



Telford & Wrekin
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

Date **30th June 2015** Time **6.00pm**
Venue **Meeting Room G3, Addenbrooke House, Ironmasters Way, Telford TF3 4NT**

Enquiries Regarding this Agenda:

| | | |
|---------------------|--------------------------|--------------|
| Democratic Services | Jayne Clarke | 01952 383205 |
| Media Enquiries | Corporate Communications | 01952 382407 |
| Lead Officer | Jenny Marriott | 01952 383101 |

Committee Membership: R Sloan (**Chairman**) (**Lab**)
C F Smith (**Vice Chairman**) (**Lab**)

I T W Fletcher (Con)
K R Guy (Lab)
A Lawrence (Con)
S A W Reynolds (Lab)
W L Tomlinson (Lib Dem/Ind)
D Wright (Con)

AGENDA

- 1. Apologies for Absence**
- 2. Declarations of Interest**
- 3. Minutes** **Appendix A**
To confirm the minutes of the Audit Committee held on 27 January 2015 Page No:
- 4. Review of the Audit Committee Terms of Reference** **Appendix B**
To receive the report of the Audit & Information Governance Manager Page No:
- 5. KPMG Interim Report 2014/15** **Appendix C**
To receive a report of KPMG Page No:
- 6. KPMG Annual Audit Fee Letter 2015/16** **Appendix D**
To receive a report from KPMG Page No:

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| 7. | Treasury Management Outturn 2014/15 and Update 2015/16 To receive the report of the Assistant Director: Finance, Audit & Information Governance | Appendix E TO FOLLOW |
| 8. | 2014/15 Internal Audit Quarter 4 Update Report and the Internal Audit & Information Governance Annual Report To receive the report of the Audit & Information Governance Manager | Appendix F Page No: |
| 9. | The Annual Governance Statement 2014/15 To receive the report of the Audit & Information Governance Manager | Appendix G Page No: |
| 10. | Corporate Anti-Fraud & Corruption Policy - 2014/15 Annual Report & Policy Update To receive the report of the Audit & Information Governance Manager | Appendix H Page No: |
| 11. | Draft Statement of Accounts 2014/15 To receive the report of the Assistant Director: Finance, Audit & Information Governance | Appendix I TO FOLLOW |
| 12. | Internal Audit Plan and Information Governance Work Programme 2015/16 To receive the report of the Audit & Information Governance Manager | Appendix J Page No: |
| 13. | Outline of Business for future Meetings 15/16 To receive the report of the Audit & Information Governance Manager | Appendix K Page No: |

AUDIT COMMITTEE

Terms of Reference

The Committee has the responsibility on behalf of the Council for the overseeing of the Council's audit, governance (including risk management) and financial processes.

Delegated matters (i.e. Matters which can be decided (resolved))

Internal Audit

1. The approval (but not direction) of, and monitoring of progress against, the internal audit strategy and plan.
2. Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
3. To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee – governance (including information governance), internal audit, risk management, statement of accounts and external audit.
4. The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.

External Audit

5. Review and agree the External Auditors annual plan, including the annual audit fee and receive regular update reports on progress.
6. To consider the reports of external auditor.
7. Meet privately with the external auditor once a year, if required.
8. Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.

Governance

9. Consider the effectiveness of the Council's governance processes and their compliance with legislation and 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.
10. Be responsible for the review and approval of the authority's Annual Governance Statement ensuring that it properly reflects the governance, control and risk environment and any actions required to improve it. Following approval, it should accompany the Accounts.

Treasury Management

11. To review and monitor the Council's Treasury Management arrangements including Treasury policies, procedures and the management of the associated risks and make recommendations to the Cabinet as appropriate.

Statement of Accounts

12. Review and approve the Statement of Accounts, external auditor's opinion and reports on them to members and monitor management action in response to the issues raised by external audit.

Fraud & Corruption

13. To approve the Anti-Fraud and Corruption Policy and to recommend its adoption by the Council, and to monitor its operation. The policy will be reviewed at least once every two years.
14. To approve the Speak Up Policy ('*whistle blowing*') and to recommend its adoption by the Council, and to monitor its operation. This policy will be reviewed at least once every two years.

Complaints

Recognising that Complaints/Compliments are a Cabinet function, the Committee should:-

15. Review the Annual Complaints Report and seek assurances that the Council is improving in response to complaints raised.

General

16. The meetings will follow the principles of scrutiny, i.e. no party whip will be applied and a constructive, evidence based approach will be used.
17. To ensure that adequate training is received by the members of the committee on the areas covered by these terms of reference.
18. To ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as confidential.
19. Annually review their effectiveness and their terms of reference.

The Audit Committee comprises 7 Councillors and has the option to co-opt one or more non voting independent members. A copy of the Agenda and papers are available from the Civic Offices, electronically upon request or by visiting the Borough's Web Site at www.telford.gov.uk

Emergency Evacuation Procedure

On hearing the fire alarm, please evacuate the building as quickly as possible by the nearest Fire Exit. The Democratic Services Officer will direct you to the assembly point on the car park.

AUDIT COMMITTEE

**Minutes of a meeting of the Audit Committee held on Tuesday,
27th January 2015 at 6.00 pm in Meeting Room G3, Ground Floor, Addenbrooke House,
Ironmasters Way, Telford TF3 4NT**

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

Officers: K Clarke (Assistant Director: Finance, Audit & Information Governance), J Marriott (Audit & Information Governance Manager), P Harris (Finance Manager), P Taylor (Interim Director of Care, Health & Wellbeing); R Smith (Interim Assistant Director: Adult Social Services) and J Clarke (Democratic Services Support Officer).

IN ATTENDANCE:

I Pennington – KPMG

As this was the last meeting of the Audit Committee prior to the elections in May 2015 the Chair thanked Cllr K Austin who was due to retire at the end of the municipal year. The Chair also thanked both Officers and Members for their hard work and support during his time as Chair of the Audit Committee.

AUC-31 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 30th June 2014 be confirmed and signed by the Chairman.

AUC-32 APOLOGIES FOR ABSENCE

Cllr A Lawrence

AUC-33 DECLARATIONS OF INTEREST

None

AUC-34 KPMG ANNUAL AUDIT LETTER 2013/14

I Pennington, KPMG, gave a brief update on the Annual Audit Letter for 2013/14. This report was a brief summary of the work undertaken last year. The Certification of the Audit had now closed but unfortunately the work had not yet been completed regarding the objection from the member of the public. It was hoped that this would be completed shortly and the Certificate issued.

AUC-35 GRANTS REPORT 2013/14

I Pennington, KPMG, confirmed to the Committee that, there was a requirement by the Audit Commission for an annual report be circulated to each Client following work undertaken in 2013/14. During 2013/14 KPMG undertook certification work regarding the Housing Benefit Subsidy Claim (BEN01) which had a certified value of £71,229,693. The certification work did not identify any issues with the claim and the claim was certified as unqualified without amendment.

The Audit Commission set out an indicative fee for KPMG's certification work was £12,319. The actual fees were the same as the indicative fee.

A recommendation was raised within the 2012/13 Certification Annual Report relating to the reconciliation of pension contribution bandings for the Teachers' Pension Pay. Although this was no longer under the Audit Commission's regime, it had been considered and had been undertaken by KPMG under alternative arrangements in order to confirm that the 2013/14 claim was certified and the Council had dealt with the recommendation correctly.

AUC-36 EXTERNAL AUDIT PLAN 2014/15

I Pennington, KPMG, reported to the Committee that the External Audit Plan remained on a similar approach to last year. An outline plan had been established with officers which appeared to work well.

I Pennington highlighted that the Local Authority may need to produce Group Accounts for the year end 31 March 2015. KPMG would liaise with key officers to make the necessary arrangements and work with any appointed auditors for the subsidiary company. The subsidiary company would create its own set of accounts which would then be consolidated with the Local Authority Accounts to form a set of Group Accounts.

A discussion took place regarding the Group Accounts and on what basis they would be produced. The Accounts would be produced following Local Authority rules and it was hoped that the subsidiary company would have similar policies and procedures to that of the Local Authority. The Group Accounts would need to go to Cabinet and to Council and would be made publically available. The accounts would also come to Audit Committee. The subsidiary company accounts would be available from Companies House.

A question was raised as to whether KPMG would be the Auditors for the Wholly Owned Company (WOC). It was confirmed that the WOC must appoint their own Auditors, although there would be advantages if the WOC appointed the same Auditors as the Local Authority.

I Pennington informed the Committee that there was an ongoing debate as to whether Schools should be included within the Accounts. As there were many different types of schools, which were governed/managed in different ways, it was difficult to treat them all the same. This was a huge piece of work to be undertaken and the main issues were around technicalities and accounting.

With regard to Value for Money there would be 2 areas for consideration:

- Savings Plan (the budgets and savings going forward)
- Commercial Projects (those already underway or in the process of being started)

I Pennington reported that there had been a slight increase in the fee of £1,070 as a result of additional work required in relation to the accounting entries for Non-Domestic Rates. This was as a result of the related return being removed from the Audit Commission's certification regime and had been a common occurrence nationally.

The Audit timetable was set out in the report in the form of a pictorial diagram which members felt was very clear and helpful.

The material assessment was based on value, nature and context and was considered to be generally correct.

In relation to the Whole Government Accounts (WGA) the Local Authority were the first to receive the plan and there was a slight error in the report (P11) where it refers to “. . . and issue an opinion . . .” which should have read “. . . and undertake specific tests . . .”.

I Pennington informed the Board that professional standards required auditors to have integrity, objectivity and independence.

A discussion took place around the deadlines for the Local Authority accounts and the WOC accounts and bringing these accounts together to form the Group Accounts. Due to the new Audit Regulations, the Local Authority’s deadline for the accounts would be moving forward to end of July in 2017. This would mean that work would need to be undertaken to re-schedule the Audit Committee meetings, together with any training/briefings that were required.

AUC-37 FINANCIAL CONTROLS REVIEW

P Taylor and R Smith presented a joint update regarding the review of financial controls.

P Taylor explained that there had now been progress on two of the areas within the report:

- (a) Potential overpayments to providers
- (b) Whether the Council was suffering a financial loss as a result of the unassessed clients in respect to financial assessments

As these areas were no longer of concern, the update would concentrate of the remaining third area:

- (c) Unbilled income – from clients in respect to their assessed contribution.

R Smith reassured the Committee on the following 3 areas:

1 Overpayments to providers

- Overpayments of significant amounts had previously occurred. This was now no longer possible as there was a zero tolerance within the system which suspended any payment that did not match with an invoice. The reasons for the mis-match could have been from eg fluidity of care (ie bank holidays), mileage, uplift. Once a mis-match had occurred further investigations were undertaken to confirm what payment should be made.

2 Financial Assessments within Care and Support (Social Care)

- This related to the means tested financial assessment of clients whose contribution could be between £0 and full cost. It was considered that any delay in issuing financial assessments may mean a loss of income for the Local Authority. Upon any new initial contact, basic information was collected in order for a financial assessment to be undertaken. A declaration form needed to be completed by all Clients who were informed that if the relevant declaration form was not returned then they would be liable for the full contribution to their care until the information was sent back for assessment. Re-assurance was also given relating to time delays.

3 Unbilled income from Clients

- There was a range of issues around the 2 IT systems:
 - Carefirst – Client Record System

○ Abacus – Finance System

- There had been some human errors when manual information had been entered into the two systems and there was currently no guarantee that 100% of human error had been eliminated. A range of work and practices had been designed in order to eliminate double entries and was currently being overseen by the Project Manager. The two separate IT systems were to be interfaced which would improve the process and tighten up controls. An upgrade to the Abacus system was needed before the interface could be introduced. This would then need to be tested on direct payments, invoices and accessibility to the providers' portal. It was envisaged that the timescale for this project would be 6 months but this was a very tight timescale. The improvements introduced had already made a positive impact on efficiency and budgets. With regards to validation controls in place, once the upgrade had taken place, the IT system would ensure that less human error would take place. The processes were currently being reviewed and the IT systems allocated to a single point of contact. Regular weekly performance meetings took place regarding the financial process. Update reports highlighted if there were issues with matching invoices and data. Where issues arose the Service Delivery Managers were asked to account for the issues. There had been some team leader/supervision issues.

In the ensuing discussion Members raised questions regarding checks on the person receiving care:

- Did the person still exist
- Had their condition improved/worsened
- How often were Clients assessed

P Taylor confirmed that the minimum rule on checks was that a check took place annually. The Local Authority dealt with a wide range of people from younger people, adults, disability, the frail and elderly and end of life care a flexible system needed to be in place. The Clients received the care when it was needed and controls were in place. Reviews took place depending on the individuals needs and sometimes weekly depending on the situation, the person's capacity and if there was support of family members.

A further question was raised as to whether we should be providing services if clients were not paying their costs.

It was confirmed that there was occasionally a need to override the system in order for care to continue whilst financial assessments were being undertaken, e.g. clients from Hospital. During the first 12 weeks and initial assessment took place in order to establish the correct enablement services, reviews then followed the normal process or were reviewed again after 3 months.

The Adult Social Care Financial Case Management Team undertook finance checks on client by client, case by case nature. This was very labour intensive but useful and helpful work. It was an area that was under a lot of pressure due to the overall savings that needed to be made.

The Chair suggested that a further report be brought back in September 2015 regarding the IT Systems and the unbilled income (Item 3).

AUC-38 2015/16 STRATEGY AND TREASURY UPDATE REPORT

P Harris gave updated the Committee on Treasury Management activities during 2014/15 and gave details of the Treasury Strategy which was recommended for adoption in 2015/16.

Since the report had been written budget consultation had taken place. The figures may alter from this report, but a final report would be brought to Full Council. The Strategy would be circulated to Members once it had been received.

The Treasury Portfolio at the end of December showed overall net indebtedness of £100.2m (borrowing of £124.1m less investments of £23.9m). Base rates had remained at 0.5% all year with the next move expected to be upwards but this was not expected until the second half of 2015.

The borrowing strategy for 2014/15 was to use maturing investments to reduce the borrowing and then taking new shorter borrowing maturities before gradually lengthening them. One PWLB loan had matured but no new loans had been taken out. Short term borrowing had been used to fund short term cash flow requirements.

The Housing investment Programme Business Case, which was approved at Cabinet on 8th January 2015, included PWLB borrowing of £59.3m. It was anticipated that approximately £3m would be required during 2014/15.

The investment strategy was to gain maximum benefit but the security of the principal sum was the primary consideration. No new long term investments had been taken out and details regarding the short-term investments could be found at Appendix F to the report.

The Council was currently expecting to borrow up to £45m in 2015/16 based on the current capital programme but would adopt a flexible approach to borrowing. If projects came forward ie Ministry of Defence, the requirement for borrowing may increase. This had been built into the approved borrowing scheme and would be within the maximum levels for counterparties of £20m at one time.

During 2014/15 the Council had amended the way in which calculations within the Minimum Revenue Provision Statement were made from straight line to annuity. This had also been extended to Government Borrowing Approvals and would produce a one-off saving in 2014/15 of £1.420m and savings in 2015/16 of £0.290m.

Details of the in-year portfolio position could be found at 4.1 to the report and details of investments at 4.4 of the report.

LGA Bond Agency, a Local Capital Finance Company was established in 2014 by the Local Government Association. This was an alternative to the PWLB and planned to issue bonds on the capital markets and lend the proceeds to local authorities. This was considered to be a more complicated source of finance than the PWLB for the following reasons:

- Bond investors may be required to provide a joint and several guarantee
- A lead time of several months between committing to borrow and knowing the interest rate payable
- 5% of the loan proceeds would be withheld from the Authority and used to bolster the Agency's capital strength

Any borrowing through this method would be the subject of a report to full Council.

Page 69 of the report showed a full list of Approved Investment Counterparties. This list covered all of the different types of investment which strengthened and already robust list and gave clear guidance. The Council always took advice from Arlingclose, the Council's advisors before making any investment.

Details of the projected borrowing could be found at Appendix B to the report and Prudential Indicators at Appendix C.

Page 85 to the report showed the maturity structure of the fixed rate borrowing. Some of the upper limit figures had increased.

A discussion took place including:

- Borrowing
- Wholly Owned Company
- Capital Expenditure
- Refinancing needs

RESOLVED – that:

- a) the treasury management activities for the first half year be noted;
- b) the Treasury Management Policy Statement (Appendix A) be noted; and
- c) the Treasury Strategy, including the Annual Investment Strategy for 2015/16 together with associated treasury Prudential Indicators and the Minimum Revenue Provision Statement be approved.

AUC-39 INTERNAL AUDIT UPDATE QUARTERS TWO AND THREE 2014/15 AND UPDATE OF THE INTERNAL AUDIT CHARTER FOR 2015/16

J Marriott presented the Quarter Two and Three 2014/15 update together with the update to the Internal Audit Charter 2015/16.

The Audit Charter 2015/16 could be found at Appendix A to the report and included very minor changes to the resources available.

With regards to the Quarter Two and Three Report, this was the 2nd update and covered the work of Internal Audit during July to December 2014 and information relating to the work could be found within the Appendices to the report as follows:

- Appendix B
 - List of final reports issues in quarters two and three with grading red, amber, yellow or green and also included budget time, actual time and percentage variance.
- Appendix C
 - List of all work undertaken for quarters two and three for a period of one day or more.
- Appendix D
 - Previous graded reports from April 2012 to June 2014 with their current status

- Appendix E
 - Summary of red and amber reports issues in quarters two and three.

Appendix B showed there had been 19 reports issued in quarters two and three with five of these reports being Amber and three Red.

Some of the areas had received significantly more support than had originally been scheduled. The team had engaged in a training session in order to improve their processes and time management. It was also felt that the team should require the audited areas to identify resolutions to issues themselves rather than resolution by Audit and this would then allow the team to carry out more assurance work and balance out their time.

The follow up for Queenswood School was now complete and the grading had moved from Amber to Green. With regard to the Shared Lives follow up, the work undertaken to date had demonstrated a good improvement. Other follow work was due to be commenced or had been planned. The Audit Team were confident that management would implement the remaining recommendations and provide the appropriate assurance and improve the controls.

With regard to Appendix D, an update had already been received earlier in the meeting on the Abacus system. The Transport Review was no longer an issue. Moorfield Primary School had received a follow up during November 2014 and although this remained amber a further follow up had been planned for February 2015. The Committee were re-assured that the issues were moving forward.

A discussion took place including:

- The Charter
 - Including schools within the report
 - Contingency plans with regard to liability of the Pension Scheme
 - Assets and liability of Schools
- Blessed Robert Johnson Report
 - School closing in the Summer and re-opening as an Academy in September 2015
 - The deficit and the re-assurance and work being undertaken by the temporary Headteacher to reduce this deficit.
 - The poor governance of the IT but the good service provided to other schools
 - Further work to be undertaken in June/July 2015 before the school closes.

RESOLVED – that:

- a) the Internal Audit Charter 2015/16 be approved; and
- b) the Internal Audit update information for quarters two and three 2014/15 be noted.

AUC-40 UPDATE ON THE ANNUAL GOVERNANCE STATEMENT 2014/15 ACTION PLAN

J Marriott updated the Committee on the Annual Government Statement and 2014/15 Action Plan.

Under the Accounts and Audit (England) Regulations 2011 the Council was required to produce an Annual Governance Statement regarding best practice and an action plan for further improvement. The report set out the progress made up to the end of November 2014 against the actions agreed in June 2014, details of which could be found at Appendix A to the report.

The report showed that the Local Authority had good governance and supported the identification and management of risks and had robust control arrangements in place.

A discussion took place including:

- Scrutiny
- Joint working across Committees in order not to duplicate work
- Children and Young People Scrutiny Committee Work

J Marriott suggested that a copy of the Scrutiny Work Programme be circulated to the members of Audit Committee for their information.

RESOLVED – that progress made against the actions in the AGS Action Plan be noted.

AUC-41 AUDIT COMMISSION/KPMG FRAUD REPORT 2013/14

The Audit Commission/KPMG Fraud Report 2013/14 had been circulated to the Audit Committee for information purposes only.

The meeting ended at 7.18 p.m.

Chairman:

Date:

TELFORD & WREKIN COUNCIL**AUDIT COMMITTEE 30th JUNE 2015****REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE****JOINT REPORT OF THE ASSISTANT DIRECTOR FINANCE, AUDIT & IG AND THE MONITORING OFFICER****1 SUMMARY OF MAIN PROPOSALS**

- 1.1 For the Audit Committee to recommend to the Council's Constitution Committee changes to the Audit Committee's terms of reference for adoption by the Council.

2 RECOMMENDATION

- 2.1 That members of the Audit Committee agree the changes to the terms of reference attached as Appendix A and recommend them to the Council's Constitution Committee for adoption by the Council in September 2015.

3 SUMMARY IMPACT ASSESSMENT

| | | |
|---|---|---|
| COMMUNITY IMPACT | Do these proposals contribute to specific Priority Plan objective(s)? | |
| | Yes | <i>The Audit Committee is part of the Council's Governance Framework encompassing 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>Approval by Council at their September 2015 meeting.</i> | |
| FINANCIAL/VALUE FOR MONEY IMPACT | No | <i>Good governance processes support value for money in ensuring economy, efficient and effectiveness in the Council's decision making and processes.</i> |
| LEGAL ISSUES | Yes | <i>It is good practice to review the terms of reference of the Audit Committee on a regular basis. This helps to ensure that the work of the Committee assists the Council in meeting statutory obligations in particular in relation to internal audit requirements (as set out in legislation such as The Accounts and Audit regulations 2015). If the Committee consider that further changes to the terms of reference are required in addition to those mentioned in this report then any such additional changes must be compliant with the relevant legislation such as the regulations referred to above. Changes to the Committee's terms of reference should be considered by the Council's Constitution Committee and approved by full Council before they become effective.</i> |
| OTHER IMPACTS, RISKS & OPPORTUNITIES | Yes | <i>The Audit Committee provides assurance on good governance and that there is the proper identification and management of risks and robust control arrangements.</i> |
| IMPACT ON SPECIFIC WARDS | Yes | <i>Borough-wide impact</i> |

4 INFORMATION

- 4.1 There is a requirement in the Constitution for all Committees to annually review their terms of reference at their first meeting following Annual Council.
- 4.2 The changes to the Audit Committee terms of reference reflect:
- a) That the Caldicott Guardian will present an Annual report to the Committee as part of good governance; and
 - b) That the Commercial Board has not met for a while and no longer exists and that oversight should be of commercial projects.

5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

N/A

6 PREVIOUS MINUTES

- 6.1 Audit Committees – 1st meeting after the commencement of the municipal year

7 BACKGROUND PAPERS

Constitution
The Accounts & Audit Regulations 2011 and 2015

Report by Jenny Marriott, Audit & Assurance Manager 383101

Audit Committee – Terms of Reference

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Delegated matters (i.e. Matters which can be decided (resolved))

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2. Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
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4. The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.
5. Review and agree the External Auditors annual plan, including the annual audit fee and receive regular update reports on progress.
6. To consider the reports of external auditor.
7. Meet privately with the external auditor ~~as once a year, if~~ required.
8. Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.
9. Consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:
 - a) the Council's Code of Corporate Governance;
 - b) the Council's information security framework;

c) receipt of the Caldicott Guardian's Annual report;

d) oversight of ~~the~~ Commercial projects;Board

e) the management of opportunities and risks; and

f) other corporate governance arrangements.

10. Be responsible for the review and approval of the authority's Annual Governance Statement ensuring that it properly reflects the governance, control and risk environment and any actions required to improve it. Following approval, it should accompany the Accounts.

11. To review and monitor the Council's Treasury Management arrangements including Treasury policies, procedures and the management of the associated risks and make recommendations to the Cabinet as appropriate.

12. Review and approve the Statement of Accounts, external auditor's opinion and reports on them to members and monitor management action in response to the issues raised by external audit.

13. To approve the Anti-Fraud and Corruption Policy and to recommend its adoption by the Council, and to monitor its operation. The policy will be reviewed it at least once every two years.

14. To approve the Speak Up Policy ('whistle blowing') and to recommend its adoption by the Council, and to monitor its operation. This policy will be reviewed at least once every two years. Recognising that Complaints/Compliments are a Cabinet function, the Committee should:-

15. Review the Annual Complaints Report and seek assurances that the Council is improving in response to complaints raised.

16. The meetings will follow the principles of scrutiny, i.e. no party whip will be applied and a constructive, evidence based approach will be used.

17. To ensure that adequate training is received by the members of the committee on the areas covered by these terms of reference.

18. To ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as confidential.

19. Annually review their effectiveness and their terms of reference

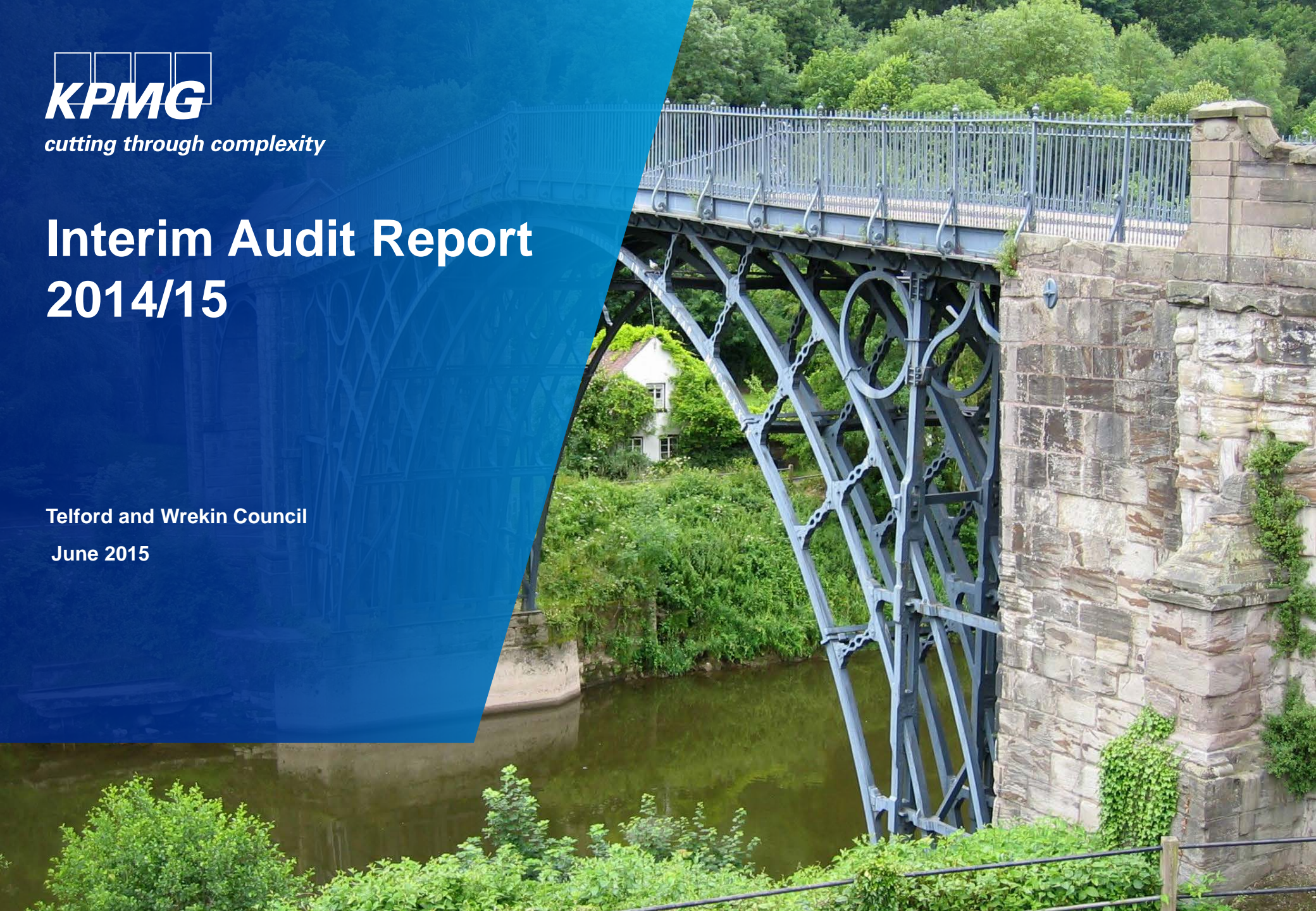


cutting through complexity

Interim Audit Report 2014/15

Telford and Wrekin Council

June 2015



The contacts at KPMG in connection with this report are:



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

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

This document summarises the key findings arising from our work to date in relation to both the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

Scope of this report

This report summarises the key findings arising from:

- our interim audit work at Telford and Wrekin Council (the Authority) in relation to the 2014/15 financial statements; and
- our work to support our 2014/15 value for money (VFM) conclusion up to 31 May 2015.

Financial statements

Our *External Audit Plan 2014/15*, presented to you in January 2015, set out the four stages of our financial statements audit process.

During March to April 2015 we completed our planning and control evaluation work. This covered:

- review of the Authority's general control environment;
- testing of key controls over the Authority's key financial systems;
- assessment of the internal audit function; and
- review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas we have identified for this year.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have completed some early work to support our 2014/15 VFM conclusion.

Our *External Audit Plan 2014/15* set out the specific risks to our VFM conclusion identified at the planning stage. We have not identified any further risks up to the date of this report.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our interim audit work in relation to the 2014/15 financial statements.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

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

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

| | |
|---|---|
| Organisational control environment | Your organisational control environment is effective overall. Our work in relation to this area identified no issues to report. |
| Controls over key financial systems | <p>In relation to those controls upon which we will place reliance as part of our audit, the key financial systems are generally sound.</p> <p>Despite this, there are some weaknesses in respect of</p> <ul style="list-style-type: none"> ■ The formal monitoring and timely clearance of reconciling items identified by way of the monthly bank reconciliations. ■ Overpayments being made to staff ceasing to work for the Authority as a result of leaver forms not being completed on a timely basis. <p>Full details are set out page 6.</p> |
| Review of internal audit | <p>In relation to our work on the Authority's financial controls, we were able to place reliance upon the work of Internal Audit in those areas where we are intending to rely upon controls. Working papers produced by Internal Audit were of an appropriate standard, and were supported by the required evidence.</p> <p>However, we identified the following areas for improvement:</p> <ul style="list-style-type: none"> ■ Greater clarity and consistency is needed of sample sizes when the population consists of a number of sub-categories (i.e sampling across multiple payrolls). ■ Reminders are required in respect to ensuring a consistent file review process and recording of appropriate evidence. <p>Full details are set out page 5.</p> |
| Accounts production and specific risk areas | <p>The Authority's overall process for the preparation of the financial statements is adequate.</p> <p>The Authority appears to be on track with the implementation of the one recommendation made in our <i>ISA 260 Report 2013/14</i>. We will revisit this as part of our final audit work.</p> |
| VFM risks | <p>We have not identified any further risks in addition to those set out in our <i>External Audit Plan 2014/15</i>.</p> <p>We have undertaken initial work in relation to the risk areas identified with no issues being identified. Further work will be undertaken as part of our final audit visit.</p> |

Your organisational control environment is effective overall.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority’s overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

Key findings

We consider that your organisational controls are effective overall.

| Aspect | Assessment |
|---|------------|
| <i>Organisational controls:</i> | |
| Management’s philosophy and operating style | 3 |
| Culture of honesty and ethical behaviour | 3 |
| Oversight by those charged with governance | 3 |
| Risk assessment process | 3 |
| Communications | 3 |
| Monitoring of controls | 3 |

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

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

However, we identified the following areas for improvement:

- **Clarity and consistency of sample sizes; and**
- **Quality and consistency of file review processes.**

Background

United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. Additional guidance for local authorities is included in the *Local Government Application Note* on the PSIAS.

Work completed

The scope of the work of your internal auditors and their findings informs our audit risk assessment.

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

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

The Public Sector Internal Audit Standards define the way in which the internal audit service should undertake its functions. Internal audit last completed a self-assessment against the PSIAS for 2013-14. Since then they have been monitoring progress with the agreed action and provided us with an updated status of this plan as at March 2015.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them. We only review internal audit work that has relevance to our audit responsibilities, to effectively scope out other internal audit work from our findings. Our review of internal audit work does not represent an external review against PSIAS, as required at least every five years.

Key findings

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular meetings during the course of the year, we have not identified any significant issues which would prevent us from relying on internal audit work for 2014-15.

Based on the reports we reviewed, Internal Audit appear to be progressing well with the implementation of the agreed PSIAS Action Plan.

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

We particularly noted improvements in terms of the rotation within the internal audit team of assignments for ongoing assurance engagements and other internal audit responsibilities.

There are, however, some improvements that could be made to further enhance the quality of internal audit's work and reduce the level of top up testing we are required to complete to satisfy our audit requirements:

- **Sampling:** Improvements in respect of sampling accuracy are required. Specifically, we found for some tests the complete population had not been used as the basis for sample selection (i.e. sampling across multiple payrolls).
- **File Review:** Our review of the bank reconciliation testing we found that supporting evidence had not been adequately obtained for reconciling items and that this had not been identified during the file review. Whilst this would appear to be an isolated issue however, enhancements to the quality and consistency of file review are required to ensure all the requisite supporting evidence for controls testing is obtained and referenced accurately on file

These areas have been discussed with Audit & Information Governance SDM and we have included a recommendation in **Appendix 1**.

The controls over the key financial systems are sound.

However, there are some specific weaknesses in respect of

- Timely clearance of reconciling items on bank reconciliation;
- Formal documentation of General Ledger reconciliations; and
- Adequacy of leaver controls and establishment checks.

We will need to complete additional substantive work in these areas at year-end.

Work completed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

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

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

Based on the work of your internal auditors, most of the controls over the key financial systems are sound.

We noted some weaknesses in respect of individual financial systems that will impact on our audit:

- **Bank Reconciliation:** The Bank reconciliation we reviewed had unreconciled balances with a value of over £30k for which there was no supporting evidence. Other months had figures in excess of this and it is not clear whether these are just monthly timing differences or persistent ongoing differences in cash balances. Reconciling items should be promptly identified cleared on a timely basis.
- **Leaver Controls:** In a number of instances leaver forms had not been completed on a timely basis. As a result of this over £38k of overpayments have been made due to late notification of leavers.

Recommendations are included in [Appendix 1](#).

We have not yet assessed all the controls over Property, Plant & Equipment and Pensions. Many of the key controls in these areas are operated during the accounts closedown process and our testing will be supplemented by further work during our final accounts visit.

The weaknesses identified mean that we will need to complete additional substantive work at year-end.

| Financial system | Controls Assessment |
|-----------------------------------|---------------------|
| Property, Plant and Equipment | ③ - provisional |
| Cash and Cash Equivalents | ② |
| Pension Liabilities/Pension Costs | ③ - provisional |
| Non pay expenditure | ③ |
| Payroll | ② |

- Key:
- ① Significant gaps in the control environment.
 - ② Deficiencies in respect of individual controls.
 - ③ Generally sound control environment

The Authority's overall process for the preparation of the financial statements is adequate.

The Authority has is on track with the implementation of the one recommendation made in our *ISA 260 Report 2013/14*.

Accounts production process

We issued our Accounts Audit Protocol to Pauline Harris and Bernie Morris on 28 January 2015. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. We discussed our requirements in detail in a meeting on 28 January 2015.

We continued to meet with the Finance Manager and Finance Team Leader on a regular basis to support them during the financial year end closedown and accounts preparation.

Key findings

In our *ISA 260 Report 2013/14* we raised one recommendation in relation to the adequacy of debtors and creditors reports provided for audit purposes. As part of our interim work we specifically reviewed the Authority's progress in relation to this matter and met with key officers in order to determine a practical solution and that we are happy with the approach to be adopted. We will assess the outcome as part of our final audit work.

We consider that the overall process for the preparation of your financial statements is adequate.

The Authority has a good understanding of the key audit risk areas we identified and is making progress in addressing them.

However, these still present significant challenges that require careful management and focus. We will revisit these areas during our final accounts audit.

Work completed

In our *External Audit Plan 2014/15*, presented to you in January 2015, we identified the key audit risks affecting the Authority's 2014/15 financial statements.

Our audit strategy and plan remain flexible as risks and issues change throughout the year. We have now confirmed that the Group Accounting no longer applies to this year's financial statements as the subsidiary company will not be in place for 2014/15.


We have been discussing the remaining risk with the Finance Manager and Finance Team Leader as part of our regular meetings. In addition, we sought to review relevant workings and evidence and agree the accounting treatment as part of our interim work.


Key findings

Group Accounting - is no longer a key audit risk as the subsidiary company in question had not yet been set up as at 31 March 2015.

Accounting for LA Maintained Schools - we have a jointly agreed approach with the Authority to addressing the associated audit issues. This issue still presents significant challenges that require careful management and focus. We will revisit this area during our final accounts audit.

The table below provides a summary of the work the Authority has completed to date to address these risks.

| Key audit risk | Issue | Progress |
|--|---|--|
|  | <p>During 2014/15, the Authority has approved investment in a commercial project to develop housing for the private rental market. In order to facilitate this, the Authority will establish a wholly owned subsidiary which will procure the development of the housing units and be responsible for the subsequent maintenance and management.</p> <p>In the event that the subsidiary company has undertaken accounting transactions in advance of 31 March 2015, the Authority will be required to consider whether they are required to produce group accounts for the period.</p> | <p>The proposed subsidiary company was not in existence as at 31 March 2015. This is therefore no longer an audit risk for financial year 2014/15.</p> <p>No further work is required for this year's audit.</p> <p>We will revisit this matter in relation to the planning for the 2015/16 audit.</p> |

| Key audit risk | Issue | Progress |
|---|---|---|
|  | <p>LAAP Bulletin 101 Accounting for School Assets used by Local Authority Maintained Schools issued in December 2014 has been published to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools.</p> <p>Authorities will need to review the agreements under which assets are used by VA/VC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that Authorities could incorrectly omit school assets from, or include school assets in, their balance sheet.</p> <p>Particular risks surround the recognition of Foundation School assets which may or may not be held in Trust. Authorities should pay particular attention to the nature of the relationship between the Trustees and the school governing body to determine whether the school controls the Trust and the assets should therefore be consolidated into their balance sheet.</p> | <p>We have jointly agreed a satisfactory approach to the accounting issues with the Authority. On this basis staff have established the position with respect to different schools and have provided working papers accordingly.</p> <p>We will review these working papers in advance of the final audit visit and provide feedback to officers accordingly.</p> |

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

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

Our External Audit Plan 2014/15 describes in more detail how the VFM audit approach operates.

Background

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

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

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

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit. We then assess if more detailed audit work is required in specific areas.

Overview of the VFM audit approach

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



We identified a number of specific VFM risks at planning.

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

We have undertaken some initial work to date in response these risks


Work completed


We identified a number of risks to our VFM conclusion at the planning stage and have undertaken some work to date to assess the Authority's approach to managing these risks.

Key findings

Below we set out our interim assessment of the response to these risks.

We will report our final conclusions in our *ISA 260 Report 2014/15*.

| Key VFM risk | Risk description and link to VFM conclusion | Work undertaken to date and interim assessment |
|---|---|--|
|  | <p>At the time of our audit planning the Authority was required to make savings of £17.2m in 2014/15 (including additional in year savings), and forecast showed that the Authority would have delivered these savings and achieve an underspend of £4.8m.</p> <p>The Authority estimated that £5.5m in additional savings would need to be achieved during 2015/16. We were aware the Authority was in the process of developing and agreeing proposals with Members for these savings. Further significant savings will be required in 2016/17 and 2017/18 to principally address future reductions to local authority funding alongside service cost and demand pressures. The need for savings will continue to have a significant impact on the Authority's financial resilience.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p> | <p>We have reviewed the Authority's Medium Term Financial Plan and Budget Monitoring processes and are now benchmarking these against peer organisations.</p> <p>As part of our final audit visit we will assess the way in which savings plans have been developed, the extent to which they are spread throughout the organisation, and the outturn delivered.</p> |

| Key VFM risk | Risk description and link to VFM conclusion | Work undertaken to date and interim assessment |
|---|--|---|
|  | <p>Whilst the Authority has identified, and delivered, savings of £70.1m in response to the central government funding reductions, it has also sought to find additional sources of income. As a result of this, the Authority is pursuing the following commercial projects:</p> <p>The development of housing units for the private rental market;</p> <p>The construction of a solar farm with the resulting excess energy being sold to the National Grid; and</p> <p>Investment in a new Ministry of Defence storage and distribution depot.</p> <p>These projects are expected to generate additional income through additional council tax and non-domestic rates income, new homes bonus receipts, energy tariff proceeds, and profits from a wholly owned subsidiary established to manage the private housing scheme. In order to generate these incomes, the Authority will be required to make significant investments which will need to be recovered over a prolonged period.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p> | <p>Throughout the year to date we have met with key officers and management in order to monitor the progress of the commercial projects.</p> <p>As part of our final audit work we will review the way in which such projects have been approved, the returns that are expected to be generated, and the way in which such returns are monitored.</p> |

Key issues and recommendations

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

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

We will formally follow up these recommendations at the end of the final audit.

| Priority rating for recommendations | | |
|--|--|---|
| <p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> | <p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> | <p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> |

| No. | Risk | Issue and recommendation | Management response/ responsible officer/ due date |
|-----|------|---|--|
| 1 | 2 | <p>Bank Reconciliations</p> <p>The Bank reconciliation we reviewed had unreconciled balances with a value of over £30k for which there was no supporting evidence. We understand that other months had figures in excess of this and are unclear whether these are just monthly timing differences or persistent ongoing differences in cash balances.</p> <p>This creates the risk that the General Ledger does not accurately reflect the cash position and also the risk that mis-posting, theft or loss of cash goes unnoticed for some period of time.</p> <p><i>We recommend that all reconciling items on the bank reconciliation should be promptly identified and then it should be confirmed they are subsequently cleared within a reasonable timeframe.</i></p> <p><i>The Authority should also set a threshold for the total value of reconciling items which, if breached, triggers further investigation. Compliance with this should be formally assessed as part of the review process.</i></p> | <p>The unreconciled items totalled £11.5k (0.0011% of total income) at the end of the year which was following extensive investigative work by officers. In total around £2.1bn was processed through the cash book in 14/15 which related to 433,000 transactions; the sheer volume of transactions makes it difficult to reconcile to the penny, particularly with cash in transit and other timing differences. We do appreciate that the ideal position is to have no unreconciled items at year end and a piece of work is currently underway to do a detailed review of April's transactions to check the bank reconciliation process and hopefully identify any items which could be causing a discrepancy.</p> <p>The aim is always to minimise the unreconciled amount each month and at year end. Going forward we will set a percentage limit for unreconciled totals each month (which we have discussed in principle with KPMG) and undertake further investigation if this limit is exceeded.</p> <p>Officer Responsible: Pauline Harris (Finance Manager) and Bernie Morris (Finance Team Leader)</p> <p>Implementation Date: 30 July 2015 for review 31 March 2016 for year end.</p> |

| No. | Risk | Issue and recommendation | Management response/ responsible officer/ due date |
|-----|------|--|---|
| 2 | 2 | <p>Leaver Controls</p> <p>Through our review of the work of Internal Audit we identified that leavers notifications are not being completed and submitted to payroll on a timely basis.</p> <p>As a result of these deficiencies the Authority has made overpayments of £38k. This includes payment of additional amounts to continuing employees following cessation of honorariums.</p> <p>Internal Audit have raised related recommendations. Due to the risk, however, we have raised this recommendation in addition.</p> <p><i>Officers should be reminded of the importance of completing leaver notifications on a timely basis.</i></p> | <p>A report was presented to SMT on 30th March 2015 highlighting corporate recommendations from key financial audits 2014/15 and the leaver's checklist and controls were included. Following the report to SMT additional reminders were issued to Managers and staff through the managers Briefing and Staff News. Internal audit have included this area in their plan for 2015/16.</p> <p>Employment Services are implementing the recommendation from the Internal Audit report and the June overpayment report will be provided to SMT by the end of June 2015 with the subsequent report in December</p> <p>Officer Responsible:</p> <p>Julie Pugh (Employment Services Manager) and Ken Clarke (Assistant Director: Finance, Audit & Information Governance)</p> <p>Implementation Date:</p> <p>30 June 2015 31 December 2016</p> |

Key issues and recommendations (cont'd)

| No. | Risk | Issue and recommendation | Management response/ responsible officer/ due date |
|-----|------|--|---|
| 4 | 3 | <p>Internal Audit Sampling</p> <p>Where sample testing is used to support audit findings, it is essential that there is a clear and consistent sampling methodology in place.</p> <p>As a result of our review of the work of Internal Audit we identified that in some instances the approach to sample size determination and selection was inconsistent. Specifically, in relation to payroll testing, we identified instances where the work of internal audit failed to cover each of the payrolls with no clear rationale being recorded.</p> <p><i>We recommend that Internal Audit work clarify the approach to sampling, particularly where the population to be sampled consists of a number of sub-populations.</i></p> | <p>We have updated our sampling rationales to ensure the population and associated sample size and risk are taken into account. The results will be recorded on working papers to evidence how the sample size was agreed and will be signed off by the Principal Auditor or Audit & IG SDM</p> <p>Officer Responsible: Jenny Marriot (Audit & Information Governance SDM)</p> <p>Implementation Date: Complete – in place for 2015/16 audits</p> |
| 5 | 3 | <p>Internal Audit File Review</p> <p>A key element of any internal audit review is the completion of an independent file review designed to confirm the adequacy of the work undertaken.</p> <p>We looked at Internal Audit’s work in relation to cash controls, and found that the internal audit file did not include supporting evidence for reconciling items on the bank reconciliation they tested. This had not been identified through Internal Audits own independent file review process.</p> <p>We would emphasise that this appears to be an isolated matter and has not been repeated in the other files we considered.</p> <p><i>We recommend that internal auditors and reviewers are reminded to include all the requisite supporting evidence for controls testing on file.</i></p> | <p>Accepted that an isolated incident occurred but reminders have been issued to reviewers and auditors.</p> <p>Officer Responsible: Jenny Marriot (Audit & Information Governance SDM)</p> <p>Implementation Date: Complete</p> |



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Our ref TWC/1516/FeeLetter

29 April 2015

Dear Richard

Annual audit fee 2015/16

I am writing to confirm the audit work and fee that we propose for the 2015/16 financial year at Telford & Wrekin Council.

Closure of the Audit Commission

Although the Audit Commission formally closed at the end of March 2015, it was responsible for setting audit fees for the audit of the 2015/16 financial year. Our fee proposals are therefore based on the Audit Commission's *Work Programme & Scales of Fees 2015/16*.

Following the closure of the Audit Commission, responsibility for determining audit fees in the future has transferred to Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association. PSAA will oversee the management of the Audit Commission's audit contracts until they end in 2017, or 2020 if they are extended. The Secretary of State for Communities and Local Government has delegated certain functions formerly exercised by the Audit Commission to PSAA to enable it to deliver these functions.

Also following the Audit Commission's closure, the National Audit Office (NAO) is now responsible for producing and maintaining the Code of Audit Practice (the Code) and providing supporting guidance to auditors. We will follow the requirements of the Code and supporting guidance when delivering our audit work.

Planned audit fee

The planned audit and certification fees for 2015/16 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

| Audit area | Planned fee 2015/16 | Planned fee 2014/15 |
|---|----------------------------|----------------------------|
| Code of Audit Practice audit fee | 117,119 | 156,158 |
| Certification of grant claims & returns | 9,239 | 9,540 |

In general, the Audit Commission set 2015/16 scale fees based on a reduction of 25 per cent to the fees applicable for 2014/15. This reduction is in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012. The planned fee is in line with the scale fee.

Additional fees will arise, however, in relation to the audit of the consolidated financial statements as this is the first year that such accounts have been produced. At this point, the extent of these fees is unclear as the level of additional work required is still to be determined. In addition, as we have not yet completed our audit for 2014/15 the audit planning process for 2015/16, 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.

Factors affecting audit work for 2015/16

We tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering changes affecting our audit responsibilities or financial reporting standards.

The Chartered Institute for Public Finance and Accountancy (CIPFA) has confirmed that a change in accounting policy will be introduced for the accounts from 2016/17, in relation to the measurement of transport infrastructure assets for authorities with highways responsibilities. Fees for any additional audit work required in 2015/16, the preparatory year, in relation to disclosures in the financial statements, will be subject to approval under the normal fee variations process. The Audit Commission decided that it was not appropriate to increase scale fees because the amount of work required at individual authorities will vary based on local circumstances, and may not be required for more than one year.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources. The 2015/16 fees have been set on the basis that the NAO's Code maintains the scope of work required by auditors under the Audit Commission's previous Code and supporting guidance. The NAO has not yet published guidance for auditors on the required approach to work on value for money arrangements for 2015/16.

Certification work

As well as our work under the Code, we will certify the 2015/16 claim for housing benefit subsidy to the Department for Work & Pensions.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

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, we 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 current year's audit. A more detailed audit plan will be issued in January 2016. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with 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.

Our team

The key members of our audit team for the 2015/16 audit are:

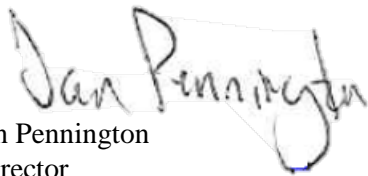
| Name | Role | Contact details |
|----------------|-------------------|---|
| Ian Pennington | Director | ian.pennington@kpmg.co.uk +44 (0) 7803 496511 |
| Adam Bunting | Manager | adam.bunting@kpmg.co.uk +44 (0) 7876 137589 |
| Elsa Conaty | Assistant Manager | elsa.conaty@kpmg.co.uk +44 (0) 7876 447150 |

Quality of service

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Trevor Rees (on 0161 246 4063, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to:

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London
SW1P 3H

Yours sincerely



Ian Pennington
Director

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

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- with the exception of the production of group accounts, which is not currently covered by our planned audit fee, the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2014/15;
- you will inform us of significant developments impacting on our audit work;
- 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 2015/16 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 KPMG, PSAA, the NAO 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 2016 |
| Interim audit report | June 2016 |
| Report to those charged with governance (ISA260 report) | September 2016 |
| Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate | September 2016 |
| Opinion on Whole of Government Accounts return | September 2016 |
| Annual audit letter | November 2016 |
| Certification of grant claims and returns | January 2017 |

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 30 JUNE 2015

TREASURY MANAGEMENT - 2014/15 ANNUAL REPORT AND 2015/16 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 2014/15 and details the position for 2015/16 to date.

2014/15 Treasury Outturn

The treasury portfolio ended the year with net indebtedness of £112.8m (borrowing: £116.6m less investments: £3.8m). Base rate was 0.5% for the whole year and is predicted to stay at 0.5% until 2016.

The borrowing strategy for 2014/15 was to use maturing investments to reduce borrowing, where possible. Borrowing was £9m lower at 31 March 2015 compared to 31 March 2014, however investments were £19.8m lower due to the use of maturing investments to reduce the need for borrowing in line with the strategy. The net increase in net indebtedness was due to capital expenditure. Short term borrowing was used to fund short term cash flow requirements during the year at favourable interest rates generating a significant benefit for the Council's budget.

The investment strategy for 2014/15 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 0.92% against a benchmark of 0.44%.

Overall, treasury delivered a net over-achievement of £2.149m against the budget set for 2014/15. The majority of the saving relates to the benefit of extending the change in the calculation of the Minimum Revenue Provision applied in 2013/14 to include supported debt (government allocations), which is made up of a back-dated element of £1.1m and an ongoing benefit of £0.3m. It also includes £0.246m generated as a one-off saving in 2014/15 as a result of capitalisation of interest on capital projects pending their completion.

2015/16 Update

The strategy for 2015/16 remains consistent with that of the previous year. Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters. There are currently no long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

Based on the capital programme, borrowing will be required during the year and consideration will be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which is primarily expected to be the Public Works Loans Board.

We will also seek to identify any further potential one-off or ongoing treasury management savings opportunities such as further reviews of the Council's MRP policies.

Temporary borrowing was £28m at 31/3/15 and has increased slightly to £28.5m as at 31 May 2015. Investments were £11m at 31 May 2015.

2. RECOMMENDATIONS

Audit Committee Members are asked to:-

- 2.1 note the contents of the report
- 2.2 note the performance against 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 27 February 2014

Audit Committee 30 June 2014

Audit Committee 27 January 2015

Council 5 March 2015

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. **2014/15**

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

- 2014/15 Portfolio position;
- the borrowing strategy for 2014/15;
- the borrowing outturn for 2014/15;
- compliance with treasury limits;
- investments strategy for 2014/15;
- investments outturn for 2014/15;
- debt rescheduling;
- Shropshire Council debt
- overall outturn position

- leasing

7. **2014/15 PORTFOLIO POSITION**

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

| | 31 March 2014 | | 31 March 2015 | |
|-------------------------|-------------------------|-----------|-------------------------|-----------|
| | Principal £m | Rate % | Principal £m | Rate % |
| Borrowing | 125.583 | 3.37 | 116.613 | 3.49 |
| Investments | 23.510 | 3.38 | 3.778 | 0.92 |
| Net Indebtedness | <u>(102.073)</u> | | <u>(112.835)</u> | |

There was new temporary borrowing and repayment of £11m PWLB during 2014/15; temporary borrowing was £28.1m at 31 March 2015. 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 2014/15 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 Political uncertainty had a large bearing on market confidence this year. These included the Scottish referendum, the concerns over Greece and the run up to the general election. Base rate remained at 0.5% throughout the whole of 2014/15. The UK economy showed growth of 3% in 2014. Annual inflation fell to 0% in March, having been 1.6% a year earlier. Base rate has generally been predicted to stay at 0.5% until mid 2016.
- 9.2 The Council has reduced both the amount and duration of its investments. 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 2014/15**

10.1 **Original Economic Projections**

The Expectation for Interest Rates – When the budget was set for 2014/15 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 2014/15**

During 2014/15 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 2014/15 was on quarterly GDP growth figures and the unemployment rate. Overall for 2014/15 the economy grew by 3%.

Inflation had been a major concern of the MPC but this has fallen from 1.6% in March 2014 to 0.0% in March 2015. Inflation is predicted to increase back to the 2% target level within the 2 year horizon.

Borrowing and Investment Rates in 2014/15

The overnight investment rate has varied little during the year.

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. The maturing in less than 1 year includes £1.001m of PWLB loans.

Analysis of Debt Maturity as at 31st March

| | 2014 | | 2015 | |
|---------------------------------|-----------------------|----------|-----------------------|----------|
| | £'000 | % | £'000 | % |
| Maturing in less than 1 year | 37,063 | 29.5 | 29,093 | 25.0 |
| Maturing in 1-2 years | 1,001 | 0.8 | 1,001 | 0.9 |
| Maturing in 2-5 years | 3,002 | 2.4 | 3,003 | 2.6 |
| Maturing in 5-10 years | 1,506 | 1.2 | 507 | 0.4 |
| Maturing in more than 10 years* | <u>83,011</u> | 66.1 | <u>83,009</u> | 71.1 |
| | <u>125,583</u> | 100.0 | <u>116,613</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 risen over the course of the year from 3.37% to 3.49%. This is due to less temporary borrowing being undertaken in 2014/15 as compared to 2013/14. The low rates of this in 2013/14 led to a slightly lower 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

12. INVESTMENTS 2014/15

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 2014/15.

Investment Strategy - The agreed short term investment strategy for 2014/15 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 2014/15

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 | £24.214m | 0.92% | 0.92% | 0.44% |

No institutions in which investments were made showed any difficulty in repaying investments and interest in full during the year.

13. SHROPSHIRE COUNCIL DEBT

The Council makes an annual contribution (£1.877m in 2014/15) towards County Council costs on pre disaggregation debt (i.e. pre unitary inception) - interest paid averaged 5.49% 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 2014/15**

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 £2.1m was made against budget for the year which is summarised below:

Summary of Outturn Position

| | Estimate £m | Outturn £m | Variance £m |
|----------------------------------|----------------|---------------|----------------|
| Interest Received | (0.3) | (0.2) | 0.1 |
| Principal Repayments | 4.6 | 4.3 | (0.3) |
| MRP saving from change of policy | 0.0 | (1.4) | (1.4) |
| Contribution to provision | 0.0 | 0.1 | 0.1 |
| Capitalisation of Interest | (0.0) | (0.2) | (0.2) |
| Interest Paid | <u>5.3</u> | <u>4.9</u> | <u>(0.4)</u> |
| Net Position | 9.6 | 7.5 | (2.1) |

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 2014/15 was completed in March. The drawdown consisted of an operating lease from Siemens totalling £0.033m and funded the purchase of ICT equipment over three years and a finance lease with JCB Finance totalling £0.299m and funded the purchase of ICT equipment at an interest rate of 1.34%.

16. **2015/16 UPDATE**

The remainder of this report deals with the current financial year based largely on information to 31 May 2015.

16.1 **Strategy**

The strategy for 2015/16 is to continue to keep investments as short term, where possible, to reduce the need to borrow thus reducing investment exposure and maximising overall returns to the revenue account. 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. 2015/16 and 2016/17 will see the Council investing in significant regeneration projects including building homes and commercial property for rent as part of the approved Housing Investment Programme

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 mid 2016.

16.3 **Prudential Regime**

This Council agreed its required indicators at Council on 5 March 2015. There have been no breaches of the indicators and none have been amended. The Council set itself an Operational limit for external debt of £370m for 2015/16 and an Authorised limit of £390m. Our total borrowing outstanding (including PFI) is £171m which is within both limits.

16.4 **Borrowing**

We have not taken any new borrowing in 2015/16 and have had no maturities to-date. In total we have £1m maturing during 2015/16.

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 2015 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 2015 internal investments stood at £11.41m.

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 £10.0m with Svenska Handelsbanken (87.7% of the portfolio). It was also our only investment with a non UK sovereign institution. 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 £20m.

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)

Tel. (01952) 383702

PRUDENTIAL INDICATORS

| PRUDENTIAL INDICATOR | 2013/14 | 2014/15 | 2014/15 |
|---|-------------------|----------------------|-------------------|
| (1). EXTRACT FROM BUDGET AND RENT SETTING REPORT | £m | £m | £m |
| | Actual Outturn | Original Estimate | Actual Outturn |
| Capital Expenditure | | | |
| TOTAL | 84.6 | 115.7 | 115.3 |
| Ratio of financing costs to net revenue stream | | | |
| General fund | 3.11% | 3.85% | 3.85% |
| Net borrowing requirement | | | |
| brought forward 1 April | 110.6 | 125.6 | 125.6 |
| carried forward 31 March | 125.6 | 108.3 | 116.6 |
| in year borrowing requirement | +15.0 | -17.3 | -9.0 |
| Capital Financing Requirement as at 31 March | | | |
| TOTAL | 271.1 | 270.3 | 295.5 |
| Annual change in Cap. Financing Requirement | | | |
| TOTAL | +29.1 | -5.6 | +19.6 |
| Incremental impact of capital investment decisions | £ p | £ p | £ p |
| Increase in council tax (band D) per annum (not cumulative) | -3.71 | 21.20 | 21.20 |

| PRUDENTIAL INDICATOR | 2013/14 | 2014/15 | 2014/15 |
|--|---------|----------|---------|
| (2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS | £m | £m | £m |
| | final | original | final |
| Authorised limit for external debt - borrowing | 145 | 170 | 240 |
| other long term liabilities | 65 | 64 | 64 |
| TOTAL | 210 | 234 | 304 |
| Operational boundary for external debt - borrowing | 125 | 158 | 223 |
| other long term liabilities | 63 | 62 | 62 |
| TOTAL | 188 | 220 | 285 |
| 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 2014/15 | 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 2015

| | Sovereign Credit Rating | Individual credit Rating | Total £m | % |
|----------------------------------|--|---------------------------------|---------------------|--------------|
| Call Accounts | | | | |
| HSBC | UK AA+ | F1+AA- support 1 viability a+ | 1.413 | 12.4 |
| Svenska Handelsbanken | SWE AAA | F1+AA- support 2 viability aa- | 10.000 | 87.6 |
| | | | 11.413 | 100.0 |
| Fixed Deposits | | | | |
| | | | 0 | |
| | | | 0.000 | 0.0 |
| Variable Deposit | | | | |
| | | | 0 | |
| Total | | | 34.968 | 100.0 |
| Non UK holding £10m (Limit £20m) | | | | |

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th JUNE 2015

2014/15 INTERNAL AUDIT QUARTER 4 UPDATE REPORT AND THE INTERNAL AUDIT & INFORMATION GOVERNANCE ANNUAL REPORT

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter four January – end of March 2015.
- 1.2 To present the 2014/15 Internal Audit & Information Governance Annual Report to the members of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Internal Audit update information for quarter four 2014/15; and
- 2.2 That members of the Audit Committee note the Internal Audit & Information Governance Annual Report for 2014/15

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”. The Audit Committee receives regular updates on the work of Internal Audit. This report provides the final update for 2014/15 in respect to quarter four – January – March 2015.
- 3.2 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.
- 3.3 The Public Sector Internal Audit Standards are deemed as proper practice under the Accounts and Audit (England) Regulations 2011 and Accounts and Audit Regulations 2015 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.

3.4 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 2014/15 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 25th June 2013 – Internal Audit & Information Governance Annual Report 2012/13
Audit Committee 30th June 2014 – Internal Audit & Information Governance Annual Report 2013/14
Audit Committee 16th September 2014 – Internal Audit Quarter 1 Update 2014/15
Audit Committee 27th January 2015 – Internal Audit Quarters 2 and 3 Update 2014/15

5 QUARTER 4 INTERNAL AUDIT UPDATE INFORMATION

- 5.1 This report provides information on the work of Internal Audit from 1st January – 31st March 2015 and provides an update on the progress of previous audit reports issued (July 2012 to December 2014).
- 5.2 The key focus for the team during quarter four has been the completion of work from the 2014/15 plan with priority being given to the key financial systems audits relied upon by External Audit for their final accounts audits and examined during their interim visit at the end of March 2015.
- 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 July 2012 to December 2014 with their current status. (Members should note that once reports have reached a

green status and have been reported to members they are excluded from future reports).

iv) **Appendix D** – Summary of the 1 red and 2 amber reports issued in quarter four.

5.4 Appendix A shows 12 reports were issued in quarter four. For the final reports issued the time taken for the areas shown in the table below varied from the allocated time by more than +/- 10%.

| Area | Variance (> +/- 10%) | Reason |
|------------------------------------|----------------------|---|
| P2P | +12% | More testing required than anticipated |
| Public Health standards compliance | -80% | Reduced scope agreed with service area |
| Mount Gilbert School | +163% | Many issues found and additional work/time taken to explain outcomes to Head teacher and Schools Business Manager |
| General ledger | -33% | Work undertaken as part of previous asset audit follow up |
| Cash collection | -50% | Reduced scope compared to previous years and work undertaken as part of establishment visits |
| Haughmond Hill Catering | +60% | Issues identified and therefore took longer to identify evidence and test |
| Ice Rink Catering | +40% | Issues identified and therefore took longer to identify evidence and test |
| Ercall Wood School | -28% | School well prepared so audit went very smoothly |

The reasons for the variances are as explained above. The positive variances were identified early, authorised and managed to ensure added value. The scopes and time allocations for future 2015/16 audits have been informed by this information and will be closely monitored.

5.5 From Appendix A there were two Amber and one Red reports issued during quarter four. A summary of each report is provided in Appendix D. For these Amber and Red reports management actions and time scales have been agreed to implement the recommendations. The follow up for Mount Gilbert School and the two catering establishments are planned for June 2015. Internal Audit is confident that management will implement the recommendations to provide appropriate assurance and improved controls.

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

| Audit Area | Days | Explanation |
|-------------------------|------|--|
| Advice & Consultancy | 26 | Continued advice and guidance sought due to more commercial approach and staff new to roles and responsibilities due to restructures |
| Care provider complaint | 13 | Work requested by the Managing Director and Monitoring Officer |
| HR/Payroll | 16.5 | Fundamental audit |
| Main accounting | 20 | Fundamental audit |

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 | Red/ Amber | Amber | Update agreed to September 2015 meeting |
| 2. | Moorfield Primary School | Red | Amber | Follow up undertaken March 2015 and no change so further follow up now in progress. |
| 3. | Unstructured Data Storage | Amber | Amber | Follow up undertaken in November 2014 but insufficient progress made so 2 nd follow up due February 2015. However issues have now been included in compliance work being undertaken by IG so new report will be issued by 30/06/15. |
| 4. | Shared Lives | Red | Amber | Follow up Dec 2014 moved it to Amber and next follow up in progress |
| 5. | Direct Payments | Amber | | Follow up in progress. However an external review of the Direct Payment processes and future structure of the service to be undertaken Summer 2015. |
| 6. | Adults Safeguarding Policies & electronic records | Red | | Follow up in progress. However no evidence that vulnerable people have/are being put at risk. Since the audit a dedicated adult safeguarding team has been developed to respond to timescales and procedural requirements and a huge data cleansing exercise on electronic records has been undertaken. These changes are being reviewed as part of the follow up. |
| 7. | Blessed Robert Johnson School | Red | | Follow up in progress |

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 2014/15 INTERNAL AUDIT ANNUAL REPORT

6.1 Assurance and Opinion

6.1.1 The Council's section 151 officer's statutory obligation under the Accounts and Audit 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.

6.1.2 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.

- 6.1.3 The planned Internal Audit resources following the restructure for 2014/15 were 1018 days plus 55 days (1073) specialist ICT audit provided under contract (from external providers). These resources were nearly a 5% increase on the resources for 2013/14 bringing us back to almost the same level as 2012/13 (1090 compared to 1073). The resources and the plan were agreed by the Audit Committee in June 2014. The actual resources available during the year were slightly less than planned due to a delay in recruiting to the vacant fixed term auditor post and availability of the casual Auditor but most of the deficit was made up by the use of the framework contract.
- 6.1.4 Early in 2014/15 the Internal Audit team were also requested at late notice to assist Madeley Town Council with their financial year end audit. The work was undertaken for a fee within the agreed tight deadlines and as a result a contract has been secured to undertake this work for the next 3 years.
- 6.1.5 Based on the work undertaken during the year (areas attached as **Appendix E**) 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.
- 6.1.6 Work was requested by the Managing Director in respect to the financial processes within Adult Social Care and this was undertaken jointly by the Audit & IG SDM and ASC Service Improvement & Efficiency SDM. Improvements have been made and various action plans and initiatives are in place across Adult Social Services, Commissioning and the Care & Enablement provider services to deliver the Adults Cost Improvement Plan. The Director for Care, Health and Well Being has attended the Audit Committee to provide updates on progress in respect to improvements to the Abacus system and impact on the financial position.
- 6.1.7 As in previous years Senior Management have attended the Audit Committee where requested to provide updates or explain why progress on the implementation of recommendations was not as agreed and appropriate assurances have been provided (or further information was provided to the Audit Committee members).
- 6.1.8 As in previous years this Internal Audit and Information Governance Annual Report includes information in respect to the type and number of recommendations made during the year (as requested by the Committee). This information is shown below for 2014/15 with comparisons to 2013/14 shown in brackets.

Number of Recommendations made by Type 2014/15 (2013/14)

| No. of Audit Reports & Grading | Total number of recommendations | Financial Regulation) | Legal | Policy and/or Procedure | Best Practice |
|---|---------------------------------|------------------------|---------|-------------------------|---------------|
| 45(65) 2 (8) Green 24 (37) Yellow 13 (15) Amber 4 (3) Red 2 (2) no grading* | 541 (808) | 68 (126) | 20 (56) | 430 (568) | 23 (58) |

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

6.1.9 45 audit reports were issued during 2014/15, 20 less than 2013/14 but there were 9 reports in the process of being finalised at year end in respect to 2014/15 work. These were undertaken by 3 contractors under the framework contract and the work had commenced in January 2015 (later than planned). The other reduction is attributable to the complexity of scopes, unplanned/requested work at a level higher than 2013/14 and the continued volume of advice, guidance and adhoc requests (these have included the investigation of complaints). All key areas where the External Auditor relies on the work of internal audit were completed.

6.1.10 Out of the 43 reports (excluding the no grading reports) 5% (13%¹) were green (good), 56% (59%) were yellow (reasonable), 30% (24%) were amber (limited) and 9% (4%) were red (poor). There has been an increase in percentage terms of amber and red reports – 39% 2014/15 compared to 28% 2013/14. A summary of amber and red reports with explanations have previously been reported to the Committee with detailed reports being circulated to members of the Committee prior to the meeting.

6.1.11 16% of the 14/15 recommendations were legal/financial regulation compared to 23% in 13/14. 79% of the 14/15 recommendations were policy and procedure compared to 70% in 13/14. The continued increase in policy and procedure recommendations follows the trend identified in 12/13 and 13/14 in respect to the impacts of organisational change, restructures and the lack of training/handover or understanding of staff in new/revised roles.

6.2 Public Sector Internal Audit Standards (PSIAS)

6.2.1 The Public Sector Internal Audit Standards (defined proper practice under the Accounts and Audit Regulations 2011 and 2015) were effective from 1st April 2013 and Internal Audit reviewed their compliance during 2013/14 with the standards and an action plan was developed and these actions have continued to be implemented during 2014/15. Updates were provided to the Audit Committee in January and September 2014. A recent update has been provided to the External Auditors as part of their preparatory work for the 2014/15 final accounts audit.

6.2.2 The position on the remaining actions is shown below:

| No. | Standard | Comment |
|-----|--|---|
| 1. | Quality Assurance & Improvement Programme (QA&IP) | This has been developed during 2014/15 and will be fully operational during 2015/16. |
| 2. | External Assessment | Not due until 2017/18 but will assess options during 2015/16 for presentation and agreement by the Audit Committee in January 2016. |
| 3. | Review of: <ul style="list-style-type: none"> ethics related activities | Not formalised but does form part of other audits. However discussions continue with the Managing Director and CFO. Target date is September 2015. |
| 4. | Review how the Council manages fraud risks | Fraud risk register informs the proactive audit work but need to review how the Council manages the risk of fraud against best practice which was the Audit Commission Red Book but superseded by a new CIPFA code autumn 2014 and guidance due out June 2015 so date revised to December 2015. |

¹ Figures in brackets are for 2013/14

6.2.3 As part of the standards it is a requirement to outline in the annual report where there is any non-compliance. Actions 3 and 4 above are the two areas out of over 120 areas within the checklist from the CIPFA Local Government Advisory Note to the Standards where we are not fully compliant but the CFO is satisfied with the mitigation and actions being taken.

6.3 Performance against External Review

6.3.1 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 2014/15 and External Audit has indicated that the work is of a good standard and that they can place reliance on it however they have identified 2 minor improvement areas for 2015/16 work.

6.3.2 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. They undertook their first review of Internal Audit against these standards in 2013/14 and were satisfied with the assessment, supporting evidence provided and action plan. For this year they have reviewed updated evidence for sample areas and the position of the action plan.

6.4 Improvement Activity

6.4.1 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 6.5), sharing best practice with other local authorities and service providers. In addition we also held a team update session with a specialist Internal Audit consultant to review our approach and processes to ensure we are focussing on the right things, adding value and being as effective as possible.

6.4.2 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 us 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.

6.5 Customer Feedback

6.5.1 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

6.5.2 The analysis of post audit questionnaire feedback is shown in the table below compared to the last 2 years. The exceptionally high ratings of recent years have continued to improve further.

POST AUDIT QUESTIONNAIRE FEEDBACK 2014/15 compared to last 2 years

| Question | 2012/13 From top score 5 | 2013/14 From top score 5 | 2014/15 From top score 5 | Difference 13/14 to 14/15 |
|---|--------------------------------|--------------------------------|--------------------------------|---------------------------------|
| Pre- Audit Arrangements | 4.6 | 4.6 | 4.9 | +0.3 |
| Audit Visit | 4.7 | 4.7 | 4.9 | +0.2 |
| Communication | 4.5 | 4.4 | 4.8 | +0.4 |
| Report | 4.5 | 4.5 | 4.8 | +0.3 |
| Is audit a positive support – Yes | 100% | 100% | 100% | 0 |

The team's customer performance has improved in all areas during 2014/15 and the average score has increased from 88% (4.4) or more to 96% (4.8) or more. The scores received are higher than the last two years which we believe can be attributed to the improvement in audit processes and recognition of support provided by the audit process to auditees during the current difficult times. These improvements were made following self-review and feedback from previous years.

7 2014/15 INFORMATION GOVERNANCE ANNUAL REPORT

7.1 Background

7.1.1 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 2000² and Environmental Information Regulations 2004.

7.1.2 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.

7.2 Information Rights

7.2.1 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
- **Freedom of Information Act 2000** – encompasses any information held by the Council

² Full provision of FOI Act 2000 powers were not fully introduced until 1 January 2005

- **Environmental Information Regulations 2004** – information with an environmental impact

7.2.2 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.

7.2.3 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.

7.2.4 See table below for figures relating to FOI performance for the year 1 April 2014 to end of March 2015 compared with the same period for the previous year:

| | 14/15 | 13/14 | % Increase / Decrease |
|--|-------|-------|-----------------------|
| Number of FOI requests received | 1132 | 1076 | +5% |
| Average number of FOI requests received per month | 94 | 90 | +4% |
| % of FOI requests responded to within statutory deadline | 93 | 95 | -2% |
| 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 has slightly reduced (down by 2%) from 2013/14 but 5% more requests were received in the year. This still compares favourably with the ICO benchmark of responding to 80% of FOI requests received within 20 working days.

In addition to the above the Council received 48 requests that were processed under the Environmental Information Regulations (EIR) 2004. 89% of these requests were responded to within the 20 day deadline. Figures for 13/14 are not comparable as IG were not recording requests accurately in respect to what constituted an FOI request or an EIR request.

7.2.5 In this period IG have received and responded to 21 appeals (4 being upheld) from requestors who were not satisfied with the response they received to their FOI/EIR request. This compares to a total of 16 appeals in 2013/14.

7.2.6 Also in this period IG received 4 referrals (covering 2 separate individuals) from the Information Commissioner (ICO) in respect to complaints made to them by FOI requestors. All 4 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 all 4 matters who were satisfied with the explanations provided and therefore no further action was taken. However one individual has appealed the ICO decision on one of these referrals and the Council is awaiting the outcome of this.

7.2.7 Between 1 April 2014 and 31 March 2015 the Council received 57 Subject Access Requests (SAR's), this compares to 65 requests for the same period in 2013/14. 94% of SAR's received have been processed within the 40 calendar day deadline (95% of SAR's

processed within deadline for 2013/14). This is a slight reduction in performance but still compares favourably with the Information Commissioner's benchmark of responding to 80% of SAR's within 40 calendar days.

7.3 Data Security Incidents

7.3.1 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 mobile phone to confidential/sensitive information being communicated to an unauthorised and/or incorrect recipient.

7.3.2 Between the 1 April 2014 and 31 March 2015 there were 86 reported instances of possible data breaches (163 reported instances in 2013/14) – this is a significant decrease from 2013/14 (see below). IG (with the assistance of service areas) investigated all of these and has confirmed that 44 data breaches had occurred (83 data breaches were identified in 2013/14). 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 | 37 (75 in 13/14) | 29* |
| Accidental release of personal information verbally | 4 (2 in 13/14) | 1 |
| Documents containing sensitive information left in an insecure location | 1 (2 in 13/14) | 0 |
| Information lost or stolen | 2 (4 in 13/14) | 0 |
| TOTAL | 44 (83 in 13/14) | |

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

There has been a considerable drop in the number of possible data breaches reported and subsequent confirmed data breaches identified. One of the main reasons for this is that IG has revised the definition of what constitutes a data breach to be more consistent with other bodies. Particular internal instances that would have been identified as a data breach in 13/14 are now classed as security incidents rather than a breach. An example is where a Council officer has emailed personal information to an incorrect Council officer using the Council's email system. In this example there has been no breach to 'outside 3rd parties' or use of the information as the issue has been contained internally. Where security incidents do occur reminders are issued and lessons are still learnt by the appropriate service area.

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

7.3.4 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.

- 7.3.5 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 April 2014 – September 2014 are attached as **Appendix F** for information.

7.4 Information Governance Work Programme

- 7.4.1 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 2014/15 IG work programme was agreed at the March 2014 Audit Committee. Progress to date in respect to this programme is shown attached as **Appendix G**.
- 7.4.2 The next update to the Audit Committee on Information Governance will be the 2015/16 update report, incorporating activity during April – mid August 2015 which will be presented to the September Audit Committee.

8 CONCLUSIONS FOR 2014/15

- 8.1 Despite limited resources and adhoc requests for work the Internal Audit & IG Team has performed well and made a positive contribution to the governance arrangements within the Council.
- 8.2 The statutory responsibilities of the Council's Chief Financial Officer (section 151 officer) in respect to internal audit and internal control have been met and Internal Audit has provided reasonable assurance to the Council on the Council's internal controls, governance and risk management processes for the areas reviewed in 2014/15.
- 8.3 The Internal Audit & IG Team has also continued to provide advice and guidance on governance, procedures, controls, information security and risk management.
- 8.4 However, there are numerous major changes occurring both within and outside the Council during 2015/16 which could affect the team's activities, for example :-
- a) General and Unitary elections results May 2015. This could result in changes to expectations locally and nationally of local government - it's policies and legislation;
 - b) The continued pressure on the Council's budget strategy for 2015/16 and beyond may result in further changes to the service and resources but endeavouring to ensure that Internal Audit resources are not reduced;
 - c) Further service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;
 - d) The continued development of relationships with revised service delivery areas to ensure the team continues to support the authority in achieving its objectives.
 - e) Consideration of the future changes to the external audit and inspection regime;
 - f) Changes in any information rights legislation and guidance; and
 - g) The Council's key projects including Adult Social Services and Adult Care Act, Commercial Projects (including the Housing Investment programme) and Single Status.

9 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 Regulations 2015 (Part 2, paragraph 5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. However, it should also be noted that work undertaken as part of this report was done so under the duty contained in previous legislation namely the Accounts and Audit (England) Regulations 2011 which stated that a 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. The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.</p> <p>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 3.3, 6.1.1 and 6.2.1 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 | All aspects of the Audit & IG teams work support good governance which underpins the achievement of the Council's objectives and priorities. |
| 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 2014/15 with an under spend at the end of the year due to vacant posts. Audit & IG team members will identify cost implications arising from reviews wherever possible.</p> <p>The budget for external audit of £166k was under spent for 2014/15 by £19k mainly as a result of refund received in year from the Audit Commission in</p> |

| | |
|-------------------|---|
| | <p>respect of the 2013/14 main audit fee. 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. MLB 22.05.15</p> |
| Ward Implications | The work of the Audit & IG team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards. |

10 **BACKGROUND PAPERS**

Annual Audit Plan 2014/15 and Charter
Internal Audit PSIAS Action Plan
Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013
CIPFA Local Government Application Note - April 2013
Accounts and Audit Regulations - 2011 and 2015
Corporate Information Security Policy
Corporate Information Security Breach Procedure

Report by Jenny Marriott, Audit & Information Governance Manager. Telephone: 383101 and Rob Montgomery Information Governance Team Leader. Telephone 383103

FINAL REPORTS ISSUED QUARTER FOUR – JANUARY TO MARCH 2015

| Audit Area | Opinion | Follow Up Due | Days allocated | Days Taken | Variance % |
|---|----------------|--------------------------|-----------------------|-------------------|-------------------|
| Housing Benefits & Local Council Tax Support Scheme | Yellow | As part of annual audit | 25 | 24 | -2% |
| P2P – Purchase to Payment | Yellow | 2015-16 audit | 25 | 28 | +12% |
| Pensions Processes & Systems | Green | August 2015 | 7 | 7.5 | +0.7% |
| Public Health Standards Compliance | Yellow | August 2015 | 10 | 2 | -80% |
| Mount Gilbert School | Red | June 2015 | 8 | 21 | +163% |
| Main Accounting General Ledger | Yellow | As part of annual audit | 30 | 20 | -33% |
| Cash Collection | Yellow | As part of annual audit | 20 | 10 | -50% |
| Vacant units | Yellow | September 15 | 5 | 5 | 0 |
| Haughmond Hill Catering | Amber | June 2015 | 5 | 8 | +60% |
| Ice Rink Catering | Amber | June 2015 | 5 | 7 | +40% |
| Ercall Wood Technology College | Yellow | September 2015 | 9.75 | 7 | -28% |
| HR/Payroll | Yellow | As part of 2015-16 audit | 18 | 16 | -11% |

AUDIT WORK AREAS WHERE SPENT MORE THAN ONE DAY

| Audit Area | Days |
|---|-------------|
| Adult Social Care Project | 1.5 |
| Advice & Consultancy | 26 |
| Burton Borough Data Audit | 2 |
| Care Provider Complaint | 13 |
| Cash Collection | 7 |
| Charlton School Audit | 7 |
| Darby Road Complaint | 2 |
| Direct Payment case Review following referral | 7 |
| Ercall Wood School | 7 |
| Flood Plan Actions Follow Up | 2 |
| Follow ups | 2 |
| Food Hygiene Rating System | 3 |
| Governance review | 1.5 |
| Halcrow Contract | 5 |
| Housing Benefits (including Welfare Reforms) | 1.5 |
| HR/Payroll 2014-15 | 16.5 |
| ICT audit contract monitoring and file review | 2.5 |
| Library Public Use Machines review | 2 |
| Main Accounting 2014-15 | 19 |
| Mobile Catering | 5.5 |
| Mount Gilbert School | 3.5 |
| National Fraud Initiative | 3.5 |
| Oakengates Children's centre Follow Up | 4.5 |
| Oakengates Children's Centre – additional audit work requested following a referral | 6 |
| P2P - creditor payments (2014 - 2015) | 2 |
| PCI Compliance | 1.5 |
| Pension systems & processes (2014 - 2015) | 3 |
| Priority System Backup/Storage Review | 2 |
| Proactive Fraud work | 5 |
| Procurement - review of a sample of contracts | 6 |
| Section 17 payments | 7 |
| Shared Lives | 1.5 |
| Transport Grant (2014-15) | 4 |
| Troubled Families Grant | 2 |
| Vacant units | 4 |
| Review into potential Computer Misuse | 2 |

STATUS ON FINAL REPORTS ISSUED JULY 2012 TO DECEMBER 2015

APPENDIX C

| Audit | Original Opinion | Updated Opinion | Comments | Status as at 31.03.15 |
|-----------------------------------|------------------|-----------------|--|--|
| Abacus system & Abacus concerns | Amber Red | Amber | Regular updates to Audit Committee with last one January 2015. | Update agreed to September 2015 meeting |
| Disabled Facilities Grants | Yellow | Green | Follow up completed December 2014 | Follow up undertaken December 2015. Re-graded Green so no further follow up required. |
| Telford Snowboarding & Ski Centre | Amber | Yellow | Follow up issued October 2014 | Follow up sent October 2014 but not returned so remains Yellow. No further follow up will be undertaken. |
| Moorfield Primary School | Red | Amber | Follow up visit undertaken March 2015 | 2 nd Follow up visit booked May 2015 (in progress) |
| Impulse | Amber | Green | Follow up completed September 2014 | Follow up undertaken September 2014. Re-graded Green so no further follow up required. |
| Minimising Empty Properties | Amber | Green | Follow up completed February 2015 | Follow up undertaken February 2015. Re-graded Green so no further follow up required. |
| Foster Homes Reviews | Amber | Yellow | Follow up issued November 2014 | 2 nd Follow up sent November 2014 but not returned so remains Yellow. No further follow up to be undertaken |
| Clarity Live | Amber | Yellow | Follow up completed May 2015 | 2 nd Follow up completed May 2015 no further progress made so remains Yellow and no further follow up required |
| Unstructured Data Storage Audit | Amber | Amber | Follow up due November 2014 | Follow up undertaken in November 2014 but insufficient progress made so 2 nd follow up due February 2015 as agreed with ICT but included in compliance work undertaken by IG. |
| Leisure Central Admin | Yellow | Green | Follow up completed February 2015 | Follow up undertaken February 2015. Re-graded Green so no further follow up required |
| Southall Special Schools | Yellow | Green | Follow up completed January 2015 | Follow up undertaken January 2015. Re-graded Green so no further follow up required |

STATUS ON FINAL REPORTS ISSUED JULY 2012 TO DECEMBER 2015

APPENDIX C

| Audit | Original Opinion | Updated Opinion | Comments | Status as at 31.03.15 |
|---|----------------------|-----------------|---|--|
| Ladygrove Primary School | Yellow | Green | Follow up completed January 2015 | Follow up undertaken January 2015. Re-graded Green so no further follow up required |
| Queenswood Primary School | Amber | Green | Follow up completed November 2014 | Follow up undertaken November 2014. Re-graded Green so no further follow up required |
| Shared Lives | Red | Amber | Follow up completed December 2014 | 2 nd follow up visit due to be undertaken June/July 2015 |
| Special Guardianship | Amber | Green | Follow up completed January 2015 | Follow up undertaken January 2015. Re-graded Green so no further follow up required |
| Dawley C of E Primary School - Follow up | Red | Green | 2 nd Follow up completed November 2014 | Follow up undertaken November 2014. Re-graded Green so no further follow up required |
| Town Park review* | N/A requested review | | Follow up commenced May 2015 | Follow up in progress. Will be reported to next Audit Committee |
| Telford Ice Rink | Amber | Yellow | Follow up completed January 2015 | Follow up undertaken in January 2015. 2 nd follow up due July 2015 |
| Hadley Learning Community | Yellow | | Follow up due April 2015 | Follow up in progress so will report back to next Committee |
| Voluntary Sector Contracts & Agreements | Amber | Green | Follow up completed January 2015 | Follow up undertaken January 2015. Re-graded Green so no further follow up required |
| Burton Borough Secondary School | Yellow | Green | Follow up completed April 2015 2015 | Follow up undertaken January 2015. Re-graded Green so no further follow up required |
| Direct payments | Amber | | Follow up due May 2015 | Follow up not yet due so will report back to next Committee |
| Adults Safeguarding Policies & Electronic Records | Red | | Follow up due May 2015 | Follow up not yet due so will report back to next Committee |
| Muxton Primary School | Yellow | | Follow up due June 2015 | Follow up not yet due so will report back to next Committee |

STATUS ON FINAL REPORTS ISSUED JULY 2012 TO DECEMBER 2015**APPENDIX C**

| | | | | |
|-----------------------------------|--------|--|----------------------------------|---|
| Randlay Primary School | Yellow | | Follow up due June 2015 | Follow up not yet due so will report back to next Committee |
| Blessed Robert Johnson RC College | Red | | Follow up visit booked June 2015 | Follow up not yet due so will report back to next Committee |
| Redhill Primary | Yellow | | Follow up due June 2015 | Follow up not yet due so will report back to next Committee |
| Mount Gilbert Primary School | Red | | Follow up visit booked June 2015 | Follow up not yet due so will report back to next Committee |

MAIN AREAS OF INTERNAL AUDIT WORK UNDERTAKEN DURING 2014/15

| Audit Area | Days |
|--|-------------|
| Addenbrooke Safe review | 2 |
| Adult Social Care Payments | 1 |
| Adult Social Care Project | 43 |
| Adults safeguarding procedures and electronic records review | 19 |
| Advice and Consultancy | 104 |
| Agresso Upgrade | 1 |
| Alexander Fleming Primary School | 3 |
| Better Care Fund | 1 |
| BRJ School | 24 |
| Burton Borough School | 9 |
| Burton Borough - Catering Review | 1 |
| Cash Collection | 10 |
| Care Provider Complaint | 17 |
| Charlton School | 7 |
| Charlton Direct Salaried Grant | 1 |
| Corporate Governance | 13 |
| Corporate Leisure procedures | 6 |
| Council tax / NNDR (2014 - 2015) | 20 |
| Dawley follow up | 3 |
| Direct Payments Requested review | 10 |
| Ercall Wood School | 7 |
| Flood Plan Actions Follow Up | 2 |
| Follow ups - general | 18 |
| Food Hygiene Rating System | 3 |
| Fraud & Compliance Checks & National Fraud Initiative | 23 |
| Hadley Learning Community School | 13 |
| Halcrow Contract | 5 |
| Housing Benefits (Inc Welfare Reforms) | 24 |
| HR/Payroll 2014-15 | 17 |
| ICT audit contract monitoring and file review | 8 |
| John Randall School | 1 |
| Ladygrove Primary School | 8 |
| Leisure Membership/Swim Review | 7 |
| Library Public Use Machines | 2 |
| Madeley Parish Council | 7 |
| Main Accounting 2014-15 | 21 |
| Mobile Catering | 15 |
| Moorfield Primary follow up | 2 |
| Mount Gilbert School | 6 |
| Multi storey car park | 1 |
| Muxton School | 7 |
| Oakengates Children's centre Follow Up & additional work | 13 |
| P2P - creditor payments (2014 - 2015) | 28 |
| Card payments Compliance | 9 |
| Pension systems & processes (2014 - 2015) | 7 |
| Personal Budgets Support Team | 13 |
| Priority System Backup/Storage Review | 2 |
| Procurement | 6 |

| | |
|---|----|
| Public Health- review against standards | 2 |
| Queenswood Primary School | 8 |
| Randlay Primary School | 7 |
| Redhill Primary School | 8 |
| Sales Ledger (2014 - 2015) | 25 |
| Scott & Linden Centre | 2 |
| Section 17 payments | 14 |
| SEN payments - residential schools | 1 |
| Shared Lives | 13 |
| Shortwood Grant Audit | 1 |
| Southall Special School | 8 |
| Special Guardianship | 4 |
| Telford Ice Rink | 16 |
| Telford Town Park Review | 10 |
| The Place Bar Takings Issues | 1 |
| Transport Grant (2014-15) | 7 |
| Treasury Management (2014 - 2015) | 8 |
| Troubled Families Grant | 7 |
| Vacant units | 5 |
| Voluntary Sector Contracts /Agreements | 10 |

Information Security Incidents: Lessons Learnt – 2014/15

Information Governance (IG) 1st Half Yearly Update – 1 April to 30 September 2014

Information on lessons learnt in respect to data breaches investigated for 2013/14 were included in the relevant Briefing Notes (half yearly) for Managers and Staff News in 2013/14.

Despite further training/publicity the Council has continued to experience data breaches. 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 3 reasons for data breaches at Telford & Wrekin

- 1 Emails sent to incorrect recipients
- 2 Officers not completely following agreed processes/procedure
- 3 Human error – typing errors, lack of checking contact details, etc.



Lessons learnt from data breaches

- ✓ Always check you are emailing who you think you are emailing particularly when the email address auto-populates in Outlook. 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 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 public sector nationally

Ministry of Justice - £180,000

August 2014

Loss of unencrypted removable hard drive contains information on 2,935 prisoners.

Kent Police - £100,000

March 2014

Copies of personal information including interview tapes were left in a basement at former site of a police station.

Dept of Justice N Ireland - £185,000

January 2014

Filing cabinet containing personal information about a terrorist incident was sold at auction.



Don't take a chance when handling personal information!

Can I share information?....How do I secure information?....What should I be doing with my records?



- Contact the IG Team on 82537 or IG@telford.gov.uk
- Visit the IG intranet page for tons of advice and guidance

Remember: Protecting personal information is everybody's responsibility

INFORMATION GOVERNANCE WORK PROGRAMME 2014/15
PROGRESS AS AT 31ST March 2015

| No | Task | Completion date | Progress as at 31/3/15 |
|----|--|--|---|
| 1 | Administer FOI/EIR/DPA requests, appeals, complaints and associated correspondence from the ICO. | On-going | See paragraph 6.2 above |
| 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> | <p>SIRO approved programme – complete</p> <p>The review of IG Ollie module is on-going (delay due to wait for Ollie upgrade). Will include in 15/16 work programme.</p> <p>Complete</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> | <p>Complete</p> <p>On-going</p> <p>CISP review complete – revised policy to be publicised in April 15.</p> |
| 4 | Review the Information Security Breach Procedure and align with recent guidance sent out to Revenues & Benefits. | End of May 14 | Complete |
| 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>On-going for completing compliance activities.</p> | <p>Complete</p> <p>On-going</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 on-going 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>Review complete</p> <p>Draft report produced, final report to be agreed by end April 15.</p> <p>Policy agreed. Ollie</p> |

| | | | |
|----|---|--|--|
| | | Classification policy to be implemented by end of August 14. | module needs producing to supplement policy. To be included in 15/16 work programme. |
| 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. | On-going As requested | A number of chargeable pieces of work for schools completed in 14/15 and more planned for 15/16. |
| 8 | Keep TORCH site up to date to support the above. | On going | On-going |
| 9 | Review use of the Secure Communications System (SCS). | End of June 14. | Complete |
| 10 | Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made. | On-going | On-going |
| 11 | Support service areas to address any information security risks that arise. | On-going | On-going |
| 12 | Support information sharing and the production of information sharing agreements. | On-going | On-going |
| 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 | Complete |
| 14 | Review and update intranet and internet pages for FOI and DPA. | Intranet review/updating on-going. Internet content reviewed on an on-going basis but full review of content by end Dec 14. | On-going Complete |
| 15 | Complete N3 connection assessment for central government. | March 15. | Complete |

TELFORD & WREKIN COUNCIL**AUDIT COMMITTEE 30TH JUNE 2015****THE ANNUAL GOVERNANCE STATEMENT 2014/15****JOINT REPORT OF THE CHIEF FINANCIAL OFFICER and THE MONITORING OFFICER****1 SUMMARY OF MAIN PROPOSALS**

- 1.1 For the Audit Committee to review and approve the Annual Governance Statement which after signing by the Chair of the Audit Committee will accompany the 2014/15 annual accounts. The Cabinet agreed the Annual Governance Statement 2014/15 at their meeting on 25th June 2015 and it has been signed by the Leader and Managing Director.

2 RECOMMENDATION

- 2.1 That members of the Audit Committee approve the Annual Governance Statement 2014/15, 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 2014/15 accounts by 30th June 2015.</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 and Part 2 paragraph 6 of the Accounts and Audit Regulations 2015. 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 2011¹ 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 after Audit Committee approval should accompany the Annual Accounts.
- 4.2 The Annual Governance Statement for 2014/15 is attached at Appendix A and has been developed based on the requirements of the regulations and CIPFA/Solace guidance². 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 2013/14 statement (implemented during 2014/15) has been reviewed and updated to reflect current progress. The position as at 31/03/15 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 which is even more important in these times of financial constraint. The Council can be assured that during 2014/15, including during organisational and personnel 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 to acknowledge their responsibilities;
 - 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 2014/15 Annual Governance Statement sets out the Council's governance arrangements that operated during the period 1st April 2014 to 31st March 2015 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; 26th June 2014
Audit Committee 26th June 2012; 25th June 2013; 30th June 2014

¹ Updated from 1st April 2015 by the Accounts and Audit Regulations 2015.

² 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

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

CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English
Authorities 2012 Edition and Addendum

KPMG Report to those charged with governance 2013/14

KPMG Annual Audit Letter 2013/14

External inspection reports 2014/15

Annual Audit & Information Governance Report 2014/15

Report by Jenny Marriott, Audit & Information Governance Manager 383101



ANNUAL GOVERNANCE STATEMENT 2014/15

1. Introduction

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

2. Standards of Governance

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

3. Scope of Responsibility

- 3.1 Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively to secure continuous improvement.
- 3.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities 2012 edition. Within this code and to meet its responsibilities, the Council (members and officers) is responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations¹ and ensuring the effective exercise of its functions.
- 3.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

4. The Purpose of the Governance Framework

- 4.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and objectives and can therefore only provide reasonable and not absolute

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

assurance of effectiveness. The system of internal control is based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

- 4.3 The governance framework has been in place at the Council for the year ended 31st March 2015 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2015/16 and beyond to support good governance, revised service delivery and organisational change.

5. The Governance Framework

- 5.1 The key elements of the systems and processes that comprise the authority's governance framework (which is underpinned by the Council's values²) 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 2015/16 which outline the Council's ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Co-operative Council principles and clear vision and values for the Council and the Community;
- Clear governance arrangements to manage the Council's change programmes and restructuring occurring across the Council and key capital projects;
- Designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services, Director of Public Health and Scrutiny Officer;
- The Council's Information Governance arrangements include a Caldicott Guardian and an Information Governance Framework sponsored by a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- The Performance management framework and data quality systems. These provide reports to SMT³, Cabinet and Scrutiny;
- A Legal Services team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- The Adults and Children's Safeguarding Boards and their associated accountability with an independent Chair;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/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

² Co-operative values of ownership – openness & honesty; involvement, fairness and 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

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;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- 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 and agreed by the Cabinet;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- A process for the completion and approval of business cases for use of the Capacity fund, Invest to Save fund and use of consultants.
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit operates to the Public Sector Internal Audit Standards and on a risk basis reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Audit & IG Manager operates to meet the requirements of the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
- The Council'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.
- Governance 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).

6. Review of Effectiveness

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

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

6.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet members receive regular feedback from senior officers in

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

respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.

- 6.3 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, direct feedback to members from within the community and the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.
- 6.4 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking, 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 2014/15 the Internal Audit team achieved just under 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on adequacy and effectiveness of the Council's governance, risk management and internal control framework.
- 6.5 Internal Audit report on a quarterly basis 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.
- 6.6 Internal Audit has continued to provide support to Adult Social Services (ASS) in respect to financial processes and systems and there were updates to the June 2014 and March 2015 Audit Committees. Senior Management changes have been implemented and external support has been commissioned to inform the future operating model. ASS phase 2 restructure will be launched in late June 2015.
- 6.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up policy. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Speak Up policy supports this. Internal Audit undertakes proactive fraud work based on a fraud risk register and will be re-reviewing the Council's anti-fraud activities against best practice (issued by CIPFA Autumn 2014 with guidance June 2015) during 2015/16. Other specific anti-fraud and corruption activities are undertaken by Revenues & Benefits and Trading Standards. An annual report on these activities is presented to the Audit Committee.
- 6.8 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy.
- 6.9 The Council's performance management framework has systems and procedures which drive continuous improvement in performance. This has been reviewed and developed to reflect the Government's Single Data List.
- 6.10 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work 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).
- 6.11 The Council recognises the importance of Information Governance and formalised its Information Governance framework in 2014/15. It has taken significant steps to improve the

security of its IT, paper and handling processes to meet the compliance requirements for Data Handling in Government. The Information Governance team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2014/15 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.

- 6.12 ICT infrastructure upgrades during the year have further improved security, data handling and business continuity. Further infrastructure improvement are planned for 2015/16 and 2016/17. A full review of the ICT strategy was undertaken in 2014/15 and was agreed by SMT.
- 6.13 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 6.14 The Accounts and Audit (England) Regulations 2011 require a review of the effectiveness of internal audit and in addition to customer feedback the External Auditors review of the work of Internal Audit and their compliance with the Public Sector Internal Audit Standards has contributed to meet this requirement. The Internal Audit Annual Report 2014/15 sets out the internal audit opinion and that the External Auditor has reviewed and relied upon the work of Internal Audit in respect to the key financial systems for the 2014/15 final accounts audit.
- 6.15 The External Auditor’s Annual Audit Letter 2013/14 included in its headlines:
 - Value for Money conclusion – we issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2013/14 on 16 September 2014. This means we are satisfied that you have proper arrangements for securing 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 16 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
- 6.16 In 2014/15 Children’s Centre inspections by Ofsted were realigned to localities. There was an inspection of the Wrekin locality 2014/15. Copies of the reports are available at www.ofsted.gov.uk but the main findings were

| Location | Date | Grading⁶ |
|-----------------|-------------|----------------------------|
| Wrekin locality | May 2014 | 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.

- 6.17 To support the significant challenges in Adult Social Care(reduced spend, increasing demographic pressures, the implementation of the Care Act 2014 and a budget deficit) and to confirm and inform the savings programme, following procurement, Capita were invited to review our service in July /August 2014 and provide a portfolio of opportunities for us to consider. Below is a summary of the opportunities identified that could deliver the savings over the next 2 years:

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

- Improving and enhancing the **Information & Advice Service**.
- A multi-disciplinary, centralised **Access and Assessment Hub** to provide a much more effective management of demand.
- Managing **Safeguarding Alerts and Referrals** more effectively.
- **Evaluate and remodel the reablement function**.
- More effective targeting of **Telecare & Assistive Technology**.
- **“Floating Out” Support Planning and Brokerage** function and separating it from the assessment process.
- More **effective approaches to Reviews**.

In addition John Bolton, who over the last 3 years has led a national review looking at efficiencies achieved by local authorities in delivering adult social care, was invited in December 2014 to review our progress against the national and local challenges facing adult social services. His key messages to the Council are summarised below:

- Need strong, clear Vision/Commitment statement owned by all stakeholders, signed off and led by Councillors
- Ensure all staff are fully signed up to Vision and culture to deliver – workforce development
- Move from “understanding” to “doing”
- Reducing spend is dependent on managing down demand
- Front door is key, including an integrated approach with NHS
- Commissioning for outcomes and promoting independence – in particular all home care and any residential based crisis/discharge to assess/enablement support
- Older People - No admission to residential/nursing home care without crisis interventions to support at home. Where admitted to “crisis” beds, they must be commissioned for “promoting independence” outcomes
- Learning Disability – Need to significantly review and reduce existing use of residential provision.
- Performance Management Information – need focus on information which helps understand and manage flow and reducing demand
- In-house provider – must be competitive and lead by example in promoting independence

The Council is making good progress against both the recommendations from the Capita and John Bolton reviews, together with the previous recommendations from the Adults Peer Challenge in 2013.

- 6.18 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.....

2014/15 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, and commercial/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. Change management processes have been adjusted to reflect the different phase of change which the council is currently in. Endorsing and delivering an awareness programme for officers and members. Updated Constitution effective from May 2015. | On-going 31/03/16 |
| 2. | Preparations for the revised external audit arrangements. | AD Finance, Audit & IG | Local Audit and Accountability Act 2014 enacted but is not yet fully in force. Further secondary legislation and guidance to be published. External audit procurement – planning may need to commence early 2016 if contracts not extended. Planning for revised final accounts deadlines for 2017/18 to commence in 2015/16 so can be phased changes to practices. Draft accounts by 31 st May (instead of 30 th June) and audited accounts by 31 st July instead of 30 th September. | On going – as required Procurement – possibly from January 2016. Working towards updated final accounts timetable for 2016/17 onwards. |
| 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 | The key leadership, management and workforce requirements have been identified and the Council's development programme now reflects these. The programme is revised on a rolling basis. People policies have been prioritised and are being revised and renegotiated in line with these priorities. | On going as agreed with SMT (31/03/16). |
| 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 | The process and system for community care financial control has been implemented. This will ensure accurate data and appropriate financial control, and includes clearly defined roles and responsibilities of teams and individuals for entering data for all practitioners and SDS&BT, and via agreed communications channels. Cost improvement plan is being implemented along with recommendations from Capita and John Bolton reviews. This has delivered savings during 14/15 which will continue into 15/16 and beyond. Robust action plans and ownership in place, which is | 31/03/16 and beyond |

| | | | monitored on a monthly basis. Challenge in place via Members, MD, and Director. Care Act Implementation programme completed for 1 st April 2015 and then to be implemented for 1 st April 2016. Chair – Director. Programme Lead – Clare Hall-Salter | |
|----|--|--|--|----------------------------------|
| No | Action | Lead Officer | Comments when AGS agreed | Target Completion Date |
| 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 from external reviews that improve the governance arrangements in these areas. | Various dates throughout 2015/16 |
| 6. | Continue to develop and implement appropriate governance arrangements to support commercial projects. | Managing Director/ Monitoring Officer/CFO/ AD Development Business & Employment | Continued support and review of the separate company arrangements and associated governance issues. Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval. | On-going during 2015/16 |

2013/14 ANNUAL GOVERNANCE STATEMENT ACTION PLAN – PROGRESS AS AT 31/03/15

| No | Action | Lead Officer | Comments when AGS agreed | Original Target Completion Date | Position as at 31/03/15 |
|----|--|--|---|---|--|
| 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. | On-going 31/03/15 | On-going to meet target re implementation and training following the elections in May 2015. This links closely to item three. Change management processes have been adjusted to reflect the different phase of change which the council is currently in. |
| 2. | Preparations for the revised external audit arrangements. | AD Finance, Audit & IG | Local Audit and Accountability Act 2014 has now been enacted but is not yet fully in force. Further secondary legislation and guidance is 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. | Code of Audit Practice and updated Accounts and Audit Regulations 2015 now issued. Further secondary legislation and guidance awaited. |
| 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). | The key leadership, management and workforce requirements have been identified and the Council's development programme reflects these. The programme is revised on a rolling basis. People policies have been prioritised and are being revised and renegotiated in line with these priorities. |
| 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 | An agreed and consistent process and system for community care financial control has been implemented. This will ensure accurate data and appropriate financial control, and includes defining clear roles and responsibilities of teams and individuals for entering data for all practitioners and SDS&BT, and via agreed communications channels. |

| | | | | | |
|----|--|---|---|----------------------------------|--|
| | | | | | <p>Cost improvement plan has been developed to deliver savings across 14/15 and 15/16 with robust action plans and ownership in place, which is monitored on a monthly basis. Challenge in place via Members, MD, and Director. These have been informed by reviews by Capita and John Bolton.</p> <p>Care Act Implementation programme has delivered Care Act compliance for 1st April 2015. 2016 programme now being implemented. Chair – Director. Programme Lead – Clare Hall-Salter.</p> |
| 5. | Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges. | <p>Director: Children & Family Services & Interim</p> <p>Director: Care, Health & Wellbeing</p> | This action plan is particularly focussed on any recommendations that improve the governance arrangements in these areas. | Various dates throughout 2014/15 | <p>CQC are responsible for registering and inspecting care providers, including the Council's Registered Care Providers: Downing House & Carwood (Residential Homes), Community Living (Domiciliary Care), Shared Lives. All relevant recent inspections by CQC found that "all standards were being met when we inspected the service".</p> <p>Peer Challenge forms part of a Sector Led Improvement Programme being led locally by West Midlands ADASS, to replace previous national inspection of each local authority's adult social care service led by CQC. Since our Peer Challenge in July 2013 we have progressed actions against recommendations, as well as seeking further external challenge as referenced in 4</p> |

| | | | | | |
|----|---|--|---|---|---|
| | | | | | <p>above.</p> <p>As part of the West Midlands sector led improvement approach we signed up to an annual summit. This took place at a West Midlands Summit on the 12 December 2014 and we received external challenge from experts from other LAs, based on balanced scorecard performance approach looking at governance and leadership, performance & outcomes, resources & workforce management, health and wellbeing partnerships (including Care Act & BCF preparedness), culture & challenge, commissioning.</p> |
| 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/ AD Development Business & Employment | 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 | Projects progressing well within existing governance arrangements. Solar Farm was operational from January 2015. Cabinet Report January 2015 approved re Housing project and the setting up a company including appropriate governance. |

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th JUNE 2015

CORPORATE ANTI-FRAUD & CORRUPTION POLICY – 2014/15 ANNUAL REPORT AND POLICY UPDATE

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

- 1.1 For the Audit Committee to:
- a) consider the 2014/15 Annual Report on Corporate Anti-Fraud and Corruption activity; and
 - b) agree an updated policy and to recommend its adoption by the Council.

2. RECOMMENDATIONS

- 2.1 That the Audit Committee notes the 2014/15 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Audit Committee agrees the updated policy attached as Appendix B and recommend its adoption by the Council.

3. SUMMARY

- 3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. These procedures include the Anti-Fraud & Corruption Policy.
- 3.2 The terms of reference of the Audit Committee include:
“15. To approve the Anti-Fraud and Corruption Policy for adoption by the Council and to monitor its operation. The policy will be reviewed it at least once every two years.”
- 3.3 This report includes annual information in respect to the Corporate Anti-Fraud and Corruption activity for 2014/15 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix B is an updated policy for members to agree and recommend on for adoption by the Council.

4. PREVIOUS MINUTES

- 4.1 Audit Committee 26th June 2012 – Annual Report 2011/12
Audit Committee 25th June 2013 – Annual Report 2012/13 and Policy Update
Audit Committee 16th September 2014 – Annual Report 2013/14 and Policy Update

5. INFORMATION - ANNUAL REPORT 2014/15

- 5.1 The Anti-Fraud and Corruption Policy supports one of the key dimensions of good Corporate Governance – Standards of Conduct. The Council aims to ensure that all those associated with it maintain high standards of ethics and conduct in public life contributing to good Corporate Governance.
- 5.2 Nationally due to the economic climate there are indications from Police and Government statistics that fraudulent activity has and will continue to increase. Therefore it is important

that the Council continues to maintain its vigilance in respect to Council services and the Community.

- 5.3 This report contains information for 2014/15 on counter fraud and investigation activities within Benefits, Internal Audit and Trading Standards, including Licensing. The Committee should note that the Councils procedures and controls are designed to minimise the opportunity for fraud and to highlight where possible fraudulent activity may have occurred.
- 5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide information for investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

6. BENEFITS

- 6.1 The benefit caseload has decreased again over the last 12 months, from 19,551 (live cases) at 31st March 2014 to 18,921 at 31st March 2015. The main reason for this reduction is the introduction of the government's Welfare Reforms (Social Sector Size Criteria) and Council Tax Support. They have resulted in reductions in benefit for some working age people and others being cancelled off benefit all together. The upturn in the economy has also had an affect.
- 6.2 The Council has followed the Department for Work & Pensions (DWP) lead in "securing the gateway". The DWP aim at 'getting it right, and keeping it right' i.e. ensuring only those properly entitled are granted and paid benefit. A telephone claim process is still in place and the vast majority of claims continue to be processed in this way. A telephone appointment is made within anyone making contact to make a new claim. A Benefit Assessment Officer takes all the necessary details and then an appointment is made for the claimant to see a Benefit Assessment Officer at the Council's First Point facility where the information they have given is checked against the relevant proof of income, identity and rent details. To this end the majority of new benefit claimants who make a claim direct to the Council are seen in person by a Benefit Officer. This ensures the best possible service for the customer as claims are processed whilst they wait and the Benefit Assessment Officer explains to the customer their responsibilities regarding reporting of changes in circumstance. Entitlement letters are given to the customer at the end of the interview and explained and checked with the customer to ensure accuracy.
- 6.3 In March 2014 we began a two month "Put the Record Straight" amnesty giving people the opportunity to cancel any Council Tax discount which they were no longer entitled to and re-pay anything they owe without facing any further action. During the amnesty period Single Person Discounts cancellations and Council Tax Support reductions meant that an extra £30,361 Council Tax was payable in 2014/15.
- 6.4 The Benefit Team have also undertaken a review exercise, where review forms have been issued to 5,624 customers from December 2013 through to December 2014. It was determined that the non-passported claims (these are claims based on earnings, private pension etc rather than Income Support and Job Seeker Allowance) were most likely to have had a change in circumstance. These customers were therefore contacted by tranches on a monthly basis. Weekly Council Tax Savings were made of £10,934 which equates to an annual saving of £568,544. Weekly Housing Benefit savings of £43,687 were made which equates to an annual saving of £2,271,717. Overpaid Housing Benefit overpayments of £787,374 were identified during the exercise.

6.5 Benefits Data Matching

- 6.5.1 In 2014/15 there were four investigations closed which had been opened due to a Housing Benefit Matching Service (HBMS) referral (there are many other matches which are checked by the Benefit Assessment Team but only those where there is suspected fraud are referred to the Investigation Team). Of these all four resulted in a positive outcome i.e. benefit was affected / fraud found.
- 6.5.2 The Investigation Team have continued to complete matches identified through the National Fraud Initiative (NFI) 2012/13. In 2014/15 a further 16 investigations have so far been completed, of which two resulted in a sanction (a further 11 resulted in the level of benefit paid being affected).
- 6.5.3 Unfortunately Benefit fraud is not just external to the Council. The Council undertakes internal checks in respect to monthly data matches with all new starters. This ensures all changes in circumstances have been declared. In 2014/15 no employee has received a benefit fraud sanction.

6.6 Cases Investigated

- 6.6.1 At the beginning of 2014/15 the Investigation Team consisted of one Team Leader, three Investigation Officers and one Assistant Investigation Officer. This equated to 4.95 Full Time Equivalents. All Investigation Officers are accredited counter fraud specialists. Due to maternity leave and then the Assistant Investigation Officer and an Investigation Officer leaving towards the end of 2014/15 the capacity of the team reduced by the end of the year. The Assistant Investigation Officer was replaced on a temporary part-time basis. The cost of the Investigation Team for 2014/15 was £172,010. This includes costs relating to the staff, postage, printing, telephones, mileage, computer software and all other investigation related costs.
- 6.6.2 Referrals to the Benefits Investigation team come from various sources. The table below show the sources, number and percentage of total.

| Source | Number of Referrals | Percentage of Total |
|---|---------------------|---------------------|
| Anonymous letter | 21 | 2.26 |
| Anonymous telephone call | 171 | 18.43 |
| Member of staff | 263 | 28.34 |
| Housing Benefit Matching Service (HBMS) | 6 | 0.65 |
| DWP | 45 | 4.85 |
| Police | 7 | 0.75 |
| Landlord | 33 | 3.56 |
| Internet/email | 147 | 15.84 |
| Other Local Authority | 3 | 0.32 |
| National Fraud Initiative | 226 | 24.35 |
| Other | 6 | 0.65 |
| Total Referrals | 928 | 100.00 |

- 6.6.3 Each case that is referred is checked to ensure that the benefit that is in payment is correct. A risk based approach is used to ascertain which cases are investigated by an Investigation Officer. Where DWP benefits are in payment cases are referred on to the DWP. In 2014/15 a total of 203 investigations were closed and of which 128 proved positive (benefit was affected in some way). Of this total, 29 cases received a formal sanction:

- Prosecutions – 19

- Administrative Penalties – 8

There are a number of cases who have received a summons where the outcome of the case is not known due to delays with the Crown Prosecution Service.

- 6.6.4 Although no credit is given, sanctions are also applied to partners/landlords/employers where it can be demonstrated that they were complicit in the fraud. As a result, one further person was prosecuted.
- 6.6.5 For the prosecutions fines of £290 were imposed and costs of £1,919 were awarded, please note that some of these are attributable to joint working with Department for Work and Pensions. Other sentences imposed by the courts in the last year include a custodial sentence, suspended custodial sentences, community orders, electronic tag and curfews and unpaid work. In addition to recovery of the overpaid benefit amount anyone accepting an administrative penalty or successful prosecution cases will have a loss of benefit sanction applied which means that any ongoing benefit entitlement is reduced for a period of four weeks. A further £4,481 was imposed in the form of Administrative penalties.
- 6.6.6 Overpayments of Housing Benefit and Council Tax Benefit detected in the above sanction cases totalled £149,705 (these figures do not include excess Council Tax Support).
- 6.6.7 During 2014/15 the Investigation Team continued the project started in the last six months of 2013/14 looking into Council Tax fraud and error including incorrectly claimed discounts and Council Tax Support. For those people who have delayed in reporting a change we have for the first time started to administer a civil penalty of £70. The Investigation Team imposed 19 civil penalties in 2014/15. In total £127,271 of additional Council Tax was identified through the Investigation Team finding incorrectly claimed Council Tax Support, Council Tax Benefit and Council Tax discounts.

6.7 Benefit Fraud Sanction & Prosecution Policy

- 6.7.1 The benefit fraud policy was rewritten and approved by Cabinet in January 2010. The refreshed policy was to give much clearer guidance to decision makers on a wider range of factors that they should consider when deciding which sanction to apply to a fraud case, as well as streamlining the decision making process to speed up the time taken for sanction authorisation to be granted. With responsibility for Housing Benefit fraud transferring to the Single Fraud Investigation Service from 1 June 2015 a new Revenues and Benefits Sanction and Penalty Policy is being prepared.

7. INTERNAL AUDIT

- 7.1 Internal Audit has an important role in the investigation of suspected internal fraud and assisting managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud.
- 7.2 Days are allocated within the audit plan to undertake proactive fraud work and work in areas where previous frauds have occurred. This work is informed by a Fraud Risk register¹. A summary of the Internal audit work undertaken during 2014/15 for fraud and corruption risk areas, proactive work and requests is attached as Appendix A for your information. For 2014/15 the planned proactive fraud days (including NFI work – see below) were 40 days with an actual of 37 days. This is more than double 2013/14 due to the receipt and investigation of matches from the NFI exercise (23 days).

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

7.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit also has a role to investigate potential irregular activities reported to them throughout the year. During 2014/15 Internal Audit & Information Governance investigated 5 cases of alleged irregular activity. Of the 5 cases investigated:

2 cases are still on-going

2 cases – fraud was not identified but control weaknesses were reported to management

1 case – fraud to the estimated value of £2,146 identified and disciplinary action was taken against the employee.

The cumulative time taken for these reviews in total was 28 days. Changes to procedures and controls have been implemented as a result of these reviews and additional training and awareness provided to employees.

7.4 National Fraud Initiative (NFI)

7.4.1 The Audit Commission's NFI exercise is part of Central Government's national recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect their money from fraud. The national public bodies included in this exercise are police authorities, local probation boards, fire and rescue authorities and all upper tier and districts councils.

7.4.2 The Council has a statutory responsibility to provide data to the Audit Commission for the prevention and detection of fraud as part of the NFI. NFI is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud.

7.4.3 In October 2014, as part of the 2014/15 NFI exercise, the council submitted data sets to the Audit Commission. See below for the type of data sets that were submitted:

- Payroll
- Pensions (provided by Shropshire County Council)
- Insurance Claims (provided directly by the council's insurers)
- Private Supported Care Home Residents
- Benefits (provided by the DWP)
- Transport passes and permits
- Licences
- Creditors
- Personal Budgets (Direct Payments)

7.4.4 In January 2015 the council received relevant NFI matches. In total 5,439 matches have been identified covering the data sets detailed above in 7.4.3.

7.4.5 Work is on-going in the relevant service areas to investigate these matches on a risk basis and a further update on the progress of this will be reported in future reports to the Audit Committee.

7.5 Training & Awareness

7.5.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption Policy.

7.5.2 All new staff within Revenues & Benefits (R&B) (as part of their induction) receive Fraud Awareness training from the Corporate Training Team. In addition periodic refresher training is given to existing staff. Out of the fraud referrals received in 2014/15, 263 came from members of staff.

7.5.3 For officers there is the Code of Conduct for Employees which is included as part of induction and is available on the intranet. The principles of the Anti-Fraud and Corruption and Speak Up policies are included in induction for new employees.

7.6 Publicity

7.6.1 As per the policy publicity of cases is important as a deterrent. The Benefit Fraud Team and Public Protection use Corporate Communications to issue press releases and social media to alert the public and inform businesses about relevant campaigns, interventions and prosecutions. . The press releases are also published on the Council's website.

7.6.2 Internally cases of note are included within the Revenues and Benefits weekly team brief notes. These are issued to all R&B staff.

7.6.3 Within Public Protection with any significant intervention or prosecution the Assistant Director and Cabinet member are briefed accordingly. Any lessons learnt are shared within team meetings.

7.6.4 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the staff news bulletins and in management meetings.

8. PUBLIC PROTECTION

8.1 The Public Protection Service which includes Trading Standards, Environmental Health and Licensing play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted. As such investigations may involve Council officers, Members, suppliers to the Council and the business activities of the Council itself.

8.2 Officers of these services have access to specific legal, procedural and operational training to enable effective discharge of their responsibilities.

8.3 Staff undertake extensive professional training and mentoring before being permitted to commence enforcement duties, and have access to a range of professional competency training facilities through CEnTSA (Central England Trading Standards Authorities), CIEH Chartered Institute of Environmental Health and the Institute of Licensing (IOL) and their regional professional networks as well as central government departments such as Food Standards Agency and Department of Environment, Food and Rural Affairs (DEFRA)

8.4 Anti-Fraud responsibilities

8.4.1 All teams through the course of their routine work may come across irregularities relating to the running of the business. Where these irregularities are outside Public Protection's remit these are referred to agencies such as UK Border Force DVLC, Insurance Fraud Bureau, Police and internal service areas such as revenues and benefits.

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

Environmental Health

- **Detection of Food Fraud**
Through inspection, taking part in national sampling programs and intelligence.

For the Licensing Service:

- **Street trader consents**
Prevention and detection of the illegal and highly lucrative transfer of street trader consents ('burger wars')
- **Taxi licensing**
Ensuring the correct vehicle, correctly insured and driven by the licensed driver.
Ensuring that licences are granted to people who have the right to work in the UK.
- **Scrap metal dealers licensing.**
Joint working with police to detect illegal trading in stolen vehicles and other stolen metal items such as copper cabling through scrap metal dealers.
Taxis, private hire vehicles, gaming machines, as a means of converting large quantities of cash.
- **Street Collections, Charity collections.**
Identification, detection and enforcement of fraudulent collections

For the Trading Standards Service:

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

8.4.3 Trading Standards receives intelligence about rogue trader activities in Telford and deal with complaints about fraudsters that specifically target vulnerable and older people, carrying out unnecessary or misrepresent home improvement work and as a result defraud them out of thousands of pounds. This area of fraud known also as Door Step Crime remains a priority for Trading Standards for 2015/16

8.4.4 The team also aims to educate residents, other members of the community, such as carers and voluntary groups who come in to contact with more vulnerable consumers, by raising awareness of rogue traders and making consumers better able to distinguish the rogues from the reputable businesses. Trading Standards are also engaging with other key partners and service areas within the Council to increase awareness of financial fraud, postal, online and door step scams. The team works closely with the national scams team, visiting victims of fraud to offer advice and support and assist in the national profiling of victims.

8.4.5 Trading Standards have prioritised work steams around illicit tobacco through improved intelligence gathering. This work also forms part of the Tobacco Partnerships work plan for 2015/16 which includes the following:

- Use of fines
- Raise awareness of whistle-blowing
- Raise the profile of penalties for retailers selling illicit tobacco or to underage young people

8.5 Trading Standards Regional Initiatives

Scambusters

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

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

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

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

8.6 Loan Shark Team

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

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

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

9. Challenges for 2015/16

- Reduced resources for the provision of Council services and therefore reduction in control and supervision and therefore potential increased opportunities for internal fraud
- Reduced resources for the provision of Council services, including Governance and therefore reduction in fraud awareness, investigation of data matches and opportunities for proactive work.
- Impact of the economic climate on the potential incidence of fraud
- The continuing impact of the government's welfare reform which has seen a reduction in Housing Benefit for many working age people which may result in some people not

accurately reporting their circumstances. The new government elected in 2015 have stated that they intend to reduce benefit expenditure by a further £12 bn. Although the details are still to be announced, it is expected a significant proportion of these savings will be made from Housing Benefit.

- Introduction of Single Fraud Investigation Service (SFIS). SFIS will take over the responsibility for investigating Housing Benefit and all DWP fraud. SFIS are due to take over Telford & Wrekin Council's responsibility in June 2015. In the lead up to this date additional work is required to deal with the migration of cases. Following migration the DWP will also require the Council to provide information to enable them to investigate Housing Benefit claims which will be an additional burden. The Council will not have any influence over which types of case are accepted for investigation.
- The Revenues and Benefits Investigation Team will continue to focus on incorrectly claimed Council Tax discounts and exemptions. Their remit will be expanded to also look at Business Rate fraud.

10. ANTI-FRAUD & CORRUPTION POLICY UPDATE

- 10.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 16th September 2014 and was approved by Council on November 2014. It was agreed at the June 2013 meeting that the Anti-Fraud & Corruption Policy would be reviewed annually to coincide with the annual report (unless urgent changes are required in between).
- 10.2 The updated Policy is attached as Appendix B for comment and agreement. There have been minor changes to the policy to reflect the new Single Fraud Investigation Service, the extension of the Everyday App to include fraud reporting, organisational changes and to ensure consistency with the Constitution.

11. OTHER CONSIDERATIONS

| AREA | COMMENTS |
|---------------------------------|---|
| Equal Opportunities | The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council's associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met. |
| Environmental Impact | None |
| Legal Implications | Regulatory and enforcement teams throughout the Council (including internal audit) have powers and responsibilities set out in statute and regulation to detect, investigate and take enforcement action in relation to fraud and corruption. Such roles and responsibilities also include information sharing which is referred to in this report. When undertaking these actions all relevant statutory requirements need to be adhered to. |
| Links with Corporate Priorities | The policy supports all Corporate Priorities and good Corporate Governance demonstrating the Council's desire to ensure sound conduct and ethical procedures for all those associated with the Council and service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity. |
| Financial Implications | The Benefit Fraud Investigation Team is funded from a government grant for Housing Benefit Administration. This grant has been cut in 2015/16 by £38k and by £116k in 2016/17 to reflect the housing benefit investigation work transferring to the SFIS. A reduction in the FTE's of the investigation team has met the funding shortfall in 2015/16 and funding has been earmarked from the Council's invest to save pot for |

| | |
|-------------------------|---|
| | <p>2016/17. It is intended that the team will secure additional income for the Council from Council Tax and Business Rates through the identification of fraud.</p> <p>The staffing costs for other teams involved in anti fraud and corruption work are met from the Council's base budget. MLB 17.06.15</p> |
| Opportunities and Risks | Having a policy which sets out the Council's anti-fraud and corruption culture and associated procedures assists in the management of the risk of fraud and corruption against the Council. |
| Ward Implications | Borough wide implications. |

12. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2014

Speak Up Policy 2014

Benefits Counter Fraud and Sanctions Policy 2010

Audit Commission requirements for the National Fraud Initiative

Trading Standards & Licensing Legislation

Report prepared by Jenny Marriott – Audit & Information Governance SDM - 01952 383101; Rob Montgomery Information Governance Team Leader – 01952 383103; Lee Higgins Benefits SDM – 01952 383835; Becky Owen-Jones – Benefit Welfare and Assurance Group Manager – 01952 83881; Nicky Minshall – Health, Wellbeing & Public Protection SDM; Anita Hunt – Public Protection Manager – 01952 381998; Suzanne Fisher – Principal Licensing Officer.

**INTERNAL AUDIT WORK UNDERTAKEN FOR FRAUD & CORRUPTION RISK AREAS,
PROACTIVE WORK AND REQUESTS IN RESEPT TO IRREGULAR ACTIVITIES 2014/15**

| Work Area | Work undertaken |
|---------------------|---|
| Cash collection | Annual cash collection audit Review of cash collection arrangements at First Point and Darby House |
| Catering | Burton Borough catering review Haughmond Hill Ice Rink Catering |
| Procurement | Work commenced and continues into 2015/16 in respect to contract compliance for various contracts across the Council. |
| Direct Payments | 2 cases where specific reviews have been requested |
| Leisure and Culture | 3 areas where requests were made and work undertaken |

TELFORD & WREKIN COUNCIL - ANTI-FRAUD AND CORRUPTION POLICY 2015

1. INTRODUCTION

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

2. CULTURE

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

3. PREVENTION & DETERRENCE

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

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

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

3.1 MEMBERS

3.1.1 All members of the Council have a duty to the citizens of the Borough to protect the Council and public money from any acts of fraud, bribery or corruption. This is achieved through the Anti-Fraud and Corruption Policy, compliance with the Code of Conduct for Members, the Council's Constitution⁴, relevant legislation and any other protocols and procedures adopted by the Council.

3.2 EMPLOYEES

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

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

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

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

3.3 MEMBERS & EMPLOYEES

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

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

3.4 INTERNAL AUDIT

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

⁴ Including Financial Regulations and Standing Orders

⁵ Assistant Director Finance, Audit & Information Governance

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

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

3.5 BENEFITS INVESTIGATION TEAM

- 3.5.1 Benefits administration is recognised nationally as being complex and difficult to administer. This results in the scheme being prone to error and abuse. The Authority is committed to tackling poverty but it must also ensure that the administration of housing and council tax benefit is secure, fair and provides prompt help to those who need it. Equally, it must also be vigilant in tackling fraud and error to ensure value for taxpayers' money. The Revenues & Benefits Service operates within legislation, government guidance and local procedures with the aim of improving the quality and accuracy of benefit determinations and to both prevent and reduce the incidence of fraud.
- 3.5.2 Until 1 June 2015 the Benefits Investigation Team is responsible for the investigation of welfare benefit fraud, often jointly with the Department for Works & Pensions (DWP), in accordance with legislation, agreed codes of conduct and a separate Council policy. From 1 June 2015 responsibility for investigating all instances of Housing Benefit fraud (and any Council Tax Benefit fraud prior to 1 April 2013) will transfer to the Department for Work and Pension's Single Fraud Investigation Service (SFIS). The Council's Revenues & Benefits Investigation Team will remain responsible for investigating Council Tax Support fraud and will also investigate Council Tax and Business Rates fraud. In cases where employees and/or members are involved the team will work with Internal Audit, People Services, the Monitoring Officer and appropriate senior management to ensure that correct procedures are followed.

3.6 DATA MATCHING

- 3.6.1 The Council participates in all mandatory Data Matching exercises. In respect to Benefits there are also regular external exercises with HBMS (Housing Benefits Matching Service), DWP and most recently the introduction of PAYE Real Time Information (RTI) matches from HMRC. In addition internal data matching exercises are undertaken. All exercises adhere to Data Protection requirements.

3.7 EXTERNAL AUDIT

- 3.7.1 Independent External Audit is an essential safeguard of the stewardship of public money. From 1st April 2015 external audit suppliers are being managed by the Public Sector Audit Appointments body who have taken over from the Audit Commission until local authorities appoint their own External Auditors. External auditors will continue to operate through a Code of Practice that is designed to test (amongst other things) the adequacy of the Council's financial systems, the arrangements for preventing/limiting the opportunity for fraud and the arrangements for the detection of fraud, bribery and corruption. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. Where External Audit is required to undertake an investigation they will operate within legislation and their codes of conduct.

3.8 OTHER AGENCIES

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

3.9 CONTRACTORS/SUPPLIERS AND THE PUBLIC

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

3.10 PROSECUTION AND RECOMPENSE

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

3.11 DISCIPLINARY OR OTHER ACTION

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

3.12 PUBLICITY

- 3.12.1 The Council's Corporate Communications Team will optimise the publicity opportunities associated with anti-fraud, anti bribery and anti corruption activity within the Council. Information will be publicised in respect to prosecutions and other appropriate cases as a deterrent.
- 3.12.2 In addition the Council's Everyday App will be extended in the Summer of 2015 to include fraud reporting to make it easier for the public to report suspected cases.
- 3.12.3 Internally where the Council can learn from incidents the relevant points will be communicated to members and employees.
- 3.12.4 Any notifications received by the Council of possible regional/national frauds, scams or alerts will be communicated to employees and members, as appropriate.
- 3.13.5 All anti-fraud, anti-bribery and anti-corruption activities, including the update of this policy⁸, will be publicised in order to make employees, members and the public aware of the Council's commitment to taking action on fraud, bribery and corruption, when it occurs.

4. DETECTION AND INVESTIGATION

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

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

5. AWARENESS AND TRAINING

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

DEFINITIONS OF FRAUD, BRIBERY & CORRUPTION

Fraud is defined by the Audit Commission as:-

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

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

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

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

It also created new offences:

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

Corruption is defined by the Audit Commission as:-

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

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

Bribery is defined under the Act as:-

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

EXAMPLES OF THE TYPES CONCERNS that should be raised:

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

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

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

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

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

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

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

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

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

KEY COUNCIL DOCUMENTS THAT SUPPORT THIS POLICY

(This list contains examples but is not exhaustive)

- Constitution
- Financial Regulations and Standing Orders and associated detailed procedures
- Fraud Response Plan
- Employee Code of Conduct
- Health and Safety Policies
- Corporate Information Security Policy (which includes the E-mail and Internet Usage Policies and IT Strategy).
- Gifts and Hospitality Guidance
- Equalities policies
- Private Works Procedure

CONSTITUTION POWERS FOR REPRESENTATIVES OF INTERNAL AUDIT

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

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

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

Telford & Wrekin Council

Statement of Accounts

2014/15

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Telford & Wrekin Council

Statement of Accounts

2014/15

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.

The Council is committed to openness and transparency and publishes details of all spending over £100 every month. The Statement of Accounts are a public record of the Council's financial position for 2014/15; showing what has been spent, income that has been received together with assets and liabilities. The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. The information is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

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

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

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

The main statements are supplemented by the Collection Fund Account.

The Council's accounts for the year 2014/15 are set out in the remainder of the report. They consist of:

... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £4.369m at 31st March 2015). This statement represents the authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable;

... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This statement reports on how the Authority performed financially during the year and whether its operations resulted in a surplus or deficit. This shows a surplus for the year of £61.206m compared with

the outturn report which shows an underspend of £1.145m. The reasons for this difference relate to technical transactions required to put the accounts on an IFRS basis including capital grants offset by losses on disposal of fixed assets, depreciation, Revenue Expenditure Financed from Capital Under Statute (REFCUS), impairments and pensions. **These 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 2015 and shows net assets for the Council of £106.454m, a slight increase from £105.266m for the previous year;
- ... **The Cash Flow Statement** - summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties, analysing them into operating, investing and financing activities, and shows a net reduction in Cash and Cash Equivalents of £9.8m;
- ... **The Notes to the Core Financial Statements** - provide further information supporting the financial statements including the Statement of Accounting Policies and provide further detailed information on specific items;
- ... **The Collection Fund** - the statutory account in which income from business rates and council tax is held temporarily, pending payment to the precepting authorities. There is an increase on the council tax fund balance of £2.431m for the year and the Council's share of the surplus was £3.6m at 31st March 2015. The localisation of business rates means that we also show similar information in respect of this. The business rates show an increase in the balance on the account for the year of £3.4m and the Council's share of the surplus was £0.7m at 31st March 2015;

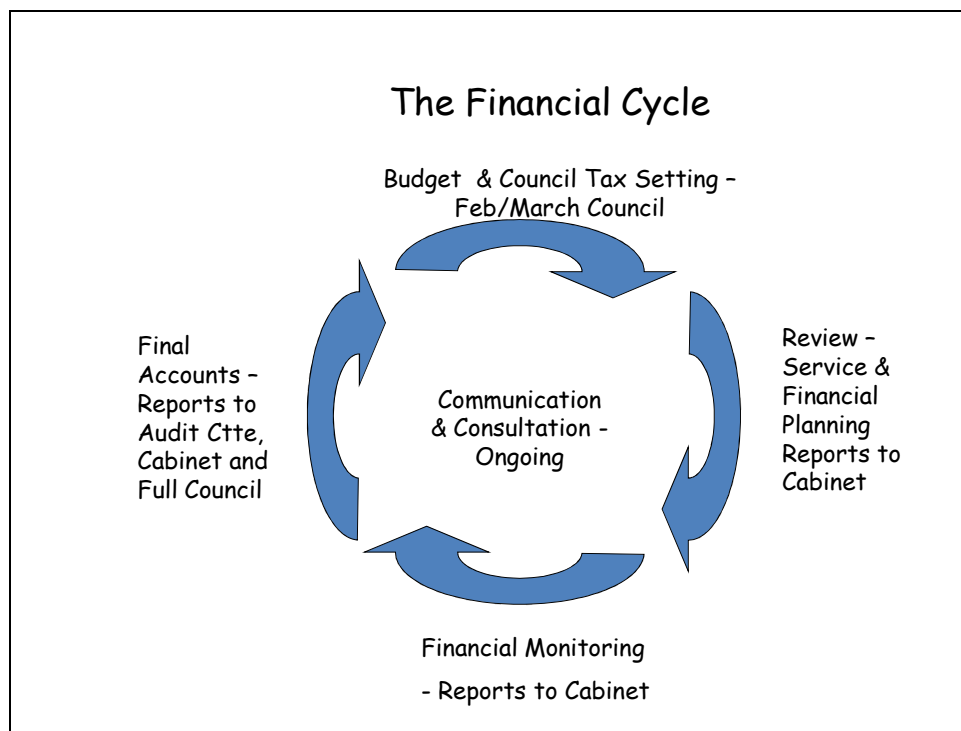
These accounts are supported by the Statement of Responsibilities, which follows this foreword.

2. FINANCIAL CONTEXT

This section of the Statement of Accounts summarises the background to the Council's accounts for 2014/15. In particular it sets out

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2014/15
- Issues highlighted during 2014/15
- The final outturn for 2014/15
- A commentary on 2015/16

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 2014/15

The Council's 2014/15 budget was set in the context of a two year service and financial planning strategy which covered the period 2014/15 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 third lowest council tax for Unitary Services in the Midlands in 2014/15 and is the second lowest in 2015/16).

Since 2010, the Council has faced unprecedented cuts in government grant whilst at the same time demand for many services, such as safeguarding children against harm or neglect and community care for older people, have been increasing. In 2014/15 £17m of budget savings were delivered, which was on top of £53m made in the previous 5 years.

Despite the financial challenges the Council has a clear mission to: attract new jobs and investment; promote growth in the borough; generate additional income including council tax, New Homes Bonus and business rates; and to work cooperatively with residents and partners.

The Cabinet published its draft service and financial planning strategy for 2014/15 to 2015/16 in January 2014 and extensive public consultation was undertaken on the proposals. The final budget strategy was approved at Council in February 2014 taking account of consultation responses.

Council tax was frozen for 2014/15. The average charge (Band B) for the Council's services was £892 per year. The table below shows how Net Revenue Spend was funded.

| 2014/15 Net Revenue Spend - £m | |
|--|----------------|
| 2014/15 Total Net Revenue Spend | 129.235 |
| Funded From: | |
| Government Grant (RSG and Top Up) | 44.314 |
| Retained Business Rates | 33.731 |
| Council Tax | 50.841 |
| Collection Fund and Balances | 0.349 |
| Total Funding | 129.235 |

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 2014/15

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

| Service Area | Approved Budget | Outturn | Variance | Outturn as a % of Budget |
|---|--------------------|--------------------|--------------------|--------------------------|
| | £ | £ | £ | |
| Children's Safeguarding & Specialist Services | 20,498,422 | 21,697,262 | 1,198,840 | 105.85% |
| Education & Corporate Parenting | 10,884,147 | 11,403,743 | 519,596 | 104.77% |
| Family, Cohesion & Commissioning Services | 9,713,047 | 8,808,046 | (905,001) | 90.68% |
| Development, Business & Employment | 2,369,583 | 1,891,640 | (477,943) | 79.83% |
| Neighbourhood & Leisure Services | 30,643,265 | 30,173,408 | (469,857) | 98.47% |
| Adult Social Services | 37,528,318 | 38,196,188 | 667,870 | 101.78% |
| Public Health, Well Being & Public Protection | 2,005,078 | 1,601,157 | (403,921) | 79.86% |
| Customer Services | 4,764,596 | 4,113,644 | (650,952) | 86.34% |
| Law, Democracy & People Services | 2,329,380 | 253,026 | (2,076,354) | 10.86% |
| Finance, Audit & Information Governance | 9,615,330 | 7,249,830 | (2,365,500) | 75.40% |
| Cooperative Council Delivery Unit | 1,327,580 | 1,207,668 | (119,912) | 90.97% |
| Council Wide (including Asset Rentals) | (2,444,216) | (4,006,398) | (1,562,182) | 163.91% |
| Total | 129,234,530 | 122,589,214 | (6,645,316) | 94.86% |
| Proposed Transfers to Reserves | | | | |
| Capacity/Invest to Save Fund | 0 | 1,000,000 | 1,000,000 | |
| Severance Fund | 0 | 2,200,000 | 2,200,000 | |
| Pride in Your Community Fund (17/18) | 0 | 1,000,000 | 1,000,000 | |
| Parish Environmental Teams (17/18 and 18/19) | 0 | 800,000 | 800,000 | |
| Unemployment Initiatives | 0 | 500,000 | 500,000 | |
| Total After Transfers | 129,234,530 | 128,089,214 | (1,145,316) | |

Variances are after IAS 19 Pension entries and asset rental charges but before 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> | |
| <p>Children in Care Placements (CiC) – the overspend reflects 293 CiC (309 at 31 March 2014, peak of 323 during last financial year). The financial strategy for 2014/15 included an additional “draw-down” budget for Safeguarding to help meet the ongoing pressures on the service (see below). All placements are scrutinised and reviewed in line with the Action Plan and Placement Strategy to secure best value. The Cost Improvement Plan for 2015/16 includes further cost reductions in this area.</p> | +1.558 |
| <p>Draw down budget – £1.2m set aside when the budget was set to meet CiC pressures.</p> | -1.200 |
| <p>Care Leavers – overspend relating to the cost of supporting 16-18 year olds as they leave care. This represents a significant improvement on the position in 2013/14.</p> | +0.166 |
| <p>Internal Foster Carer Costs – payments to Foster Carers including transport costs.</p> | +0.164 |
| <p>Staffing (Specialist Services) – underspends from vacancies held in the service area.</p> | -0.116 |
| <p>Staffing (Safeguarding) – including the cost of agency social workers.</p> | +0.237 |
| <p>Direct Payments – payments relating to personal care for children with disabilities.</p> | +0.105 |
| <p>Children not in Care – costs relating to adoption fees and other costs made to carers to support placing children with families and avoiding higher care related costs.</p> | +0.190 |
| <p>In year savings total £0.080m.</p> | |
| <u>Education & Corporate Parenting</u> | |
| <p>School Improvement Advisory Service – lower costs due to in year vacancies and additional income from trading following a restructure.</p> | -0.246 |
| <p>Education Services Grant (ESG) – fewer in-year conversions to academies than anticipated resulting in less reduction in ESG for the local authority.</p> | -0.105 |
| <p>In year savings total £0.130m.</p> | |

| | |
|---|---|
| <p><u>Family, Cohesion Services & Commissioning</u></p> <p>Cohesion – a combination of salary savings from temporary vacancies and other savings within the service.</p> <p>Contracting & Commissioning – mainly due to the transfer of Supporting People from Adult Social Services which is forecast to overspend by £0.384m, partially offset by restructure savings.</p> <p>In year savings total £0.909m.</p> | <p>-0.206</p> <p>+0.303</p> |
| <p><u>Adult Social Services</u></p> <p>Purchasing budgets – an overspend of £5.6m which is after the delivery of £2m savings already achieved.</p> <p>One off Funds – includes £0.9m Service balances plus £2.24m of the one off draw down budget set aside at year end.</p> <p>Transport – impact of the budget reductions following a transport review. A project group has been set up to review transport expenditure in 2015/16 and address the overspend.</p> <p>Employees – savings arising from vacant posts within Adult Social Services.</p> <p>Income – a combination of additional income from the Government to support work on winter pressures and reducing the delay to people leaving hospital, together with funds to support the implementation of the Care Act and additional client contributions.</p> | <p>+5.573</p> <p>-3.140</p> <p>+0.179</p> <p>-0.304</p> <p>-1.742</p> |
| <p><u>Public Health, Wellbeing & Public Protection</u></p> <p>Employees – arising from part year vacancies and underspends on other employee budgets.</p> <p>Smoking Cessation Project – saving arising from reduced demand and use of service.</p> <p>Substance Misuse – saving from across the Drugs and Alcohol service including inpatient detox.</p> <p>Public Protection & Civil Resilience – saving arising from employee vacancies during the year.</p> <p>In year savings total £0.200m.</p> | <p>-0.102</p> <p>-0.231</p> <p>-0.252</p> <p>-0.145</p> |

| | |
|---|--------|
| <u>Neighbourhood & Leisure Services</u> | |
| Highways & Engineering – costs associated with restructure. | +0.200 |
| Highways & Engineering – additional income which cover costs associated with restructure. | -0.307 |
| Drain Clearing – additional costs of gully emptying; offset by underspends elsewhere in the service. | +0.143 |
| Concessionary Travel – saving as a result of reduced passenger numbers. | -0.126 |
| Highways & Transport Strategic Policy – savings arising from vacant posts. | -0.225 |
| Highways & Transport Strategic Policy – income shortfall mitigated by above saving. | +0.169 |
| Leisure Facilities & Services – income shortfall at Oakengates Leisure Centre and Horsehay Golf Complex. | +0.175 |
| Arthog – additional income relating to increased school visits and increased occupancy. | -0.138 |
| Oakengates Theatre – additional income relating to the success of the pantomime and other productions during the year. | -0.100 |
| In year savings total £0.185m. | |
| <u>Development, Business & Employment</u> | |
| Regeneration & 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, short-term income pressures at Southwater car park and service charge voids. | +0.575 |
| Business & Development Planning – one off savings arising from vacancy management. | -0.123 |
| Development Management – one off benefit from increased planning applications due to the current housing market and “Invest in Telford” campaign. | -0.218 |
| Property & Design – one off savings arising from vacancy management. | -0.126 |
| Property & Design – reduced spend on consultancy services. | -0.114 |
| Property & Design – additional property related costs including utilities and maintenance costs. | +0.216 |

| | |
|--|---------------|
| <p>Regeneration & Investment – one off savings arising from vacancy management.</p> <p>In year savings total £0.440m.</p> | <p>-0.147</p> |
| <p><u>Customer Services</u></p> | |
| <p>Care & Enablement – savings identified from staffing restructures and the cessation of the enablement service which together with one off funds have covered residential and community support overspends.</p> | <p>-0.251</p> |
| <p>ICT – the net impact of the reallocation of savings together with additional restructure savings.</p> | <p>-0.134</p> |
| <p>Cleaning – additional income generated and reduced employee costs.</p> <p>Customer Services overall position includes £600k additional funding achieved through increased council tax and business rates. Due to accounting regulations this is not available to the Council in 2014/15 and will be met from one-off funds until 2015/16.</p> <p>In year net savings total £0.256m.</p> | <p>-0.102</p> |
| <p><u>Finance, Audit & Information Governance</u></p> | |
| <p>Treasury – the majority of this saving relates to the benefit of extending the change in the calculation of the Minimum Revenue Provision applied in 2013/14 to include supported debt (government allocations), which is made up of a back-dated element of £1.1m and an ongoing benefit. The revenue impact of changes to the level of anticipated capital receipts is also reflected in this position as is a benefit from capitalisation of interest on projects under construction at year end.</p> | <p>-2.149</p> |
| <p><u>Law, Democracy & People Services</u></p> | |
| <p>Single Status - the budget for 2014/15 allowed for implementation of the single status settlement during the year. This is unlikely to happen during this financial year and as such a net benefit of £1.9m will arise during this year.</p> <p>In year net savings total £1.917m.</p> | <p>-1.950</p> |
| <p><u>Co-operative Council Delivery Unit</u></p> | |
| <p>Delivery & Planning – underspends relating to vacant posts.</p> <p>In year savings total £0.087m.</p> | <p>-0.101</p> |

| | |
|---|--------|
| Purchase Rebates Surplus dividend from West Mercia Energy relating to 2013/14 outturn performance. | -0.132 |
| Litigation Costs Provision for the estimated costs associated with an ongoing litigation claim affecting a number of Councils across the country. | +0.259 |
| Housing Benefit Subsidy Higher than budgeted housing benefit subsidy which includes the impact of a reduction in the level of overpayments made during the last part of the year. | -0.211 |

2.4 **Final Outturn for 2014/15**

Revenue

Final net service expenditure was £128.089m, after the transfers to reserves mentioned above, compared to a budget of £129.234m, an underspend of £1.145m (or -0.89%). Given the context of the Council having to make £17m of budget savings in 2014/15, on top of £53m 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 – Overall Totals | 129.234 | 128.089 | -1.145 |
| Funding Variance | 0.000 | -0.200 | -0.200 |
| Contribution to (-)/from (+) balances | -0.049 | -0.049 | 0.000 |
| Service Outturn | 129.185 | 127.840 | -1.345 |
| Funded by : | | | |
| Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances | -129.185 | -128.985 | +0.200 |
| Net General Fund position | 0.000 | -1.145 | -1.145 |

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 | 437.470 | 376.516 | 60.954 |
| Trading Services | 3.716 | 6.156 | (2.440) |
| Pensions Adjustments under IAS 19 | (1.633) | 0.000 | (1.633) |
| Interest Payable and Similar Charges | 8.935 | 0.000 | 8.935 |
| Gains and Losses on Repurchase or Early Settlement of Borrowings (net) | (0.370) | 0.000 | (0.370) |
| Interest and Investment Income | 0.000 | 0.176 | (0.176) |
| Capital Grants and Revenue Grants Unapplied | 0.000 | (88.033) | 88.033 |
| General Grants (LSSG, Section 31) | 0.000 | 0.070 | (0.070) |
| Remove Depreciation & Impairments, REFCUS etc from Net Operating Cost | (33.899) | 0.000 | (33.899) |
| Accumulated Absences | (0.157) | 0.000 | (0.157) |
| Minimum Revenue Provision | 4.403 | 0.000 | 4.403 |
| Net Movement on Reserves | 4.260 | 0.000 | 4.260 |
| Total | 422.725 | 294.885 | 127.840 |

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

The outturn position has resulted in a general fund balance of £3.783m and a special fund balance of £0.586m (see Note 56 to the Core Financial Statements), giving a consolidated balance of £4.369m. The total for all reserves and usable revenue balances held by the Authority is £63.3m, 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 £4.3m.

Workforce Analysis

At 31 March 2015 Telford & Wrekin Council employed 2,997 people [2,319 FTEs]. At 31 March 2014 the comparative figures were 2,981 people [2,308 FTEs]:

| | 31 March 2014 | | 31 March 2015 | |
|--------------|---------------|----------------|---------------|----------------|
| | Head Count | FTEs | Head Count | FTEs |
| Male | 780 | 684.8 | 797 | 697.5 |
| Female | 2,201 | 1,623.5 | 2,200 | 1,621.4 |
| Total | 2,981 | 2,308.3 | 2,997 | 2,318.9 |

International Accounting Standard Note No 19 – Retirement Benefits

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council’s share of the pension fund has increased by £72.06m; this has been as a result of a change to actuarial assumptions to calculate the future value of scheme liabilities (mainly as a result of the discount rate being reduced, which has the impact of increasing the value of future liabilities). The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £12.910m (comprising contributions of £10.090m plus a lump sum payment of £2.82m). The contribution rate was set for 2013/14 at 16.3%. Following the valuation at 31/3/13 the contribution rate was reduced to 12.6% for 2014/15 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2015/16 is estimated at 17.0% slightly higher than 2014/15.

Capital Accounting

Capital

The Council spent £115.3m on capital projects during the year, an underspend of £26.3m against budget within the year although, this will be re-phased into future years. Detail is shown in the table below.

| Policy Area | 2014/15 Approved Budget £m | 2014/15 Expenditure £m |
|-------------------------------------|-------------------------------------|------------------------------|
| Education and Corporate Parenting | 64.8 | 58.0 |
| Development Business and Employment | 37.2 | 22.6 |
| Neighbourhood and Leisure Services | 31.3 | 28.8 |
| Adult Social Services | 1.8 | 0.4 |
| Customer Services | 2.4 | 1.8 |
| Corporate Delivery Unit | 4.0 | 3.7 |
| Corporate | 0.1 | 0.0 |
| Total | 141.6 | 115.3 |
| Funded by: | | |
| Supported Borrowing | 0.2 | 0.1 |
| Prudential Borrowing | 46.4 | 28.0 |
| Capital Receipts | 2.5 | 3.1 |
| Government Grants | 86.9 | 79.1 |
| Revenue | 0.9 | 0.7 |
| Other External Sources | 4.7 | 4.3 |
| Total | 141.6 | 115.3 |

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 £115.26m during 2014/15.

Overall the Council's net indebtedness is £112.8m at 31st March 2015 which is an increase of £10.8m 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 2014/15 the Authority made payments of £9,883,380 (£9,718,789 in 2013/14) in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 per annum (index linked starting point September 2006) until the contract expiry date of 2034 and receives £5.9m per annum from the Government to help offset this cost.

Provisions (see Note 26)

Severance Costs – the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2015 was £0.1m.

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 2014/15 accounts, as was the case last year and previous years. The amount in the provision at 31 March 2015 was £16.3m (£4.3m relates to schools).

NDR Appeals – under the new arrangements for the retention of business rates authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £4.9m is estimated as the amount required to set aside for this purpose at the end of 2014/15. Telford & Wrekin Council's proportion of this is £2.4m (49%).

Litigation Costs – A provision has been created in respect of Litigation Costs for 2014/15. This is to cover the anticipated costs of refunds being claimed by a number of private local search companies.

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 60 to the accounts) and have concluded that group accounts do not need to be prepared. During 2015/16 NuPlace, a wholly owned Housing Investment Company, has been established and group accounts will therefore be required in the future.

2.5 2015/16 Commentary

The Council has a rolling financial planning process. This was updated for 2015/16 formally by reports to the Council's Cabinet in January 2015 and February 2015. The decisions on the medium term budget strategy at 5 March 2015 Council reflect the outcome of extensive consultation with a wide variety of stakeholders following publication of the draft strategy on the 5 January 2015.

The provisional funding settlement for 2015/16 was announced very late on the 18th December 2014, followed by the final settlement on the 4th February 2015; as anticipated the Council faced a very significant reduction in funding. After delivering £70m of savings over the previous 6 years, further savings of over £9m were required in 2015/16. Projections beyond 2015/16 have a degree of uncertainty because of the impending Comprehensive Spending Review, which is likely to impose further savings targets on local government as central government strive to reduce public spending.

The agreed strategy for 2015/16 to meet the savings requirement and to continue to invest in the area to support both the community and businesses is:

- additional savings package delivering £5.5m to general fund budgets;
- additional business rates income of £1.1m;
- creation of additional ring fenced funding of £0.75m for safeguarding pressures;
- creation of additional ring fenced funding of £2.5m for adult social services;
- funding for unavoidable service pressures totalling £1.5m;
- investments totalling £1.95m, funded from the anticipated 2014/15 underspend, to support free swimming for the over 50's; invigoration and promotion of High Streets; fund an environmental investment programme;
- planned use of balances carried forward from the 2014/15 underspend of £0.8m.

The decision has been made to freeze council tax for 2015/16 (and also for 2016/17) and as a result, the Council Tax for Council Services in 2015/16 (Band B) remains at £892 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,147).

| 2015/16 Net Revenue Budget - £m | |
|--|----------------|
| 2015/16 Total Net Revenue Spend | 123.062 |
| Funded From: | |
| Government Grant (including RSG) | 33.887 |
| Retained Business Rates | 35.655 |
| Council Tax | 51.857 |
| Balances and Collection Fund | 1.663 |
| Total Funding | 123.062 |

Looking Ahead

Full Council approved the medium term financial strategy on the 5 March 2015 (available on the Council's web site). Current future projections show that further savings of around £10m-£12m per annum are likely for next 3 years. Projections are difficult due to a number of factors; uncertainty around the Comprehensive Spending Review and no information on national spending totals beyond 2015/16. It is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance being inevitable.

3. FURTHER INFORMATION

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

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

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

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

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

Chart 1

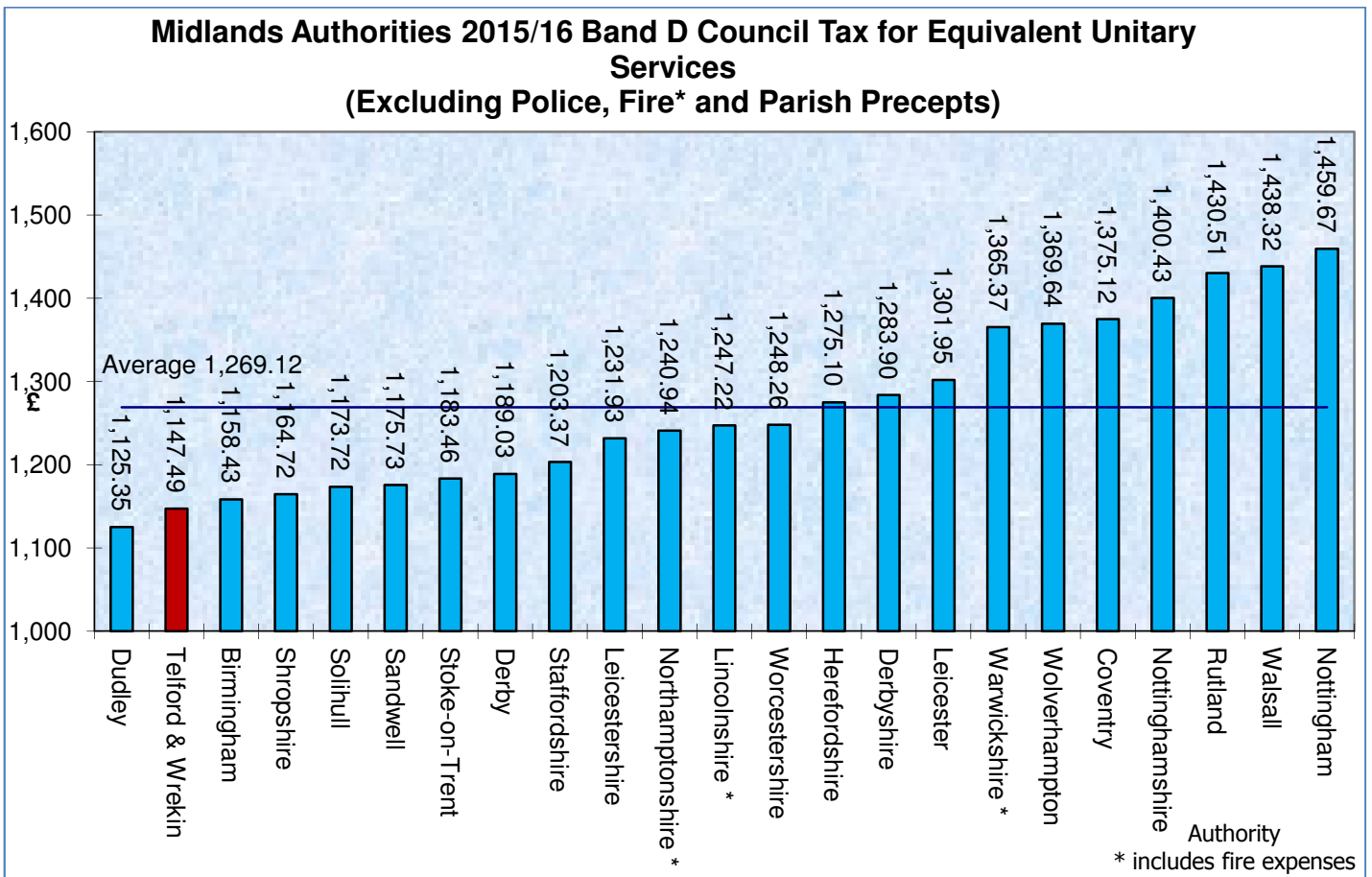
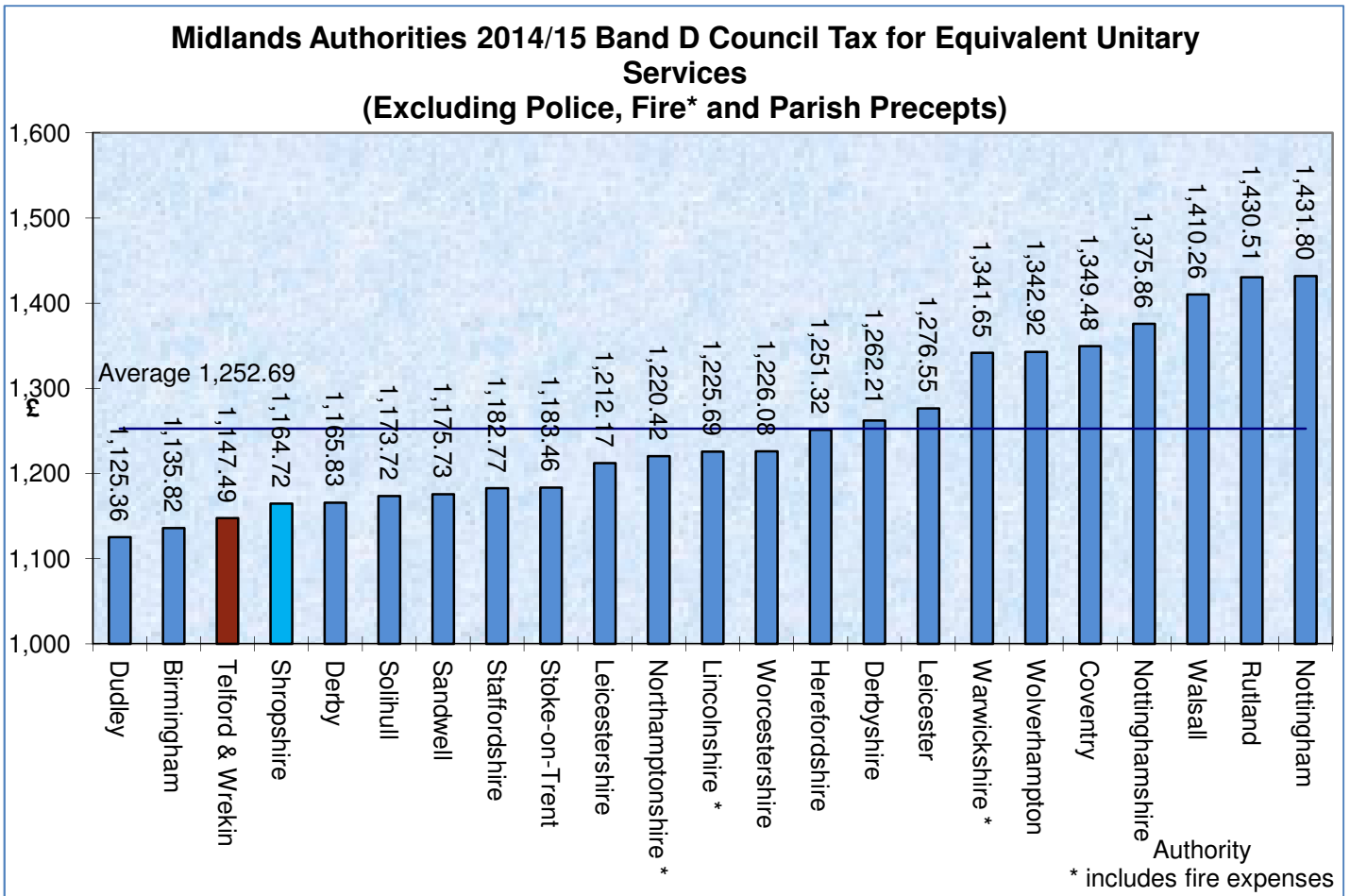


Chart 2

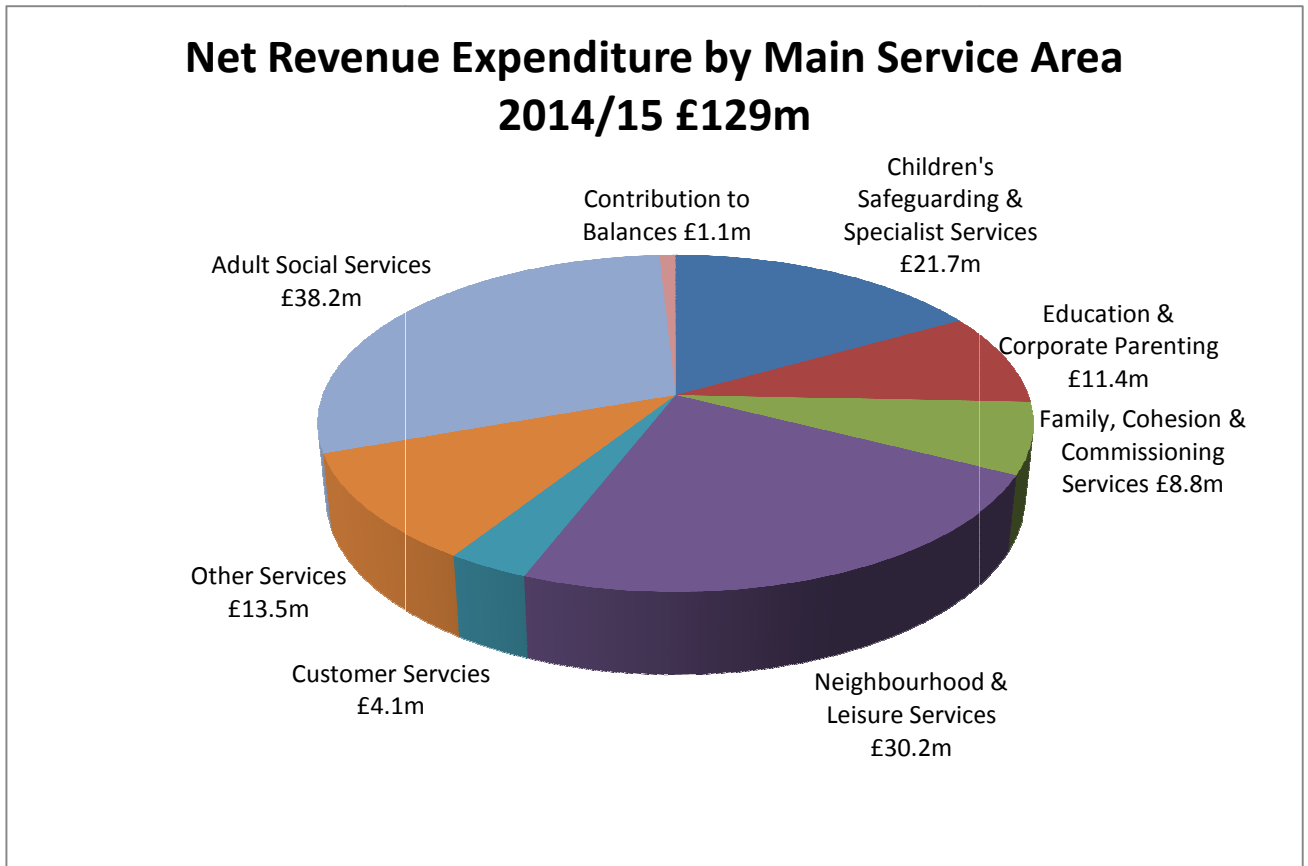


Chart 3

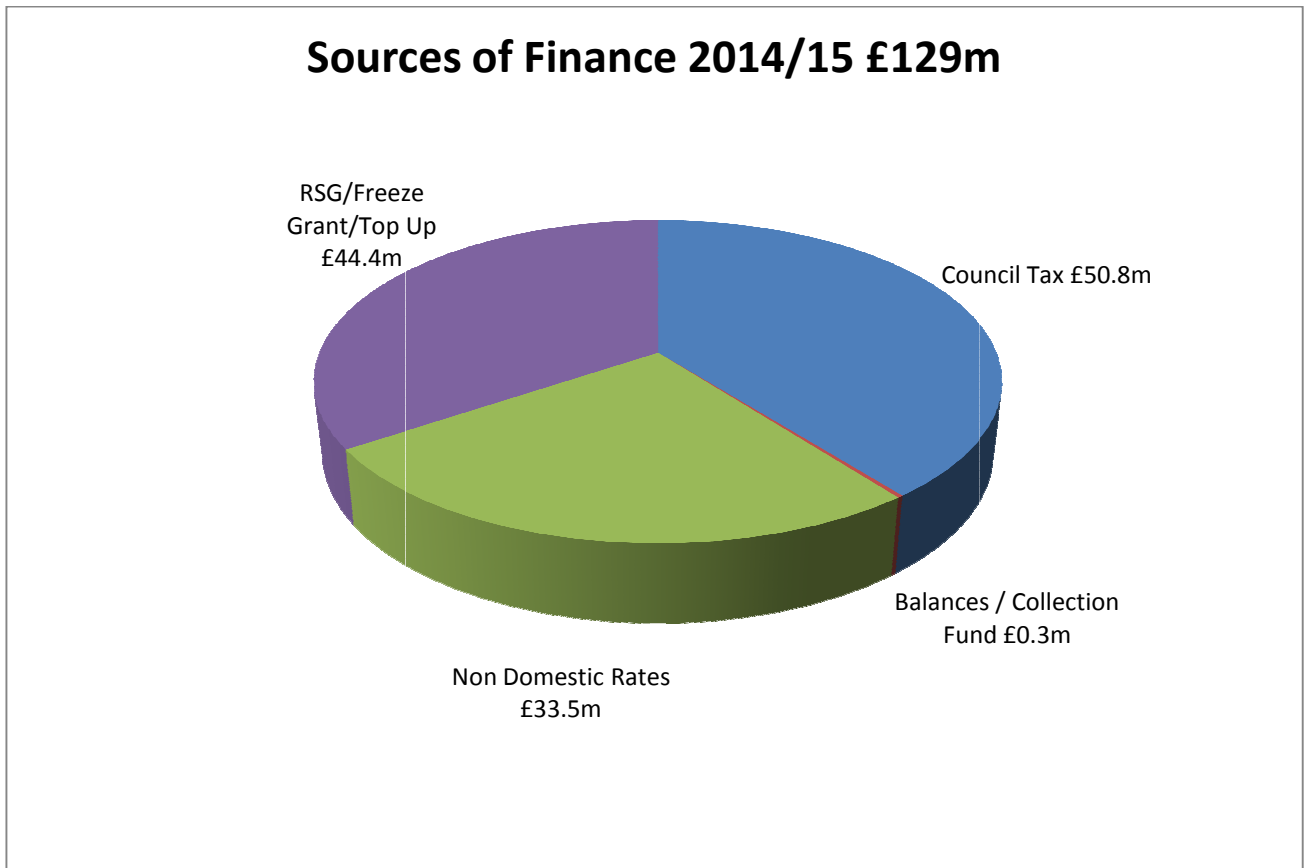


Chart 4

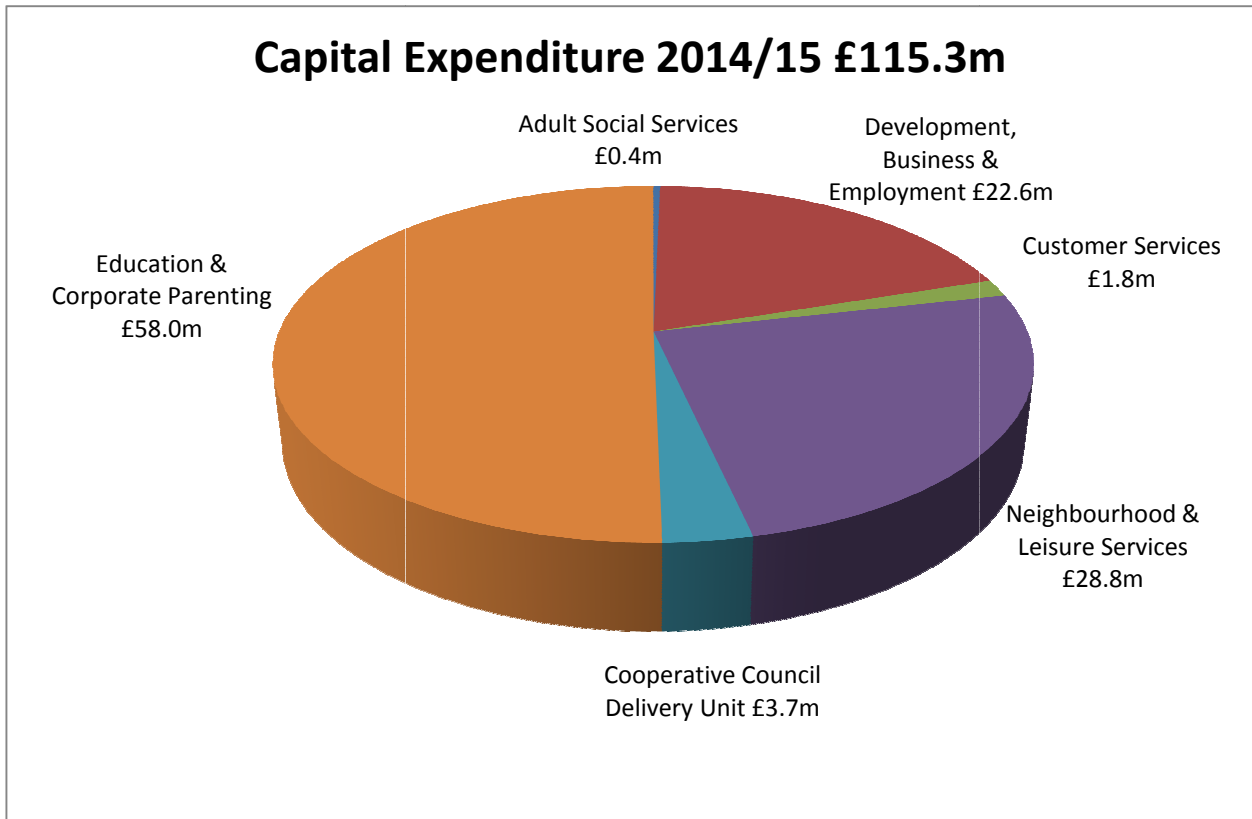
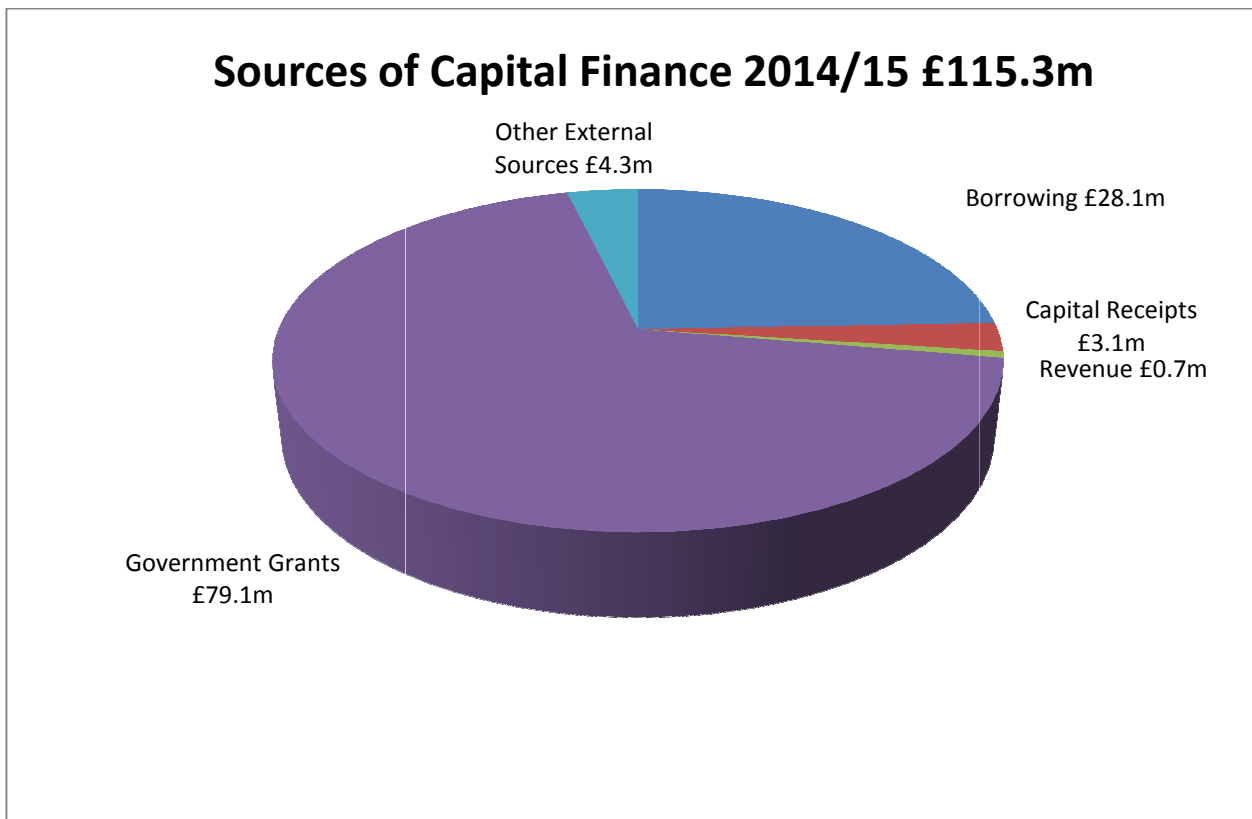


Chart 5



Statement Of Responsibilities

The Council's Responsibilities

The Council is required:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2015.

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: 18 June 2015

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 2015

ANNUAL GOVERNANCE STATEMENT 2014/15

1. Introduction

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

2. Standards of Governance

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

3. Scope of Responsibility

- 3.1 Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively to secure continuous improvement.
- 3.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities 2012 edition. Within this code and to meet its responsibilities, the Council (members and officers) is responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations¹ and ensuring the effective exercise of its functions.
- 3.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

4. The Purpose of the Governance Framework

- 4.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.
- 4.3 The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2015/16 and beyond to support good governance, revised service delivery and organisational change.

5. The Governance Framework

- 5.1 The key elements of the systems and processes that comprise the authority's governance framework (which is underpinned by the Council's values²) include:

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 and respect

- Community Strategy - Shaping Our Future – Telford & Wrekin’s Journey to 2020 - approved by Council on 2 May 2013;
- The Council’s Medium Term Plan 2013/14 to 2015/16 which outlines the Council’s ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Co-operative Council principles and clear vision and values for the Council and the Community;
- Clear governance arrangements to manage the Council’s change programmes and restructuring occurring across the Council and key capital projects;
- Designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children’s Services, Director of Adult Social Services, Director of Public Health and Scrutiny Officer;
- The Council’s Information Governance arrangements include a Caldicott Guardian and an Information Governance Framework sponsored by a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- The Performance management framework and data quality systems. These provide reports to SMT³, Cabinet and Scrutiny;
- A Legal Services team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- The Adults and Children’s Safeguarding Boards and their associated accountability with an independent Chair;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/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;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- 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

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.

management is the Managing Director. The service and financial planning process incorporates risk management and strategic risks are reviewed by SMT and agreed by the Cabinet;

- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- A process for the completion and approval of business cases for use of the Capacity fund, Invest to Save fund and use of consultants;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit operates to the Public Sector Internal Audit Standards and on a risk basis reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Audit & IG Manager operates to meet the requirements of the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
- The Council'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;
- Governance 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).

6. Review of Effectiveness

- 6.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
 - b) the work of internal audit; and also
 - c) by comments made by the external auditors and other external review agencies and inspectorates.
- 6.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 6.3 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, direct feedback to members from within the community and the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.
- 6.4 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking, 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 2014/15 the Internal Audit team achieved just under 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on

adequacy and effectiveness of the Council's governance, risk management and internal control framework.

- 6.5 Internal Audit report on a quarterly basis 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.
- 6.6 Internal Audit has continued to provide support to Adult Social Services in respect to financial processes and systems and there were updates to the June 2014 and March 2015 Audit Committees. Senior Management changes have been implemented and external support has been commissioned to inform the future operating model. Adult Social Services phase 2 restructure will be launched in late June 2015.
- 6.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up policy. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Speak Up policy supports this. Internal Audit undertakes proactive fraud work based on a fraud risk register and will be re-reviewing the Council's anti-fraud activities against best practice (issued by CIPFA Autumn 2014 with guidance June 2015) during 2015/16. Other specific anti-fraud and corruption activities are undertaken by Revenues & Benefits and Trading Standards. An annual report on these activities is presented to the Audit Committee.
- 6.8 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy.
- 6.9 The Council's performance management framework has systems and procedures which drive continuous improvement in performance. This has been reviewed and developed to reflect the Government's Single Data List.
- 6.10 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work 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).
- 6.11 The Council recognises the importance of Information Governance and formalised its Information Governance framework in 2014/15. It has taken significant steps to improve the security of its IT, paper and handling processes to meet the compliance requirements for Data Handling in Government. The Information Governance team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2014/15 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.
- 6.12 ICT infrastructure upgrades during the year have further improved security, data handling and business continuity. Further infrastructure improvement are planned for 2015/16 and 2016/17. A full review of the ICT strategy was undertaken in 2014/15 and was agreed by SMT.
- 6.13 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.

- 6.14 The Accounts and Audit (England) Regulations 2011 require a review of the effectiveness of internal audit and in addition to customer feedback the External Auditors review of the work of Internal Audit and their compliance with the Public Sector Internal Audit Standards has contributed to meet this requirement. The Internal Audit Annual Report 2014/15 sets out the internal audit opinion and that the External Auditor has reviewed and relied upon the work of Internal Audit in respect to the key financial systems for the 2014/15 final accounts audit.
- 6.15 The External Auditor’s Annual Audit Letter 2013/14 included in its headlines:
- Value for Money conclusion – we issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2013/14 on 16 September 2014. This means we are satisfied that you have proper arrangements for securing 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 16 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
- 6.16 In 2014/15 Children’s Centre inspections by Ofsted were realigned to localities. There was an inspection of the Wrekin locality 2014/15. Copies of the reports are available at www.ofsted.gov.uk but the main findings were:-

| Location | Date | Grading ⁶ |
|-----------------|----------|--------------------------|
| Wrekin locality | May 2014 | 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.

- 6.17 To support the significant challenges in Adult Social Care (reduced spend, increasing demographic pressures, the implementation of the Care Act 2014 and a budget deficit) and to confirm and inform the savings programme, following procurement, Capita were invited to review our service in July /August 2014 and provide a portfolio of opportunities for us to consider. Below is a summary of the opportunities identified that could deliver the savings over the next 2 years:
- Improving and enhancing the **Information & Advice Service**.
 - A multi-disciplinary, centralised **Access and Assessment Hub** to provide a much more effective management of demand.
 - Managing **Safeguarding Alerts and Referrals** more effectively.
 - **Evaluate and remodel the reablement function**.
 - More effective targeting of **Telecare & Assistive Technology**.
 - **“Floating Out” Support Planning and Brokerage** function and separating it from the assessment process.
 - More **effective approaches to Reviews**.

In addition John Bolton, who over the last 3 years has led a national review looking at efficiencies achieved by local authorities in delivering adult social care, was invited in December 2014 to review our progress against the national and local challenges facing adult social services. His key messages to the Council are summarised below:

- Need strong, clear Vision/Commitment statement owned by all stakeholders, signed off and led by Councillors.

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

- Ensure all staff are fully signed up to Vision and culture to deliver – workforce development.
- Move from “understanding” to “doing”.
- Reducing spend is dependent on managing down demand.
- Front door is key, including an integrated approach with NHS.
- Commissioning for outcomes and promoting independence – in particular all home care and any residential based crisis/discharge to assess/enablement support.
- Older People - No admission to residential/nursing home care without crisis interventions to support at home. Where admitted to “crisis” beds, they must be commissioned for “promoting independence” outcomes.
- Learning Disability – Need to significantly review and reduce existing use of residential provision.
- Performance Management Information – need focus on information which helps understand and manage flow and reducing demand.
- In-house provider – must be competitive and lead by example in promoting independence.

The Council is making good progress against the recommendations from both the Capita and John Bolton reviews, together with the previous recommendations from the Adults Peer Challenge in 2013.

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

Richard Partington
Managing Director
Dated

Kuldip Sahota
Leader of the Council
Dated:

Rob Sloan
Chair of Audit Committee
Dated:

AGS ACTION PLAN FOR 2014/15 TO BE IMPLEMENTED 2015/16

| No | Action | Lead Officer | Comments | Date |
|----|--|--|--|---|
| 1. | Continued strategic management of organisational change in respect to revised structures, and commercial/ 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 any changes into to the Constitution, strategies and policies. Change management processes have been adjusted to reflect the different phase of change which the council is currently in endorsing and delivering an awareness programme for officers and members. Updated Constitution effective from May 2015. | On-going 31/03/16 |
| 2. | Preparations for the revised external audit arrangements. | AD Finance, Audit & IG | Local Audit and Accountability Act 2014 enacted but is not yet fully in force. Further secondary legislation and guidance to be published. External audit procurement – planning may need to commence early 2016 if contracts not extended. Planning for revised final accounts deadlines for 2017/18 to commence in 2015/16 so there can be phased changes to practices. Draft accounts by 31 st May (instead of 30 th June) and audited accounts by 31 st July instead of 30 th September. | On going – as required Procurement – possibly from January 2016. Working towards updated final accounts timetable for 2016/17 onwards. |
| 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 | The key leadership, management and workforce requirements have been identified and the Council’s development programme now reflects these. The programme is revised on a rolling basis. People policies have been prioritised and are being revised and renegotiated in line with these priorities. | On going as agreed with SMT (31/03/16). |
| 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 | The process and system for community care financial control has been implemented. This will ensure accurate data and appropriate financial control, and includes clearly defined roles and responsibilities of teams and individuals for entering data for all practitioners and SDS&BT, and via agreed communications channels. Cost improvement plan is being implemented along with recommendations from Capita and John Bolton reviews. This has delivered savings during 14/15 which will continue into 15/16 and beyond. Robust action plans and ownership in place, which is monitored on a monthly basis. Challenge in place via Members, MD, and Director. Care Act Implementation programme completed for 1 st April 2015 and then to be implemented for 1 st April 2016. Chair – Director. Programme Lead – Clare Hall-Salter | 31/03/16 and beyond |

| No | Action | Lead Officer | Comments | Date |
|----|--|--|--|----------------------------------|
| 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 from external reviews that improve the governance arrangements in these areas. | Various dates throughout 2015/16 |
| 6. | Continue to develop and implement appropriate governance arrangements to support commercial projects. | Managing Director/ Monitoring Officer/CFO/ AD Development Business & Employment | Continued support and review of the separate company arrangements and associated governance issues. Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval. | On-going during 2015/16 |

Auditors' Report

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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 2013 carried forward restated | 3,121 | 32,087 | 53 | 13,355 | 48,616 | 18,165 | 66,781 |
| Movement in reserves during 2013/14 | | | | | | | |
| Surplus or (deficit) on the provision of services restated | (13,517) | 0 | 0 | 0 | (13,517) | 0 | (13,517) |
| Other Comprehensive Income and Expenditure restated | 0 | 0 | 0 | 0 | 0 | 52,002 | 52,002 |
| Total Comprehensive Income and Expenditure restated | (13,517) | 0 | 0 | 0 | (13,517) | 52,002 | 38,485 |
| Adjustments between accounting basis & funding basis under regulations (Note 7) restated | 25,240 | 0 | (53) | (6,239) | 18,948 | (18,948) | 0 |
| Net Increase/ (Decrease) before Transfers to Earmarked Reserves restated | 11,723 | 0 | (53) | (6,239) | 5,431 | 33,054 | 38,485 |
| Transfers to/(from) Earmarked Reserves | (11,620) | 11,620 | 0 | 0 | 0 | 0 | 0 |
| Increase/ (Decrease) in 2013/14 restated | 103 | 11,620 | (53) | (6,239) | 5,431 | 33,054 | 38,485 |
| Balance at 31 March 2014 carried forward restated | 3,224 | 43,707 | 0 | 7,116 | 54,047 | 51,219 | 105,266 |

| | 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 2014/15

| | | | | | | | |
|---|---------------|---------------|----------|--------------|---------------|-----------------|----------------|
| Surplus or (deficit) on the provision of services | 61,206 | 0 | 0 | 0 | 61,206 | 0 | 61,206 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | (60,018) | (60,018) |
| Total Comprehensive Income and Expenditure | 61,206 | 0 | 0 | 0 | 61,206 | (60,018) | 1,188 |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (53,723) | 0 | 0 | 1,813 | (51,910) | 51,910 | 0 |
| Net Increase/ (Decrease) before Transfers to Earmarked Reserves | 7,483 | 0 | 0 | 1,813 | 9,296 | (8,108) | 1,188 |
| Transfers to/(from) Earmarked Reserves | (6,338) | 6,338 | 0 | 0 | 0 | 0 | 0 |
| Increase/ (Decrease) in 2014/15 | 1,145 | 6,338 | 0 | 1,813 | 9,296 | (8,108) | 1,188 |
| Balance at 31 March 2015 carried forward | 4,369 | 50,045 | 0 | 8,929 | 63,343 | 43,111 | 106,454 |

It can be seen from this table that of the total £106.5m reserves, only £4.4m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances, See note 29, 30 and 31.

Comprehensive Income and Expenditure Account

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

| SERVICE | 2013/14 Gross Expenditure £000 | 2013/14 Income £000 | 2013/14 Net Expenditure £000 | 2014/15 Gross Expenditure £000 | 2014/15 Income £000 | 2014/15 Net Expenditure £000 |
|--|---|---------------------------|---------------------------------------|---|---------------------------|---------------------------------------|
| Children's and Education Services (note 8) (restated for 13/14) | 160,567 | 144,771 | 15,796 | 161,361 | 178,364 | (17,003) |
| Adult Social Care | 64,163 | 20,850 | 43,313 | 65,705 | 25,656 | 40,049 |
| Environmental & Regulatory Services | 15,923 | 1,974 | 13,949 | 15,997 | 3,409 | 12,588 |
| Cultural and Related Services | 22,024 | 10,239 | 11,785 | 24,330 | 13,007 | 11,323 |
| Planning Services | 12,377 | 12,071 | 306 | 10,643 | 17,532 | (6,889) |
| Highways & Transport Services | 18,574 | 18,572 | 2 | 21,848 | 22,120 | (272) |
| Housing Services | 80,828 | 75,051 | 5,777 | 84,441 | 81,651 | 2,790 |
| Court & Probation Services | 279 | 2 | 277 | 267 | 0 | 267 |
| Contribution re Former County Council Debt | 2,004 | 0 | 2,004 | 1,876 | 0 | 1,876 |
| Corporate & Democratic Core | 3,695 | 0 | 3,695 | 3,610 | 0 | 3,610 |
| Central Services | 29,740 | 22,782 | 6,958 | 34,164 | 23,848 | 10,316 |
| Non Distributed Costs | 2,218 | 0 | 2,218 | 1,964 | 0 | 1,964 |
| Public Health (note 43) | 10,807 | 10,616 | 191 | 11,264 | 10,929 | 335 |
| Net Cost of Services (Note 42) (restated for 2013/14) | 423,199 | 316,928 | 106,271 | 437,470 | 376,516 | 60,954 |
| Other Operating Expenditure (Note 9) (restated for 2013/14) | | | 32,825 | | | 1,133 |
| Financing and Investment Income and Expenditure (Note 10) | | | 11,850 | | | 12,738 |
| Taxation & Non Specific Grant Income and Expenditure (Note 11) | | | (137,429) | | | (136,031) |
| (Surplus) or deficit on provision of services restated for 2013/14 | | | 13,517 | | | (61,206) |
| (Surplus) or deficit on revaluation of Property, Plant and Equipment Assets (restated for 2013/14) | | | 4,181 | | | (3,994) |
| Remeasurements of the net defined benefit pension liability (Note 12) | | | (56,183) | | | 64,012 |
| Other Comprehensive Income & Expenditure (restated for 2013/14) | | | (52,002) | | | 60,018 |
| Total Comprehensive Income and Expenditure (restated for 2013/14) | | | (38,485) | | | (1,188) |

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 restated £000 | 31 March 2014 restated £000 | | 31 March 2015 £000 | 31 March 2015 £000 |
|--|--|--|-----------------------------------|-----------------------------------|
| 396,830 | 413,710 | Property, Plant & Equipment (Note 14) | 483,852 | |
| 52,564 | 54,275 | Investment Properties (Note 15) | 59,329 | |
| 1,842 | 1,627 | Intangible Assets (Note 16) | 2,065 | |
| 10,033 | 33 | Long Term Investments (Notes 22,23,24) | 33 | |
| 598 | 573 | Long Term Debtors (Note 22) | 614 | |
| 461,867 | 470,218 | Total Long Term Assets | | 545,893 |
| | | Current Assets | | |
| 294 | 298 | Inventories (Note 20) | 297 | |
| 21,182 | 20,731 | Debtors (Notes 21,22) | 19,706 | |
| 15,000 | 10,000 | Investments - (short term) (Notes 22,23,24) | 0 | |
| 6,874 | 4,842 | Assets Held for Sale (Note 17) | 14,468 | |
| 18 | 0 | Landfill Allowances Asset Account | 0 | |
| 7,885 | 14,467 | Cash and Cash Equivalents (Note 25) | 4,657 | |
| 51,253 | 50,338 | | 39,128 | |
| | | Current Liabilities | | |
| (18,697) | (18,654) | Provisions (Note 26) | (19,053) | |
| (11,093) | (37,063) | Short term Borrowing (Notes 22,23) | (29,093) | |
| (60,999) | (62,521) | Creditors (Notes 22,27) | (64,166) | |
| (21) | (0) | Landfill Allowances Liability Account | (0) | |
| (90,810) | (118,238) | | (112,312) | |
| (39,557) | (67,900) | Total Net Current Assets/(Liabilities) | | (73,184) |
| (99,521) | (88,520) | Less Long Term Borrowing (Notes 22,23) | | (87,520) |
| (59,774) | (58,274) | Less Long Term Creditors (PFI & Finance Leases) (Note 22,28) | | (56,488) |
| (196,006) | (150,183) | Less Pensions Liability (Note 12) | | (222,247) |
| (228) | (75) | Capital Grants Receipts in Advance (Note 41) | | (0) |
| 66,781 | 105,266 | Net Assets | | 106,454 |
| 48,616 | 54,047 | Usable Reserves (Note 29) | | 63,343 |
| 18,165 | 51,219 | Unusable Reserves (Note 31) | | 43,111 |
| 66,781 | 105,266 | Net Reserves | | 106,454 |

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.

| 2013/14 restated | | 2014/15 |
|-----------------------------|---|-----------------|
| £000 | | £000 |
| 13,517 | Net (surplus) or deficit on the provision of services | (61,206) |
| (67,845) | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 36) | (30,745) |
| 47,992 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 37) | 89,054 |
| (6,336) | Net cash flows from Operating Activities (Note 40) | (2,897) |
| 13,970 | Investing Activities (Note 38) | 6,183 |
| (14,216) | Financing Activities (Note 39) | 6,524 |
| (6,582) | Net (increase) or decrease in cash and cash equivalents | 9,810 |
| | | |
| 7,885 | Cash and cash equivalents at the beginning of the reporting period | 14,467 |
| 14,467 | Cash and cash equivalents at the end of the reporting period (Note 25) | 4,657 |

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 2014/15 (COP), based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). They are further supplemented by International Public Sector Accounting Standards (IPSAS) and United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) comprising the Application of Statements of Standard Accounting Practice (SSAPs) Financial Reporting Statements (FRSs) and pronouncements of the Urgent Issues Task Force (UITF).

b) Concepts

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

c) Accruals of Expenditure & Income

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

d) Local Services Support Grant

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

e) Cash and Cash Equivalents

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

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

f) Contingent Asset

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

g) Contingent Liability

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

h) Employee Benefits

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

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

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

Salaries and Wages

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

Compensated Absences

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

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

Pensions Benefits

The Council participates in three formal pension schemes, the Local Government Pension Scheme, which is administered by Shropshire County Pension Fund, the National Health Service Pension Scheme and the 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 2014/15 COP. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any Authority's share of the assets and liabilities under the Teachers' scheme or the National Health Service scheme.

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

Termination Benefits

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

i) Events After the Balance Sheet Date

Where a material post balance sheet event occurs which

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

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

j) Exceptional Items and Prior Period Adjustments

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

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

k) Financial Instruments

Investments are disclosed in the Balance Sheet at amortised cost.

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

l) Government Grants and Other Contributions

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

m) Intangible Assets

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

n) Inventories and long term contracts

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

o) Investment Properties

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) Sale in the ordinary course of operations.

p) Leases

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

The use of leasing, together with the amount of rentals paid during the year and the undischarged obligation is explained in note 51 to the Core Financial Statements.

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

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

q) Non-current Assets Held for Sale

Assets are classified as being held for sale if the following conditions are met:-

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

r) Overheads

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

s) Private Finance Initiative

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

t) Property, Plant & Equipment

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

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

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

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

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

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

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

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

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

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

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

As at 31st March 2015 there were 8 significant capital contracts in place. These total £29.6m and are detailed in note 14.

u) Depreciation

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

- newly acquired assets are depreciated from the start of the year after they are acquired, assets in the course of construction are not depreciated until the year after they are brought into use. Depreciation is applied in the year of disposal.
- depreciation is calculated using the straight-line method after allowing for the residual value of the asset and its estimated life.
- depreciation is not provided for on Investment Properties.

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

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

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

w) Provisions

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

x) Reserves

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

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

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

y) Revenue Expenditure funded from Capital under Statute

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

z) Value Added Tax

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

aa) Direct Revenue Financing of Capital Expenditure

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2014/15, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

ab) Interest on surplus funds and balances

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

ac) Capital Receipts

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

ad) The Redemption of Debt

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

The "Minimum Revenue Provision" (MRP) is calculated 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.

ae) Estimation Techniques

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

af) Heritage Assets

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

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

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

ag) Carbon Reduction Commitment Scheme

The Authority no longer falls within the CRC scheme.

ah) Capitalisation Of Interest

Following a change in guidance the Council amended its policy on capitalisation of interest in 2013/14. Previously all interest has been charged to revenue in the year incurred, however, part of this interest cost relates to capital schemes under construction. With effect from 1 April 2013, interest costs relating to assets under construction will be capitalised, but only during the construction phase of the scheme. A threshold of £1m will be applied to this policy i.e. interest will only be capitalised for programme items where prudential borrowing exceeds £1m in year. This change in policy will generate revenue savings in the short term, but these will be offset by higher debt repayments in future years. For 2014/15 a total of £0.246m (£0.252m for 2013/14) 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 2014/15 the following new standards have been issued, but not yet adopted;

- IFRS 13 Fair Value Measurement (May 2011). This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require valuation at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non current assets held for sale) to be valued at market value rather than value in existing use, as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.
- IFRIC 21 Levies (May 2013). This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- Annual Improvements to IFRS's (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

Prior Period Adjustments

IFRS 10 Consolidated Financial Statements (May 2011). Identifies control as the basis for consolidation and inclusion in the accounts. As a result of this we have changed how we report several of our schools. The following groups of schools have been added to the balance sheet. 3 Foundation schools, 8 Foundation Trusts and 6 Voluntary Controlled schools. This has resulted in the following prior period adjustments and a net increase in Assets of £56.401m at 31 March 2014.

Movement In Reserves Statement

The change relates to the impact of bringing Foundation and Voluntary Controlled Schools back onto the Balance Sheet.

| Description | Original Figure £000 | Adjustment £000 | Revised Figure £000 |
|--|---------------------------------|----------------------------|--------------------------------|
| Total Usable Reserves – Balance at 31/3/13 | (31,769) | +49,934 | 18,165 |
| Total Authority Reserves – Balance at 31/3/13 | 16,847 | +49,934 | 66,781 |
| Movement During 2013/14 – Surplus or Deficit on the provision of services – General Fund Balance | (22,634) | +9,117 | (13,517) |
| Movement During 2013/14 – Surplus or Deficit on the provision of services – Total Usable Reserves | (22,634) | +9,117 | (13,517) |
| Movement During 2013/14 – Surplus or Deficit on the provision of services – Total Authority Reserves | (22,634) | +9,117 | (13,517) |
| Movement During 2013/14 – Other Comprehensive Income and Expenditure – Unusable Reserves | 54,652 | -2,650 | 52,002 |
| Movement During 2013/14 – Other Comprehensive Income and Expenditure – Total Authority Reserves | 54,652 | -2,650 | 52,002 |
| Total Comprehensive Income and Expenditure – General Fund Balance | (22,634) | +9,117 | (13,517) |
| Total Comprehensive Income and Expenditure – Total Usable Reserves | (22,634) | +9,117 | (13,517) |

| Description | Original Figure £000 | Adjustment £000 | Revised Figure £000 |
|--|-------------------------|--------------------|------------------------|
| Total Comprehensive Income and Expenditure – Unusable Reserves | 54,652 | -2,650 | 52,002 |
| Total Comprehensive Income and Expenditure – Total Authority Reserves | 32,018 | +6,467 | 38,485 |
| Adjustments between accounting basis and funding basis under regulations – General Fund Balance | 34,357 | -9,117 | 25,240 |
| Adjustments between accounting basis and funding basis under regulations – Total Usable Reserves | 28,065 | -9,117 | 18,948 |
| Adjustments between accounting basis and funding basis under regulations – Unusable Reserves | (28,065) | +9,117 | (18,948) |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves – Unusable Reserves | 26,587 | +6,467 | 33,054 |
| Net Increase / (Decrease) before Transfers to Earmarked Reserves – Unusable Reserves | 32,018 | +6,467 | 38,485 |
| Increase / (Decrease) in 2013/14 – Unusable Reserves | 26,587 | +6,467 | 33,054 |
| Increase / (Decrease) in 2013/14 – Total Authority Reserves | 32,018 | +6,467 | 38,485 |
| Balance at 31/3/14 carried forward – Total Unusable Reserves | (5,182) | +56,401 | 51,219 |
| Balance at 31/3/14 carried forward – Total Authority Reserves | 48,865 | +56,401 | 105,266 |

Comprehensive Income and Expenditure Account

| Description | Original Figure £000 | Adjustment £000 | Revised Figure £000 |
|---|-------------------------|--------------------|------------------------|
| Children's and Education Services – Gross Expenditure | 168,489 | -7,922 | 160,567 |
| Children's and Education Services – Net Expenditure | 23,718 | -7,922 | 15,796 |
| Net Cost of Services – Gross Expenditure | 431,121 | -7,922 | 423,199 |
| Net Cost of Services – Net Expenditure | 114,193 | -7,922 | 106,271 |
| Other Operating Expenditure | 34,020 | -1,195 | 32,825 |
| (Surplus) or deficit on provision of services | 22,634 | -9,117 | 13,517 |
| (Surplus) or deficit on revaluation of Property, Plant and equipment Assets | 1,531 | +2,650 | 4,181 |
| Other Comprehensive Income & Expenditure | (54,652) | +2,650 | (52,002) |
| Total Comprehensive Income & Expenditure | (32,018) | -6,467 | (38,485) |

Balance sheet

| Description | Original Figure £000 | Adjustment £000 | Revised Figure £000 |
|-------------------------------|-------------------------|--------------------|------------------------|
| Property, Plant and Equipment | 357,309 | +56,401 | 413,710 |
| Total Long Term Assets | 413,817 | +56,401 | 470,218 |
| Net Assets | 48,865 | +56,401 | 105,266 |
| Unusable Reserves | (5,182) | +56,401 | 51,219 |
| Net Reserves | 48,865 | +56,401 | 105,266 |

Cashflow

| Description | Original Figure £000 | Adjustment £000 | Revised Figure £000 |
|--|-------------------------|--------------------|------------------------|
| Net (surplus) or deficit on the provision of services | 22,634 | -9,117 | 13,517 |
| Adjustment to net surplus or deficit on the provision of services for non-cash movements | (67,461) | -384 | (67,845) |
| Net cash flows from Operating Activities | 3,165 | -9,501 | -6,336 |
| Investing Activities | 4,469 | +9,501 | 13,970 |

The following Notes were also amended to correspond with these changes

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

Note 9 – Other Operating Expenditure

Note 14 – Property, Plant and Equipment

Note 31 – Unusable Reserves

Note 34 – Capital Expenditure & Capital Financing

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

Note 38 – Cash Flow Statement – Investing Activities

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31 March 2015 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 £3.7m 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 £12.1m. However, the assumptions interact in complex ways. |
| Arrears | At 31 March 2015, the Authority had a balance of £27.220m for sundry debtors. The Council has set aside a bad debts provision of 27.6% (£7.514m) 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 2014/15 accounts, as was the case last year. | The costs in relation to the scheme could be lower or higher than the sum provided. If the costs are lower then any excess in the provision would be transferred into the General Fund Balance. If the costs are higher than the provision then there will be an impact on general fund balances and future Council Tax increases. |

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

5. Material Items of Income and 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 18 June 2015. 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 2015, 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 material 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.

| 2014/15 | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|--|--------------------------------------|--|--|--|
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non-current assets | 24,529 | 0 | 0 | (24,529) |
| Movement in the market value of Investment Properties | 705 | 0 | 0 | (705) |
| Revenue expenditure funded from capital under statute | 8,665 | 0 | 0 | (8,665) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 907 | 0 | 0 | (907) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | (4,403) | 0 | 0 | 4,403 |
| Adjustment primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (85,955) | 0 | 85,955 | 0 |

| 2014/15 | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|--|------------------------------|----------------------------------|----------------------------------|--|
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | (84,142) | 84,142 |
| 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 | (3,099) | 3,099 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | (3,099) | 0 | 3,099 |
| 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 | 370 | 0 | 0 | (370) |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12) | 20,570 | 0 | 0 | (20,570) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (12,518) | 0 | 0 | 12,518 |
| 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 | (3,651) | 0 | 0 | 3,651 |
| 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 | 157 | 0 | 0 | (157) |
| Total Adjustments | (53,723) | 0 | 1,813 | 51,910 |

| 2013/14 Comparative Figures | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|---|--------------------------------------|--|--|--|
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non-current assets | 27,143 | 0 | 0 | (27,143) |
| Movement in the market value of Investment Properties | (761) | 0 | 0 | 761 |
| Revenue expenditure funded from capital under statute | 4,520 | 0 | 0 | (4,520) |
| 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 | 33,693 | 0 | 0 | (33,693) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | (1,686) | 0 | 0 | 1,686 |
| Adjustment primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (43,913) | 0 | 43,913 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | (50,152) | 50,152 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (4,079) | 4,079 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (4,132) | 0 | 4,132 |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 469 | 0 | 0 | (469) |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12) | 23,614 | 0 | 0 | (23,614) |

| 2013/14 Comparative Figures | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|---|------------------------------|----------------------------------|----------------------------------|--|
| 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 income credited to the Comprehensive Income and Expenditure Statement is different from council tax 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 | 25,240 | (53) | (6,239) | (18,948) |

8. Disclosure of deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/15 are as follows:

| Schools Budget Funded By Dedicated Schools Grant | | | |
|---|----------------------------|----------------------------------|-----------------|
| | Central Expenditure | Individual Schools Budget | Total |
| | £000 | £000 | £000 |
| Final DSG for 2014/15 | | | 122,652 |
| Brought forward from 2013/14 | | | 458 |
| Academy Figure recouped for 14/15 | | | (22,162) |
| Agreed budgeted distribution in 2014/15 | 12,919 | 88,029 | 100,948 |
| In Year Adjustments | 0 | 438 | 438 |
| Final Budget Distribution for 2014/15 | 12,919 | 88,467 | 101,386 |
| Actual Central Expenditure | (12,807) | | (12,807) |
| Actual ISB deployed to Schools | | (87,727) | (87,727) |
| Carry Forward to 2015/16 | 112 | 740 | 852 |

The in-year adjustment of £438,000 includes a £206,000 Early Years adjustment which is paid after the year end.

9. Other Operating Expenditure

| 2013/14 | | 2014/15 |
|----------------|--|----------------|
| £000 | | £000 |
| 2,695 | Parish Council precepts | 2,898 |
| 516 | Payment of RSG to Parishes | 427 |
| 29,989 | (Gains)/losses on the disposal of non-current assets – Academies and Trust Schools | 0 |
| (375) | (Gains)/losses on the disposal of non-current assets – Other Assets | (2,192) |
| 32,825 | Total | 1,133 |

10. Financing and Investment Income and Expenditure

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|---|-------------------------|
| 9,373 | Interest payable and similar charges | 8,935 |
| 7,955 | Pensions interest cost and expected return on pensions assets | 6,419 |
| (1,581) | Interest receivable and similar income | (176) |
| (3,906) | Income and expenditure in relation to investment properties and changes in their fair value | (2,478) |
| 9 | Other investment income and expenditure | 38 |
| 11,850 | Total | 12,738 |

11. Taxation and Non Specific Grant Income and Expenditure

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|---------------------------------|-------------------------|
| (52,827) | Council tax income | (55,718) |
| (300) | Collection Fund Surplus/Deficit | (300) |
| (30,614) | Non domestic rates | (33,615) |
| (2,037) | Non domestic rates Top Up Grant | (2,076) |
| (183) | Local Services Support Grant | (70) |
| (50,871) | Revenue Support Grant | (42,071) |
| (597) | Section 31 Grant | (1,575) |
| (0) | Council Tax Freeze Grant | (606) |
| (137,429) | Total | (136,031) |

12. Defined Benefit Pension Schemes Participation in Pension Schemes

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 1(h) of the Accounting Policies, the Council participates in three formal schemes, the Local Government Pension Scheme, National Health Service Scheme and the 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 increased by £72.1m; 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 Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

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

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £12.910m (comprising contributions of £10.090m plus a lump sum payment of £2.820m).

The contribution rate was set for 2014/15 at 12.6%, plus a lump sum. The combined rate for 2015/16 is estimated at 17.0%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/15 the cumulative amount of actuarial losses recognised in the statements is £117.186m.

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

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|---|-------------------------|
| (519,302) | Present Value of Funded Benefit Obligations | (633,181) |
| (10,241) | Present Value of Unfunded Benefit Obligations | (10,873) |
| (529,543) | Total Present Value of Benefit Obligations | (644,054) |
| 379,360 | Fair Value of Pension Fund Assets | 421,807 |
| (150,183) | Surplus/(Deficit) | (222,247) |

Change in Benefit Obligation during year.

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|---|-------------------------|
| (539,135) | Benefit Obligation at Beginning of Year | (529,543) |
| (14,300) | Current Service Cost | (13,070) |
| (22,404) | Interest on Pension Liabilities | (23,514) |
| (4,024) | Member Contributions | (4,297) |
| 35,888 | Remeasurements (Liabilities) | (91,188) |
| (1,042) | Curtailment Cost | (742) |
| 15,474 | Benefits / Transfers Paid | 18,300 |
| (529,543) | Surplus / (Deficit) at End of Year | (644,054) |

Change in Plan Assets during year.

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|--|-------------------------|
| 343,129 | Fair Value of Plan Assets at Beginning of Year | 379,360 |
| 14,449 | Expected Return on Plan Assets | 17,095 |
| 20,295 | Remeasurements (Assets) | 27,176 |
| 13,254 | Employer Contributions | 12,518 |
| 4,024 | Member Contributions | 4,297 |
| (317) | Administration Expenses | (339) |
| (15,474) | Benefits / Transfers Paid | (18,300) |
| 379,360 | Surplus / (Deficit) at End of Year | 421,807 |

Statement of Gains and Losses

| | 2013/14 £000 | % | 2014/15 £000 | % |
|--|-------------------------|----------------------|-------------------------|---------------------|
| Actuarial Gain/(Loss) | 56,183 | 10.6% of liabilities | 64,012 | 9.9% of liabilities |
| Actual Return on Plan Assets | 27,125 | | 44,271 | |
| Experience Gains/(Losses) On Assets | 20,295 | 5.3% of assets | 27,176 | 6.4% of assets |
| Experience Gains/(Losses) On Liabilities | 4,901 | 0.9% of liabilities | 0 | 0% of liabilities |

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

| 2013/14 | | | 2014/15 | |
|----------------|----------|--------------------|----------------|----------|
| £000 | % | | £000 | % |
| 207,207 | 54.6% | Equity Investments | 219,382 | 52.0% |
| 38,011 | 10.0% | Government Bonds | 46,821 | 11.1% |
| 52,997 | 14.0% | Other Bonds | 60,824 | 14.4% |
| 15,061 | 4.0% | Property | 17,294 | 4.1% |
| 9,294 | 2.4% | Cash/Liquidity | 13,118 | 3.1% |
| 56,790 | 15.0% | Other | 64,368 | 15.3% |
| 379,360 | 100.0% | Total | 421,807 | 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:

| 2013/14 | | 2014/15 |
|----------------|--------------------|----------------|
| 7.0% | Equity Investments | 6.5% |
| 3.4% | Government Bonds | 2.2% |
| 4.3% | Other Bonds | 2.9% |
| 6.2% | Property | 5.9% |
| 0.5% | Cash/Liquidity | 0.5% |
| 7.0% | Other | 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 24 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:

| 2013/14 | | 2014/15 |
|---------|--|---------|
| 2.4% | - rate of inflation (CPI) | 2.0% |
| 3.9% | - rate of increase in salaries | 3.5% |
| 2.4% | - rate of increase in pensions | 2.0% |
| 50% | - proportion of employees opting to take a commuted lump sum | 50% |
| 4.5% | - rate for discounting scheme liabilities | 3.3% |
| | - longevity at 65 for current pensioners | |
| 23.8 | Male | 23.9 |
| 26.1 | Female | 26.3 |
| | - longevity at 65 for future pensioners | |
| 26.0 | Male | 26.1 |
| 29.0 | Female | 29.1 |

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

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

Sensitivity Analysis as at 31/3/2015

| Disclosure Item | Central | Sensitivity 1 +0.1%p.a. discount rate | Sensitivity 2 +0.1%p.a. inflation/ pensions | Sensitivity 3 +0.1%p.a. pay growth | Sensitivity 4 1 year increase in life expectancy |
|---|-----------|---|--|--|---|
| | £000 | £000 | £000 | £000 | £000 |
| Liabilities | 644,054 | 631,972 | 656,367 | 646,800 | 656,242 |
| Assets | (421,807) | (421,807) | (421,807) | (421,807) | (421,807) |
| Deficit/(Surplus) | 222,247 | 210,165 | 234,560 | 224,993 | 234,435 |
| Projected Net Interest Cost for next year | 7,134 | 6,940 | 7,553 | 7,237 | 7,549 |

Scheme History

| | 2010/11 £000 | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Present Value of Liabilities | (416,773) | (453,881) | (539,135) | (529,543) | (644,054) |
| Fair Value of Assets | 294,478 | 299,294 | 343,129 | 379,360 | 421,807 |
| Surplus/(Deficit) on scheme | (122,295) | (154,587) | (196,006) | (150,183) | (222,247) |
| (Gains) and Losses on Assets | (1.0%) | 3.5% | (7.7%) | (7.2%) | (10.5%) |
| Gains and (Losses) on Liabilities | 2.5% | 0.0% | 0.0% | 0.9% | 0.0% |

Pensions Asset/Liability Account

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|---------------------------------|-------------------------|
| (196,006) | Opening Balance | (150,183) |
| (1,042) | Past Service Cost - Added Years | (742) |
| (14,300) | Current Service Cost | (13,070) |
| (22,404) | Interest Cost | (23,514) |
| 14,449 | Return On Assets | 17,095 |
| 13,254 | Payments to Pension Fund | 12,518 |
| (317) | Administration Expenses | (339) |
| 56,183 | Actuarial Gain or (Loss) | (64,012) |
| (150,183) | Closing Balance | (222,247) |

Pensions Reserve

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|---------------------------------|-------------------------|
| 196,006 | Opening Balance | 150,183 |
| 1,042 | Past Service Cost - Added Years | 742 |
| (13,254) | Charging Pensions Costs Payable | (12,518) |
| 22,572 | Reversing Out IAS 19 Items | 19,828 |
| (56,183) | Actuarial (Gain) or Loss | 64,012 |
| 150,183 | Closing Balance | 222,247 |

13. Pensions Schemes Accounted for as Defined Contribution Schemes

The Local Government Pension Scheme is a Defined Benefit Scheme and as such falls under IAS 19 and has resulted in transactions impacting on the Income and Expenditure Account as above. There are also further explanations and disclosures within Note 12 to the Core Financial Statements.

The 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 2014/15 the Council paid an employer's contribution of £5,493,481 (£5,468,791 in 2013/14) 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 £6,213,667 (£6,360,863 in 2013/14) representing 16.4% of pensionable pay.

National Health Service Pension Scheme:

In 2014/15 the Council paid an employer's contribution of £45,390 (£42,669 in 2013/14) representing 14.0% (14.0% in 2013/14) of pensionable pay into the NHS Pension Scheme. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quadrennial actuarial valuations, the last review being at 31st March 2012. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £45,390 representing 14.0% of pensionable pay.

14. Property, Plant and Equipment

Movements in 2014/15:

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|---|------------------------|--|-----------------------|---------------------------|-------------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2014 | 309,686 | 22,879 | 87,297 | 37,115 | 456,977 | 60,618 |
| Additions | 20,779 | 5,604 | 27,051 | 51,541 | 104,975 | 326 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (1,500) | 0 | 0 | 0 | (1,500) | 0 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (10,270) | 0 | 0 | 0 | (10,270) | 0 |
| derecognition – disposals | (150) | 0 | 0 | 0 | (150) | 0 |
| assets reclassified (to) /from Assets Under Construction | 31,104 | 2,668 | 0 | (33,772) | 0 | 0 |
| assets reclassified (to)/from Held for Sale | (6,870) | 0 | 0 | 0 | (6,870) | 0 |
| assets reclassified (to) /from Investment Properties | (4,727) | 0 | 0 | 0 | (4,727) | 0 |
| At 31 March 2015 | 338,052 | 31,151 | 114,348 | 54,884 | 538,435 | 60,944 |
| | | | | | | |
| Accumulated Depreciation and Impairment | | | | | | |
| at 1 April 2014 | 19,636 | 16,649 | 6,982 | 0 | 43,267 | 4,243 |
| depreciation charge | 8,082 | 2,824 | 2,156 | 0 | 13,062 | 1,393 |
| depreciation written out to the Revaluation Reserve | (1,746) | 0 | 0 | 0 | (1,746) | 0 |
| derecognition – disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2015 | 25,972 | 19,473 | 9,138 | 0 | 54,583 | 5,636 |
| | | | | | | |
| Net Book Value | | | | | | |
| at 31 March 2015 | 312,080 | 11,678 | 105,210 | 54,884 | 483,852 | 55,308 |
| at 31 March 2014 | 290,050 | 6,230 | 80,315 | 37,115 | 413,710 | 56,375 |
| | | | | | | |
| Information on Assets Held at 31/3/15 | | | | | | |
| Nature of Holding | | | | | | |
| Owned | 256,772 | 10,512 | 105,210 | 54,884 | 427,378 | |
| Leased | 0 | 1,166 | 0 | 0 | 1,166 | |
| PFI | 55,308 | 0 | 0 | 0 | 55,308 | |
| Total | 312,080 | 11,678 | 105,210 | 54,884 | 483,852 | |

Comparative 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 | 311,270 | 21,963 | 70,145 | 27,276 | 430,654 | 60,039 |
| Additions | 20,467 | 916 | 17,152 | 39,787 | 78,322 | 579 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (7,967) | 0 | 0 | 0 | (7,967) | 0 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (11,749) | 0 | 0 | (672) | (12,421) | 0 |
| derecognition – disposals | (30,134) | 0 | 0 | 0 | (30,134) | 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 | 309,686 | 22,879 | 87,297 | 37,115 | 456,977 | 60,618 |

| | | | | | | |
|---|---------------|---------------|--------------|----------|----------------|--------------|
| Accumulated Depreciation and Impairment | | | | | | |
| at 1 April 2013 | 16,198 | 12,359 | 5,267 | 0 | 33,824 | 2,863 |
| depreciation charge | 7,410 | 4,290 | 1,715 | 0 | 13,415 | 1,380 |
| depreciation written out to the Revaluation Reserve | (3,964) | 0 | 0 | 0 | (3,964) | 0 |
| derecognition – disposals | (8) | 0 | 0 | 0 | (8) | 0 |
| At 31 March 2014 | 19,636 | 16,649 | 6,982 | 0 | 43,267 | 4,243 |

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 2015, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £29.6m. Similar commitments at 31 March 2014 were £92.9m. The major commitments are:

- Ercall Wood School - £1.6m
- Lawley Village Primary School - £3.1m
- Burton Borough School - £1.5m
- Charlton School - £7.6m
- Holy Trinity Academy - £3.3m
- Lakeside Learning Community - £7.8m
- Telford Co-Operative Academy - £2.4m
- Ironbridge Gorge Stability - £2.3m

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.

14a. Fixed Asset Valuation

The Council's property was valued on 1 April 2014 by internal valuers, James Dunn MRICS, Dylan Webster MRICS and David Scrimgeour MRICS, all Registered Valuers of Telford & Wrekin Council.

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

The valuation of the property was on the basis of:-

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

Special assumptions – Operational Property:-

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

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

- Where physically adjoining properties have been acquired separately by the Council for site assembly for future development/regeneration, the proposed development scheme will be used as the basis for valuation for the assembled site(s).
- No account will be made where the ownership of a number of separate properties would be of particular advantage to the Council as a single owner, such as drop in or contact centres, libraries, schools, etc.

- No account will be made where individual properties are used collectively or are an essential component of the Council's operation, even though they may cover a large geographical area.
- We have not been told of any groups of properties that do not want valuing together.
- We will value units within industrial estates, office complexes and local shopping centres within the PIP as groups of properties.

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

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

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

Investment Properties are valued annually and their current value is £59.329m, 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 |
| 2010/11 | 59,882 |
| 2011/12 | 120,710 |
| 2012/13 | 85,058 |
| 2013/14 | 27,555 |
| 2014/15 | 37,504 |
| Total | 330,709 |

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 following year, assets in the course of construction are not depreciated until they are brought into use.
- 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.

15. Investment Properties

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

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| (6,754) | Rental income from investment property | (6,120) |
| 3,609 | Direct operating expenses arising from investment property | 2,937 |
| (3,145) | Net Operational (gain)/loss | (3,183) |
| (761) | Net (gain)/loss on revaluation of properties | 705 |
| (3,906) | Total Net (gain)/loss | (2,478) |

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:-

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 52,564 | Balance at start of the year | 54,275 |
| 1,604 | Additions | 2,891 |
| (1,588) | Disposals | (1,859) |
| 761 | Revaluation Increases/Decreases met from net surplus /deficit on provision of services | (705) |
| | Transfers:- | |
| 934 | - to/from Property, Plant and Equipment | 4,727 |
| 54,275 | Balance at end of the year | 59,329 |

16. Intangible Assets

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

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

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

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--------------------------------------|-----------------|
| | Balance at start of the year | |
| 2,821 | - Gross Carrying Amount | 3,665 |
| (979) | - Accumulated Amortisation | (2,038) |
| 1,842 | Net Carrying Amount at Start of Year | 1,627 |
| | Additions | |
| 845 | - Purchases | 1,328 |
| (1,060) | Amortisation for the Period | (890) |
| 1,627 | Net Carrying Amount at Year End | 2,065 |
| | Comprising | |
| 3,665 | - Gross Carrying Amount | 4,993 |
| (2,038) | - Accumulated Amortisation | (2,928) |
| 1,627 | Total | 2,065 |

17. Assets Held for Sale

| Current 2013/14 £000 | | Current 2014/15 £000 |
|----------------------------|--|----------------------------|
| 6,874 | Balance outstanding at start of year | 4,842 |
| 543 | Reclassified from - Property, Plant and Equipment | 6,870 |
| 0 | Revaluation gains | 5,196 |
| (178) | Impairment losses met from the revaluation reserve | (1,448) |
| (247) | Impairment losses met from income and expenditure | (308) |
| (2,194) | Assets sold | (700) |
| 44 | Acquisitions | 16 |
| 4,842 | Balance outstanding at year end | 14,468 |

18. Heritage Assets

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

| 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 |

19. Impairment Losses

During 2014/15, the Authority has recognised impairment losses of £11.282m (2013/14 £11.910m) in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss has been charged to the Comprehensive Income and Expenditure Statement. This is then reversed out as part of the Movement In Reserves Statement.

20. Inventories

The Council had inventories that totalled £0.297m at 31/3/15 and £0.298m at 31/3/14. These mainly consist of stocks at Leisure Centres, Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

21. Debtors

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---------------------------------------|-----------------|
| | Amounts falling due in one year: | |
| 873 | Central Government | 1,625 |
| 1,174 | Other Local Authorities | 498 |
| 5,190 | NHS Bodies | 832 |
| 1,045 | Public Corporations and Trading Funds | 1,085 |
| 19,422 | Other Entities and Individuals | 23,180 |
| 27,704 | Gross Debtors | 27,220 |
| (6,973) | Provision for doubtful debts | (7,514) |
| 20,731 | Total | 19,706 |

22. Financial Instruments

Categories of Financial Instruments

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

| | Long Term | | Current | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 |
| Investments | | | | |
| Loans and receivables | 33 | 33 | 10,000 | 0 |
| Financial assets at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Total investments | 33 | 33 | 10,000 | 0 |
| Debtors | | | | |
| Financial assets carried at contract amounts | 573 | 614 | 20,731 | 19,706 |
| Total Debtors | 573 | 614 | 20,731 | 19,706 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | 88,520 | 87,520 | 37,063 | 29,093 |
| Total borrowings | 88,520 | 87,520 | 37,063 | 29,093 |
| Other Liabilities | | | | |
| PFI and finance lease liabilities | 58,274 | 56,488 | 2,186 | 2,476 |
| Other Creditors | 0 | 0 | 60,335 | 64,166 |
| Total Other Liabilities | 58,274 | 56,488 | 62,521 | 66,642 |

Income, Expense, Gains and Losses

| | 2013/14 | | | 2014/15 | | |
|---|--|--|----------------|--|--|--------------|
| | 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 | 9,373 | 0 | 9,373 | 8,935 | 0 | 8,935 |
| Total expense in Surplus or Deficit on the Provision of Services | 9,373 | 0 | 9,373 | 8,935 | 0 | 8,935 |
| Interest income | 0 | (1,581) | (1,581) | 0 | (176) | (176) |
| Total income in Surplus or Deficit on the Provision of Services | 0 | (1,581) | (1,581) | 0 | (176) | (176) |
| Net gain/(loss) for the year | 9,373 | (1,581) | 7,792 | 8,935 | (176) | 8,759 |

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:

| | 2013/14 | | 2014/15 | |
|-----------------------|----------------------------|--------------------|----------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Financial liabilities | 125,583 | 156,779 | 116,613 | 178,453 |
| Long-term creditors | 58,274 | 58,274 | 56,488 | 56,488 |

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 2015) arising from a commitment to pay interest to lenders above current market rates.

| | 2013/14 | | 2014/15 | |
|-----------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Loans and receivables | 10,033 | 13,186 | 33 | 33 |
| Long-term debtors | 573 | 573 | 614 | 614 |

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 2015) 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.

23. 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 31/3/15 £000 | Fair Value 31/3/15 £000 |
|------------------------------|--|-------------------------------|
| Financial Assets | | |
| Fixed Term Deposits | 0 | 0 |
| Other | 33 | 33 |
| | 33 | 33 |
| Financial Liabilities | | |
| Money Market Loans (LOBO's) | 60,000 | 95,208 |
| PWLB Loans | 28,520 | 55,152 |
| Temporary Loans | 28,093 | 28,093 |
| | 116,613 | 178,453 |

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 2015 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2015 (rounded to 3 decimal place) | Estimated maximum exposure to default and uncollectability |
|--|------------------------------------|---|---|---|
| | £000s | % | % | £000s |
| | A | B | C | A * C |
| Deposits with banks and financial institutions | 0 | 0.0 | 0.000 | 0 |
| Other | 33 | 0.0 | 0.000 | 0 |
| Debtors | 27,220 | 12.0 | 27.604 | 7,514 |
| Total | 27,253 | 12.0 | 27.571 | 7,514 |

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:

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--------------------------------|-----------------|
| 1,001 | Maturing in 1-2 years | 1,001 |
| 3,002 | Maturing in 2-5 years | 3,003 |
| 1,506 | Maturing in 5-10 years | 507 |
| 83,011 | Maturing in more than 10 years | 83,009 |
| 88,520 | | 87,520 |

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 revaluation reserve used to manage the fair value process for these financial assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

Sensitivity Analysis

At the 31st March 2015 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

| | Investments | Borrowing | Net Total | 1% Movement |
|----------|--------------------|------------------|------------------|------------------------|
| | £000 | £000 | £000 | £000 |
| Variable | (3,745) | 29,093 | 25,348 | 253.5 |
| Fixed | (33) | 87,520 | 87,487 | 0.0 |
| Total | (3,778) | 116,613 | 112,835 | 253.5 |

A 1% change in interest rates would have an impact on the budget of £253,480, this is as a result of, that at 31st March 2015 we had more variable borrowing than variable investments. The most likely next move in interest rates is upwards, although not expected before mid 2016, this would lead to a net increase in borrowing costs based on the position at 31st March 2015. 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 | |
|----------------------------|-------------------------------------|---|-------|-------------------|-----------------|
| | | | | 2013/14 £000 | 2014/15 £000 |
| Public Works Loan Board | 1.92 | - | 9.375 | 28,520 | 27,520 |
| Money Market Loans (LOBOs) | 3.98 | - | 4.50 | 60,000 | 60,000 |
| | | | | 88,520 | 87,520 |

| An analysis of loans by maturity is: | | | | | |
|--------------------------------------|--|--|-----------------|--|-----------------|
| | | | 2013/14 £000 | | 2014/15 £000 |
| Maturing in 1-2 years | | | 1,001 | | 1,001 |
| Maturing in 2-5 years | | | 3,002 | | 3,003 |
| Maturing in 5-10 years | | | 1,506 | | 507 |
| Maturing in more than 10 years | | | 83,011 | | 83,009 |
| | | | 88,520 | | 87,520 |

| | | | 2013/14 £000 | | 2014/15 £000 |
|---------------------------|--|--|-----------------|--|-----------------|
| Total Long Term Borrowing | | | 88,520 | | 87,520 |
| Temporary Borrowing | | | 37,063 | | 29,093 |
| Total Borrowing | | | 125,583 | | 116,613 |

In total fixed and temporary borrowing reduced by £9.0m, from £125.583m to £116.613m during the year. This was due to holding less investments at 31/3/15 than we did at 31/3/14.

24. Investments

In total our investments have been reduced by £19.8m 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 now has no short term investments as the final one of these matured during 2014/15. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

Summary of Investments

| 2013/14 £000 | Category | 2014/15 £000 |
|-----------------|---|-----------------|
| | Long Term Investments | |
| 0 | Fixed Term Deposits | 0 |
| 33 | Other | 33 |
| 33 | Total Long Term | 33 |
| | | |
| | Short Term Investments | |
| 10,000 | Fixed Term Deposits | 0 |
| 10,000 | Total Short Term | 0 |
| | | |
| 13,477 | Cash & Cash Equivalent Investments | 3,745 |
| | | |
| 23,510 | Total Investments | 3,778 |

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

25. Cash and Cash Equivalents

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

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| 165 | Cash held by the Authority | 163 |
| 825 | Bank current accounts | 749 |
| 13,477 | Call Accounts | 3,745 |
| 14,467 | Total Cash and Cash Equivalents | 4,657 |
| 0 | Bank Account Overdrawn | 0 |
| 14,467 | Net Cash Position for Cash Flow Purposes | 4,657 |

26. Provisions

| | 2014/15 Opening £000 | Transfers/ Receipts in year £000 | Transfers/ Payments in year £000 | 2014/15 Closing £000 |
|---------------------------------------|----------------------------|---|---|----------------------------|
| Restructure Provision | 367 | 90 | (329) | 128 |
| Single Status Provision – Non Schools | 11,947 | 0 | (30) | 11,917 |
| Single Status Provision – Schools | 4,329 | 19 | (0) | 4,348 |
| NDR Appeals Provision | 2,011 | 2,401 | (2,011) | 2,401 |
| Litigation Costs | 0 | 259 | (0) | 259 |
| Total | 18,654 | 2,769 | (2,370) | 19,053 |
| 2013/14 | 18,697 | 2,522 | (2,565) | 18,654 |

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, 2011/12 and 2012/13 accounts. The balance at 1 March 2013 was mainly used during 2013/14. Further restructures took place in 2013/14 and an additional provision was created for these costs as at 31 March 2014. This balance was mainly used during 2014/15 and an additional provision was created for the one off costs at 31 March 2015. 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 2014/15 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2015 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, £4.9m is estimated as the amount required to set aside for this purpose in the 2014/15 accounts (£4.1m 2013/14). Telford & Wrekin Council's proportion of this is £2.4m (49%) (£2.0m 2013/14).

A provision has been created in respect of Litigation Costs for 2014/15. This is to cover the anticipated costs of refunds being claimed by a number of private local search companies.

27. Creditors

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---------------------------------------|-----------------|
| 6,629 | Central Government | 5,877 |
| 514 | Other Local Authorities | 844 |
| 306 | NHS Bodies | 246 |
| 883 | Public Corporations and Trading Funds | 829 |
| 52,003 | Other Entities and Individuals | 53,894 |
| 2,186 | PFI and Leases | 2,476 |
| 62,521 | Total | 64,166 |

28. 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 £55.3m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £58.04m as at 31st March 2015 (£59.7m as at 31st March 2014). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.4m to the interest paid for 2014/15 (£5.1m 2013/14). Amounts due are shown in the table below:-

| | 2013/14 | | | | 2014/15 | | | |
|----------------|-----------------|-------------------|------------------|--------------------------|-----------------|-------------------|------------------|--------------------------|
| | Service £000 | Lifecycle £000 | Interest £000 | Finance Lease £000 | Service £000 | Lifecycle £000 | Interest £000 | Finance Lease £000 |
| Within 1 year | 2,177 | 284 | 4,971 | 1,959 | 1,546 | 976 | 4,861 | 2,127 |
| 2 to 5 years | 6,057 | 4,416 | 19,098 | 9,213 | 6,824 | 3,912 | 18,679 | 9,877 |
| 6 to 10 years | 7,765 | 6,869 | 21,225 | 15,606 | 8,117 | 6,883 | 20,500 | 16,673 |
| 11 to 15 years | 9,166 | 7,391 | 16,628 | 22,000 | 9,630 | 7,342 | 15,403 | 23,466 |
| 16 to 20 years | 14,506 | 4,227 | 8,757 | 29,366 | 13,652 | 4,522 | 6,584 | 29,540 |
| 21 to 25 years | 2,274 | 732 | 320 | 5,498 | 0 | 0 | 0 | 0 |

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

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

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

| | 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 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 |
| Movement / Use of reserves during 2014/15 | 1,145 | 3,312 | 948 | 2,078 | 0 | 1,813 | 9,296 |
| Balance at 31 March 2015 carried forward | 4,369 | 39,496 | 6,961 | 3,588 | 0 | 8,929 | 63,343 |

30. School Balances

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

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|------------------------------|-----------------|
| 5,419 | School Balances - Revenue | 6,341 |
| 594 | School Balances - Capital | 620 |
| 6,013 | Total School Balances | 6,961 |

31. Unusable Reserves

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 48,493 | Revaluation Reserve | 51,513 |
| 154,854 | Capital Adjustment Account | 212,666 |
| (2) | Financial Instruments Adjustment Account | (372) |
| (150,183) | Pensions Reserve | (222,247) |
| 701 | Collection Fund Adjustment Account | 4,352 |
| (2,644) | Accumulated Absences Account | (2,801) |
| 51,219 | Total Unusable Reserves | 43,111 |

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.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| 54,293 | Balance brought forward | 48,493 |
| 4,986 | Upwards revaluation of assets | 8,753 |
| (9,167) | Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services | (4,759) |
| (1,164) | Difference between fair value depreciation and historical cost depreciation | (1,132) |
| (455) | Accumulated gains and losses on assets sold or scrapped | 158 |
| 48,493 | Balance carried forward | 51,513 |

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.

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|--|-------------------------|
| 161,861 | Balance Brought Forward | 154,854 |
| | | |
| (26,083) | Charges for depreciation and impairment of non-current assets | (23,640) |
| (1,060) | Amortisation of intangible assets | (890) |
| (4,520) | Revenue expenditure funded from capital under statute | (8,665) |
| (33,693) | 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 | (906) |
| 1,618 | Adjusting amounts written out of the Revaluation Reserve | 974 |
| 4,132 | Capital financing - Capital receipts | 3,099 |
| 50,152 | - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 84,142 |
| 1,686 | Minimum Revenue Provision | 4,403 |
| 761 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (705) |
| 154,854 | Balance Carried Forward | 212,666 |

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 2015 will be charged to the General Fund over the next 13 years.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 467 | Balance at 1 April | (2) |
| (469) | Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements | (370) |
| (2) | Balance at 31 March | (372) |

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.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 196,006 | Balance at 1 April | 150,183 |
| (56,183) | Actuarial (gains) or losses on pensions assets and liabilities | 64,012 |
| 1,042 | Added Years | 742 |
| 0 | Entity Combination | 0 |
| 22,572 | 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 | 19,828 |
| (13,254) | Employer's pensions contributions and direct payments to pensioners payable in the year | (12,518) |
| 150,183 | Balance at 31 March | 222,247 |

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.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 1,094 | Balance at 1 April | 701 |
| (393) | 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 | 3,651 |
| 701 | Balance at 31 March | 4,352 |

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.

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| (3,543) | Balance at 1 April | (2,644) |
| 3,543 | Settlement or cancellation of accrual made at the end of the preceding year | 2,644 |
| (2,644) | Amounts accrued at the end of the current year | (2,801) |
| (2,644) | Balance at 31 March | (2,801) |
| 899 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (157) |

32. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2014/15 expenditure on this totalled £8.665m and grant receivable amounted to £7.292m. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been written off against the Capital Adjustment Account during the year.

33. Usable Capital Receipts Reserve

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| 53 | Opening balance | 0 |
| 4,079 | Capital receipts received during year | 3,099 |
| (4,132) | Less Capital receipts used for financing during year | (3,099) |
| 0 | | 0 |

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

34. Capital Expenditure and Capital Financing

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

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 241,957 | Opening Capital Financing Requirement | 271,106 |
| | Capital Investment | |
| 78,321 | Property, Plant & Equipment | 104,976 |
| 1,604 | Investment Properties | 2,891 |
| 44 | Assets Held for Sale | 16 |
| 846 | Intangible Assets | 1,327 |
| 4,520 | Revenue Expenditure funded from Capital under Statute | 8,665 |
| 69 | Leased Vehicles | 528 |
| | Sources of Finance | |
| (4,132) | Capital Receipts | (3,099) |
| (285) | Finance Leases & Deminimus Capital Expenditure | (2,330) |
| (50,152) | Government Grants and Other Contributions | (84,142) |
| (1,686) | Revenue Provision (NB: includes MRP) | (4,403) |
| 271,106 | Closing Capital Finance Requirement | 295,535 |
| 29,149 | Movement for Year | 24,429 |
| | Explanation of movements in the year | |
| 474 | Increase in underlying need to borrow (supported by Government financial assistance) | 79 |
| 28,675 | Increase in underlying need to borrow (unsupported by Government financial assistance) | 24,350 |
| 29,149 | Increase/(decrease) in Capital Financing Requirement | 24,429 |

The main items of capital expenditure during the year related to improving schools (including sports & learning communities), roads, local housing improvement grants and ICT, Town Centre Regeneration, Pride in Your Community, Solar Farm, Brookside and Street Lighting.

At 31 March 2015 there were 8 significant contracts in place with outstanding commitments of £29.6m, as detailed in note 14.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and 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 2014/15 the Authority made payments of £9,883,380 in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

35. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £3.515m, this was offset by an adjustment to prior years MRP of £1.420m, the principal repayment in respect of leases was £0.349m and the principal repayment in respect of the PFI lease was £1.959m giving a total provision of £4.403m in 2014/15 (£1.686m in 2013/14).

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

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|--|-------------------------|
| (27,143) | Impairment and depreciation of property, plant and equipment and intangible assets | (24,530) |
| 92 | (Increase)/decrease in interest creditors | 39 |
| 4,335 | (Increase)/decrease in creditors | 4,344 |
| (3,459) | Increase/(decrease) in interest/dividend debtors | (3,043) |
| 1,576 | Increase/(decrease) in debtors | 2,508 |
| 4 | Increase/(decrease) in inventories | (1) |
| (10,360) | Pension Liability | (8,052) |
| 43 | Contribution (to)/from provisions | (399) |
| (33,694) | Carrying amount of non current assets sold | (906) |
| 761 | Movement in Investment Property Values | (705) |
| (67,845) | Total | (30,745) |

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

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 43,913 | Capital grants credited to surplus or deficit on the provision of services | 85,955 |
| 0 | Proceeds from sale of short and long term investments | 0 |
| 4,079 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 3,099 |
| 47,992 | Total | 89,054 |

38. Cash Flow Statement – Investing Activities

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| 75,072 | Purchase of property, plant and equipment, investment property and intangible assets | 105,435 |
| 0 | Purchase of short-term and long-term investments | 0 |
| 966 | Other payments for investing activities | 348 |
| (2,667) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,589) |
| (15,000) | Proceeds from short-term and long-term investments | (10,000) |
| (44,401) | Other receipts from investing activities | (86,011) |
| 13,970 | Net cash flows from investing activities | 6,183 |

39. Cash Flow Statement – Financing Activities

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|--|-----------------|
| (117,500) | Cash receipts of short and long term borrowing | (105,100) |
| (714) | Other receipts from financing activities | (2,775) |
| (541) | Appropriation to/from Collection Fund Adjustment Account | (1,979) |
| 102,531 | Repayments of short and long term borrowing | 114,070 |
| 2,008 | Cash payments in relation to finance leases and PFI agreements | 2,308 |
| (14,216) | Net cash flows from financing activities | 6,524 |

40. Cash Flow Statement – Operating Activities

The cash flows for operating activities includes the following items:

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|-------------------|-----------------|
| (5,040) | Interest received | (3,219) |
| 9,281 | Interest paid | 8,896 |

41. **Grant Income**

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

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| | Credited to Taxation and Non Specific Grant Income | |
| 50,871 | Revenue Support Grant | 40,071 |
| 2,037 | Non Domestic Rates Top Up Grant | 2,076 |
| 183 | Local Services Support Grant | 70 |
| 597 | Section 31 Grant | 1,575 |
| 0 | Council Tax Freeze Grant | 606 |
| 53,688 | Total | 44,398 |
| | | |
| | Credited to Services | |
| 99,200 | Dedicated Schools Grant | 101,535 |
| 69,349 | Mandatory Rent Allowances Subsidy | 71,103 |
| 10,616 | Public Health Grant | 10,913 |
| 5,740 | Pupil Premium Grant | 7,747 |
| 2,856 | Education Services Grant | 3,069 |
| 2,542 | New Homes Bonus | 3,437 |
| 0 | Universal Free School Meals | 1,143 |
| 6,468 | Other grants | 6,113 |
| 196,771 | Total | 205,060 |

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

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| | Capital Grants Receipts in Advance | |
| 75 | Rural Enterprise Investment Programme | 0 |
| 75 | Total | 0 |

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

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

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

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

Service Delivery Unit Income and Expenditure

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

| 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 |

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

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

43. Acquired and Discontinued Operations

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

44. Market Undertaking and Industrial Units

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

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|--|-------------------------|
| 43 | Income from Stallholders' Rents and charges | 36 |
| (52) | Expenditure | (74) |
| (9) | (Deficit)/Surplus taken to General Fund | (38) |

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

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|--|-------------------------|
| 6,166 | Income from rents | 5,085 |
| 588 | Other income | 1,035 |
| 761 | Net gains/(losses) on revaluation of property | (705) |
| (3,609) | Direct operating expenses | (2,937) |
| 3,906 | (Deficit)/Surplus taken to General Fund | 2,478 |
| 3,897 | Total Trading Accounts | 2,440 |

45. Pooled Budgets

During 2014/15 the Council was host for the following pooled budgets in conjunction with Telford & Wrekin CCG 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.

Carers Pooled Budget

The Authority has entered into a pooled budget arrangement with Telford & Wrekin CCG to improve services provided to Carers through closer working between the Health Service and the Council. Telford & Wrekin Council hosts this arrangement. Under/overspends are divided between the organisations in proportion to the Partners contributions which equates to; Telford & Wrekin Council 62.1%(2013/14: 62.1%), Telford & Wrekin CCG 37.9%(2013/14 : 37.9%)

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|-------------|-------------------------|
| 385 | Expenditure | 550 |
| 516 | Income | 646 |

Intermediate Care Pooled Budget

The Authority has entered into a pooled budget arrangement with Telford & Wrekin CCG to improve intermediate care services for users through closer working between the National Health Service and the Council. Telford & Wrekin Council hosts this arrangement. Under/overspends are divided between the organisations in proportion to the Partners contributions which equate to; Telford & Wrekin Council 13.7%(2013/14 : 14.2%), Telford & Wrekin CCG 86.3%(2013/14 : 85.8%)

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|-------------|-------------------------|
| 313 | Expenditure | 392 |
| 368 | Income | 392 |

Mental Health Residential Rehabilitation Pooled Budget

The Authority has entered into a pooled budget arrangement with Telford & Wrekin CCG to improve services provided to mental health patients through closer working between the Health Service and the Council. Telford & Wrekin Council hosts this arrangement. Under/overspends are divided between the organisations in proportion to the Partners contributions which equate to; Telford & Wrekin Council 65.6%, Telford & Wrekin CCG 34.4%

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|-------------|-------------------------|
| 0 | Expenditure | 204 |
| 0 | Income | 204 |

46. Members' Allowances

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

| 2013/14 £000 | | 2014/15 £000 |
|-------------------------|------------|-------------------------|
| 616 | Allowances | 611 |
| 3 | Expenses | 2 |
| 619 | Total | 613 |

47. Senior Officers' Remuneration & Employee Remuneration In Bands

This note shows the amounts paid to Senior Officers in 2014/15 and 2013/14. Senior Officers are defined as:-

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

2014/15

| Post Holder Information (Post title) | Notes | Annualised salary £ | Salary (Including Fees & Allowances) £ | Compensation for Loss of Office £ | Benefits in Kind £ | Total Remuneration excluding Pension contributions 2014/15 £ | Pension contributions £ | Total Remuneration including pension contributions 2014/15 £ |
|--|-------|------------------------|--|--|--------------------------|--|-------------------------------|--|
| Managing Director | | | 137,000 | | | 137,000 | 16,994 | 153,994 |
| Director of Children & Family Services | | | 109,600 | | | 109,600 | 13,810 | 123,410 |
| Director of Development, Business & Customer Services | 1 | 109,600 | 98,509 | | | 98,509 | 12,412 | 110,921 |
| Interim Director of Neighbourhood, Customer & Cultural Services | 5 | 109,600 | 17,940 | | | 17,940 | 2,261 | 20,201 |
| Interim Director of Care, Health & Wellbeing | | | 109,600 | | | 109,600 | 13,810 | 123,410 |
| Assistant Director: Finance, Audit & Information Governance | | | 82,716 | | | 82,716 | 10,422 | 93,138 |
| Assistant Director: Development, Business & Employment | | | 76,215 | | | 76,215 | 9,603 | 85,818 |
| Assistant Director: Planning Specialist | | 83,950 | 80,480 | | | 80,480 | 10,141 | 90,621 |
| Assistant Director: Family, Cohesion & Commissioning | | | 82,716 | | | 82,716 | 10,422 | 93,138 |
| Assistant Director: Education & Corporate Parenting | | | 82,716 | | | 82,716 | 10,422 | 93,138 |
| Assistant Director: Children's Safeguarding & Specialist Services | | | 79,468 | | | 79,468 | 10,013 | 89,481 |
| Assistant Director: Law, Democracy & People Services | | | 82,716 | | | 82,716 | 10,422 | 93,138 |
| Assistant Director: Neighbourhood & Leisure Services | | 83,950 | 68,974 | | | 68,974 | 8,691 | 77,665 |

| | | | | | | | | |
|---|---|--------|------------------|--|--|------------------|----------------|------------------|
| Assistant Director: Neighbourhood & Customer Services | | | 82,716 | | | 82,716 | 10,422 | 93,138 |
| Assistant Director: Health, Wellbeing & Public Protection | | | 82,716 | | | 82,716 | 11,580 | 94,296 |
| Assistant Director: Adult Social Services | | | 75,677 | | | 75,677 | 0 | 75,677 |
| Assistant Director: Leisure, Culture & Facilities Management | 2 | 75,704 | 9,238 | | | 9,238 | 1,164 | 10,402 |
| Service Delivery Manager: Delivery & Planning | 3 | | 58,763 | | | 58,763 | 7,404 | 66,167 |
| Service Delivery Manager: Co-Operative & Commercial Projects | 3 | 52,961 | 38,023 | | | 38,023 | 4,791 | 42,814 |
| Service Delivery Manager: Community Participation | 3 | | 58,763 | | | 58,763 | 7,404 | 66,167 |
| | | | 1,514,546 | | | 1,514,546 | 182,188 | 1,696,734 |

Notes:

Those roles shown in bold above represent the current posts.

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

2013/14

| Post Holder Information (Post title) | Notes | Annualised salary £ | Salary (Including Fees & Allowances) £ | Compensation for Loss of Office £ | Benefits in Kind £ | Total Remuneration excluding Pension contributions 2013/14 £ | Pension contributions £ | Total Remuneration including pension contributions 2013/14 £ |
|--|-------|------------------------|--|--|--------------------------|--|-------------------------------|--|
| Current Posts | | | | | | | | |
| Managing Director | | | 137,000 | 0 | 0 | 137,000 | 22,331 | 159,331 |
| Director of Children & Family Services | | | 109,600 | 0 | 0 | 109,600 | 17,865 | 127,465 |
| Director of Development, Business & Customer Services | 1 | 109,600 | 100,467 | | | 100,467 | 16,376 | 116,843 |
| Interim Director of Care, Health & Wellbeing | 2 | 109,600 | 80,727 | 0 | 0 | 80,727 | 13,158 | 93,885 |
| Assistant Director: Finance, Audit & Information Governance | | | 82,304 | 0 | 0 | 82,304 | 13,416 | 95,720 |
| Assistant Director: Development, Business & Housing | 3 | 82,304 | 6,859 | 0 | 0 | 6,859 | 1,118 | 7,977 |
| Assistant Director: Development Business & Employment | 4 | 75,836 | 59,995 | 0 | 0 | 59,995 | 9,779 | 69,774 |
| Assistant Director: Planning Specialist | | 82,304 | 80,080 | 0 | 0 | 80,080 | 13,053 | 93,133 |
| Assistant Director: Family Cohesion & Commissioning | | | 82,304 | 0 | 0 | 82,304 | 13,416 | 95,720 |
| Assistant Director: Education & Corporate Parenting | | | 82,304 | 0 | 0 | 82,304 | 13,416 | 95,720 |
| Assistant Director: Children's Safeguarding & Specialist Services | | 79,073 | 77,451 | 0 | 0 | 77,451 | 12,624 | 90,075 |
| Assistant Director: Adult Social Services | | | 82,304 | 71,033 | 0 | 153,337 | 13,416 | 166,753 |
| Assistant Director: Health Wellbeing & Public Protection | 5 | 82,304 | 41,381 | 0 | 0 | 41,381 | 5,793 | 47,174 |
| Interim Assistant Director: Health & Wellbeing | 6 | 74,220 | 24,740 | 0 | 0 | 24,740 | 3,464 | 28,204 |
| Assistant Director: Law, Democracy & People Services | | | 82,304 | 0 | 0 | 82,304 | 13,416 | 95,720 |
| Assistant Director: Neighbourhood & Leisure Services | | | 82,304 | 0 | 0 | 82,304 | 13,416 | 95,720 |
| Assistant Director: Customer Services | | | 82,304 | 0 | 0 | 82,304 | 13,416 | 95,720 |
| Service Delivery Manager: Delivery & Planning | 7 | 58,471 | 58,456 | 0 | 0 | 58,456 | 9,528 | 67,984 |
| Service Delivery Manager: Policy | 7 | 52,821 | 37,168 | 0 | 0 | 37,168 | 6,058 | 43,226 |

| | | | | | | | | |
|--|------|---------|------------------|----------------|----------|------------------|----------------|------------------|
| Service Delivery Manager: Community Engagement | 7 | | 58,471 | 0 | 0 | 58,471 | 9,531 | 68,002 |
| | | | | | | | | |
| | | | | | | | | |
| <u>Posts No Longer Within Council Structure</u> | | | | | | | | |
| Director: Adult & Community Services | 8 | 109,600 | 27,089 | 88,745 | 0 | 115,834 | 4,415 | 120,249 |
| Assistant Director: Social Care Specialist | 9 | 82,304 | 21,096 | 0 | 0 | 21,096 | 3,439 | 24,535 |
| Commercial Enterprise Manager | 7,10 | 58,471 | 31,946 | 0 | 0 | 31,946 | 4,842 | 36,788 |
| | | | | | | | | |
| | | | 1,528,654 | 159,778 | 0 | 1,688,432 | 247,286 | 1,935,718 |

Notes:

Those roles shown in bold above represent the current posts.

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

The following table excludes Senior Officers shown above.

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

| Number of Employees 2013/14 | Salary Band | Number of Employees 2014/15 |
|-----------------------------|---------------------|-----------------------------|
| 43 | £50,000 - £54,999 | 42 |
| 48 | £55,000 - £59,999 | 39 |
| 22 | £60,000 - £64,999 | 28 |
| 11 | £65,000 - £69,999 | 19 |
| 5 | £70,000 - £74,999 | 7 |
| 2 | £75,000 - £79,999 | 2 |
| 3 | £80,000 - £84,999 | 3 |
| 1 | £85,000 - £89,999 | 2 |
| 0 | £90,000 - £94,999 | 0 |
| 1 | £95,000 - £99,999 | 0 |
| 0 | £100,000 - £104,999 | 0 |
| 1 | £105,000 - £109,999 | 1 |

The 2014/15 figures include 89 school based employees (80 in 2013/14). The 2014/15 figures include 13 employees (11 in 2013/14) who left under redundancy or retired during the year.

48. Exit Packages

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies included in the 2014/15 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 | |
|------------------------|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|-----------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| | | | | | | | £000 | £000 |
| £0 - £20,000 | 3 | 9 | 37 | 52 | 40 | 61 | 320,226 | 499,029 |
| £20,001 - £40,000 | 0 | 5 | 17 | 14 | 17 | 19 | 463,129 | 548,630 |
| £40,001 - £60,000 | 0 | 0 | 6 | 3 | 6 | 3 | 308,945 | 147,998 |
| £60,001 - £80,000 | 1 | 0 | 1 | 2 | 2 | 2 | 137,448 | 131,896 |
| £80,001 - £100,000 | 0 | 0 | 2 | 2 | 2 | 2 | 173,053 | 175,843 |
| £100,000 - £150,000 | 0 | 0 | 2 | 2 | 2 | 2 | 346,779 | 218,790 |
| Total | 4 | 14 | 65 | 75 | 69 | 89 | 1,749,580 | 1,722,186 |

| An analysis of the total cost of exit packages shows: | Redundancy etc £000 | Pension Fund Charges* £000 | Total £000 |
|---|------------------------|-------------------------------|------------------|
| Exit Packages agreed and charged to the Income & Expenditure Account during 2014/15 | 1,065,553 | 528,319 | 1,593,872 |
| 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 2015 (i.e. employees who had received formal notice at 31 March 2015 and will leave during 2015/16) | 85,524 | 42,790 | 128,314 |
| Total | 1,151,077 | 571,109 | 1,722,186 |

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

49. External Audit Costs

The Council's accounts have been audited by KPMG in 2013/14 and 2014/15. In 2014/15 the Council incurred the following fees relating to external audit and inspection:

| 2013/14 £000 | | 2014/15 £000 |
|-----------------|---|-----------------|
| 155 | Fees payable to KPMG with regard to external audit services | 156 |
| (18) | Fees payable to Audit Commission in respect of statutory inspection | (13) |
| 16 | Fees payable to KPMG for the certification of grant claims and returns | 16 |
| 9 | Fees payable in respect of other services provided by the appointed auditor, for 2014/15 this includes £3,650 paid to the Audit Commission in relation to the National Fraud Initiative | 4 |

50. Related Parties

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 46. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

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

During the year transactions with related parties arose as follows:

Councillor Stephen Burrell is a Director of Peace of Mind Homecare a company that provided services to the Council through service contracts and received £306,916 in 2014/15.

Councillor Rae Evans received a Repair and Renewal Grant on a property of £3,709 and received reimbursement of lost rent on a property for £4,676 in 2014/15.

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

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

51. Leases

Finance Leases

During 2014/15 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £528,074. Finance lease rentals of £411,137 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 | 318 | 625 | 0 | 943 |

The aggregate amount of finance charges in respect of finance leases was £29,118 for 2014/15 (£37,691 for 2013/14)

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

Operating Leases

During 2014/15 the value of vehicles, plant and equipment acquired under operating leases amounted to £32,971. Operating lease rentals of £10,100 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 | 10 | 10 | 0 | 20 |

Hire Purchase Contracts

During 2014/15 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 2014/15 amounted to £6,120,000 (£6,754,000 for 2013/14). See also note 44 Market Undertaking and Industrial Units and note 15 in respect of the valuation of these assets as Investment Properties.

52. Contingent Liabilities

At 31 March 2015, the Authority had no known material contingent liabilities.

53. Contingent Assets

At 31 March 2015, the Authority had no material contingent assets.

54. Local Services Support Grant

Local Services Support Grant (LSSG) is non ring-fenced i.e. there are no conditions on its use. The grant is therefore not income which flows into the Net Cost of Services but instead is included alongside other general sources of funding, such as Government Revenue Support Grant and Council Tax income. The total value of LSSG received by the Council in 2013/14 was £0.183m, the value of LSSG for 2014/15 is £0.070m.

55. Income & Expenditure Account Surplus/Deficit

For 2014/15 the accounts show a surplus on the Income and Expenditure Account of £61.206m. There was no planned use of General Fund Balances for 2014/15. The actual outturn was an underspend of £1.145m and the actual contribution to General Fund Balances of £1.145m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which form part of the Movement in Reserves Statement and summarised below:-

| | £m |
|--|----------|
| (Surplus) / Deficit on Income & Expenditure Account | (61.206) |
| Plus: | |
| Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance | 51.768 |
| Plus: | |
| Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance | 4.033 |
| Changes in Reserves | 4.260 |
| Actual Contribution (to)/from General Fund Balances | (1.145) |

56. Special Fund Revenue Account

| 2013/14 Net Expenditure £000 | | 2014/15 Gross Expenditure £000 | 2014/15 Income £000 | 2014/15 Net Expenditure £000 |
|---------------------------------------|--------------------------------------|---|---------------------------|---------------------------------------|
| | EXPENDITURE ON SERVICES | | | |
| (51) | Cemeteries | 131 | 237 | (106) |
| 730 | Highways – footway lighting | 662 | 22 | 640 |
| 679 | Total expenditure on services | 793 | 259 | 534 |
| | INCOME | | | |
| (628) | Council Tax | | | (644) |
| 51 | (Surplus) or deficit for year | | | (110) |
| | Special Fund | | | |
| 527 | Balance at beginning of the year | | | 476 |
| (51) | Surplus or (deficit) for year | | | 110 |
| 476 | Balance at end of year | | | 586 |

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

57. Soft Loan

During 2013/14 the Council extended for 10 years a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 2.85% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2013/14 and 2014/15 and the balance at 31st March is £353,020. This is shown as a debtor on the Balance sheet at a fair value of £298,488 and a notional £54,532 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.

58. Building Control Account 2014/15

| <u>Expenditure</u> | Chargeable | Non- Chargeable | Total Building Control |
|--------------------------------------|-------------------------|----------------------------|-----------------------------------|
| | 2014/15 £000 | 2014/15 £000 | 2014/15 £000 |
| Employee Expenses | 103 | 158 | 261 |
| Support Services | 64 | 90 | 154 |
| | 167 | 248 | 415 |
| <u>Income</u> | | | |
| Building Regulation Charges | (292) | (144) | (436) |
| (Surplus)/Deficit | (125) | 104 | (21) |
| 2013/14 (Surplus)/Deficit | (117) | 98 | (19) |

59. Insurance Reserves

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

The reserves are in existence for the following purposes:-

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

An analysis of the reserves for 2014/15 indicates the following:-

| | General Fund | | Education | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 |
| Balance b/f | 2,058 | 1,936 | 1,234 | 947 |
| Charges in the Year | (1,001) | (661) | (87) | (2) |
| Transfers to other reserves | 0 | 0 | (200) | 0 |
| Contributions | 879 | 795 | 0 | 0 |
| Balance c/f | 1,936 | 2,070 | 947 | 945 |

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

| | General Provision | | Self Insurance | |
|--------------------|-------------------|-----------------|-----------------|-----------------|
| | 2013/14 £000 | 2014/15 £000 | 2013/14 £000 | 2014/15 £000 |
| Balance b/f | 760 | 469 | 1,298 | 1,467 |
| Charges In Year | (699) | (323) | (302) | (338) |
| Contributions | 408 | 324 | 471 | 471 |
| Balance c/f | 469 | 470 | 1,467 | 1,600 |

For 2014/15 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims, £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, libel and slander and officials indemnity claims.

60. 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's assets, liabilities, income, expenditure and cash flows from the Council's own accounts will not be material to the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by a reader.

However, in the interests of transparency and accountability the unaudited 2014/15 balances of WME - JC are included below, along with an analysis of this Council's proportion of those balances based on an estimated share of 23.8%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

| Extract from WME Balance Sheet | 2014/15 | Telford & Wrekin Share |
|---------------------------------------|----------------|-----------------------------------|
| | £000 | £000 |
| Long Term Assets | | |
| Property, Plant & Equipment | 25 | 6 |
| Current Assets | | |
| Short Term Debtors | 10,714 | 2,550 |
| Cash and Cash Equivalents | 5,584 | 1,329 |
| Current Liabilities | | |
| Short Term Creditors | (13,625) | (3,243) |
| Long Term Liabilities | | |
| Other Long Term Liabilities | (5,361) | (1,276) |
| Total Assets Less Liabilities | (2,663) | (634) |
| Financed By | | |
| Usable Reserves | 2,673 | 636 |
| Unusable Reserves | (5,336) | (1,270) |
| | (2,663) | (634) |
| Turnover | 70,258 | 4,283 |

Collection Fund Account

| | NDR 2013/14 £000 | Council Tax 2013/14 £000 | Total 2013/14 £000 | NDR 2014/15 £000 | Council Tax 2014/15 £000 | Total 2014/15 £000 |
|--|------------------------|-----------------------------------|--------------------------|------------------------|-----------------------------------|--------------------------|
| Income | | | | | | |
| Income from Council Tax (Note 1) | | 66,332 | 66,332 | | 68,658 | 68,658 |
| Transfers from the Council's General Fund | | | | | | |
| – Council Tax Benefits | | 0 | 0 | | 0 | 0 |
| – Transitional Relief | (353) | 0 | (353) | (333) | 0 | (333) |
| Income collectable from business ratepayers (Note 2) | 68,497 | | 68,497 | 70,521 | | 70,521 |
| Contributions | | | | | | |
| Adjustment of previous years' community charges | | 0 | 0 | | 0 | 0 |
| Total Income | 68,144 | 66,332 | 134,476 | 70,188 | 68,658 | 138,846 |
| Expenditure | | | | | | |
| Precepts, demands and Shares | | | | | | |
| Telford & Wrekin Council | 31,548 | 49,891 | 81,439 | 31,944 | 51,141 | 83,085 |
| West Mercia Police Authority | | 7,769 | 7,769 | | 8120 | 8,120 |
| Shropshire & Wrekin Fire Authority | 644 | 3,854 | 4,498 | 652 | 4,028 | 4,680 |
| Parish Councils | | 2,695 | 2,695 | | 2,898 | 2,898 |
| Central Government | 32,192 | | 32,192 | 32,595 | | 32,595 |
| Cost of Collection | 213 | | 213 | 210 | | 210 |
| Bad and Doubtful Debts/Appeals | | | | | | |
| – Write Offs | 1,098 | 155 | 1,253 | 489 | 251 | 740 |
| – Provisions | 4,356 | 1,303 | 5,659 | 894 | (211) | 683 |
| Contributions | | | | | | |
| Adjustment of previous years' community charge | | 0 | 0 | | 0 | 0 |
| Total Expenditure | 70,051 | 65,667 | 135,718 | 66,784 | 66,227 | 133,011 |
| Movement on fund balance (Increase)/Decrease | 1,907 | (665) | 1,242 | (3,404) | (2,431) | (5,835) |

Notes To Collection Fund Accounts

1. Council Tax Base for 2014/15

| 2013/14 Equivalent Band D Dwellings | | Number of Dwellings | Discounted Dwellings | Net Dwellings | Equivalent Band D Dwellings |
|--|---|---------------------------|-------------------------|------------------|-----------------------------------|
| 9,787 | Band A | 26,105 | (10,828) | 15,277 | 10,177 |
| 10,513 | Band B | 18,601 | (4,729) | 13,872 | 10,789 |
| 7,573 | Band C | 10,556 | (1,794) | 8,762 | 7,788 |
| 6,989 | Band D | 7,732 | (614) | 7,118 | 7,118 |
| 4,920 | Band E | 4,444 | (370) | 4,074 | 4,979 |
| 2,709 | Band F | 2,033 | (136) | 1,897 | 2,740 |
| 1,533 | Band G | 995 | (72) | 923 | 1,538 |
| 70 | Band H | 50 | (12) | 38 | 76 |
| 44,094 | TOTAL | 70,516 | (18,555) | 51,961 | 45,205 |
| (877) | Adjustments for growth and losses | | | | (899) |
| 43,217 | Taxbase for year | | | | 44,306 |
| £1,477.23 | Average Council Tax for year | | | | £1,485.60 |
| 2013/14 £000 | | | | | 2014/15 £000 |
| 63,841 | Gross Yield | | | | 65,821 |
| 0 | Less Benefits and Transitional Relief | | | | 0 |
| 2,491 | Add increase in debit net of exemptions and reliefs | | | | 2,837 |
| 66,332 | | | | | 68,658 |

| 2. <u>Income Collectable from Business Rate Payers</u> | 2013/14 £000 | 2014/15 £000 | 2014/15 £000 |
|--|-----------------|-----------------|-----------------|
| Effective non-domestic rateable value for year | 162,306 | 163,656 | |
| Uniform Business Rate for year | 47.1p | 48.2p | |
| Gross Yield for year | 76,446 | | 78,882 |
| Less Reductions & Transitional Rate Relief | (7,949) | | (8,361) |
| | 68,497 | | 70,521 |

The rateable value was £171,847,808 at 31.3.2015

| 3. <u>Allocation of Fund Balance (Council Tax)</u> | 2013/14 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Telford & Wrekin Council | (1,633) | (3,614) |
| West Mercia Police Authority | (245) | (545) |
| Shropshire & Wrekin Fire Authority | (121) | (271) |
| | (1,999) | (4,430) |

| 4. <u>Allocation of Fund Balance (NDR)</u> | 2013/14 £000 | 2014/15 £000 |
|--|-----------------|-----------------|
| Telford & Wrekin Council | 934 | (734) |
| Shropshire & Wrekin Fire Authority | 19 | (15) |
| Central Government | 954 | (748) |
| | 1,907 | (1,497) |

Glossary

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

| | |
|--|--|
| Dedicated Schools Grant (DSG) | Specific ring-fenced grant allocated by the Department for Education for the funding of schools. |
| Discounts | The benefit obtained from re-scheduling debt. |
| International Accounting Standard 19 (IAS19) | Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax. |
| Damping | A method that is intended to provide stability in Local Authority funding. A “floor” guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities. |
| Leases | A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system. |
| LOBO | A LOBO is a market loan to the Authority. LOBO stands for Lenders Option Borrowers Option. What this means is that the loan has a fixed interest rate but the lender has the option to increase that rate at specified intervals. If they exercise that option then the Authority has to option to either accept the new rate or repay the loan. |
| Local Services Support Grant (LSSG) | Local Services Support Grant is a general grant that is not allocated to the cost of services but is shown with other grants such as RSG. |
| MRP | Minimum Revenue Provision – This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure. |
| Non Domestic Rates (NDR) | This is the income collected from business premises in respect of National Non Domestic Rates (NNDR). Also known as Non Domestic Rates (NDR), Business Rates and Retained Business Rates. |
| Outturn | Actual Expenditure and Income 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 Settlement Funding Assessment, also determined by Government. |
| Reserves & Balances | Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence. |
| Section 151 | Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs (The Chief Financial Officer). For Telford & Wrekin this is the Assistant Director Finance 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 2015

INTERNAL AUDIT PLAN and INFORMATION GOVERNANCE WORK PROGRAMME 2015/16

REPORT OF THE CHIEF FINANCIAL OFFICER AND THE AUDIT & IG MANAGER

1 PURPOSE

- 1.1 To seek the approval of Members of the Audit Committee to the Internal Audit Plan 2015/16 and for them to note the contents of the Information Governance Work programme 2015/16.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee:

- a) approve the Internal Audit Plan 2015/16 attached as Appendix A; and
- b) note the Information Governance Work Programme for 2015/16 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 2015/16 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 Regulations 2015 which are as follows:

*Part 2 Internal Control
Internal audit*

5. A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

- 3.3 The CFO is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet these obligations.
- 3.4 The current 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 2015/16 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 26th March 2013

Audit Committee 30th June 2014

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 risk management, control and governance processes of the Council, 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, the strategic risk register and be directed by the Charter agreed by this Committee in January 2015. 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 is attached as Appendix A with detail at the bottom for the ICT audit work which has been informed by challenge from suppliers on the external framework. The plan has been drawn up based on the internal and external resources available for 2015/16 (see 5.6 below), the factors in paragraph 5.4 above and detailed discussions with the CFO. The resultant plan should provide an increased level of assurance compared to 2014/15 but limited to the areas reviewed. 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 2014/15 were 963 days plus 55 days specialist ICT audit work (total of 1018 days). For 2015/16 the resources are 1072 days plus 75 days specialist ICT audit work (total of 1147). This increase has been achieved by a full establishment for the whole year plus better prices and therefore days through the framework contract
- 5.7 Based on good practice the plan includes just over a 9% 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 2015/16 (attached as Appendix B) is presented for noting. Progress against this programme will be reported to the September 2015 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 2014/15

Internal Audit Charter 2015/16

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 | Risk rating | Days | Priority | Quarter |
|------|--|--|-------------|------|----------|---------|
| 1 | General ledger, assets (including asset valuation & depreciation) & capital accounting including new Agresso asset module review | Finance, Audit & IG | n/a | 38 | ALL | Qtr 3/4 |
| 2 | P2P (creditor payments) including a focus on VAT | Finance, Audit & IG | n/a | 30 | ALL | Qtr 2 |
| 3 | Cash collection | Finance, Audit & IG | n/a | 20 | ALL | Qtr 2 |
| 4 | Treasury Management | Finance, Audit & IG | n/a | 10 | ALL | Qtr 1 |
| 5 | Corporate Governance (including risk management) | Finance, Audit & IG | n/a | 15 | ALL | Qtr 1 |
| 6 | Payroll/HR | Finance, Audit & IG | n/a | 20 | ALL | Qtr 3 |
| 7 | Adult Social Care payments process & revised team responsibilities | Finance, Audit & IG | n/a | 18 | ALL | Qtr 1/2 |
| 8 | Employment status - evidence required in future re consultants/agency staff or "individual" employment | Finance, Audit & IG | M | 7 | ALL | Qtr 2/3 |
| 9 | Insurance - in contracts and joint arrangements & how signposted at the beginning of arrangements | Finance, Audit & IG | M | 6 | ALL | Qtr 3 |
| 10 | New bank contract - advice on implementation & then review of revised processes | Finance, Audit & IG | H | 8 | ALL | ALL |
| 11 | Assessment & eligibility | Adult Social Services | M | 15 | 4 & 6 | Qtr 3/4 |
| 12 | Review of prototype concentrating on standards and achievement of outcomes | Adult Social Services | H | 8 | 4 & 6 | Qtr 1/2 |
| 13 | Making Safeguarding personal | Adult Social Services | M | 8 | 4 & 6 | Qtr 3 |
| 14 | Mental health - implementation of strategy | Adult Social Services | M | 5 | 4 & 6 | Qtr 2/3 |
| 15 | Financial assessment process review | Adult Social Services | H | 12 | 4 & 6 | Qtr 1 |
| 16 | Support to Transformation Project including Abacus interface and follow ups | Adult Social Services | H | 6 | 4 & 6 | All |
| 17 | Appointee ships bank accounts - Allied Irish bank processes | Adult Social Services | M | 5 | 4 & 6 | Qtr 3 |
| 18 | Care Act preparations for April 2016 | Adult Social Services | H | 6 | 4 & 6 | All |
| 19 | Adults transport processes review | Adult Social Services | M | 8 | 3,4 & 6 | Qtr 4 |
| 20 | Discharge to Care (DTC) - Mental health home from hospital | Adult Social Services | M | 7 | 1, 4 & 6 | Qtr 2 |
| 21 | Deferred payments - review of how Care Act requirements & new processes have been implemented | Adult Social Services | M | 8 | 4 & 6 | Qtr 3 |
| 22 | Transfer of 0-5 health functions - assurance | Health, Well-Being & Public Protection | M | 3 | 6 | Qtr 2 |
| 23 | Commissioning - public health compliance with contract procedure rules | Health, Well-Being & Public Protection | M | 5 | 6 | Qtr 2 |
| 24 | Primary Authority Agreements - assurance on arrangements and expansion | Health, Well-Being & Public Protection | M | 3 | 6 | Qtr 3 |
| 25 | Process for developing, reviewing and monitoring SLA's & MOU's between PH and other Council Teams | Health, Well-Being & Public Protection | M | 4 | 6 | Qtr 3 |
| 26 | Review of Business continuity plans - process and effectiveness (sample from across the Council) | Health, Well-Being & Public Protection | M | 7 | ALL | Qtr3/4 |
| 27 | Community Pride Fund Grants - follow up of allocations and monitoring | Co-operative Council | M | 5 | ALL | Qtr 2 |
| 28 | Service Planning & Performance information | Co-operative Council | H | 5 | ALL | Qtr 2 |
| 29 | Leaving care grant | Children's Safeguarding & Special Services | H | 8 | 1, 4 | Qtr 1 |
| 30 | Care leavers - process for risk assessing and allocating work including reviews | Children's Safeguarding & Special Services | M | 10 | 1,4 | Qtr 3 |
| 31 | Children's arrangements orders | Children's Safeguarding & Special Services | M | 8 | 1,4 | Qtr 1/2 |
| 32 | Periodic unannounced electronic children's file audits | Children's Safeguarding & Special Services | M | 4 | 1, 4 | All |
| 33 | Housing Benefits audit | Neighbourhood & Customer Services | H | 25 | 6,7 | Qtr 3 |
| 34 | Local council tax support scheme | Neighbourhood & Customer Services | H | 20 | 6,7 | Qtr 3 |
| 35 | Sales Ledger | Neighbourhood & Customer Services | n/a | 20 | ALL | Qtr 2/3 |
| 36 | Council tax | Neighbourhood & Customer Services | n/a | 18 | ALL | Qtr 1/2 |
| 37 | NNDR | Neighbourhood & Customer Services | n/a | 20 | ALL | Qtr 1/2 |
| 38 | Specialist IT audit work (programme still being developed in consultation with ICT) | Neighbourhood & Customer Services | H/M | 75 | ALL | ALL |
| 39 | Internal IT audit work (programme still being developed in consultation with ICT) | Neighbourhood & Customer Services | H/M | 25 | ALL | ALL |
| 40 | Hal crow contract - audit requirements of the contract - follow up of 2014/15 work | Neighbourhood & Customer Services | M | 1 | 5 & 6 | Qtr 3 |
| 41 | Waste contract - quality monitoring | Neighbourhood & Customer Services | M | 5 | 5 | Qtr 3 |
| 42 | Pothole grant (to be completed by September 2015) | Neighbourhood & Customer Services | n/a | 3 | 5 | Qtr 1/2 |
| 43 | Flood damage grant process | Neighbourhood & Customer Services | M | 3 | 5 | Qtr 1 |
| 44 | Other car parks contracts | Neighbourhood & Customer Services | M | 5 | 2 & 5 | Qtr 2/3 |
| 45 | Care & Enablement Provider services - trading from 1st April 2015 - charging & processes/information flows between teams - commissioner and provider and Finance | Neighbourhood & Customer Services | M | 10 | 4 & 6 | Qtr 2/3 |
| 46 | Downing House - client financial records | Neighbourhood & Customer Services | M | 6 | 4 | Qtr 2 |
| 47 | Social Lettings Agency | Development, Business & Employment | M | 5 | 6 | Qtr 2 |
| 48 | Property Investment Portfolio - Review of bad debts processes | Development, Business & Employment | H | 10 | 2 & 6 | Qtr 2/3 |
| 49 | Housing Investment Project - governance/assurance reviews | Development, Business & Employment | H | 4 | 2, 6 & 7 | ALL |
| 50 | Pride in the High Street grants - consultancy and review of processes | Development, Business & Employment | M | 3 | ALL | Qtr 3/4 |
| 51 | Transport to Schools (pre & post 16) | Development, Business & Employment | M | 7 | ALL | Qtr 2/3 |
| 52 | Schools (16 schools) | Education & Corporate Parenting | H/M | 116 | 1,3,4 | ALL |

| | | | | | | |
|----|---|--|-----|------|------------|------------|
| 53 | Teaching school status schools - currently Newport Infants; but also the Bridge; St Peter's Bratton | Education & Corporate Parenting | M | 5 | 1,3,4 | Qtr 2 |
| 54 | Safeguarding advisory service (areas to be agreed with SDM/AD) | Education & Corporate Parenting | M | 15 | 2 & 3 | Qtr 2 |
| 55 | Home education process review | Education & Corporate Parenting | M | 5 | 1, 3 & 4 | Qtr 3/4 |
| 56 | Horsehay Golf (last audited 2011/12) | Leisure, Culture & Facilities Management | M | 7 | 4 & 6 | Qtr 2 |
| 57 | Newport Pool (last audited 2011/12) | Leisure, Culture & Facilities Management | H | 7 | 4 & 6 | Qtr 1 |
| 58 | The Place (last audited 2011/12) | Leisure, Culture & Facilities Management | H | 8 | 4 & 6 | Qtr 3 |
| 59 | Town Park visitors centre & facilities | Leisure, Culture & Facilities Management | M | 7 | 4 & 6 | Qtr 2/3 |
| 60 | Catering - follow up of previous audits | Leisure, Culture & Facilities Management | M | 5 | 2 & 6 | Qtr 2/3 |
| 61 | Facilities Management - to look at helpdesk for Commercial /operational buildings (to include Chris Goulson and Andy Collier as well as Mal & Clive | Leisure, Culture & Facilities Management | M | 10 | 2 & 6 | Qtr 1/2 |
| 62 | Multi Storey Car Park Southwater - Operational Aspects (to link with James Dunn/Marc Jones in Estates & Investment) | Leisure, Culture & Facilities Management | M | 5 | 2 & 5 | Qtr 2/3 |
| 63 | Early Intervention -Common Assessment Framework & Team Around the Child | Family, Cohesion & Commissioning | H/M | 10 | 1,3,4 & 6 | Qtr 3/4 |
| 64 | Troubled Families Grant | Family, Cohesion & Commissioning | M/L | 3 | 1,4 & 6 | Qtr 2/3 |
| 65 | Better Care Fund - audit requirements - still being assessed internally and with CCG | Family, Cohesion & Commissioning | H | 5 | 6 | ALL |
| 66 | Children's RAS | Family, Cohesion & Commissioning | M | 7 | 1,4 | Qtr 2 |
| 67 | Children's brokerage processes and link to Foster Care team | Family, Cohesion & Commissioning | M | 10 | 1,4 | Qtr 2/3 |
| 68 | Supervision policy review (including Children's safeguarding) | Family, Cohesion & Commissioning | M | 10 | 1, 4 & 6 | Qtr 2/3 |
| 69 | Direct Payments - reviews and monitoring | Family, Cohesion & Commissioning | M | 5 | 4 & 6 | Qtr 2 |
| 70 | Temporary accommodation | Family, Cohesion & Commissioning | M | 8 | 4, 6 & 7 | Qtr 3/4 |
| 71 | Procurement - review of contracts and other areas to be agreed with Strategic Procurement | Law, Democracy & People Services | H | 20 | ALL | Qtr 1/All |
| 72 | Procurement - GPC review | Law, Democracy & People Services | H | 8 | ALL | Qtr 1 |
| 73 | Procurement - Contract waivers review | Law, Democracy & People Services | M | 4 | ALL | Qtr 3 |
| 74 | Individual Electoral Registration (IER) | Law, Democracy & People Services | H | 5 | ALL | Qtr 3/4 |
| 75 | Payment of allowances | Law, Democracy & People Services | M | 10 | ALL | Qtr 2 |
| 76 | Leavers checklist and processes (to include network & systems access terminations) | Law, Democracy & People Services | M | 6 | ALL | Qtr 2 |
| | Total for new audits | | | 888 | | |
| | Advice & guidance | | | 55 | ALL | |
| | Follow ups | | | 50 | ALL | |
| | Proactive fraud work & NFI | | | 50 | ALL | |
| | Contingency | | | 104 | ALL | |
| | Total | | | 1147 | | |
| | IT Detail - External (75 days included in above) | | | | | |
| | Move to cloud Technology and access & security controls in a changing environment | | | 10 | ALL | Qtr 4 |
| | ICT Service desk operational processes and procedures | | | 10 | ALL | Qtr 3 |
| | Spatial (GIS) application | | | 5 | 2, 7 | Qtr 3 |
| | Highways application (M3) | | | 5 | 2, 5, 7 | Qtr 4 |
| | Property application (P2) | | | 5 | 2,5,7 | Qtr 3 |
| | Third party access to systems | | | 7 | ALL | Qtr 3 |
| | Programmes and projects - scoping/mandate/handover & transition to mainstream & on-going support | | | 7 | ALL | Qtr 4 |
| | ICT risk management arrangements | | | 5 | ALL | Qtr 3 |
| | Management of contracts and 3rd party relationships | | | 8 | ALL | Qtr 4 |
| | IG Third party data sharing contracts/arrangements | | | 8 | 1, 3, 4, 6 | Qtr 3 |
| | IG Information security arrangements review | | | 5 | ALL | Qtr 4 |
| | Total external contract | | | 75 | | |
| | IT detail - Internal (25 days included in above) | | | | | |
| | People services electronic filing system | | | 5 | ALL | Qtr 3 |
| | Protocol - children's system application review | | | 5 | 1, 3 | Qtr 3 |
| | PCI compliance following bank change | | | 7 | ALL | Qtr 4 |
| | Follow up of IT/IG audits | | | 8 | ALL | Qtrs 3 & 4 |
| | | | | 25 | | |
| | 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 2015/16

| No | Task | Completion date |
|----|---|--|
| 1 | Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO. | Ongoing |
| 2 | 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. | On-going |
| 3 | Keep TORCH site up to date to support the above. | On going |
| 4 | Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made. | Ongoing |
| 5 | Support service areas to address any information security risks that arise. | Ongoing |
| 6 | Support information sharing and the production of information sharing agreements. | Ongoing |
| 7 | Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications. | Ongoing. |
| 8 | Agree and deliver an IG training and awareness programme. Assess numbers completing the IG training module. | Agree programme (with SIRO) – End May 15. Deliver programme throughout 15-16. Review Ollie training take up by end of June 2015. |
| 9 | Update compliance work programme and undertake activities including records management. | Review and agree updated compliance programme by end of May 15. Ongoing for completing compliance activities. |
| 10 | File and folder accesses review and rationalisation. | End of May 2015 (for IG to agree future actions for ICT on this) |
| 11 | Complete Ollie module for classification scheme and promote scheme and policy. | End of July 2015 |
| 12 | Keep the IG security framework up to date including the Corporate Information Security Policy (CISP). Disseminate changes across the Council. Review CISP | Review framework and agree this with Audit Committee –End September 15. Disseminate any changes as and when required. Review CISP by end of March 16 |

| No | Task | Completion date |
|-----------|--|---|
| 13 | Report to the Audit Committee on progress against the work programme and any issues arising. | September 2015 June 2016 |
| 14 | Implement findings of the IG framework audit | End of November 2015 |
| 15 | Review and update intranet and internet pages for FOI and DPA. | Internet content reviewed on an ongoing basis but full review of content by end Dec 15. |
| 16 | Complete N3 connection assessment for central government. | March 16. |

TELFORD & WREKIN AUDIT COMMITTEE
OUTLINE OF BUSINESS FOR FUTURE MEETINGS 15/16 as at 30/06/15

| DATE OF MEETING | ITEM | RESPONSIBLE OFFICER |
|------------------------------------|--|--|
| Tuesday 30 th June 2015 | <ol style="list-style-type: none"> 1. Review of TOR for the Committee 2. KPMG Interim Report 2014/15 3. KPMG Fee letter 15/16 4. Treasury Management Outturn 2014/15 and Update 2015/16 5. 2014/15 Internal Audit Quarter 4 14/15 Update Report and Annual Internal Audit & Information Governance Report 6. Annual Governance Statement 2014/15 7. Anti-Fraud & Corruption Annual report and updated Policy 2014/15 8. Draft Statement of Accounts 2014/15 9. Internal Audit Plan and IG Work programme 2015/16 10. Outline of Business 2015/16 | <p>JM KPMG KPMG KC</p> <p>JM</p> <p>JM JM</p> <p>KC JM JM</p> |
| Tuesday 15th Sept 2015 | <ol style="list-style-type: none"> 1. Report to those Charged with Governance 2014/15 2. Audited Annual Statement of Accounts 2014/15 3. Annual Customer Feedback Report and assurance on lessons learnt 2014/15 4. Adult Social Services update (including Abacus) 5. Caldicott Guardian Annual report 2014/15 6. Capital receipts update 7. Strategic Risk Register 8. Publication of Information on Councillors who Traded with the Council during 2014/15 9. Audit Committee Annual Report 2014/15 10. Internal Audit Activity Update Report April – June 15/16 and IG Update report 15/16 | <p>KPMG KC AA/AM</p> <p>PT/RS PT</p> <p>KK/JD RP/JP KC</p> <p>JM JM</p> |
| Tuesday 26th January 2016 | <ol style="list-style-type: none"> 1. KPMG Annual Audit Letter 2014/15 2. Grants Report 2014/15 3. External Audit Plan 15/16 4. Draft Treasury Management Strategy 2016/17 and update 15/16 5. Update to the Internal Audit Charter 2016/17 6. Internal Audit Activity Report July – December 15/16 7. Updated position of the AGS Action Plan 2014/15 | <p>KPMG KPMG KPMG KC</p> <p>JM JM JM</p> |
| June 2016 | <ol style="list-style-type: none"> 1. Review of TOR for the Committee 2. KPMG Interim Report 2015/16 3. KPMG Fee letter 16/17 4. Annual Customer Feedback Report and assurance on lessons learnt 2015/16 5. Treasury Management Outturn 2015/16 and Update 2016/17 6. Draft Statement of Accounts 2015/16 7. Internal Audit Quarter 4 15/16 Update Report 8. 2015/16 Annual Report - Internal Audit, Information Governance & Caldicott Guardian 9. Annual Governance Statement 2015/16 10. Anti-Fraud & Corruption Annual report and updated Policy 2015/16 11. Internal Audit Plan and IG Work programme 2016/17 12. Outline of Business 2016/17 | <p>JE KPMG KPMG AA/AM</p> <p>KC</p> <p>KC</p> <p>JM JM</p> <p>JM JM</p> <p>JM JM</p> |

Training

Introduction - June/July 2015

Final accounts – prior to September 2015 meeting as audited accounts approved at September 2015 meeting.

Treasury Management – prior to January 2016 meeting as strategy presented to January 2016 meeting for comments prior to approval by Cabinet

Other to be confirmed