policy and/or Procedure	Best Practice
65 (60) 8 (9) Green 37 (32) Yellow 15 (14) Amber 3 (2) Red 2 no grading*	808 (693)	126 (157)	56 (41)	568 (416)	58 (79)

Gradings - Green = good; Yellow = reasonable; Amber = limited; Red = poor
 No grading* = health checks but recommendations made

5.1.6 65 reports were issued during 2013/14, 5 more than in 2012/13. This is probably due to reduced scopes based on risk and improved processes/efficiency within the team.

5.1.7 Out of the 63 reports (excluding the no grading reports) 13% were green (good), 59% were yellow (reasonable), 24% were amber (limited) and 4% were red (poor). Summary amber and red reports and explanations have been reported to the Committee with detailed reports being circulated to members of the Committee prior to the meeting.

5.1.8 23% of the 13/14 recommendations were legal/financial regulation compared to 29% in 12/13. 70% of the 13/14 recommendations were policy and procedure compared to 60% in 12/13. This again outlines the impacts of organisational change, restructures and the reduced familiarity of staff in new/revised roles.

5.2 Public Sector Internal Audit Standards (PSIAS)

5.2.1 The Public Sector Internal Audit Standards were effective from 1st April 2013 and Internal Audit have reviewed their compliance with the standards and an action plan of further work to ensure full compliance was presented to the January 2014 Audit Committee.

5.2.2 The key action areas still outstanding are:

No.	Standard	Comment
1.	Quality Assurance & Improvement Programme (QA&IP)	Not yet fully documented. Continue to use existing quality review process and annual performance management processes. No issues to report and improvements are identified and implemented as soon as practical. Also actions for improving audit processes and service are included in the actions for the Audit & IG team and changes have been made to the follow up procedure, risk rating reports and revised report template. QA&IP due to be formalised by end August 2014.

2.	External Assessment	Not due until 2017/18 but will assess options during 2015/16 for presentation and agreement by the Audit Committee.
3.	Review of: <ul style="list-style-type: none"> • ethics related activities • risk management framework 	Not formalised but discussions continue with the Managing Director and CFO. Target date is September 2014.
4.	Review how the Council manages fraud risks	Fraud risk register informs the proactive audit work but need to update the review of how the Council manages risk against the Audit Commission Red Book. Target date September 2014

5.3 Performance against External Review

5.3.1 KPMG has been the Council's External Auditors since 1st April 2007. There is continuous liaison between Internal and External Audit to ensure that Internal Audit is undertaking appropriate work upon which the External Auditor can rely and reduce the External Audit fee. Internal Audit has delivered all the work for 2013/14 as planned except for the Purchase ledger audit which will be provided when finalised (delayed due to staff absences in service area). External Audit has indicated that the work is of a good standard and that they can place reliance on it.

5.3.2 In order to place reliance on the work of Internal Audit the External Auditor assesses the performance of Internal Audit each year against the appropriate professional standards – the Public Sector Internal Audit Standards. This has been their first review of us against these standards and they were satisfied with our assessment, the supporting evidence provided and action plan. This external review has also been used to meet the requirement of the Accounts and Audit (England) Regulations 2011 for an annual review of internal audit.

5.4 Improvement Activity

5.4.1 During the year to improve the team's efficiency, effectiveness and productivity we have held team meetings and development sessions. At these sessions and continually during the year we investigate and implement new/alternative ways of service delivery (practices, use of technology, procedures and standard documentation) based on our analysis, customer feedback (see 5.5), sharing best practice with other local authorities and service providers.

5.4.2 The Audit & Information Governance Manager is the Unitary and District representative on the CIPFA Audit Panel. This helps the team to continue to develop and have early awareness of developments in public sector Internal Audit and Governance enabling them to contribute to and influence relevant guidance. Other members of the team also attend, when relevant, regional Fraud, Contract and Unitary/Met Authority groups which assist in identifying best practice and different approaches to audit work and information exchange.

5.5 Customer Feedback

5.5.1 Internal Audit receives customer feedback in several ways:-

- a) Informal feedback from auditees during the audit
- b) Seeking feedback from auditees at draft report discussion meetings
- c) Completion of a post audit questionnaire

5.5.2 The analysis of post audit questionnaire feedback is shown in the table below compared to the last 2 years.

POST AUDIT QUESTIONNAIRE FEEDBACK 2012/13 compared to last 2 years

Question	2011/12 from top score 5	2012/13 From top score 5	2013/14 From top score 5	Difference 12/13 to 13/14
Pre- Audit Arrangements	4.8	4.6	4.6	No change
Audit Visit	4.6	4.7	4.7	No change
Communication	4.8	4.5	4.4	-0.1
Report	4.7	4.5	4.5	No change
Is audit a positive support – Yes	100%	100%	100%	No change

5.5.3 The team continues to perform well with average scores of 88% or more. However the communication score has reduced by 2%. Although we have no specific information on this the team have reviewed this and changes will be made as appropriate. Where additional feedback has been provided this has also been reviewed and action taken as appropriate.

6 2013/14 INFORMATION GOVERNANCE ANNUAL REPORT

6.1 Background

6.1.1 There are a number of pieces of legislation and good practice standards that govern the IG arrangements of the Council. The work of IG is primarily based on the requirements of the Local Authority Data Handling guidelines, ISO27001 (standard for information security), Data Protection Act 1998, Freedom of Information Act 2000¹ and Environmental Information Regulations 2004.

6.1.2 The Local Authority Data Handling Guidelines (stated above) recommend that each local authority should appoint a Senior Information Risk Owner (SIRO). The SIRO should be a representative at senior management level and has responsibility for ensuring that management of information risks are weighed alongside the management of other risks facing the Council such as financial, legal and operational risk. At Telford & Wrekin the nominated SIRO for the period covered by this report was the Assistant Director: Finance, Audit & Information Governance with the Audit & Information Governance Service Delivery Manager designated as the Deputy SIRO.

6.2 Information Rights

6.2.1 Information rights is a collective name for 3 main pieces of legislation in respect to public sector information, these are:

- **Data Protection Act 1998** – looks at personal information relating to individuals

¹ Full provision of FOI Act 2000 powers were not fully introduced until 1 January 2005

- **Freedom of Information Act 2000** – encompasses any information held by the Council
- **Environmental Information Regulations 2004** – information with an environmental impact

6.2.2 The IG Team has continued to play a key role in providing assurance that the Council complies with information rights legislation during the year. The IG Team has responsibility for the administration of all information rights requests on behalf of the Council including the application of relevant exemptions in respect to requests received.

6.2.3 IG also plays a prominent part when the Council receives a subject access request (someone requesting their personal information) or a request to access social care records, e.g. a parent asking to view the contents of their child's records. The Council's Data Protection Officer (part of IG Team) gives guidance on what records should or should not be released under the Data Protection Act 1998.

6.2.4 See table below for figures relating to FOI performance for the year 1 April 2013 to end of March 2014 compared with the same period for the previous year:

	13/14	12/13	% Increase / Decrease
Number of FOI requests received	1076	862	+25
Average number of FOI requests received per month	90	72	+25
% of FOI requests responded to within statutory deadline	95	90	+5
Average time taken (days) to respond to each request	10	10	-

As can be seen from the figures in the table above, the Council's performance in responding to FOI requests within statutory deadlines had risen to 95% (up 5%) from 2012/13 even with 25% more requests being received in the year. This compares favourably with the ICO benchmark of responding to 80% of FOI requests received within 20 working days.

6.2.5 In this period IG have received and responded to 16 appeals from requestors who were not satisfied with the response they received to their FOI request. This compares to a total of 11 appeals in 2012/13.

6.2.6 Also in this period IG received 2 referrals from the Information Commissioner (ICO) in respect to complaints made to them by FOI requestors. Both referrals were due to requestors not being satisfied with the Council's response to their requests in that the Council did not hold the information being requested. IG provided a response to the ICO on both these matters who were satisfied with the explanations provided and therefore no further action was taken.

6.2.7 Between 1 April 2013 and 31 March 2014 the Council received 65 Subject Access Requests² (SAR's), exactly the same number of requests for the same period in 2012/13. 95% of SAR's received have been processed within the 40 calendar day deadline (82% of SAR's processed within deadline for 2012/13). This is a significant improvement in performance and compares favourably with the Information Commissioner's benchmark of responding to 80% of SAR's within 40 calendar days.

² A request by an individual for personal information that relates to them or their children

6.3 Data Security Incidents

6.3.1 IG investigates (with the assistance of service areas) all instances of alleged data breaches that are identified and referred to them. A data breach can cover a number of different incidents from a member/employee reporting a lost Blackberry to confidential/sensitive information being communicated to an unauthorised and/or incorrect recipient.

6.3.2 Between the 1 April 2013 and 31 March 2014 there were 163 reported instances of possible data breaches (97 reported instances in 2012/13). IG (with the assistance of service areas) investigated all of these and has confirmed that 83 data breaches had occurred (51 confirmed data breaches were identified in 2012/13). These are shown below categorised by type of breach:

	Number of Cases	Number of Complaints/Referrals from Data Subjects
Information accidentally sent/made available to the incorrect recipient	75 (44 in 12/13)	55*
Accidental release of personal information verbally	2 (3 in 12/13)	1
Documents containing sensitive information left in an insecure location	2 (1 in 12/13)	1
Information lost or stolen	4 (3 in 12/13)	0
TOTAL	83 (51 in 12/13)	

**It should be noted that the majority of these were referrals and not corporate complaints*

Although there has been an increase in the number of possible/actual security breaches reported compared to last year there has been a 2% reduction in the number of confirmed data breaches from 2012/13. It is envisaged that the increased reporting is due to increased awareness among staff due to the use of Ollie (e-learning tool), attendance at service management teams and regular reminders in staff news and managers briefings. IG constantly reviews the number of data breaches being reported and works in partnership with areas of the Council that are experiencing the most data breaches to improve processes and minimise the possibility of future breaches occurring in these areas.

6.3.3 None of the data breaches detailed above were serious enough to meet the Information Commissioner's rationale for reporting serious breaches to them.

6.3.4 For each of the confirmed breaches IG agreed actions with the relevant management team to minimise the impact of the breach on the customer. The Council has also changed procedures and provided training to reduce the possibility of similar data breaches occurring in the future. Formal action has been taken in 2 cases.

6.3.5 Any lessons learnt from data security incidents are shared locally with appropriate employees. In addition to this the IG Team communicates half yearly lessons learnt

highlighted by data breach investigations to all services across the Council – the lessons learnt from October 2013 – March 2014 are attached as Appendix B for information.

6.4 Information Governance Work Programme

6.4.1 The IG Team, in addition to the administration of information rights legislation and the investigation of data security breaches, set down a work programme to further improve the information governance framework of the Council. The 2013/14 IG work programme was agreed at the March 2013 Audit Committee. Progress to date in respect to this programme is shown attached as Appendix C.

6.4.2 The next update to the Audit Committee on Information Governance will be the 2014/15 update report, incorporating activity during April – mid August 2014 which will be presented to the September Audit Committee.

7 CONCLUSIONS FOR 2013/14

7.1 Despite limited resources the Internal Audit & IG Team has achieved good results and contributed to the governance arrangements within the Council.

7.2 The statutory responsibilities of the Council’s Chief Financial Officer (section 151 officer) to provide an adequate internal audit service have been met and Internal Audit has provided reasonable assurance to the Council on the Council’s governance, risk management and internal processes for the areas reviewed in 2013/14.

7.3 Internal Audit and Information Governance Team has also continued to provide advice and guidance on procedures, controls, information security and risk management.

7.4 However, there are numerous major changes occurring both within and outside the Council during 2014/15 which could affect the team’s activities, for example :-

- a) The pressure on the Council’s budget strategy for 2014/15 and beyond has resulted in a further restructuring of the Audit & IG Team but ensuring that the Internal Audit resources have not reduced;
- b) Further service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;
- c) The continued development of relationships with revised service delivery areas to ensure the team continues to support the authority in achieving its objectives.
- d) Changes to legislation and the Government’s expectations of local government and it’s policies;
- e) Consideration of the future changes to the external audit and inspection regime;
- f) The Council’s key projects including Adult Social Services and Adult Care Bill, Commercial Projects (including the Housing Investment programme) and Single Status.

8 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of the Audit & IG Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified.
Environmental Impact	All members of the Audit & IG Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager.

Legal Implications	<p>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 the proper practices in relation to internal control. There is also a requirement to comply with the Public Sector Internal Audit Standards. Undertaking the audits as set out in the report, and providing updates and an Annual Report to this Committee contributes towards meeting these requirements.</p> <p>Further reference to legal requirements and the implementation of those legal requirements in accordance with CIPFA guidance are contained within the main body of the report at paragraphs 3.2, 5.1.1 and 5.2.2 respectively.</p> <p>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.</p> <p>Compliance with the Information Rights legislation mentioned in this report is mandatory. When assessing compliance, the ICO will consider approved policies and procedures of the authority.</p>
Links with Corporate Priorities	<p>All aspects of the Audit & IG teams work support good governance which underpins the achievement of the Council's objectives and priorities.</p>
Risks and Opportunities	<p>All aspects of the Audit & IG teams work supports managers and the Council to identify and manage their risks and opportunities.</p> <p>The role of IG includes reviewing information security arrangements in place to manage IG risks within service areas. IG reports produced assist the Council in improving systems and controls (reducing IG risks) and therefore the delivery of services and achievement of objectives.</p> <p>If the Council does not comply with the information rights legal requirements there is the risk of the Council being issued with a fine by the ICO of up to £500,000. Service areas supported by the IG Team have and are continuing to implement mitigation to avoid this but there is still risk associated with this.</p>
Financial Implications	<p>Audit & IG operated within budget for 2013/14 with an under spend at the end of the year. Where recommendations are made by team members following reviews, if possible, cost implications are identified.</p> <p>The budget for external audit of £166k was under spent for 2013/14 by £17k due to a refund received in year from the Audit Commission in respect of the 2012/13 main audit fee. The under spend was after meeting additional costs of £9k incurred with KPMG due to additional work required as a result of Elector queries around the 2012/13 statement of accounts.</p> <p>It should be noted that if the ICO found that the Council was not complying with the information rights legal requirements and a fine was imposed there is no budget allocation identified to meet this.</p> <p>MLB 09.05.14</p>
Ward Implications	<p>The work of the Audit & IG team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.</p>

9 **BACKGROUND PAPERS**

Annual Audit Plan 2013/14 and Charter
Internal Audit Action Plan 2013/14
Public Sector Internal Audit Standards (PSIAS)
PSIAS Application Note for Local Government
Corporate Information Security Policy
Corporate Information Security Breach Procedure

Report by Jenny Marriott, Audit & Information Governance Manager. Telephone: 383101

MAIN AREAS OF INTERNAL AUDIT WORK UNDERTAKEN 2013/14

Audit Area	Days
Abacus Review	7
Advice & Consultancy	70
Annual Governance Statement assurance & certification	8
Asset Register Review	9
Building Schools for the Future project assurance	1
Burton Borough - Catering Process Review	1
CAMHS - Needs of children outside the area	1
Cash Collection	16
Catering including Cafe Go	21
Children's assessment framework	1
Children's Commissioning	6
Children's Placements	3
Coalbrookdale & Ironbridge Primary School	6
Constitution and School Financial Regulations review	4
Continuing Health Care	1
Contracts Life Cycle	17
Corporate Leisure	1
Council tax	16
Crudgington Primary School	6
Dawley C of E Primary School	11
Disabled facilities grant	8
DOLS mental health	3
Dothill Primary School	7
Downing House Clients Finances and Imprest	3
Electronic Client Records	1
Emergency Planning - Public Health Resilience	4
External Audit Work	8
Family Connect workflow process	10
Fleet Management process	4
Flex/Clarity System review	5
Follow ups	26
Foster Home Review Reports	4
Fraud & Compliance Checks	1
Governance	3
High Ercall Primary School	7
Hollinswood Primary School	4
Holmer Lake Primary School	5
Homelessness Thresholds	3
Housing Benefits (Inc Welfare Reforms)	23
HR/Payroll	20
ICT Contract monitoring	7
Impulse - children's admissions system	3
Integrated Benefits System	2
Iworld Review	8
John Fletcher of Madeley Primary School	1
John Randall School	6

Lawley Primary School	8
Licensing	1
Lightmoor /Reflexions Overpayments	1
Local Council Tax Support Scheme	14
Local Transport Grant	1
Madeley Nursery	6
Main Accounting	22
Meadows Primary	4
Minimising Empty Homes	6
Moorfield Primary School	22
NNDR	9
Oakengates Children's Centre	10
Old Park Primary School	5
Out of Area Children's Placements	9
P2P (Purchase Ledger)	24
Park & Ride - Contract / Cash collection	8
Personal Budgets Support Team	1
Performance Information Health Check	2
Postal Systems	6
Protocol system - review	4
Public Health Transfer	4
Revs & Bens Contract monitoring	6
Sales Ledger	24
School Funds	1
School Improvement Team Process	8
Service User Journey	19
Shared Lives	4
Short break statements - Disabled / respite & short Breaks	6
Sir Alexander Fleming Primary School	4
Ski Centre	10
Social Fund - Local Crisis assistance	10
Special Guardianship	3
Specialist IT Audit work	47
St Lukes RC Primary School	5
St Marys Primary School	6
St Patricks RC Primary School	5
Stirchley Leisure Centre	9
Trading standards	4
Transparency Agenda	1
Transport Post Implementation Review	7
Treasury Management	6
Troubled Families Grant	6
Uniform	4
Voluntary Redundancy Checks	1
Voluntary Sector Contracts /Agreements	1
Wellington Civic Leisure Centre	12
West Mercia Audit Committee	3
William Reynolds Primary School	6
Wrockwardine Wood Infants School	7

Information Security Incidents: Lessons Learnt – 2013/14

Information Governance (IG) 2nd Half Yearly Update – 1 October to 31 March 2014

Information on lessons learnt in respect to data breaches investigated for the first half year were included in the relevant Briefing Notes (half yearly) for Managers and Staff News in 2013/14 (this can still be found on the Information Governance intranet page).

Unfortunately despite further training/publicity the Council has continued to experience data breaches for the second half of the year although occurrences are down on last year. These breaches have been investigated by the IG team/service areas and changes to processes have been agreed. However there are lessons to be learnt by us all from these breaches and this note aims to share them with you.



Top 5 reasons for data breaches at Telford & Wrekin

1

Emails sent to incorrect recipients

2

Officers not completely following agreed processes/procedure

3

Officers recording/using incorrect postal address

4

Loss and/or inappropriate use of equipment/documentation

5

Inappropriate systems access/sharing network login details.

Reminder - What exactly is a data breach?

A data breach is a security incident where personal, sensitive, protected or confidential information is copied, transmitted, viewed, stolen or used by an individual unauthorised to do so. Examples of what constitutes a data breach are detailed below:

- An email containing personal information is sent to an incorrect external recipient
- A person is given and uses another officers network log on details
- A letter containing personal and sensitive information sent to house number 58 in error instead of 85


If you suspect a data breach has occurred you should follow the [Information Security Breach Procedure](#)





What you should already be doing!!!





Always check you are emailing who you think you are emailing. Type the recipients name in the 'To' field, write out your email and double check the 'To' entry before pressing send. Also If you are sending an


- 

email to a group email address check all the officers in that group are authorised to receive it.
- 

Always use GCSX or the Council's Secure Communication System (SCS – look under 'S' on intranet) to electronically send personal and/or sensitive information externally
- 

Ensure you are fully aware of, and abide by, your local procedures and applicable corporate policies such as the Corporate Information Security Policy (CISP)
- 

When dealing with personal information NEVER assume. Think what the impact could be of your assumption. All your decisions need to be based on fact.
- 

Be careful when handling and/or using works equipment such as laptops and Blackberry's. Always keep this equipment secure and on your person if possible. Never let any other individual access these devices.
- 

When sending correspondence to individuals always double check the address stated on your letter with the source address on your records. Remember house number 82 can easily be quoted as 28 by mistake. But this mistake can be picked up by checking

£££'s - Top 3 latest fines for local authorities nationally

<p>North East Lincs - £80,000 <i>October 2013</i></p> <p>Loss of an unencrypted memory device containing sensitive personal data relating to 286 children.</p>	<p>Aberdeen - £100,000 <i>August 2013</i></p> <p>Inadequate home working arrangements led to 39 pages of personal data being uploaded onto the internet by a Council employee.</p>	<p>Halton - £70,000 <i>June 2013</i></p> <p>The home address of adoptive parents was wrongly disclosed to the birth family.</p>
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Remember: Protecting personal information is everybody's responsibility

**INFORMATION GOVERNANCE WORK PROGRAMME 2013/14
PROGRESS AS AT 31ST MAY 2014**

No	Task	Completion date & comments	Progress as at end May 2014
1	Administer FOI/EIR/DPA requests, appeals, complaints and associated correspondence from the ICO	Ongoing	Work on going – no issues to date.
2	Agree and deliver an IG training and awareness programme and ensure the content of the induction programme is appropriate.	Ongoing	<p>Training and awareness programme agreed by AD: Finance, Audit & IG (nominated Senior Information Risk Owner – SIRO).</p> <p>IG module available on Ollie since April 13.</p>
3	<p>Keep the IG and security framework up to date including the Corporate Information Security Policy (CISP) and associated procedures.</p> <p>Disseminate changes across the Council</p>	<p>Agree framework and IG strategy with Audit Committee/SMT</p> <p>Review CISP by end of April 13.</p>	<p>IG strategy agreed by Council and SMT and now in place.</p> <p>IG framework updated and due to be approved by SIRO and Audit Committee.</p> <p>CISP review complete and arrangements being put in place to publicise this and also to get all officers to sign up to it.</p> <p>A number of other associated policies and guidance notes have been completed and communicated to staff.</p>
4	Introduce compliance work programme and undertake activities including records management	<p>Agree compliance programme by end of April 13.</p> <p>Ongoing for compliance activities.</p>	Agreed compliance programme in place and work currently ongoing.
5	Complete and keep under review the Corporate Retention & Disposal Schedule	<p>Complete by end of April 13.</p> <p>Ongoing for updating and review of schedule.</p>	Schedule is reviewed on an ongoing basis.

No	Task	Completion date & comments	Progress as at end May 2014
6	Review use of new secure communications system	End of May 13	Review taken place via a small user group. Some issues highlighted which ICT immediately resolved.
7	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing	This is an ongoing task. 6 monthly lessons learnt report included in staff briefing and IG intranet page.
8	Support service areas to address any information security risks that arise	Ongoing	IG continues to support all areas of the Council in respect to information security risks.
9	Support information sharing and the production of information sharing agreements	Ongoing	<p>IG produced an Information Sharing Policy which has been publicised to officers.</p> <p>IG also provides ad hoc advice on information sharing as and when required.</p>
10	Review of the publication scheme and ensure service areas are keeping it up to date	End of May 13	Complete.
11	Review and update intranet and internet pages for FOI and DPA	<p>Intranet review ongoing.</p> <p>Internet review by end June 2013</p>	<p>Complete</p> <p>Both intranet and internet pages reviewed and updated.</p>
12	Complete N3 connection assessment for central government	March 14	Complete.
13	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications	Ongoing	<p>Introduced a simpler PIA template which has been adopted.</p> <p>IG has agreed a number of PIA's in 13/14.</p>
14	Report to the Audit Committee on progress against the work programme and any issues arising	<p>June 2013</p> <p>September 2013</p> <p>June 2014</p>	Annual report 2012/13 submitted and update provided to September 13 meeting.

TELFORD & WREKIN COUNCIL**AUDIT COMMITTEE 30th JUNE 2014****THE ANNUAL GOVERNANCE STATEMENT 2013/14****JOINT REPORT OF THE ASSISTANT DIRECTOR FINANCE, AUDIT & IG and THE MONITORING OFFICER****1 SUMMARY OF MAIN PROPOSALS**

1.1 The Annual Governance Statement 2013/14 has been agreed by Cabinet and is now presented to the Audit Committee for review and approval and will accompany the 2013/14 annual accounts.

2 RECOMMENDATION

2.1 That members of the Audit Committee approve the Annual Governance Statement 2013/14, attached as Appendix A, and note the information in the report.

3 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The Governance Framework encompasses the whole Council and therefore all of the Council's priorities.</i>
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/ DELIVERY DATE	<i>Annual Governance Statement signed and ready to accompany the 2013/14 accounts by 30th June 2014.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	No	<i>The governance framework includes several financial elements, including the Council's financial regulations, the budget strategy and the Treasury Management Strategy. These provide the financial parameters, systems, processes and guidelines within which the Council must operate and as such assists in the delivery of good governance. Strong financial management also supports the delivery of value for money in ensuring economy, efficiency and effectiveness in the Council's decision making and processes.</i> <i>The Council's external auditors give an opinion on the financial statements of the authority and a value for money conclusion in their Annual Audit Letter each year which provides further assurance.</i>
LEGAL ISSUES	Yes	<i>The requirement for an Annual Governance Statement is established at paragraph 4 of the Accounts and Audit (England) Regulations 2011. Further details of this requirement are set out at sections 4.1 and 4.2 of this report.</i>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>Good governance supports the identification and management of risks and robust control arrangements.</i>
IMPACT ON SPECIFIC WARDS	Yes	<i>Borough-wide impact</i>

4 INFORMATION

- 4.1 Under the Accounts and Audit (England) Regulations 2011 the Council is required to produce an Annual Governance Statement and it is best practice that the statement is signed by the Leader and Managing Director of the Council. This statement should accompany the Annual Accounts.
- 4.2 The Annual Governance Statement for 2013/14 is attached at Appendix A and has been developed based on the requirements of the regulations and CIPFA/Solace guidance¹. The statement includes an action plan (Annex 1) to ensure that we continue to improve our existing governance arrangements.
- 4.3 The action plan attached to the 2012/13 statement (implemented during 2013/14) has been reviewed and updated to reflect current progress. The position as at 31/03/14 is attached as Appendix B to this report.
- 4.4 The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control. The Council can be assured that during 2013/14, including during organisational changes that the existing or revised governance arrangements have continued to support proper governance. Where required changes to procedures have been agreed by SMT and changes to the Constitution have been agreed by the Council, through the Council's Constitution Committee.
- 4.5 Assurance for the annual governance statement is provided by all areas of the Council and externally by the following:
- a) Leader and Managing Director – who sign the statement;
 - b) Senior management – Managing Director, Directors, Assistant Directors;
 - c) Chief Financial Officer;
 - d) The Monitoring Officer;
 - e) Members – Scrutiny arrangements, Standards Committee, Audit Committee and other Regulatory Committees;
 - f) Internal Audit ;
 - g) Partners;
 - h) External Audit; and
 - i) Other external inspection agencies.
- 4.6 The 2013/14 Annual Governance Statement sets out the Council's governance arrangements that operated during the period – 1st April 2013 to 31st March 2014 and measures the effectiveness of them.

5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

N/A

6 PREVIOUS MINUTES

- 6.1 Cabinet 31st May 2012; 30th May 2013
Audit Committee 26th June 2012; 25th June 2014

7 BACKGROUND PAPERS

Local Code of Corporate Governance May 2008

CIPFA/SOLACE - Application Note to Delivering Good Governance in Local Government: a Framework March 2010

¹ Application Note to Delivering Good Governance in Local Government: a Framework March 2010 and Delivering Good Governance in Local Government Guidance Note for English Authorities 2012 Edition

CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English Authorities 2012 Edition and Addendum
KPMG Report to those charged with governance 2012/13
KPMG Annual Audit Letter 2012/13
Ofsted inspection reports – Safeguarding and Fostering Services
Annual Audit & Information Governance Report 2013/14

Report by Jenny Marriott, Audit & Information Governance Manager 383101



ANNUAL GOVERNANCE STATEMENT 2013/14

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) are 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 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

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

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 & Wrekin's Journey to 2020 - approved by Council on 2nd May 2013;
- The Council's Medium Term Plan 2013/14 to 2014/15 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;
- The Council has designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services, 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;
- Legal Services ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/Team Leaders;
- Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's People Services and workforce/organisational development 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 by members and officers;
- Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;

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

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

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

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

- The Council's communication, consultation and engagement strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The 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 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 achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;
- The 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 team against the Public Sector Internal Audit Standards;
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
- The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management.
- Awareness and training for members within their member development programme and for officers through induction, Staff news, and update sessions on any revised governance arrangements (including information governance).

5. Review of Effectiveness

- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
 - b) the work of internal audit; and also
 - c) by comments made by the external auditors and other external review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 5.3 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, direct feedback to members from within the community 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 in August 2013 and reported to the Audit Committee in January 2014. Senior Management changes have been implemented and additional resources allocated but the Audit Committee requested a further update at their meeting in June 2014 with an interim update meeting with the Chair of the Audit Committee and Cabinet member which was held in April 2014.
- 5.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up policy. The Council has a zero tolerance policy 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 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 2012. 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 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 inspections⁶ and the outcomes were:
 - 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
- 5.17 There were 2 Ofsted inspections of Children’s Centre 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 ⁷
Hadley Castle Group	17/12/13	Requires improvement (3)
Lakeside South	12/11/13	Requires improvement (3)

⁶ Copies of full reports are available on the Care Quality Commission website www.cqc.org.uk/

⁷ 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.

- 5.18 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.
- 5.19 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, senior managers, Internal Audit and external review, and plan to address weaknesses and ensure continuous improvement of the framework as outlined in the action plan attached as Annex 1.

Leader of the Council.....

Managing Director.....

Date.....

Audit Committee Chair.....

Date.....

2013/14 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

No	Action	Lead Officer	Comments when AGS agreed	Target Completion 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,	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

		Business & Customer Services		
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2012/13 ANNUAL GOVERNANCE STATEMENT ACTION PLAN – PROGRESS AS AT 31st MARCH 2014

No	Action	Lead Officer	Comments when AGS agreed	Original Target Completion Date	Updated Position as at 31/03/14
1.	Strategic management of continued organisational change in respect to the co-operative council and continued development and implementation of revised governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance).	Managing Director and SMT	Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members.	Ongoing 31/03/14 Note – final constitution changes to be in place by May 2015	Constitution review continuing with member working group and changes to strategies and policies. Updates to officers and members as and when required. On going 31/03/14 and beyond. Urgent constitution amendments are made when required. The full constitution review will be concluded by May 2015
2.	Managing Decision making: a) Outstanding constitutional changes to reflect the revised organisational structures & ways of working b) Preparations for the revised external audit arrangements.	AD Law, Democracy & People Services and AD Finance, Audit & IG	This action develops further the implementation of previous actions in respect to the Constitution and revised external audit arrangements.	(a) 31/03/14 - Note – final constitution changes to be in place by May 2015 (b) – will need to respond to consultations on the proposed future changes during 13/14.	(a) On target – see comments above regarding constitution changes. (b) Consultation on secondary legislation provided for deadline of 20/12/13. Others to be provided as required.
3.	<ul style="list-style-type: none"> • Review of our Workforce Development priorities and delivery • Continue to review and update the management competencies and skills required in the revised organisation. Review of HR policies and processes to support the organisational changes and People Services restructure. 	AD – Law, Democracy & People Services	People Services has been fully restructured and implemented and interviews for an Organisational Development and Talent Manager will hopefully be appointed to on 15 th May. The post is critical in taking a lead on workforce development and management development. A workforce plan for children's services has already been completed in line with	31/03/14 and on going	Organisational Development and Talent Manager appointed and developing the service and workforce policies in consultation with service managers along with a revised learning and development plan. Further restructures of People Services took place in Autumn 2013 and early 2014 and new structures are in place with recruitment due to be completed by Easter 2014. Work has continued on workforce development and policy redesign is continuing into 2014/15.

			Ofsted requirements. A review of HR policies has commenced with priority being given to sickness absence and capability policies. A number of other policies have been redesigned and reduced to maximum of 4 pages to make them more accessible and more business relevant. Work to 'lean' the recruitment process from start to finish commences in June.		<p>Review of policies and procedures underway – priorities for policy review agreed with SMT. Negotiations underway with Trade Unions on Sickness Absence. Other policy changes already implemented. Next set of policies for review in 2014/15 include Grievance and Capability along with a revised PPD process</p> <p>A new lean recruitment process supported by technology went live at the end of March delivering further efficiencies and some cashable savings</p>
No	Action	Lead Officer	Comments when AGS agreed	Original Target Completion Date	Updated Position as at 31/03/14
4.	Further develop the governance and decision making arrangements for the Health & Well Being agenda and the transferred health services including Public Health	Director: Care, Health & Wellbeing	Further clarification required of the governance (including clinical governance) and decision making routes for transferred Public Health and other Health services to meet the Health & Well Being Strategy.	31/12/13	<p>Public Health services are now fully embedded within the Council, with a Director of Public Health in place. Health & Wellbeing Board is well established.</p> <p>Complete</p>
5.	Implement the action plans from the Ofsted and Care Quality Commission (CQC) inspection reports (Safeguarding, Services for Looked after Children, Fostering Services, Children's Centres and Adult Care Provider Services).	Director: Children & Family Services and Director: Care, Health & Wellbeing	This action plan is particularly focussed on any recommendations that improve the governance arrangements in these areas.	Various dates throughout 2013/14	<p>Action plans being implemented and progress on target.</p> <p>On the 23.9.2013 the CQC confirmed that Downing House had fully implemented its action plan. This means that all of the Council's registered care services for adults are considered fully compliant with the standards set out by CQC</p> <p>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 CQC. In 2013/14 CQC undertook the following inspections and</p>

					<p>the outcomes were:</p> <ul style="list-style-type: none"> a) Intermediate Care - Domiciliary Care – All standards met following inspection – 22.2.2013 and 15/03/14 b) Carwood Residential Home – All standards met following inspection on 2.1.2014 c) Downing House Residential Home - All standards met following inspection on 22.9.2013 <p>The following registered services were inspected in 2013/14 and information is included in the 2013/14 AGS. The results were as follows:</p> <ul style="list-style-type: none"> d) Shared Lives – All standards met – 20/03/14 e) Community Services – All standards met – 11/02/14.
No	Action	Lead Officer	Comments when AGS agreed	Original Target Completion Date	Updated Position as at 31/03/14
6.	Agree and implement the appropriate governance arrangements in respect to the Commercial Projects which form part of the income generation programme.	Managing Director	An internal Commercial Board has been set up to oversee the development and implementation of key commercial projects (including the set up and design of the associated governance arrangements).	On going during 2013/14	The Commercial Board was established to oversee the development and implementation of commercial projects. A number of projects are now in the process of being implemented. Commercial Board required from November 2013 to provide updates to the Audit Committee as part of non-executive Member oversight.

1 PURPOSE

- 1.1 To seek the approval of Members of the Audit Committee to the Internal Audit Plan 2014/15 and for them to note the contents of the Information Governance Work programme 2014/15.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee:

- a) approve the Internal Audit Plan 2014/15 attached as Appendix A; and
- b) note the Information Governance Work Programme for 2014/15 attached as Appendix B.

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:
"The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan". This report presents the Internal Audit Plan 2014/15 for approval.

- 3.2 The Chief Financial Officer (CFO) has responsibilities under s 151 of the Local Government Act 1972 and the Accounts and Audit (England) Regulations 2011 as follows:

Internal audit

6. A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

- 3.3 Under the same regulations Internal Audit provide part of the assurance on the Council's internal controls reported within the Annual Governance Statement which accompanies the accounts. The CFO is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet all these obligations.

- 3.4 The terms of reference of the Audit Committee also include Governance responsibilities including:

Consider the effectiveness of the Council's governance processes and their compliance with best practice including:

- a) the Council's Code of Corporate Governance;*
- b) the Council's information security framework;*
- c) oversight of the Commercial Board;*
- d) the management of opportunities and risks; and*
- e) other corporate governance arrangements.*

- 3.5 Information Governance is key to the Council's information security framework which forms part of the Council's corporate governance arrangements. Members have received work programmes for previous years and this report presents the 2014/15 programme in Appendix B for information. Updates on progress will be provided to the September Audit Committee and in the Annual Report reported to the June Audit Committee.

4 PREVIOUS MINUTES

Audit Committee 27th March 2012

Audit Committee 26th March 2013

5 INFORMATION

- 5.1 Internal Audit has a statutory obligation under legislation outlined in paragraph 3.2 above and also strives to provide a quality and up to date service for the Council.
- 5.2 Internal Audit work, in addition to obtaining assurance on key areas and controls for the Council, aims to challenge where controls are not required or make suggestions for adjustments to existing controls to make processes more efficient so that managers and their teams can achieve their objectives and contribute to the achievement of the Council's priorities. This is part of the Council's corporate governance framework and the effective management of risks.
- 5.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance¹ to managers, Members and the Council as a whole on the internal control arrangements, an annual programme of work (annual Audit Plan) is developed.
- 5.4 In accordance with professional standards² and good practice, Internal Audit planning should be directly linked to the Council's objectives and priorities and be directed by the Charter agreed by this Committee in January 2014. The plan is informed and influenced by previous Internal Audit work, requirements of the External Auditor, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and the Senior Management Team.
- 5.5 The draft plan attached as Appendix A (with more detail for the ICT audit work at the bottom) has been drawn up based on the internal and external resources available for 2014/15 (see 5.6 below), the factors in paragraph 5.4 above and detailed discussions with the CFO. The resultant plan provides reduced but reasonable assurance on the areas outlined. It also includes all the work identified by the external auditor that can be undertaken by Internal Audit to meet their requirements. If this was not included then the external audit fee could increase significantly (by approximately over £100,000).
- 5.6 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.
- 5.7 Based on good practice the plan includes just over an 8% contingency to meet any unexpected work requirements, any changes identified during the year or changes to resources during the year. Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the CFO, SMT and managers to ensure that the appropriate risks and controls are being reviewed, maximising the use of resources. Any significant changes will be agreed with the CFO and SMT and reported to this Committee.
- 5.8 The external auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised. Similar liaison takes place with Scrutiny to avoid duplication or to ensure work is complementary.

¹ Internal audit can only provide reasonable and not absolute assurance due to undertaking the work at a moment in time and with limited resources.

² Public Sector Internal Audit Standards

- 5.9 As outlined in paragraph 3.5 the Committee also considers the effectiveness of the Council's information governance arrangements. The Information Governance work programme for 2014/15 (attached as Appendix B) is presented for noting. Progress against this programme will be reported to the September 2014 meeting.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equalities	During audit work any equality issues identified are reported to the appropriate level of management. The strategy recognises the Council's obligations under Equalities legislation and internal policies and how Internal Audit will meet them.
Environmental or Sustainability Impact	During audit work any environmental or sustainability issues identified are reported to the appropriate level of management.
Legal Implications	The legal implications are contained within the main body of this report. The Internal Audit service will, where appropriate, review compliance with legislation as part of their work. In respect to the Information Governance team they are responsible for ensuring that the Council's Information Governance framework enables the Council to comply with relevant legislation including Data Protection Act 1998.
Links with Council Priorities	Internal Audit work through the plan supports all services in the delivery of the Council's priorities. A sound Information Governance framework is also important in supporting the Council to deliver its priorities.
Financial Implications	The Internal Audit Service and Information Governance teams operate and deliver their plan and work programme from within existing budgets.
Opportunities and Risks	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 (reducing risks) and therefore the delivery of services and the achievement of objectives. The Audit Plan will be flexible in order to reflect the changing risks and priorities of the Council and will have an ongoing dialogue with stakeholders. The Information Governance work programme assists the Council to identify the information risks and opportunities and makes recommendations to ensure risks are being appropriately managed by service areas.
Ward Implications	Internal audit and Information Governance work covers all wards within the Borough.

7 BACKGROUND PAPERS

Internal Audit Plan 2013/14

Internal Audit Charter 2014/15

Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector

Networking and benchmarking information.

Information Commissioner's Office guidance

Report by Jenny Marriott Audit & Information Governance Manager 383101

Line	Audit Area	Service Area	AD	Risk rating	Days	Priority	Quarter
1	General ledger, assets & capital accounting	Finance, Audit & IG	KC	n/a	30	ALL	Qtr 3/4
2	P2P (creditor payments)	Finance, Audit & IG	KC	n/a	25	ALL	Qtr 2/3
3	Cash collection	Finance, Audit & IG	KC	n/a	20	ALL	Qtr 2
4	Treasury Management	Finance, Audit & IG	KC	n/a	10	ALL	Qtr 1
5	Corporate Governance (including risk management)	Finance, Audit & IG	KC	n/a	25	ALL	Qtr 1
6	Payroll/HR	Finance, Audit & IG	KC	n/a	18	ALL	Qtr 3
7	Pensions systems and processes	Finance, Audit & IG	KC	n/a	7	ALL	Qtr 2
8	Resource allocation system (RAS)	Adult Social Services	RS	H	12	4 & 6	Qtr 4
9	Personal budgets support team	Adult Social Services	RS	H	12	4 & 6	Qtr 1
10	Adults safeguarding - review revised policies and electronic records/working	Adult Social Services	RS	H	15	4 & 6	Qtr 1
11	Direct Payments	Adult Social Services	RS	H	10	4 & 6	Qtr 2
12	Compliance with requirements of Approved Social Workers and ASYE – “Assessed and Supported Year in Employment” for newly qualified social workers.	Adult Social Services	RS	H	8	4 & 6	Qtr 3
13	Support to Transformation Project and Abacus follow ups	Adult Social Services	RS	H	10	4 & 6	All
14	Public Health - compliance with NICE requirements	Health, Well-Being & Public Protection	LN	M	10	6	Qtr 2
15	Commissioning - public health compliance with contract procedure rules	Health, Well-Being & Public Protection	LN	M	5	6	Qtr 2
16	Primary Authority Agreements - assurance on arrangements and expansion	Health, Well-Being & Public Protection	LN	M	3	2, 5 & 6	Qtr 3
17	Food Hygiene rating scheme	Health, Well-Being & Public Protection	LN	M	5	5	Qtr 3
18	Voluntary Sector Contracts / Agreements	Co-operative Council	RP	H	5	ALL	Qtr 1
19	Service Planning & Performance information	Co-operative Council	RP	H	10	ALL	Qtr 2
20	Commercial activities/setting up the company	Co-operative Council	RP	H	8	2	All
21	Brokerage/commissioning - how new arrangements are working	Children's Safeguarding & Special Services	KP	H/M	8	1, 4	Qtr 2
22	SEN - support introduction of workspace and then full audit 2015/16 (especially when LAC are in safeguarding system)	Children's Safeguarding & Special Services	KP	H/M	10	1, 4	Qtr 1/2
23	Single assessment - review following implementation	Children's Safeguarding & Special Services	KP	M	10	1, 4	Qtr 3/4
24	Leaving care processes especially decision making, authorisation and financial aspects	Children's Safeguarding & Special Services	KP	H	8	1, 4	Qtr 1
25	Disruptions to placements - reviewing and learning from lessons learnt	Children's Safeguarding & Special Services	KP	M	5	1, 4	Qtr 2/3
26	Care leavers - process for risk assessing and allocating work including reviews	Children's Safeguarding & Special Services	KP	M	5	1, 4	Qtr 3
27	SEN Payments - Residential schools	Children's Safeguarding & Special Services	KP	H/M	5	1, 4, 6	Qtr 1
28	Section 17 Payments - review processes	Children's Safeguarding & Special Services	KP	H	4	1, 4	Qtr 2
29	Housing Benefits audit	Customer Services	AA	H	25	6, 7	Qtr 3
30	Local council tax support scheme	Customer Services	AA	H	20	6, 7	Qtr 3
31	Sales Ledger	Customer Services	AA	n/a	20	ALL	Qtr 2/3
32	Council tax	Customer Services	AA	n/a	18	ALL	Qtr 1/2
33	NNDR	Customer Services	AA	n/a	20	ALL	Qtr 1/2
34	Specialist IT audit work (see further information below)	Customer Services	AA	H/M	55	ALL	ALL
35	Internal IT audit work (see further information below)	Customer Services	AA	H/M	30	ALL	ALL
36	Catering - follow ups and commercial activities	Customer Services	AA	M	10	2 & 6	Qtr 2/3
37	Completion of Shared Lives work commenced March 2014	Customer Services	AA	H	5	4, 6 & 7	Qtr 1
38	Free school meals	Customer Services	AA	M	8	1, 4 & 6	Qtr 3/4
39	Registrars	Customer Services	AA	M	5	4 & 6	Qtr 2/3
40	Social Lettings Agency	Development, Business & Employment	K Callis	M	5	6	Qtr 2
41	Disabled facilities grant	Development, Business & Employment	K Callis	M	3	6	Qtr 2/3
42	Property Investment Portfolio - Vacant units process review	Development, Business & Employment	K Callis	M	5	6	Qtr 1/2
43	Property Investment Portfolio - Review of bad debts processes	Development, Business & Employment	K Callis	H	10	Qtr 2/3	
44	Governance of the LEP and associated arrangements	Development, Business & Employment	K Callis	M	4	2	Qtr 2
45	Housing Investment Project - governance/assurance reviews	Development, Business & Employment	K Callis	H	4	2 & 6	ALL
46	MOD Donnington - project assurance reviews	Development, Business & Employment	K Callis	H	5	2 & 6	ALL
47	BSF project assurance	Education & Corporate Parenting	JC	M	3	1, 3	ALL
48	Schools (16 schools)	Education & Corporate Parenting	JC	H/M	128	1, 3, 4	ALL
49	Teaching school status schools - currently Newport Infants; but also the Bridge; St Peter's Bratton	Education & Corporate Parenting	JC	M	6	1, 3, 4	Qtr 2
50	Trading with schools - within and outside the Borough, review of arrangements	Education & Corporate Parenting	JC	M	5	2 & 3	Qtr 2
51	Oakengates Leisure Centre (last audit 2009/10)	Neighbourhood & Leisure Services	JR	M	7	4 & 6	Qtr 3

52	Phoenix Sports Centre (Last audit 2010/11)	Neighbourhood & Leisure Services	JR	H	7	4 & 6	Qtr 3
53	Telford Ice Rink (last audit 2010/11)	Neighbourhood & Leisure Services	JR	H	8	4 & 6	Qtr 2
54	New waste contract - quality monitoring	Neighbourhood & Leisure Services	JR	M	5	2, 5, 6 & 7	Qtr 4
55	Pride in Telford - governance and decision making to allocate resources and then evaluation of impact/added value	Neighbourhood & Leisure Services	JR	M	3	5, 6 & 7	ALL
56	Halcrow contract - audit requirements of the contract	Neighbourhood & Leisure Services	JR	M	5	5 & 6	As req'd
57	Early Intervention -Common Assessment Framework & Team Around the Child	Family, Cohesion & Commissioning	CJ	H/M	10	1,3,4 & 6	Qtr 3/4
58	Troubled Families Grant (July/October)	Family, Cohesion & Commissioning	CJ	M/L	3	1,4 & 6	Qtr 2/3
59	Better Care Fund - support and review of processes/procedures	Family, Cohesion & Commissioning	CJ	H	5	6	ALL
60	Youth offending offer	Family, Cohesion & Commissioning	CJ	M	8	1,4	Qtr 2
61	Commissioning - review of quality monitoring processes	Family, Cohesion & Commissioning	CJ	M	6	1,4	Qtr 2/3
62	Children & Sexual Exploitation pathway – quality monitoring/assurance	Family, Cohesion & Commissioning	CJ	M	8	1,3,4	Qtr 3
63	How to C&F consult with stakeholders and how is the info applied	Family, Cohesion & Commissioning	CJ	L/H	5	1,4 & 6	Qtr 4
64	Procurement - areas to be agreed with Strategic Procurement Manager but to include GPC	Law, Democracy & People Services	JE	H	15	ALL	ALL
65	Individual Electoral Registration (IER)	Law, Democracy & People Services	JE	H	5	ALL	Qtr 3/4
66	Recruitment processes and portal operations	Law, Democracy & People Services	JE	M	10	ALL	Qtr 3
	Total for new audits				807		
	Advice & guidance				40	ALL	
	Follow ups				40	ALL	
	Proactive fraud work & NFI				40	ALL	
	Contingency				91	ALL	
	Sub total				1018		
	Available days				1018	0	
34	SPECIALIST IT AUDIT CONTRACTOR (55 DAYS)						
Line	Audit Area	Service Area	AD	Risk rating	Days	Priority	Quarter
1	Incident & Problem Management	Customer Services	AA	H	10	ALL	Qtr 4
2	Change/release Management	Customer Services	AA	M	10	ALL	Qtr 4
3	Performance & Capacity management (including stability)	Customer Services	AA	H	10	ALL	Qtr 3
4	Review of Upgrade of Sharepoint 2013	Customer Services	AA	M	5	ALL	Qtr 3
5	Digitisation Project review - mobile apps/CRM -security & resilience	Customer Services	AA	M	8	ALL	Qtr 2
6	ICT Strategy Review	Customer Services	AA	H	5	ALL	Qtr 4
7	Information Governance Framework review	Finance, Audit & IG	KC	M	7	1,4,6	Qtr 3
	SUB - TOTAL				55		
35	INTERNAL AUDIT RESOURCE (30 DAYS)						
8	Review a sample of ICT procurement tenders to ensure adhering to proper processes	Customer Services	AA	H	6	ALL	Qtr 2
9	New starters, leavers and movers - review ICT processes and communications from People Services	Customer Services & Law, Democracy & People Services	AA/JE	H	8	ALL	Qtr 2
9	Care First application review	Adult Social Services	RS	M	5	4,6	Qtr 3/4
10	Agresso application Review	Finance, Audit & IG	KC	M	5	ALL	Qtr 2/3
11	Review arrangements and then Post Implementation Review of data centre move	Customer Services	AA	H/M	3	ALL	Qtr 3/4
12	Adults transformation - ICT governance and links to children's programme	Customer Services	AA	H/M	3	1,4,6	Qtr 2
	SUB - TOTAL				30		
	TOTAL				85		
	PRIORITIES						
1	Put our children and young people first						
2	Protect and create jobs as a 'Business Supporting, Business Winning Council'						
3	Improve local people's prospects through education and skills training						
4	Protect and support our vulnerable children and adults						
5	Ensure that neighbourhoods are safe, clean and well maintained						
6	Improve the health and wellbeing of our communities and address health inequalities						
7	Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing						

Information Governance (IG) Work Programme 2014/15

No	Task	Completion date
1	Administer FOI/EIR/DPA requests, appeals, complaints and associated correspondence from the ICO.	Ongoing
2	<p>Agree and deliver an IG training and awareness programme.</p> <p>Review the content of the IG Ollie module and assess numbers completing the training.</p>	<p>Agree programme (with SIRO) – End April 14.</p> <p>Deliver programme throughout 14-15.</p> <p>Review Ollie content and training take up by end of June 2014.</p>
3	<p>Keep the IG security framework up to date including the Corporate Information Security Policy (CISP).</p> <p>Disseminate changes across the Council.</p>	<p>Agree framework with Audit Committee –End September 14.</p> <p>Disseminate any changes as and when required.</p> <p>Review CISP by end of December 14.</p>
4	Review the Information Security Breach Procedure and align with recent guidance sent out to Revenues & Benefits.	End of May 14
5	Update compliance work programme and undertake activities including records management.	<p>Review and agree updated compliance programme by end of April 14.</p> <p>Ongoing for completing compliance activities.</p>
6	<p>Complete and keep under review the Corporate Information Retention Schedule.</p> <p>Additional review of IT retention and backups including the review of priority systems and production of classification policy.</p>	<p>Complete review by the end of August 14. Updating schedule is an ongoing task.</p> <p>IT retention and back ups to commence April with a view to completion and sign off by end of October 14.</p> <p>Classification policy to be implemented by end of August 14.</p>
7	Continue the provision of additional services to schools within and outside the area to generate agreed income. Market prospective customers as co-ordinated to do so by Delivery & Planning.	<p>On-going</p> <p>As requested</p>

No	Task	Completion date
8	Keep TORCH site up to date to support the above.	On going
9	Review use of the Secure Communications System (SCS).	End of June 14.
10	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing
11	Support service areas to address any information security risks that arise.	Ongoing
12	Support information sharing and the production of information sharing agreements.	Ongoing
13	Review of the publication scheme and ensure service areas are keeping it up to date (follow up of work to be completed in 13/14).	End of September 14
14	Review and update intranet and internet pages for FOI and DPA.	Intranet review/updating ongoing. Internet content reviewed on an ongoing basis but full review of content by end Dec 14.
15	Complete N3 connection assessment for central government.	March 15.
16	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications.	Ongoing.
17	Review access, security and associated arrangements for the Stafford Park storage unit.	June 2014
18	Report to the Audit Committee on progress against the work programme and any issues arising.	September 2014 June 2015
19	File and folder accesses review and rationalisation.	End of December 2014

TELFORD & WREKIN AUDIT COMMITTEE
OUTLINE OF BUSINESS FOR FUTURE MEETINGS 14/15 as at 30/06/14

DATE OF MEETING	ITEM	RESPONSIBLE OFFICER
Monday 30 th June 2014	<ol style="list-style-type: none"> 1. Review of TOR for the Committee 2. KPMG Interim Letter 2013/14 3. KPMG Grants Certification and Returns Letter 2013/14 4. KPMG Fee letter 14/15 5. Abacus update 6. Commercial Board Update 7. Treasury Management Outturn and Policy Update 2013/14 8. Draft Statement of Accounts 2013/14 9. Internal Audit Quarter 4 13/14 Update Report 10. 2013/14 Annual Report - Internal Audit & Information Governance 11. Annual Governance Statement 13/14 12. Internal Audit Plan & IG Work Programme 2014/15 13. Outline of business for 2014/15 	JE KPMG KPMG KPMG PT/RS RP/FM KC KC JM JM JM JM JM
Tuesday 16th Sept 2014	<ol style="list-style-type: none"> 1. Report to those Charged with Governance 2013/14 2. Annual Statement of Accounts 2013/14 3. Audit Commission Fraud Survey Results 2013 4. Anti- Fraud & Corruption Annual Report 2013/14 and Policy update 5. Capital receipts update 6. Annual Report on Complaints and assurance on lessons learnt 2013/14 7. Strategic Risk Register 8. Audit Committee Annual Report 2013/14 9. Internal Audit Activity Update Report April – June 14/15 10. IG update report 14/15 and IG Framework 	KPMG KC KPMG JM/LH KC/JD AA/AM RP/JP JM JM JM
Tuesday 27th January 2015	<ol style="list-style-type: none"> 1. KPMG Annual Audit Letter 2013/14 2. Grants Report 2013/14 3. External Audit Plan 14/15 4. Draft Treasury Management Strategy 2015/16 and update 14/15 5. Update to the Internal Audit Charter 2015/16 6. Internal Audit Activity Report July – December 14/15 7. Updated position of the AGS Action Plan 2013/14 	KPMG KPMG KPMG KC JM JM JM
June 2015	<ol style="list-style-type: none"> 1. Review of TOR for the Committee 2. KPMG Interim Letter 2014/15 3. KPMG Fee letter 15/16 4. Treasury Management Outturn 2014/15 5. Internal Audit Quarter 4 14/15 Update Report 6. 2014/15 Annual Report - Internal Audit & Information Governance and IG Annual Report 14/15 7. Annual Governance Statement 14/15 8. Internal Audit Plan and IG Work Programme 2015/16 9. Anti- Fraud & Corruption Annual Report 2014/15 and Policy update 10. Outline of business for 2015/16 	JE KPMG KPMG KC JM JM JM JM JM JM

Training – September 2014 Final accounts prior to approval at September 2014 meeting.
 January 2015 - Treasury Management training prior to strategy being presented at January 2015 meeting
 Other to be confirmed