



Telford & Wrekin
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

Date **Tuesday 15th September 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
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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 30 June 2015 Page No:
- 4. Report to those Charged with Governance 2014/15** **Appendix B**
To receive the report of KPMG Page No:
- 5. 2014/15 Statement of Accounts** **Appendix C**
To receive a report of Assistant Director: Finance, Audit & Information Governance Page No:
- 6. Customer Feedback Performance 1st April 2014 – 31st March 2015** **Appendix D**
To receive a joint report from Assistant Director: Neighbourhood & Customer Services and the Customer & Registration Services Manager Page No:

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7. **Adult Social Services Update**
To receive a verbal update from the Director of Care, Health and Wellbeing and the Assistant Director: Adult Social Services
8. **Caldicott Guardian Annual Report** **Appendix E**
To receive the report of the Director of Care, Health and Wellbeing Page No:
9. **Review of Strategic Risk Register – July 2015** **Appendix F**
To receive the report of the Managing Director and the Delivery & Planning Manager Page No:
10. **Publication of Information on Councillors who Traded with the Council during 2014/15** **Appendix G**
To receive the joint report of Assistant Director: Finance, Audit & Information Governance and the Monitoring Officer Page No:
11. **Audit Committee Annual Report 2014/15** **Appendix H**
To receive the report of the Audit & Information Governance Manager Page No:
12. **2015/16 Internal Audit Quarter 1 Update Report and Information Governance Update Report to end July 2015** **Appendix I**
To receive the report of the Audit & Information Governance Manager Page No:
13. **Exclusion of Press and Public**
It is recommended that the press and public be excluded from the meeting for the following item of business on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972
14. **Capital Receipts Update**
To receive a verbal report of the Assistant Director: Development, Business & Employment

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, 30 June 2015 at 6.00pm in Meeting Rooms G3 and G4, Addenbrooke House, Ironmasters Way, Telford, Shropshire

PRESENT: Councillors R Sloan (Chair), C F Smith (Vice Chair), I T W Fletcher, A Lawrence, W L Tomlinson and D G Wright.

IN ATTENDANCE: Mr Ian Pennington (Director at KPMG).

OFFICERS: K Clarke (Assistant Director: Finance, Audit & Information Governance), P Harris (Finance Manager - Corporate Finance & Customer Services), J Marriott (Audit & Information Governance Manager), B Morris (Finance Team Leader) and D Moseley (Democratic Services Support Officer).

The Chair welcomed new and returning Members to the Committee's first meeting of the 2015/16 municipal year.

AUC-01 APOLOGIES FOR ABSENCE

Councillors K R Guy and S A W Reynolds

AUC-02 DECLARATIONS OF INTEREST

None.

AUC-03 MINUTES

The Chair noted on page four of the minutes re: Financial Controls Review that he had suggested the Interim Director of Care, Health & Wellbeing and Interim Assistant Director: Adult Social Care provide an update on IT Systems and Unbilled Income. He considered that a wider update was required and would request the Cabinet Member for Adult Social Care to attend. He understood that a similar item appeared in the Scrutiny Work Programme but since the budget was a large percentage of the Council's overall budget, he felt that it was important that the Audit Committee take an overview.

RESOLVED – that the minutes of the meeting of the Audit Committee held on 27 January 2015 be confirmed and signed by the Chair.

AUC-04 REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE

The Audit & Information Governance Manager informed the Committee that it was good practice to review the Terms of Reference on an annual basis to ensure that the work of the Committee assisted the Council in meeting its statutory obligations. The report suggested two amendments: that the Committee meet privately with the external auditor as required, rather than annually, and that the Committee received the Caldicott Guardian's annual report. The profile of the Caldicott Guardian had

been raised within the Authority and the Interim Director of Care, Health & Wellbeing had, therefore, requested to bring this report to Audit Committee.

It was also noted that it was proposed that the terms of reference would be reported direct to Council as part of the report on the "Implementation of New Legislation and Changes to the Constitution – Statutory Officers" which would prevent delay in the presentation of the Caldicott Guardian's report.

RECOMMENDED that the terms of reference attached to the report at Appendix A be adopted by Council at its meeting on 9 July 2015.

AUC-05 KPMG INTERIM REPORT 2014/15

Mr I Pennington, Director at KPMG advised the Committee that this was the second report in a suite of four. The first had reported on planning for the audit work and the report before the Committee was the first update after the interim visit. Mr Pennington highlighted specific areas of the report:-

- Organisational Control Environment – Focussing on the culture and discipline among senior managers, this area had been judged "sound".
- Review of Internal Audit – Some recommendations were made regarding sampling and file review processes.
- Controls over key financial systems – This section included two provisional scores, as the majority of work which would form the final score would be done in the final update. Some weakness had been identified with regard to bank reconciliation and leaver controls.

The Committee asked whether timely clearance of reconciling items on bank reconciliation had been an ongoing issue. The Assistant Director: Finance, Audit & Information Governance indicated that there were over 430K transactions totalling £2.1b and it was very difficult to reconcile every transaction. Mr Pennington appreciated it was difficult to pin down cash in transit and the Audit & Information Governance Manager mentioned that the amounts would vary on a month by month basis. The Assistant Director: Finance, Audit & Information Governance added that the discrepancy related to additional income and did not raise concerns that any cash had gone missing. A lot of the Council's management systems were electronic and matches were made within the system. It was intended to carry out a manual check in April to attempt to pinpoint which areas were potentially causing the discrepancy. Mr Pennington considered that it was probably a glitch in one particular system but noted that such incidents required a judgement call to be made: the figures involved were relatively small and may be unwound the following month so was it worth spending time and money on a solution? He would be concerned if the figures were mounting month on month, but that was not the case. The Finance Manager noted that whilst the figure quoted in February was £30K, by 31 March it had reduced to £11K, so there was evidence that sums were being found. The Assistant Director: Finance, Audit & Information Governance felt that it was doubtful the manual check would create a completely balanced reconciliation but, whilst the Service was looking at ways to reduce the imbalance, they were limited by how much resource was available to allocate to cash reconciliation.

- Specific Audit Risks – Group Accounting was no longer a key audit risk as the set up of the Council's the subsidiary company, Nuplace, had sensibly been delayed. This risk would reappear in next year's audit. Rules relating to the accounting for local authority maintained schools had been agreed and were relatively straightforward. The Finance Team Leader confirmed that school balances were a separate part of the accounts.
- VFM – Key risks identified were the savings plans and commercial projects. It was important to ascertain whether these projects had been properly accounted for and this work would be finalised over the next few weeks.
- Key issues and recommendations. The Auditor had taken the unusual step of highlighting an issue already identified and prioritised by Internal Audit: leaver controls. It was very important that notification of leavers was given in a timely manner to avoid the risk of overpayments.

The Audit & Information Governance Manager pointed out that the overpayments mentioned in the report had all been recovered in full. The detail of how many employees were involved was not available. Mr Pennington impressed upon the Committee the importance of having satisfactory controls to remove individuals leaving employment from all Council systems. The Audit & Information Governance Manager noted that a 'leavers checklist' procedure was operated, which included removal of individuals' access to ICT applications. A report highlighting this issue had been made to the Senior Management Team; an update would be made at half-year in order to keep this important issue high on the radar and improve the situation. The Chair was concerned to identify whether it was specific services which were not operating satisfactory leaver controls so that messages could be targeted in those areas, rather than across the board.

AUC-06 KPMG ANNUAL AUDIT FEE LETTER 2015/16

Mr Ian Pennington, Director at KPMG reported on the annual audit fee for 2015/16 which was based on the Audit Commission's Scale of Fees for 2015/16. However, the closure of the Audit Commission had resulted in a decrease as no fees were payable to them. Some decrease in the scope and scale of the work required by the Auditor had also had a downward impact on the fee.

AUC-07 TREASURY MANAGEMENT OUTTURN 2014/15 AND UPDATE 2015/16

The Finance Manager gave an overview of the report which set out Treasury Management activities for 2014/15 and details of the position for 2015/16 to date. Overall the report delivered very good news.

Cllr W L Tomlinson asked, with the creation of Nuplace, would borrowing be placed in the new company or would the Council lend after borrowing from the PWLB? The Assistant Director: Finance, Audit & Information Governance advised the latter option. Cllr W L Tomlinson asked about the age of mature borrowing. The length of borrowing varied, and the Assistant Director would be looking to smooth the maturity profile of the overall debt portfolio and would not take one loan maturing in 30 years time as this would expose the council to a high level of exposure to whatever interest rates were at that time. Some temporary borrowing was currently available quite

cheaply but this could lead to a requirement to constantly look for the best rates, especially as rates were fluctuating and funds were not always available in the market. The Finance Manager advised PWLB rates were: 10 years - 2.55%, 20 years 3.12% and 40 years 3.67%. Cllr A Lawrence referred to the borrowing levels mentioned in paragraph 7 of the report and was advised that there had been some changes made by Central Government to the way in which repayments worked and the Assistant Director: Finance, Audit & Information Governance confirmed that regular monitoring of loans took place, as well as opportunities to take a discount. Cllr W L Tomlinson also asked how changes in interest rate would affect Nuplace and was advised that public accounting would be very important to demonstrate that the company was being charged a commercial rate and that the return was used to support the delivery of services.

RESOLVED – that the contents of the report and the performance against Prudential Indicators be noted

AUC-08 **2014/15 INTERNAL AUDIT QUARTER 4 UPDATE REPORT AND THE INTERNAL AUDIT & INFORMATION GOVERNANCE ANNUAL REPORT**

The Audit & Information Governance Manager presented the Internal Audit Quarter Four update report 2014/15 which gave details of the work undertaken in this period and the Internal Audit and Information Governance Annual Report. Referring to the RAG report, it was noted that a greater focus had been spent on Red and Amber rated reports as set out on page 54 of the agenda pack:-

- Moorfield Primary – Follow up work expected to complete in July 2015
- Unstructured Data Storage – This work had now been superseded
- Shared Lives – This work was complete
- BRJ School – This work had been reassessed Yellow and would become an Academy in September. Members noted that although the school would change its name to an Academy, it would remain the responsibility of the Local Authority for some time. The new Head had received a copy of the follow up report and would visit in September; it was important to ensure that the correct governance for the new school was in place.

The Audit & Information Governance Manager also commented on the number of recommendations made by type in 2014/15. Fewer reports had been issued in this period due to reduced resource and the late award of the external audit contract. The trend towards an increase in policy and procedure recommendations followed continued restructure and loss of staff with limited succession planning in place.

The Audit & Information Governance Manager also drew attention to sections of the report which provided an update on Public Sector Internal Audit Standards (PSIAA), Performance, Performance Against External Review, Improvement Activity and Customer Feedback.

The report also included the 2014/15 Information Governance Annual Report. The Audit & Information Governance Manager highlighted the section of the report relating to Information Rights and pointed out the significant decrease in data security incidents, demonstrating the success of training across the organisation.

The Information Governance Work Programme was included as an appendix to the report.

The Committee welcomed the report and extended their thanks to the Audit & Information Governance Manager and her team, noting the limited resources available and the time which had been devoted to Adult Social Care.

The Committee queried whether the Internal Audit team would provide support to Nuplace. The Audit & Information Governance Manager stated that the Team had not been approached to provide this service but she would take a cautious approach and explore whether a conflict of interest existed. Mr Pennington (KPMG) indicated that in his opinion, there would not be a conflict but the Audit & Information Governance Manager noted that the involvement of Internal Audit would need to be formalised.

RESOLVED – that:

- (a) the Internal Audit update information for quarter four 2014/15 be noted; and**
- (b) the Internal Audit & Information Governance Annual Report for 2014/15 be noted.**

AUC-09 THE ANNUAL GOVERNANCE STATEMENT 2014/15

The Audit & Information Governance Manager presented the Annual Governance Statement for 2014/15 which outlined whether the Council had been adhering to its Local Code of Corporate Governance. She particularly referred Members to paragraphs 5 (The Governance Framework) and 6 (Review of Effectiveness) and noted the Action Plan at Annex 1 to Appendix A of the report including six recommendations related to governance, encompassing continued restructures and changes in regulations.

RESOLVED – that the Annual Governance Statement 2014/15 be approved and that the information in the report be noted.

AUC-10 CORPORATE ANTI-FRAUD & CORRUPTION POLICY – 2014/15 ANNUAL REPORT & POLICY UPDATE

The Audit & Information Governance Manager presented the Annual report on Corporate Anti-Fraud and Corruption activity and sought the Committee's endorsement of an updated policy for approval by Council. The report included a comprehensive update on the benefits caseload and an appendix detailing the internal audit work undertaken for fraud and corruption risk areas. The updated policy included some minor changes to reflect the new Single Fraud Investigation Service, the extension of the 'Everyday Telford' App to include fraud reporting, organisational changes and to ensure consistency with the Council's Constitution.

Some discussion took place regarding data matching and access to third party government information, eg DVLA. The Audit & Information Governance Manager advised that some joint work took place and noted the agreements in place as part of

the National Fraud Initiative as set out at paragraph 7.4 of the report. Members also noted that the retention of the Benefits Investigation Team was subject to an Invest to Save bid which offset salaries against recovered Council Tax.

RESOLVED –

- (a) that the Annual report on Corporate Anti-Fraud and Corruption Activity be noted
- (b) to agree the updated Corporate Anti-Fraud & Corruption Policy and to **RECOMMEND** its adoption by the Council.

AUC-11 DRAFT STATEMENT OF ACCOUNTS 2014/15

Members of the Audit Committee had attended at a training session on the Accounts prior to the Committee Meeting.

Members were advised of the timetable to the production of the final accounts. It was acknowledged that the draft Statement of Accounts had been published later than the main agenda and it was **AGREED** that Members should review the paperwork and forward any queries to the Finance Manager, Pauline Harris, so that these could be addressed before the next meeting.

Comments at this stage included:-

- An explanatory footnote to be added to the Workforce Analysis
- Pension provision negative equity
- Addition of schools in the balance sheet to reflect all assets
- Addition of fixed assets from 2016/17

AUC-12 INTERNAL AUDIT PLAN AND INFORMATION GOVERNANCE WORK PROGRAMME 2015/16

The Audit & Information Governance Manager reported on the proposed Internal Audit Plan and Information Governance Work Programme for 2015/16. Following queries, Members noted the requirement to include work regarding the Subsidiary Company, Nuplaces, and that the proposed loan to the MOD had not been taken up as part of the Defence Gateway bid - it had been subject to a separate negotiation and the MOD had not taken up the option.

RESOLVED – that the Internal Audit Plan 2015/16 be approved and the Information Governance Work Programme for 2015/16 be noted.

AUC-13 OUTLINE OF BUSINESS FOR FUTURE MEETINGS 2015/16

The Committee noted the business to be transacted at meetings during the forthcoming year.

The meeting ended at 7.17pm

Chairman:

Date:



cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

Telford and Wrekin Council

September 2015

The contacts at KPMG in connection with this report are:

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Appendices

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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 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 3HZ.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Telford and Wrekin Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

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



We previously reported on our work on the first two stages in our *Interim Audit Report 2014/15* issued in June 2015.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July 2015.

It also includes any additional findings in respect of our control evaluation which we have identified since we issued our *Interim Audit Report 2014/15*.

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

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work and we included early findings in our *Interim Audit Report 2014/15*. We have now completed the work to support our 2014/15 VFM conclusion. This included:

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

Structure of this report

This report is structured as follows:

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

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this confirm that these have been fully addressed.

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 for the Authority. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. We identified a number of adjustments of a presentational nature, and the Authority has adjusted these accordingly. There was no impact on the General Fund.
Key financial statements audit risks	<p>We identified the following key financial statements audit risks in our <i>External Audit Plan 2014/15</i>:</p> <ul style="list-style-type: none"> ▪ Management Override of Controls – We have not identified any instances of management override of controls as a result of our work, including our review of journal entries, accounting estimates, and other unusual transactions. ▪ Fraudulent Revenue Recognition – As reported in our <i>External Audit Plan 2014/15</i>, we rebutted the presumption of a risk of fraudulent revenue recognition and no specific work was required in this area. ▪ Accounting for Local Authority Maintained Schools – we have worked with officers throughout the year to discuss this risk and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this key risk area. ▪ Group Accounting – this risk did not materialise during the year as the subsidiary company was not yet established at the end of the financial year. <p>We have provided further information in relation to both Accounting for Local Authority Maintained Schools and Group Accounting in Section 3.</p>
Accounts production and audit process	<p>The Authority continues to have good processes in place for the production of the accounts and supporting working papers provided were of good quality. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>We will hold a debrief meeting with the Authority after the close of the audit to help officers and auditors identify all learning points and enable early preparation for next year's audit. We will also discuss ways in which the Authority can close its accounts more quickly, as the deadlines will be earlier from 2017/18.</p> <p>The Authority has implemented the one recommendation made in our <i>ISA 260 Report 2013/14</i> relating to the financial statements.</p>
Completion	<p>At the time of issuing this report our audit of the financial statements is substantially complete.</p> <p>Before we can issue our opinion we need to complete our final review of the finalised financial statements and require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>

<p>VFM conclusion and risk areas</p>	<p>We identified the following VFM risks in our <i>External Audit Plan 2014/15</i>:</p> <ul style="list-style-type: none"> ▪ Savings Plans ▪ Commercial Projects <p>We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in these two VFM risk areas.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>As a result, we anticipate issuing an unqualified VFM conclusion by 30 September 2015.</p>
<p>Certificate of closing the audit</p>	<p>We had been unable to issue a certificate of closure for the 2013/14 audit because we had received questions from an elector of the council. We have now finished our work on those questions and are able to certify the 2013/14 audit closed.</p> <p>We have received further elector questions on the 2014/15 accounts and will need to complete our work on them before issuing our closure certificate for 2014/15.</p> <p>We also need to finish our work on the Authority's Whole of Government Accounts return, which has a deadline of 2 October 2015.</p>

We have not identified any issues in the course of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by the deadline of 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 15 September 2015.

Audit differences

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

The final materiality (see Appendix 3 for more information on materiality) level for this year's audit was set at £9.5 million. Audit differences below £0.45m are not considered significant and are not reported.

We did not identify any material misstatements or other audit adjustments.

We identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. The Authority will have addressed these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

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

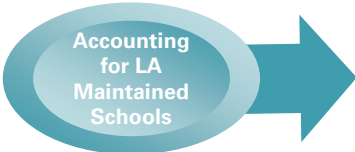
Section three
Financial Statements (continued)
Significant audit risks

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus


This section sets out our detailed findings on those risks

In our *External Audit Plan 2014/15*, presented to you in January 2015, we identified the significant risks affecting the Authority's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

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

Significant audit risk	Issue	Findings
	<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>The Authority has carried out an analysis on each of the affected schools and provided appropriately detailed working papers. We reviewed the analysis and working papers as part of our final audit.</p> <p>We confirmed that the Authority had conducted the analysis in an appropriate manner and we agreed with the conclusions drawn. We also confirmed that the Authority correctly restated the prior year accounts to recognise the additional school assets as at 1 April 2014.</p> <p>No issues were identified.</p>



Financial Statements (continued) Significant audit risks (continued)

Significant audit risk	Issue	Findings
	<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 that 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>As reported in our <i>Interim Audit Report 2014/15</i>, the subsidiary company was not in existence as at 31 March 2015, so the Authority was not required to prepare group accounts.</p> <p>This was therefore no longer an audit risk for financial year 2014/15 and no additional work was needed for this year's audit.</p>

Financial Statements (continued) Significant audit risks (continued)

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
 <p>Audit areas affected</p> <ul style="list-style-type: none"> All areas 	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p>Audit areas affected</p> <ul style="list-style-type: none"> None 	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our <i>External Audit Plan 2014/15</i> we reported that we do not consider this to be a significant risk for Local Authorities, as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>



Financial Statements (continued) Accounts production and audit process

The Authority has a well established and good accounts production process. This operated well in 2014/15, and the standard of accounts and supporting working papers was good.

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. We noted that the draft accounts provided were of a high quality, with fewer presentational adjustments required than in prior years. We consider that accounting practices are appropriate
Completeness of draft accounts	We received a complete set of draft accounts on 6 July 2015. The Authority have made a small number of presentational changes to the accounts presented for audit; however, there have been no changes that we consider to be fundamental.
Quality of supporting working papers	We issued our Accounts Audit Protocol including our required working papers for the audit on 17 April 2015. The quality of working papers provided was high and fully met the standards specified in our Accounts Audit Protocol.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Prior year recommendations

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

The Authority has implemented the one recommendation raised in our *ISA 260 Report 2013/14*.

Faster closing

The Authority is starting to make plans with us for the national requirement to close the audit process by 31 July 2018 in the 2017/18 financial year.

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

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Telford and Wrekin Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Telford and Wrekin Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Assistant Director: Finance, Audit and Information Governance for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2014/15 financial statements.

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

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

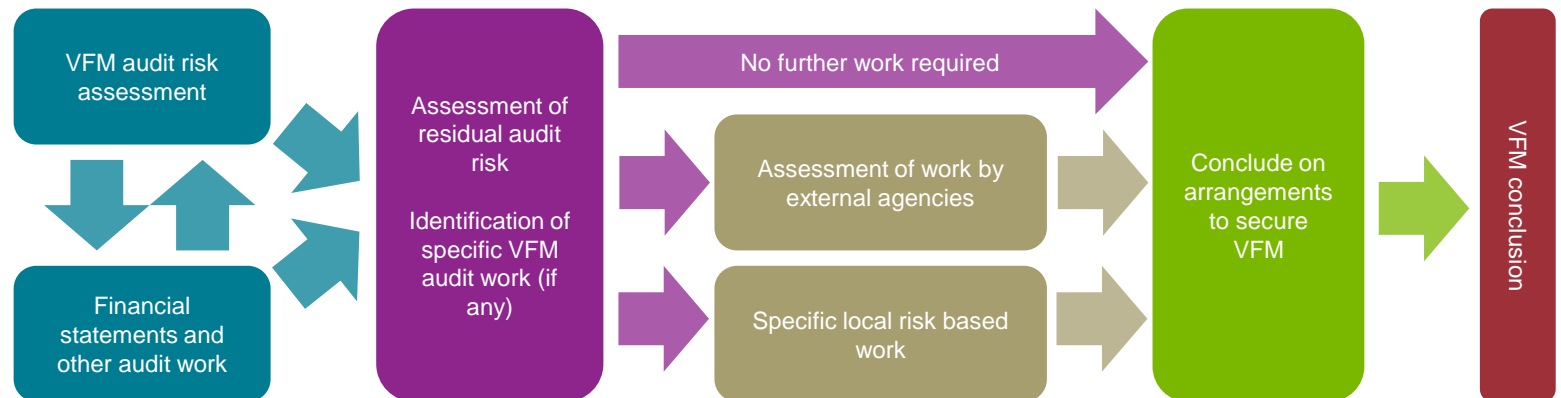
Background

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

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

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

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



Work completed

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

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

Conclusion

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

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

We identified a number of specific VFM risks.

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

Work completed

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


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


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

Key findings

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

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority, inspectorates and review agencies in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	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>Specific risk based work required: Yes</p> <p>The Authority has identified this as a risk in the Strategic Risk Register and manages and monitors this risk accordingly. Progress in achieving savings plans is regularly reported to Senior Officers and Cabinet. The Authority has a strong track record of delivering against budget and a Medium Term Financial Plan is in place for 2015-18.</p> <p>We have reviewed the Medium Term Financial Plan, supporting documentation, and the plan's approval process.</p> <p>We have reviewed service outturn reports for individual services and where there have been significant over or under spends in year, we have looked into the reasons and steps taken to manage these budget variances. We have also looked at how management propose to manage savings going forward so as to ensure relevant budget pressures are directly addressed.</p> <p>We consider the Authority's current arrangements in relation to this risk area to be adequate.</p>

Key VFM risk	Risk description and link to VFM conclusion	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 has considered the following commercial projects:</p> <ul style="list-style-type: none"> ■ The development of housing units for the private rental market; ■ The construction of a solar farm with the resulting excess energy being sold to the National Grid; and ■ Investment in a new Ministry of Defence storage and distribution depot. <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 that will need to be managed and 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>Specific risk based work required: Yes</p> <p>The Authority has established processes in place for the approval of planning and scoping commercial projects, for the approval of a final business case and for monitoring delivery against that business case.</p> <p>The Ministry of Defence investment project is no longer considered a commercial project as costs will be met by Central Government.</p> <p>For the remaining two projects we reviewed the approval process and associated documentation for both the initial planning and scoping work and subsequently for the approval of the final business case.</p> <p>We also met with Senior Officers and Elected Members to hear their views on how the projects were developing and monitoring arrangements to be put in place going forward.</p> <p>We consider the Authority’s current arrangements in relation to this risk area to be adequate.</p>

Appendix 1: Key issues and recommendations

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. As part of our final audit work we reviewed the information provided by the Authority and we confirmed that it met our requirements. As a result, we consider this recommendation to have been fully implemented.

We have raised one recommendation as a result of our final audit visit. We have given this 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 this recommendation, along with those presented in our *Interim Report 2014/15*, next year.

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

Appendix 1: Key issues and recommendations (continued)

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p>Manual Work-Arounds for Fixed Asset Register</p> <p>The Authority's Asset Register is currently held within an Excel file. This creates a large and unwieldy document, that staff have then manually adjusted to meet their requirements. One manual work-around resulted in some assets being included on the list of assets requiring valuation when this was not the case. Another work-around incorrectly showed assets as having an infinite Useful Economic Life, but this was done to ensure no depreciation was charged in the assets' first year as per the depreciation policy.</p> <p>Manual adjustments done on a bespoke basis to suit individual users increase risk of error and (in this example) the commissioning of unnecessary valuation work.</p> <p>Recommendation</p> <p>The Authority should proceed with the planned introduction in 2015/16 of an Agresso Asset Module. This specialist software should reduce need for manual work-arounds and control adjustments that users can make to operation of the register.</p>	<p>We support the recommendation to implement the Agresso fixed asset module and will parallel run this alongside the existing approach for the 2015/16 accounts before moving fully to the Agresso module for 2016/17.</p> <p>Responsible Officer: Bernie Morris (Finance Team Leader)</p> <p>Due Date: 30 April 2016</p>

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

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

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of Telford and Wrekin Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Telford and Wrekin Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £9.5 million for the Authority's accounts.

We have reported all audit differences over £0.475m million for the Authority's accounts to the Audit Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2014/15*, presented to you in January 2015

Materiality for the Authority's accounts was set at £9.5 m which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements

other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.475m for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 4: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Ian Pennington as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.



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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 15 SEPTEMBER 2015

2014/15 STATEMENT OF ACCOUNTS

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

LEAD CABINET MEMBER – CLLR LEE CARTER

PART A) SUMMARY REPORT

- 1.1 This report informs Members of the outcome of the audit of the Council's accounts for 2014/15 and presents the Statement of Accounts for approval.
- 1.2 The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice which continues to add a level of complexity.
- 1.3 In accordance with the Accounts and Audit (England) Regulations 2011, the Chief Financial Officer certified the draft statement of accounts prior to the 30 June. These were then presented to Audit Committee on the 30 June, made available for public inspection and provided to the external auditors to undertake the audit of accounts. As required by regulation, the final statement of accounts is now presented to members for approval, prior to publication. This Committee has delegated authority to approve the council's final audited Statement of Accounts.
- 1.4 KPMG, the Council's external auditors are expected to give the accounts an unqualified audit opinion and their Auditor's Report is included in the Statement of Accounts.
- 1.5 There are no financial adjustments required as a result of the audit and the outturn position remains as reported to Cabinet on 25 June 2015. The only changes identified are presentational which have been agreed and included in this final version.
- 1.6 As part of the statement of accounts process local electors may inspect the accounts and raise questions with the external auditor. Although the financial statements have been signed off, there are some elector queries which are still under review and we will not receive the audit certificate until these are concluded.
- 1.7 Following approval the Statement of Accounts will be published on the Council's web site.

2.0 RECOMMENDATIONS

- 2.1 That Members approve the 2014/15 Statement of Accounts attached at Appendix I.**
- 2.2 That delegated authority be granted to the Assistant Director: Finance, Audit & Information Governance to make any presentational changes required to the Statement of Accounts prior to publication.**
- 2.3 That members approve the updated (for minor presentational changes) Annual Governance Statement.**

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Cooperative Council priorities?	
	Yes	Delivery of all cooperative council priorities depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan.
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	To publish audited accounts by the end of September 2015	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The financial impacts are detailed throughout the report.
LEGAL ISSUES	No	The Statement of Accounts have been prepared in accordance with the 2011 Code of Practice on Local Authority Accounting and the 2011 Accounts and Audit Regulations.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	Borough Wide

PART B) ADDITIONAL INFORMATION

4.0 INFORMATION

- 4.1 The 2014/15 outturn position was reported to Full Council on the 25 June 2015. In accordance with the Accounts and Audit (England) Regulations 2011, the Council is required to prepare formal Statement of Accounts in a prescribed format, following International Financial Reporting Standards. The Chief Financial Officer certified the draft statement of accounts at the end of June. These were then made available for public inspection and provided to the external auditors to undertake the audit of accounts.
- 4.2 The final overall underspend of £1.145m (-0.89% of net budget) is the same as previously reported to members in June.
- 4.3 A number of presentational changes have been made to the accounts during the course of the audit after discussion with KPMG. None of these has impacted on the General Fund Balance position previously reported.
- 4.4 The final statement of accounts including all agreed amendments is attached at Appendix 1.
- 4.5 An unqualified audit report expected to be given by KPMG.
- 4.6 To comply with International Auditing Standards, the external auditor will also present the Annual Governance report to the Audit Committee which comments on the final accounts audit.

5.0 IMPACT ASSESSMENT

There is no further information to add.

6.0 PREVIOUS MINUTES

Cabinet – Service & Financial Planning Report – 25 June 2015
Council – Service & Financial Planning Report – 9 July 2015

7.0 BACKGROUND PAPERS

2014/15 Draft Statement of Accounts
2014/15 Outturn Report
General Ledger Reports
2014/15 Code of Practice on Local Authority Accounting
Accounts and Audit (England) Regulations 2011

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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 (www.telford.gov.uk/info/20110/budgets_and_spending/55/expenditure_over_100). The Statement of Accounts are a public record of the Council's financial position for 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;

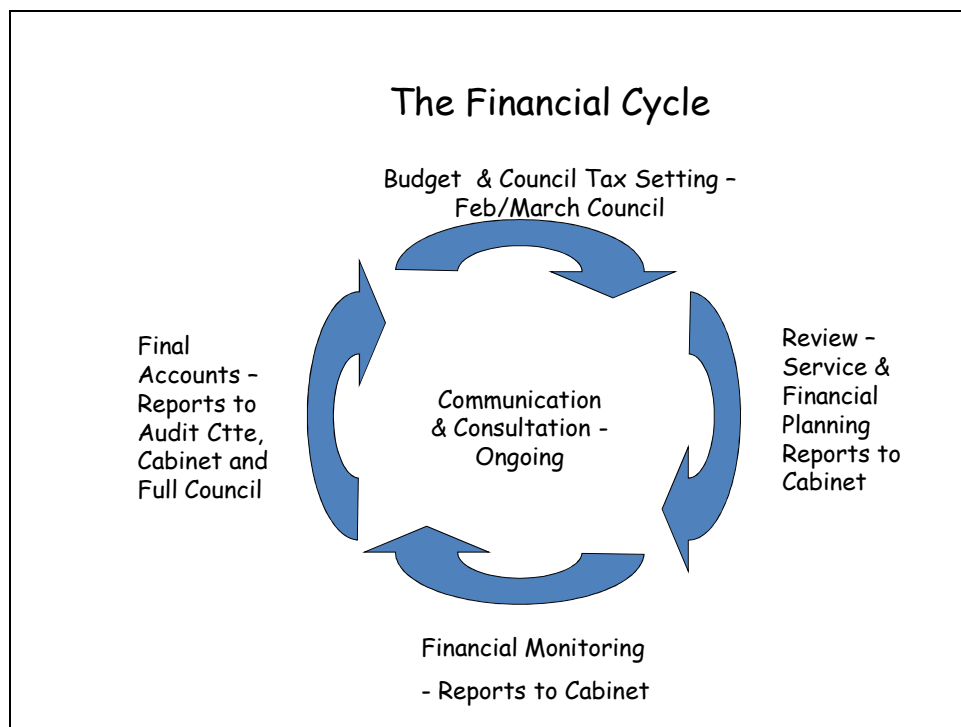
These accounts are supported by the Statement of Responsibilities, which follows this foreword.

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	Final 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)	

* Represents the final approved budget after virements and transfers between service areas.

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, with variances over £100,000, highlighted during the year is shown below:

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

Service Area	Variance £m
<u>Children's Safeguarding & Specialist Services</u>	
Children in Care Placements - Purchase of care packages. 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. This represented a lower overspend than in 2013/14. (CiC) – the overspend reflects 293 CiC at 31 March 2015 (309 at 31 March 2014, peak of 323 during last financial year).	+1.558
Draw down budget – £1.2m set aside when the budget was set to meet CiC pressures.	-1.200
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, which showed a higher overspend.	+0.166
Internal Foster Carer Costs – payments to Foster Carers including transport costs.	+0.164
Staffing (Specialist Services) – underspends from vacancies held in the service area.	-0.116
Staffing (Safeguarding) – including the cost of agency social workers.	+0.237
Direct Payments – payments relating to personal care for children with disabilities.	+0.105
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.	+0.190
<u>Education & Corporate Parenting</u>	
School Improvement Advisory Service – lower costs due to in year vacancies and additional income from trading following a restructure.	-0.246
Education Services Grant (ESG) – fewer in-year conversions to academies than anticipated resulting in less reduction in ESG for the local authority.	-0.105

<u>Family, Cohesion Services & Commissioning</u>	
Cohesion – a combination of salary savings from temporary vacancies and other savings within the service.	-0.206
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.	+0.303
<u>Adult Social Services</u>	
Purchasing budgets – an overspend of £5.6m relating to the purchase of care packages, which is after the delivery of £2m savings already achieved.	+5.573
One off Funds – includes £0.9m Service balances plus £2.24m of the one off draw down budget set aside at year end.	-3.140
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.	+0.179
Employees – savings arising from vacant posts within Adult Social Services.	-0.304
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.	-1.742
<u>Public Health, Wellbeing & Public Protection</u>	
Employees – arising from part year vacancies and underspends on other employee budgets.	-0.102
Smoking Cessation Project – saving arising from reduced demand and use of service.	-0.231
Substance Misuse – saving from across the Drugs and Alcohol service including inpatient detox.	-0.252
Public Protection & Civil Resilience – saving arising from employee vacancies during the year.	-0.145

<u>Neighbourhood & Leisure Services</u>	
Highways & Engineering – costs associated with restructure.	+0.200
Highways & Engineering – additional income which covers 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 Outdoor Education Centre – 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
<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
Regeneration & Investment – one off savings arising from vacancy management.	-0.147

<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>ICT – the net impact of the reallocation of savings together with additional restructure savings.</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>-0.251</p> <p>-0.134</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 as a one off saving.</p>	<p>-1.950</p>
<p><u>Co-operative Council Delivery Unit</u></p> <p>Delivery & Planning – underspends relating to vacant posts.</p>	<p>-0.101</p>
<p><u>Purchase Rebates</u> Surplus dividend from West Mercia Energy relating to 2013/14 outturn performance.</p>	<p>-0.132</p>
<p><u>Litigation Costs</u> Provision for the estimated costs associated with an ongoing litigation claim affecting a number of Councils across the country.</p>	<p>+0.259</p>
<p><u>Housing Benefit Subsidy</u> 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.</p>	<p>-0.211</p>

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 (see page 6)	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 (see page 12)	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 (See Comprehensive Income and Expenditure Account on page 34)	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 Service Outturn (see table on page 11)	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

Although a number of people have left the organisation as part of service restructures there has been an overall increase between years. This is due to a combination of factors over

the 12 month period which includes: the Council is focussed on reducing youth unemployment in the Borough, which has resulted in an increase of 26 in the number of apprentices employed; 24 staff have also transferred from the Shropshire Community Health Trust as part of the in-sourcing of health improvement services; further, additional people have been employed relating to the drive to increase commercial income and vacant posts have been filled.

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 to be needed 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

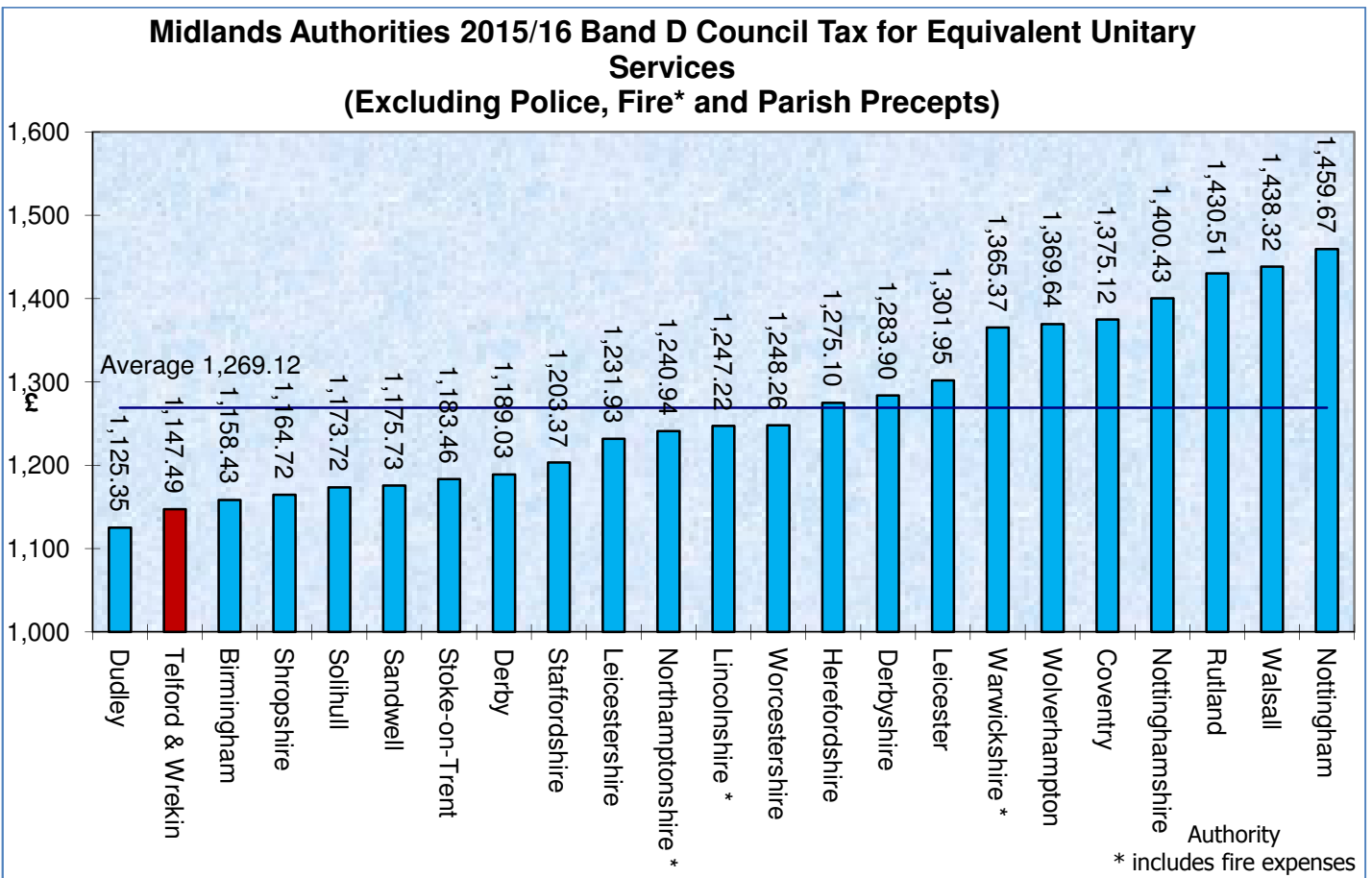
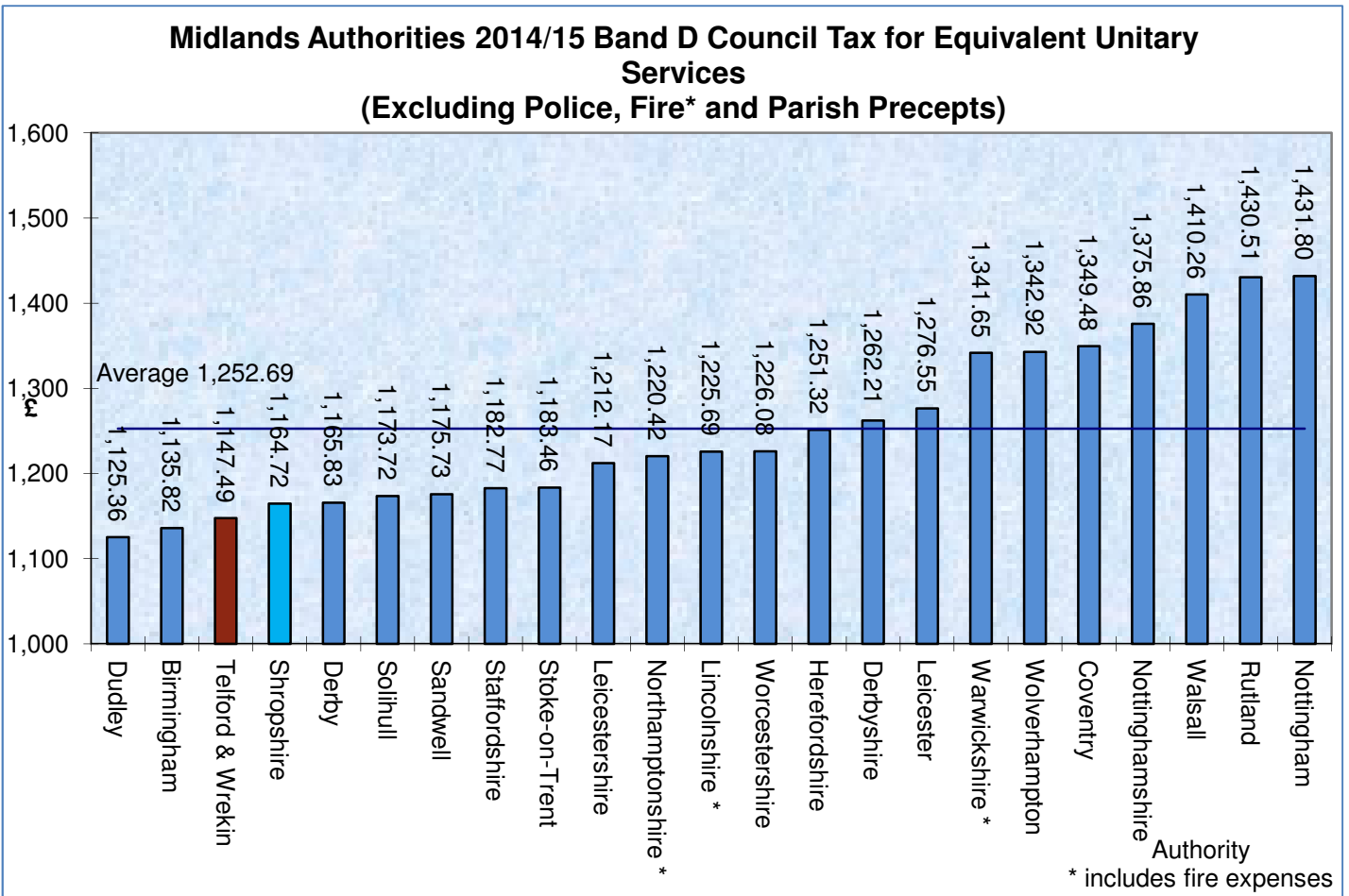


Chart 2

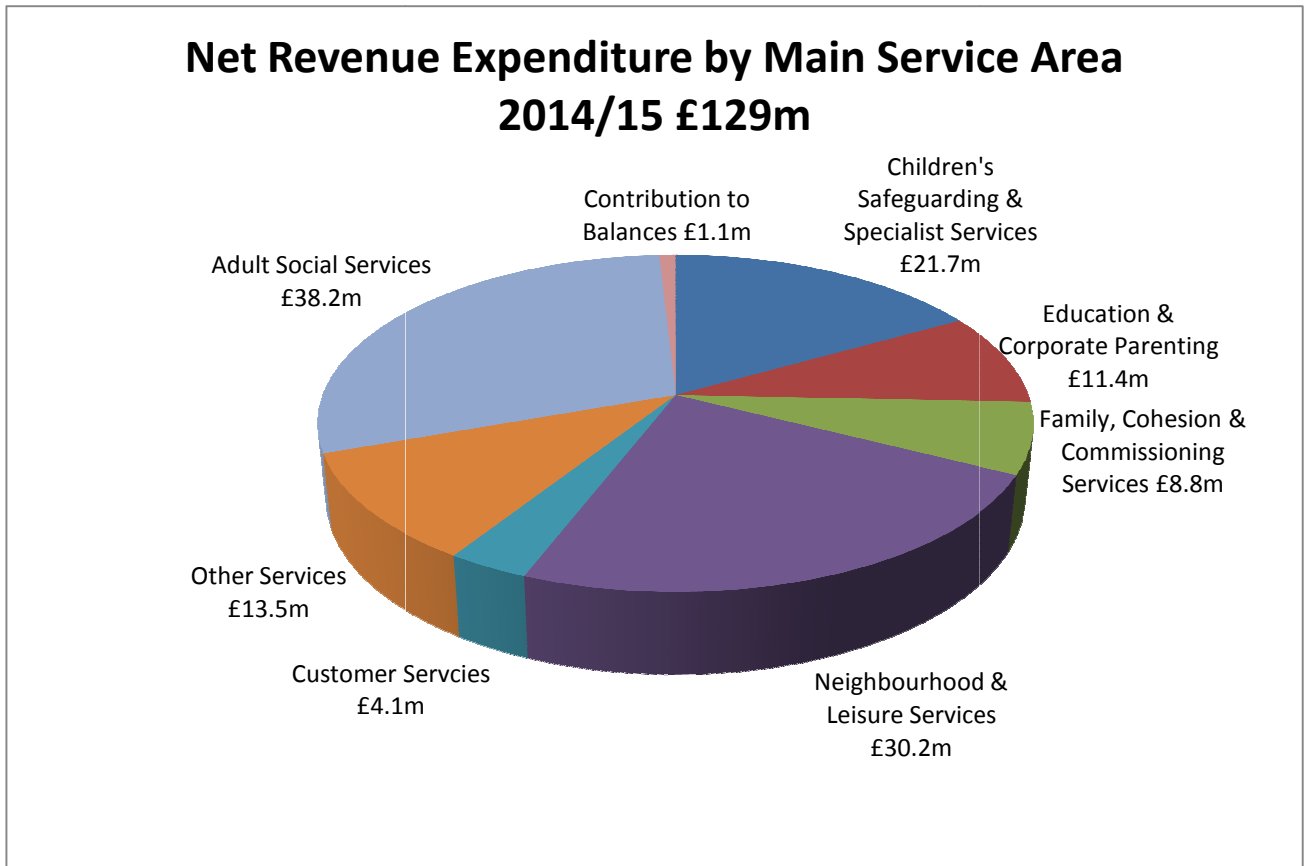


Chart 3

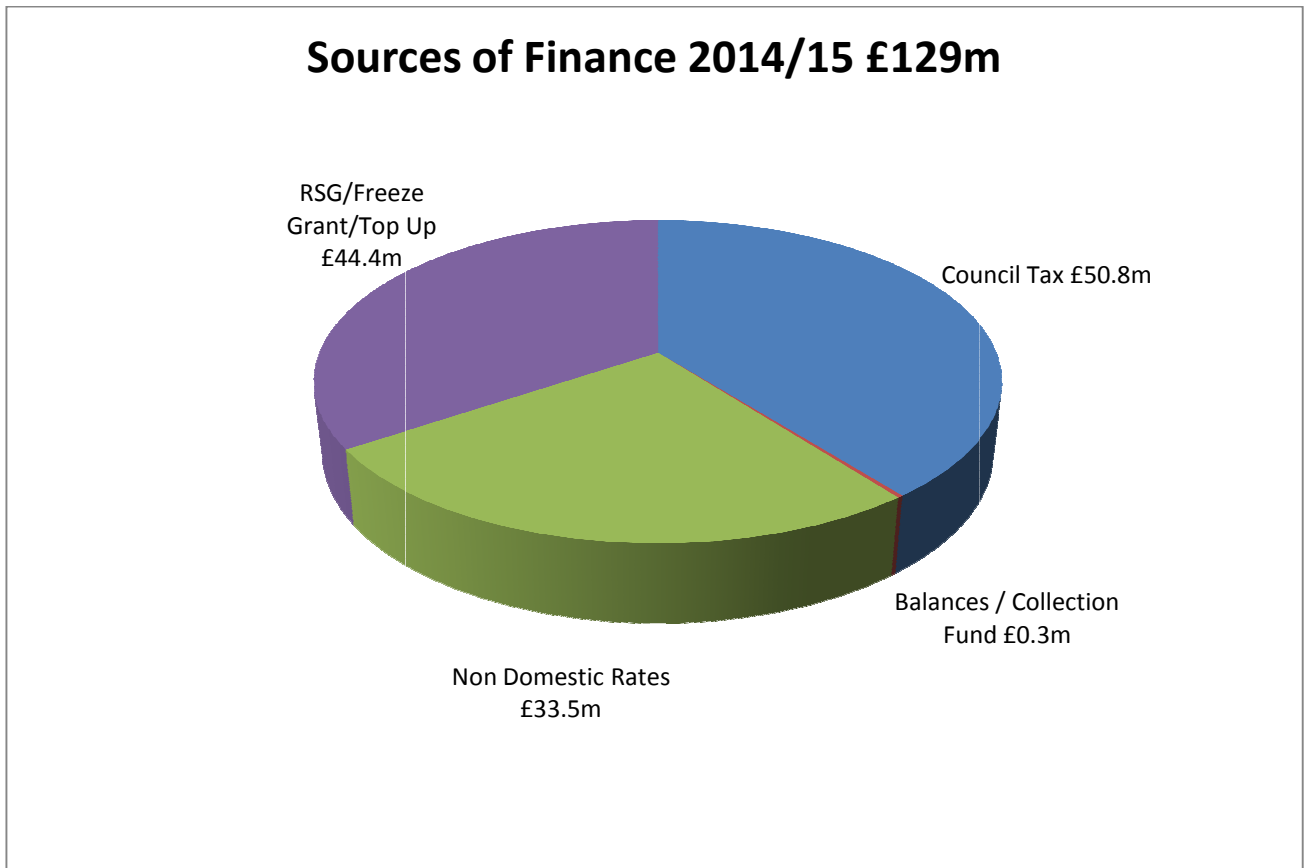


Chart 4

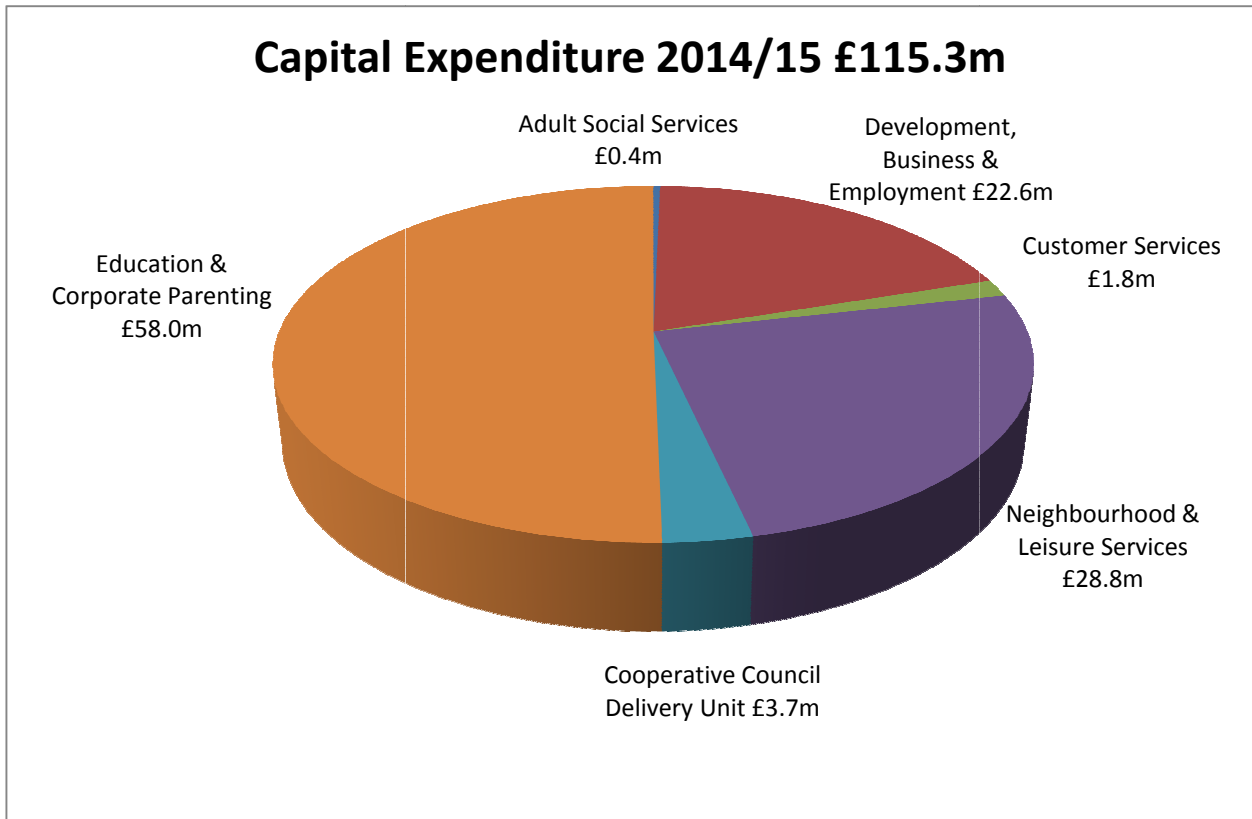
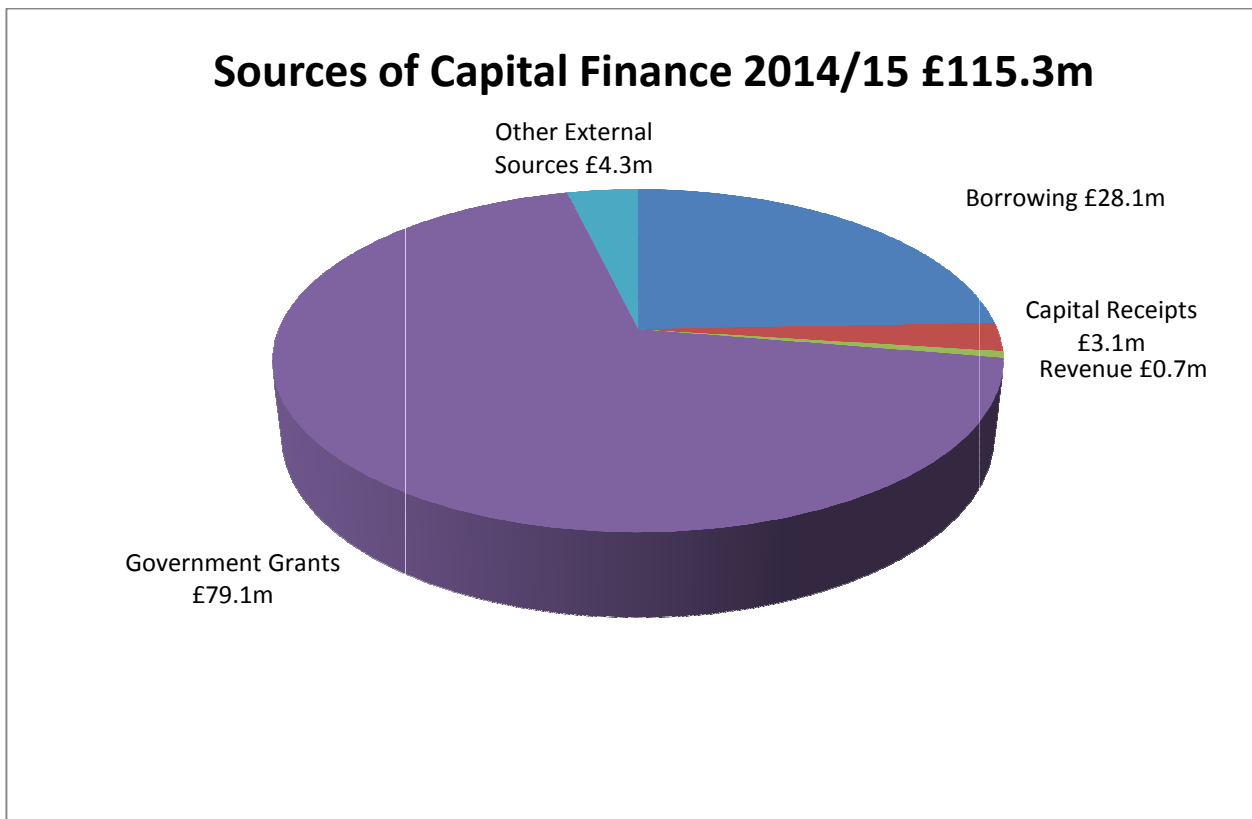


Chart 5



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: 15 September 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: 15 September 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 & Information Governance 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) 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 of 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 of 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 authority, and which need to be disclosed separately by virtue of their size or incidence if the financial statements are to give a true and fair view.

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

k) Financial Instruments

Investments are disclosed in the Balance Sheet at amortised cost.

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

l) Government Grants and Other Contributions

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

m) Intangible Assets

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

n) Inventories and long term contracts

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

o) Investment Properties

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

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

p) Leases

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

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

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

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

q) Non-current Assets Held for Sale

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

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

r) Overheads

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

s) Private Finance Initiative

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

t) Property, Plant & Equipment

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

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

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

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

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

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

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

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

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

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

Teachers Pensions Authority:

In 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

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

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

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

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

Special assumptions – Operational Property:-

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

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

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

- No account will be made where individual properties are used collectively or are an essential component of the Council's operation, even though they may cover a large geographical area.
- 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	61,690
Total Other Liabilities	58,274	56,488	62,521	64,166

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 because 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	51,085
154,854	Capital Adjustment Account	213,094
(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	8,314
(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	(1,120)
(455)	Accumulated gains and losses on assets sold or scrapped	157
48,493	Balance carried forward	51,085

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	1,402
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	213,094

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 & Deminimis 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)
91	(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)
(33,693)	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	42,071
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	46,398
	Credited to Services	
99,200	Dedicated Schools Grant	100,928
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	204,453

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) Those roles in bold represent current posts	Notes	Annualised salary £	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Benefits in Kind £	Total Remuneration excluding Pension contributions 2014/15 £	Pension contributions £	Total Remuneration including pension contributions 2014/15 £
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:

- 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) Those roles in bold represent current posts	Notes	Annualised salary £	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Benefits in Kind £	Total Remuneration excluding Pension contributions 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:

- 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.

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 (£516,649 in 2013/14).

Councillor Rae Evans received a Repair and Renewal Grant on a property of £3,403 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 Clinical Commissioning Group. 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 Pension Fund	Actual Expenditure and Income within a particular year. An employee’s pension fund is maintained in order to make pension payments on retirement to participants. It is financed from contributions from the employing authority (The Council), the employee and investment returns.
Premia	A penalty payment that may be incurred when debt is repaid early.
Private Finance Initiative (PFI)	A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those

	at which Government itself can borrow.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure funded from Capital under Statute	This is expenditure that is classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of stock issues, expenditure on properties not owned by the authority and amounts directed by the Government.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Settlement Funding Assessment, also determined by Government.
Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs (The Chief Financial Officer). For Telford & Wrekin this is the Assistant Director Finance 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 – 15 SEPTEMBER 2015

Customer Feedback Performance 1st April 2014 to 31st March 2015 (12 Month Monitoring Report)

REPORT OF Angie Astley, Assistant Director: Neighbourhood & Customer Services

PART A) – SUMMARY REPORT

1. SUMMARY

- 1.1 Detailed below are the main areas of customer compliments and complaints for this period. It should be acknowledged that there are relatively small numbers of complaints registered when compared to the number of services provided by the Council on a daily basis and against a backdrop of having delivered £70m in savings over the last 6 years. Given these circumstances, it is really pleasing to note that the number of complaints received in 2014/15 has reduced by 22%, with only 30% (54%) having elements fully or partly upheld. Complaints continue to be viewed as a good form of customer feedback and the council already has a culture of embracing and learning from complaints over a number of years and this will continue in order to help continually improve service delivery.
- 1.2 For this period we received **558** (592) compliments a slight decrease of 6% from this time last year. The majority of the compliments were addressed to our front line services, particularly those in Neighbourhood and Leisure Services 214, Customer Services 82, Family, Cohesion & Commissioning 68, Development, Business & Housing 59 and Adults Services 51.
- 1.3 We have received **787** (1018) corporate complaints, a decrease of 22% over the same period last year, which is excellent news. There has also been a decrease in the numbers of complaints partly or fully upheld, 30% down from 54% for the same period last year.
- 1.4 It's also pleasing to note that 85% of Stage 1 complaints were responded to within 15 working days, which meets the Council's target of 83% (full details for each service area in Appendix A).
- 1.5 Of the 787 customer complaints received, only 38 requests were made for an independent Stage 2 investigation. Further details are shown in 4.2 below.

- 1.6 Whilst there has been a 16% increase in the number of Statutory Complaints about Adult's & Children's services, it should be noted that percentage of those complaints that had elements upheld has reduced to 36% from 48% in the previous year.
- 1.7 We received a total of 254 MP enquiries and we responded to 79% within 10 working days.
- 1.8 The Local Government Ombudsman received 28 in 2014/15. Of these, they decided to investigate 16 complaints. Of these, there are 4 cases where the Council was found to be at fault, with one of these resulting in an injustice to the customer.
- 1.9 The Council received 1126 (1076) Freedom Of Information requests, an increase of 5% over the previous year, and responded to 93% within the statutory deadline. In addition we received an additional 57 Subject Access Requests to information and 48 requests for information under the Environmental Information Regulations. Further information is shown in s4.7 and Appendix C.

2. RECOMMENDATIONS

- 2.1 That Audit Committee note the information within the report, particularly the decrease in complaints received and the reduction in the percentage of those complaints that have been fully or partly upheld.

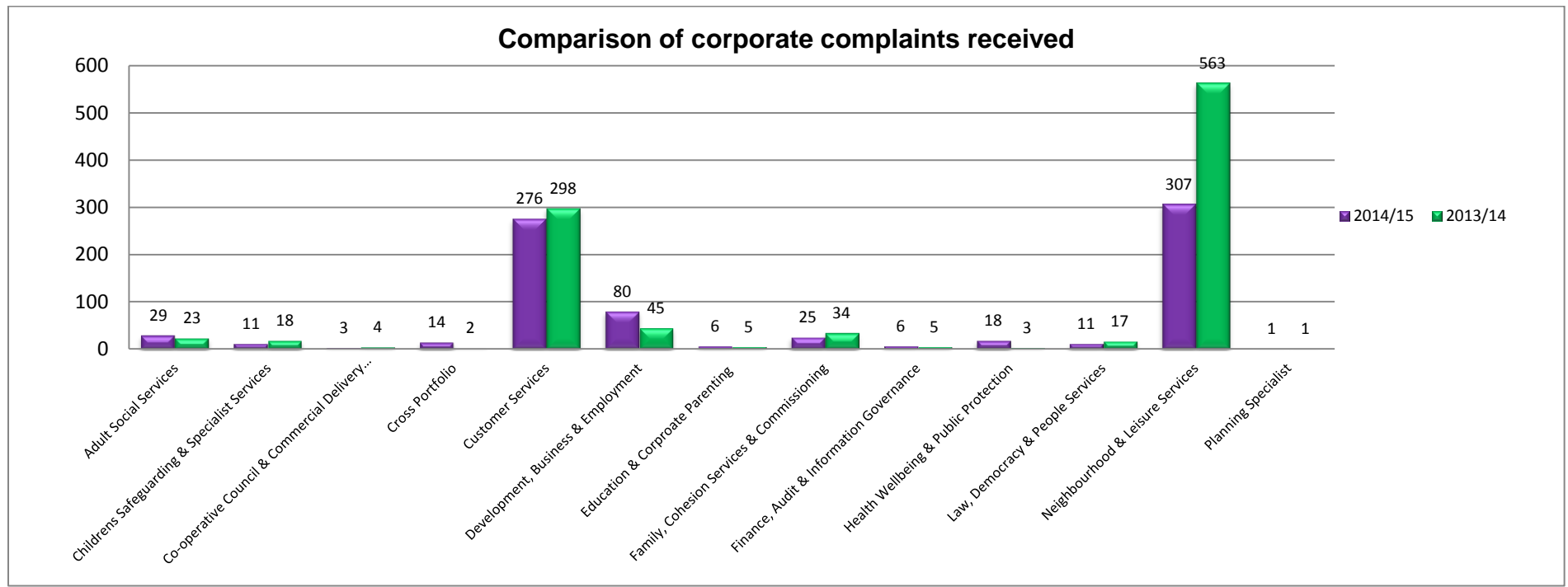
3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	No	
	Will the proposals impact on specific groups of people?	
	No	The Corporate and Statutory feedback procedure is open to all our customers. Appropriate support is available to meet the diverse needs of our customers to enable them to make representation to the council.
TARGET COMPLETION/DELIVERY DATE	Not applicable	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The costs associated with administering the complaints, compliments, FOI, DP and MP Enquiries process is in the form of officer time. This is met from within existing budgets across the Council. MLB 26.08.15
LEGAL ISSUES	Yes	<p>There is provision in Part III of The Local Government Act 1974 (at section 26) for the Council to investigate complaints prior to investigation by the Local Commissioner (the Local Government Ombudsman).</p> <p>There are also specific statutory requirements for certain types of complaints. Section 26 Children Act 1989 and the Children Act 1989 Representations Procedure (England) Regulations 2006 as amended are to be followed in respect of complaints about children's social services. Section 114 of the Health and Social Care (Community Health and Standards) Act 2003 and the Local Authority Social Services and National Health Service Complaints (England) Regulations 2009 are to be followed in respect of complaints about social services for adults.</p> <p>The operation of the Council's corporate complaints process is a matter for the Council to determine within the statutory framework. The complaints process is subject to regular review to ensure that it complies with any new and/or additional statutory requirements.</p> <p>This process does not cover complaints about Councillors which is dealt with separately and monitored by the Council's Standards Committee.</p>
OTHER IMPACTS, RISKS		The council's robust feedback mechanisms support the council to maintain it's

& OPPORTUNITIES		reputation by being responsive to our customers concerns and implementing service improvements as appropriate. It further ensures we meet our legal obligations under Freedom of Information, Data Protection and Statutory complaints legislation.
IMPACT ON SPECIFIC WARDS	No	Borough wide impact

PART B) – ADDITIONAL INFORMATION

4.1 Complaints



4.1.1 **Council Tax & Benefits Service** received 136 (195) complaints from approximately 135,700 accounts. Of the complaints received 43% (46%) had elements upheld. The number of complaints received and the percentage upheld has decreased compared to

2013/14. Of the 58 complaints with upheld elements 36 were due to processing errors and delays. The majority of complaints relate to the recovery of council tax, which by its very nature will attract a larger volume of complaints.

- 4.1.2 **Refuse & Kerbside** received 95 (283) complaints from approximately 3.6m collections per year. Of the 95 complaints, 54% (65%) had elements upheld. The upheld elements were mainly about missed pull outs and collections, bins/boxes not being returned and receptacles being taken or not delivered and items being spilt. Missed collections have been reduced by over 20% compared to same period 2014 and missed assisted collections have been reduced by over 22% and improvements are continuing to be made.
- 4.1.3 **Leisure Centres** received 64 (49) complaints out of 1.2m visitors each year. Of the 64 complaints, 34% were fully upheld and these related to the level of service and facilities available, equipment failure and a further 26% were partly upheld and these were related to the temporary closure of Oakengates Leisure Centre and administrative process errors. It must be noted that the number of complaints for all the Leisure Centres has dropped significantly compared to the 102 received in 2013/14.
- 4.1.4 **Customer Contact Centre** received 62 (47) complaints, from approximately 279,000 customer contacts each year. Of those 49% had elements upheld which related to mainly to the length of time taken for a call to be answered. The Council has now introduced a new Contact Centre phone system which includes a number of improvements, including the ability for customers to request a call back so they don't have to wait during our busy periods. The drive to channel shift has also seen an increase in the number of online forms, including submissions through the Everyday Telford App, used by customers to report issues. Further work will be undertaken to increase the use of online services to reduce the number of calls received by the Contact Centre, which will include an automated telephone service to report straight forward issues e.g. a missed refuse collection.
- 4.1.5 **Planning** received 36 complaints, 30% of which had elements upheld. Of the 11 complaints with elements upheld 7 were around the lack of consultation and response to enquiries and a further 4 regarding administrative processing errors.
- 4.1.6 **Libraries** received 26 complaints out of 580,000 visitors. Of these, 42% of which had elements upheld which were predominately about the performance of computers in June and July when Windows 7 was being installed.
- 4.1.7 **Arts Development, including The Place Theatre**, received 23 complaints, 43% (10) of which had elements upheld. These related to a range of issues and there wasn't a common theme.
- 4.2. **Stage 2 – Independent Investigations Of Corporate Complaints**
- 4.2.1 Only 38 requests were made for an independent 'Stage 2' investigation. There is no common theme to these requests. Further details are shown in the table below.

Service	Requests received	Outcome of request/ investigation
Adult Social Care	1	1 partly upheld & Local settlement made
Cross Portfolio	2	1 not upheld 1 Partly upheld & Time and Trouble payment offered
Customer Services	13	3 refused, nothing further to add to Stage 1 investigation 5 partly upheld, time and trouble payment offered (two of these cases had elements upheld at Stage 1 and no new elements were upheld at Stage 2. A decision was made at AD level to offer a time and trouble payment for both cases) 3 not upheld 2 under investigation
Development, Business & Employment	6	1 refused, nothing further to add to Stage 1 investigation 3 not upheld 1 Partly upheld 1 under investigation
Health, Wellbeing & Public Protection	1	1 not upheld
Neighbourhood & Leisure Services	12	2 refused, nothing further to add to Stage 1 investigation 7 not upheld 1 under investigation 1 Partly upheld 1 upheld
Family Cohesion Services & Commissioning	1	1 not upheld
Planning Specialist	1	1 refused, nothing further to add to Stage 1 investigation
Education & Corporate Parenting	1	1 under investigation

4.3 **Adult's & Children's Statutory Complaints**

4.3.1 For this period we received **140** (120) statutory complaints made up of: **64** (51) Adult Statutory and **76** (69) Child Statutory. Both areas have seen an increase from the previous year.

4.3.2 **37.5%** (53%) of Adult statutory complaints had elements upheld, which is a noticeable decrease compared to last year and **40%** (27%) were responded to within the timescale. The average time taken to respond to a complaint was **32.5** (42) days. Further work is needed to improve upon this performance.

4.3.3 **35%** (45%) of Child statutory complaints had elements upheld, which is also a noticeable decrease compared to the same period last year and **24%** (27%) were responded to within 10 working days, **52%** (50%) were responded to within 20 working days. The average time taken to respond to a complaint was **19.5** (17) days. Further work is needed to improve upon this performance.

4.3.4 Children’s Services received 5 requests for Stage 2 investigations during this period, 2 of which are currently still under investigation.

Service	Requests received	Outcome of request/ investigation
Childrens Safeguarding & Specialist Services	5	3 Partly upheld 2 Under Investigation

4.4 **MP Enquiries**

4.4.1 For this reporting period we have received a total of 254 (200) MP enquiries; David Wright, MP had submitted 185 (152) enquiries and Mark Pritchard, MP had submitted 60 (35). There were 9 (13) enquiries submitted by other MP’s.

4.4.2 Of the 254 enquiries we have responded to 79% (67%) within the target of 10 working days, which is an improvement on the response rate of 71% reported for the first six months of 2014/15.

4.4.3 The table in Appendix B shows the distribution of enquiries across the Service Area’s and the levels of performance.

4.5 **Member & Parish Council Enquiries**

For this period we received:-

848 (1037) Member enquiries, with 99% (98%) responded to in target

717 (1538) Parish enquiries, with 99% (96%) responded to in target

4.6 **Ombudsman Enquiries**

4.6.1 The Local Government Ombudsman received a total of 28 (27) new enquiries in 2014/15 with a further 5 awaiting a decision from 2013/14. Of the 28 new enquiries the Ombudsman has decided to investigate 16 of these complaints. Figures below include the 5 awaiting decisions from 2013/14

4.6.2 Performance for each service area for fault identified from the LGO is detailed in Appendix D

Service	Number of enquires received	Number formally investigated by the LGO	Outcome of LGO enquiry/ investigation
Adult Social Services	6	6	Still under investigation (3) Council not at fault (2) Council at fault, injustice found (1)
Children's Safeguarding & Specialist Services	3	3	Council not at fault (1) Local Settlement (1) Premature complaint (1)
Customer Services	5	3	Premature complaint (1) Not investigating (1) Local Settlement (2) Still under investigation (1)
Development, Business & Employment	12	5	Council at fault, but no injustice (1) Not investigating (6) Council not at fault (2) Still under investigation (1) Council at fault, injustice found (1) Premature complaint (1)
Education and Corporate Parenting	2	1	Council not at fault (1) Not investigating (1)
Neighbourhood and Leisure	2	1	Not investigating (1) Council not at fault (1)
Family, Cohesion Services & Commissioning	2	2	Still under investigation (1) Council at fault, but no injustice (1)
Planning Specialist	1	0	Premature complaint (1)

4.7 Requests For Information

4.7.1 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	1126	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	-

4.7.2 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 however there were 5% more requests received in the year. This still compares favourably with the ICO benchmark of responding to 80% of FOI requests received with 20 working days.

4.7.3 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 however still compares favourably with the Information Commissioner's benchmark of responding to 80% of SAR's within 40 calendar days

4.7.4 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.

4.7.5 Detailed performance for each service area is detailed in Appendix C

4.7.6 Of the 1132 applications that were processed, we received 21 appeals. 1 is still active of the 20 remaining : 6 were not upheld, 10 were partly upheld, 4 were upheld (5)

4.7.7 In addition we received 4 appeals from the ICO (from two customers) and the ICO ruled in the Councils favour in all 4 cases

Report prepared by Andrew Meredith, Customer & Registration Services Manager

Telephone: 01952 382560

Complaints Response Performance for Each Service Area - Corporate Stage 1 Complaints

Appendix A

Service	% responded to within deadline	No Responded to In 15 days	No Responded To After 15 days	Total Complaints	% Upheld/ Partly Upheld
Adult Social Services	52	15	14	29	55
Children's Safeguarding & Specialist Services	40	4	6	11*	36
Co-operative Council & Commercial Delivery Unit	100	3	0	3	67
Corporate Core	100	1	0	1	0
Cross Portfolio	57	8	6	14	57
Customer Services	93	257	19	276	43
Development Business & Employment	71	56	23	79	15
Education & Corporate Parenting	83	5	1	6	17
Family & Cohesion Services & Commissioning	88	22	3	25	24
Finance, Audit & Information Governance	83	5	1	6	83
Health, Wellbeing & Public Protection	83	15	3	18	17
Law, Democracy & People Services	82	9	2	11	36
Neighbourhood & Leisure Services	88	270	36	306	45
Planning Specialist	100	1	10	1	100
Overall Total	85	670	117	787*	39

*includes complaints which are still under investigation

MP Enquiries

Appendix B

Service	Number Received due for Response				Number Responded to in 10 Days				% Responded to in 10 Days			
	Mark P	David W	Other MP	Total	Mark P	David W	Other MP	Total	Mark P	David W	Other MP	Total
Adult Social Services	4	22	1	27	2	19	-	21	50	86	-	78
Children's Safeguarding & Specialist Services	3	7	2	12	2	6	1	9	67	86	50	75
Co-operative Council & Commercial Delivery Unit	1	0	0	1	0	-	-	0	0	-	-	0
Cross Portfolio	1	6	0	7	0	5	-	5	0	83	-	71
Customer Services	6	18	0	24	6	16	-	22	100	89	-	92
Development, Business & Employment	14	28	1	43	8	24	1	33	57	85	100	77
Education & Corporate Parenting	1	9	0	10	1	6	-	7	100	67	-	70
Family, Cohesion Services & Commissioning	5	19	1	25	3	17	1	21	60	89	100	84
Health, Wellbeing and Public Protection	5	17	2	24	5	15	2	22	100	88	100	92
Neighbourhood & Leisure Services	19	56	2	77	16	39	2	57	84	70	100	74
Law Democracy & Peoples Services	-	1	0	1	-	1	-	1	100	-	-	100
Planning Specialist	1	1	0	2	1	1	-	2	100	100	-	100
Overall Total	60	184	9	253	44	149	7	200	73	80	78	79

Freedom of Information Requests

Service area	Total	Due For Response	Responded to within 20 days	% Responded to in 20 days
Adult Social Services	46 (63)	43 (63)	33 (58)	76.7% (92.1%)
Children's Safeguarding	85 (53)	83 (53)	70 (41)	84.3% (77.4)
Co-operative Council;	20 (10)	20 (10)	20 (10)	100% (100%)
Corporate Council	4 (2)	4 (2)	4 (2)	100% (100%)
Cross Council	61 (38)	58 (38)	47 (36)	81.1% (94.7%)
Customer Services	256 (314)	255 (314)	246 (305)	96.5% (97.1%)
Development Business employment	85 (78)	84 (78)	77 (74)	91.7% (94.9%)
Education & Corporate parenting	35 (37)	35 (37)	32 (35)	91.4% (94.6%)
Economy & Skills	(1)	(1)	(1)	(100%)
Cohesion Services	108 (89)	107 (89)	101 (85)	94.4% (95.5%)
Finance, Audit & IG	84 (131)	84 (131)	81 (128)	96.4% (97.7%)
Health & wellbeing	97 (32)	96 (32)	91 (31)	94.8% (96.9%)
Law and Democracy	108 (80)	106 (80)	100 (76)	94.3% (95%)
Neighbourhood & Leisure Services	137 (138)	137 (138)	132 (130)	96.4% (94.2%)
Planning Specialist	1	1	1	100%
Total	*1126 (1067)	1112 (1067)	1034 (1013)	93% (94.9%)

*Under legislation LA is able to extend to 40 days so this figure is -6 that were extended from the reported 20 days.

Environmental Information Regulations Requests

Service area	Total	Due for Response	Responded to within 20 days	% Responded to in 20 days
Co-operative Council	1 (1)	1 (1)	1 (1)	100% (100%)
Cross Council	2 (1)	2 (1)	2 (1)	100% (100%)
Customer Services	1	1	1	100%
Development Business & Housing	15 (8)	15 (8)	13 (5)	86.7% (62.5%)
Audit & IG	(2)	(2)	(2)	(100%)
Health Wellbeing & Public Protection	12	12	10	83.3%
Law Democracy & People Services	1 (2)	1 (2)	1 (2)	100% (100%)
Neighbourhood & Leisure Services	13 (15)	13 (15)	10 (14)	76.9% (93.3%)
Planning Specialist	1	1	1	100%
Total	46 (29)	46 (29)	39 (25)	84.8 % (86.2%)

Data Protection Act Requests

Please note data protection requests for Adult Social Services and Children's Safeguarding are time consuming due to the volume of records they relate to and the amount of subsequent time it takes to review and redact these documents prior to their release.

Service area	Total	Due for Response	Responded to within 40 days	% Responded to in 40 days
Adult Social Services	11 (9)	10 (9)	9 (9)	90% (100%)
Children's Safeguarding	17 (24)	16 (24)	14 (22)	87.5% (91.7%)
Cross Council	12 (2)	12 (2)	12 (2)	100% (100%)
Customer Services	4 (7)	4 (7)	4 (7)	100% (100%)
Development Business	(1)	(1)	(1)	(100%)
Education & Corporate Parenting	2 (1)	2 (1)	2 (1)	100% (100%)
Family and Cohesion	2 (11)	2 (11)	2 (10)	100% (90.9)
Finance Audit and IG	3 (4)	1 (4)	1 (4)	100% (100%)
Neighbourhood Leisure	1	1	1	100%
Total	52 (60)	48 (60)	45 (57)	93.8% (95.5%)

LGO Lessons Learnt

Appendix D

Date Received	Respond Ref	Service Area	LGO Final decision date received & finding	Comments by Service Delivery Area of lessons learned
14/05/2014	22682	Planning	11.06.14 Evidence of fault by Council but no significant injustice suffered by complainant.	In this case the complainant did not receive a neighbour notification letter when a planning application was submitted opposite their home. The Council then changed its neighbour notification procedures so that the validation officer produces a screen shot of the properties notified so that this can be checked by the planning case officer. The failure to notify did not result in any significant injustice as on the balance of probabilities the decision to grant planning permission would have been the same even if the complainant had been able to comment.
21/11/2014	35263	Adult Social Care	18.02.15 At fault actions to be carried out and compensation paid of £100 plus reimburse care expenditure.	The need to comply with The Care Act Legislation, ensures the eligibility criteria makes it clear where an assessment should be carried out. Following an assessment, the assessor will send a letter out to the enquirer, with information regarding their assessment criteria. Secondly, we are carrying out a random audit of 10 assessments/contacts carried out following the Care Act implementation, to ensure compliancy. A training session with the present Access team has been organised to learn lessons from this case.
04/12/2014	32803	Revenues	18.02.15 At fault but compensation already paid so no further action	A human error resulted in a council tax discount not being awarded at the correct time, and recovery notices being subsequently issued. The Officer has been spoken to about the importance of checking the work that they undertake. A percentage check of quality checks is already undertaken of Officers work.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 15 SEPTEMBER 2015

CALDICOTT GUARDIAN ANNUAL REPORT

**REPORT OF THE DIRECTOR OF HEALTH, WELLBEING &
CARE/CALDICOTT GUARDIAN**

LEAD CABINET MEMBER – CLLR ARNOLD ENGLAND

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

1.1 The report sets out:

- the roles and responsibilities for managing the Council's compliance with the revised Caldicott Principles (See Appendix 1) and the requirements of the Data Protection Act 1998
- an update on previously identified actions
- a plan of activity for the next 2 years

2. RECOMMENDATIONS

2.1 Audit Committee note contents of the Caldicott Guardian's Annual Report

2.2 Audit Committee receive further such reports on an annual basis commencing June 2016, with a progress update in September as part of the general Information Governance update.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priorities?	
	Yes	<i>Vulnerable Children and Adults</i>
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	<i>Next Annual Report to be presented to Audit Committee in June 2016 and annually thereafter</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	There are no direct financial implications arising from the recommendations of this report. The actions set out in section 4.22 of the report will be accommodated from within existing resources and will help to ensure that the Council has appropriate arrangements in place to protect service user data. Failure to have proper arrangements in place to protect the confidentiality of service user information could result in data breaches which, if serious, could result in fines of up to £0.5m as well as causing distress to service users and their families.
LEGAL ISSUES	Yes	<p>Each NHS organisation is required to have a Caldicott Guardian under Health Service Circular HSC 1999/012 dated 22 January 1999. The Circular applies to all organisations which have access to patient records, including acute trusts, ambulance trusts, mental health trusts, primary care trusts, strategic health authorities, and special health authorities such as NHS Direct.</p> <p>Caldicott Guardians were subsequently introduced into social care with effect from 1 April 2002, under Local Authority Circular LAC (2002)2 dated 31 January 2002.</p> <p>Caldicott Guardians play a key role in ensuring that the NHS, Councils with Social Services Responsibilities and partner organisations satisfy the highest practical standards for</p>

		<p>handling patient identifiable information under a framework which complies with the requirements of the Data Protection Act 1998; they actively support work to enable information sharing where it is appropriate to share; and advise on options for lawful and ethical processing of information.</p> <p>NHS and Social Care Caldicott Guardians are required to be registered on the publicly available National Register of Caldicott Guardians.</p> <p>The UK Council of Caldicott Guardians, an elected body made up of Caldicott Guardians from health and social care, meets four times per year and has a published strategy, currently for 2011-2016.</p> <p>The Health & Social Care Information Centre [HSCIC] publishes guidance and resources for Caldicott Guardians. KF. 27.08.2015</p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	

4. INFORMATION

4.1 This Annual Report is designed to support Telford & Wrekin Council's Data Protection and Confidentiality Policy and describes how the Council can obtain assurance to address its confidentiality and data protection assurance needs (as part of good governance and as required by the Health N3 Information Governance Toolkit).

4.2 The Report sets out:

- the roles and responsibilities for managing the Council's compliance with the revised Caldicott Principles (See Appendix 1) and the requirements of the Data Protection Act 1998
- an update on previously identified actions
- a plan of activity for the next 2 years

4.3 This Caldicott Guardian (CG) Annual Report will be presented to the September 2015 meeting of the Audit Committee and annually thereafter at the June Audit Committee Meeting, with an update at the September Audit Committee Meeting

4.4 Caldicott Function – Key Responsibilities

4.5 The CG is responsible for safeguarding and governing the uses of personal care information within the Council, acting as the 'conscience' of the organisation. The CG actively supports work to facilitate and enable care information sharing and provides advice on options for lawful and ethical processing of information as required. Caldicott Guardianship is a key component of broader information governance responsibilities. The key responsibilities of the role are defined in the CG Manual (2006) as:

- **Strategy & Governance:** the CG should champion confidentiality issues at Board/management team level, should be represented at the organisation's Information Governance Board/Group and act as both the 'conscience' of the organisation and as an enabler for appropriate information sharing.
- **Confidentiality & Data Protection expertise:** the Caldicott Guardian should develop a knowledge of confidentiality and data protection matters, drawing upon support staff working within an organisation's Caldicott function but also on external sources of advice and guidance where available.
- **Internal Information Processing:** the CG should ensure that confidentiality issues are appropriately reflected in organisational strategies, policies and working procedures for staff. The key areas of work that need to be addressed by the organisation's Caldicott function are detailed in the Information Governance Toolkit (See Appendix 2).

- **Information Sharing:** the CG should oversee all arrangements, protocols and procedures where confidential personal information may be shared with external bodies. This includes flows of information to and from partner agencies, sharing through the NHS Care Records Service (NHS CRS) and related IT systems, disclosure to research interests and disclosure to the Police.

4.6 In line with a key recommendation of the 1997 Caldicott Report, the Council has since then appointed a CG. The CG is currently the Director of Health, Wellbeing and Care.

4.7 More recently, at the request of Government, a comprehensive review was undertaken by Dame Fiona Caldicott into the original Caldicott principles. Government subsequently set out 26 recommendations some of which apply to Local Government in "*Information: To Share or not to Share – Government Response to the Caldicott Review*". At 4.21 I set out the relevant recommendations as part of a 2015/17 CG action plan.

4.8 The N3 Information Governance Toolkit (See Appendix 2) has to be completed on an annual basis. The Council's last submission for 14/15 was approved by the HSCIC on 1/4/15. However HSCIC did note some actions that require review before the 15/16 submission (to be submitted by end of March 16), as follows:

1. Requirement 146 - there is no list of contractor organisations.
2. Requirement 147 (1a) - there is no sign off for the contract clauses
3. Requirement 376 - there is no mention of the asset register.

4.9 Progress on previously identified Actions:

4.10 Research whether the comprehensive use within the authority of the unique NHS identity number (which is mandatory within the NHS and recommended elsewhere) would assist the Council in promoting and assuring information security.

4.11 A final report has been received from ICT for data-clean up, where records are missing a specific piece of information required to pull the NHS number through, e.g. actual date of birth or postcode. Business Systems Support are working through this. Following completion (by the end of September), ICT will upload the NHS matching software, match the records and run scripts to pull the NHS numbers through. We have agreed to run the NHS uploads on a quarterly basis.

4.12 Review the extent to which secure email facilities or valid alternative solutions are available to staff who need them for the communication of confidential personal information.

4.13 All officers in Social Care have at least 2 secure electronic communication methods available:

- 1) They can have access to a GCSX email account (subject to meeting minimum requirements for this) which will allow secure communication to other secure public sector email accounts
- 2) They have automatic access to the Council's Secure Communication System which allows an officer to securely communicate information to any external 3rd party.

4.14 Collaborate with Information governance colleagues in work to address data breaches, ensuring that lessons are learned and that process and practices are adjusted as necessary.

4.15 All data breaches are reported to the Information Governance Team who, in conjunction with the relevant service area, investigate the breach and ensure lessons are learnt to prevent similar incidents occurring in future. The data breach as a minimum is reported to the relevant Service Delivery Manager and possibly relevant Assistant Director dependent on the seriousness of the matter.

4.16 Further work will be undertaken to ensure enhanced collaboration is put in place between Information Governance and the CG in respect to the reporting of data breaches and the associated outcome of the incident investigation. (See 2015-17 Action Plan below)

4.17 Initiate and maintain a log of Caldicott activity and consultation.

4.18 Log initiated and maintained by Caldicott Guardian. Main areas of activity in 2014/15 were:

- Completion of training & enrolment on national register
- Sign off of data sharing agreement with Shropshire Community NHS Trust
- Information Tool Kit completion and submission
- Moving forward work to be able to use NHS number as client record identifier
- Discussion and advice with regard to information sharing with external organisations in respect of a number of individual service users

4.19 Ensure arrangements are in place to deputise for the CG in their absence.

4.20 The Assistant Director Adult Social Services (currently Richard Smith) will deputise for the CG in their absence, and undertake appropriate training.

4.21 CG Action Plan for 2015-17

4.22 The table below sets out a CG Action Plan for the next two years, taking forward the actions arising from the Caldicott Review and subsequent Government recommendations, together with other recommended actions.

Action	Target date	Lead
Caldicott Review related actions - () = Recommendations from Caldicott Review		
1. Examine our existing arrangements, and lead by example with our local partners to make it easier to share information (introduction)	Ongoing	CG
2. Ensure that relevant personal confidential data is shared among the registered and regulated health and social care professionals who have a legitimate relationship with the individual (2)	Ongoing	CG
3. Seek advice from the ICO and refer to the HSCIC's Confidentiality Code of Practice for further advice on managing and reporting data breaches (5)	As required	CG
4. Explain and apologise for every personal data breach, with appropriate action agreed to prevent recurrence (5)	As required	CG
5. Clearly explain to patients and the public how the personal information we collect could be used in de-identified form for research, audit, public health and other purposes (7)	Review public information given by March 2016	CG
6. Make clear what rights the individual has open to them, including any ability to actively dissent (7)	As per 5. above	CG
7. Use the best practice contained in the HSCIC's Confidentiality Code of Practice when reviewing information governance practices to ensure that they adhere to the required standards (12)	March 2016	CG/SI RO
8. Ensure that social care providers use the Information Governance Toolkit (12)	Embed within Procurement conditions – March 2016 Monitor through Contract compliance March 2017	CG
9. Appoint a Caldicott Guardian or Caldicott lead with access to appropriate training and support (15)	Completed. CG appointed and registered with Social Services CG Register. CG attended accredited CG training on 18 November 2014.	CG
10. Local authorities consider extending Caldicott Guardian arrangements to children's services (15)	Completed. Role across Adult & Children's services	CG
11. Strengthen leadership on information governance (15)	Completed. Council has now established regular meetings between CG and SIRO and supporting officers within the Council to monitor progress. CG has met separately with counterparts in Shropshire Community Trust and T&W CCG. Discussions underway with wider health and social care economy about establishing a pan-Shropshire group.	CG

12. Ensure that the information provided to inform citizens about how their information is used does not exclude disadvantaged groups (19)	As per 5. above	CG
13. Use the revised Caldicott principles in all relevant information governance material and communications (25)	As per 5. above	CG
14. Investigate, manage, report and publish personal data breaches and ensure that commissioned bodies are investigated, managed, reported and published appropriately (6)	Ongoing	CG
15. Implement appropriate arrangements in relation to information governance including the demonstration of strong leadership on information governance and adopt information governance procedures that are equivalent to those already established by healthcare providers (12)	March 2016	CG
Other actions		
16. Share annual report with Audit Committee annually in June and an annual update in September.	Completed	CG
17. Address HSCIC recommendations arising from Information Governance Toolkit submission.	March 2016 ahead of next submission	CG
18. Complete register of Information Sharing Agreements and ensure reviews are held within agreed timescales.	December 2015	CG
19. Review Use of Fax Policies	December 2015	CG
20. Ensure IG training has been undertaken by all relevant staff	March 2016	CG

5. **PREVIOUS MINUTES**

5.1 None

6. **BACKGROUND PAPERS**

6.1 Caldicott Review. www.gov.uk/government/publications/the-information-governance-review

6.2 Information: To Share or not to Share – Government Response to the Caldicott Review.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192572/2900774_InfoGovernance_accv2.pdf

**Report prepared by Paul Taylor, Director of Health, Wellbeing & Care,
Telephone: 01952 381200**

Appendix 1 The revised Caldicott principles

1. Justify the purpose (s)

Every proposed use or transfer of personal confidential data within or from an organisation should be clearly defined, scrutinised and documented, with continuing uses regularly reviewed, by an appropriate guardian.

2. Don't use personal confidential data unless it is absolutely necessary

Personal confidential data should not be included unless it is essential for the specified purpose(s) of that flow. The need for patients to be identified should be considered at each stage of satisfying the purpose(s).

3. Use the minimum necessary personal confidential data

Where use of personal confidential data is considered to be essential, the inclusion of each individual item of data should be considered and justified so that the minimum amount of personal confidential data transferred or accessible as is necessary for a given function to be carried out.

4. Access to personal confidential data should be on a strict need-to-know basis

Only those individuals who need access to personal confidential data should have access to it, and they should only have access to the data items that they need to see. This may mean introducing access controls or splitting data flows where one data flow is used for several purposes.

5. Everyone with access to personal confidential data should be aware of their responsibilities

Action should be taken to ensure that those handling personal confidential data – both clinical and non-clinical staff – are made fully aware of their responsibilities and obligations to respect patient confidentiality.

6. Comply with the law

Every use of personal confidential data must be lawful. Someone in each organisation handling personal confidential data should be responsible for ensuring that the organisation complies with legal requirements.

7. The duty to share information can be as important as the duty to protect patient information

Health and social care professionals should have the confidence to share information in the best interests of their patients within the framework set out by these principles. They should be supported by the policies of their employers, regulators and professional bodies.

Appendix 2

Information Governance toolkit - Local Authority Version 13 (2015-2016)

Requirements List

Req No	Description
Information Governance Management	
13-144	There is an adequate Information Governance Management Framework to support the current and evolving Information Governance agenda
13-145	There are approved and comprehensive Information Governance Policies with associated strategies and/or improvement plans
13-146	Formal contractual arrangements that include compliance with information governance requirements, are in place with all contractors and support organisations
13-147	Employment contracts which include compliance with information governance standards are in place for all individuals carrying out work on behalf of the organisation
13-148	The training needs of all staff are assessed in relation to Information Governance requirements and they are all appropriately trained
Confidentiality and Data Protection Assurance	
13-251	The Information Governance agenda is supported by adequate confidentiality and data protection skills, knowledge and experience which meet the organisation's assessed needs
13-252	Staff are provided with clear guidance on keeping personal information secure and on respecting the confidentiality of service users
13-253	Personal information is shared for care but is only used in ways that do not directly contribute to the delivery of care services where there is a lawful basis to do so and objections to the disclosure of confidential personal information are appropriately respected
13-254	Individuals are informed about the proposed uses of their personal information
13-255	Where required, protocols governing the routine sharing of personal information have been agreed with other organisations
13-256	All new processes, services, information systems, and other relevant information assets are developed and implemented in a secure and structured manner, and comply with IG security accreditation, information quality and confidentiality and data protection requirements
Information Security Assurance	
13-371	The Information Governance agenda is supported by adequate information security skills, knowledge and experience which meet the organisation's assessed needs
13-372	A formal information security risk assessment and management programme for key Information Assets has been documented, implemented and reviewed
13-373	There are documented information security incident / event reporting and management procedures that are accessible to all staff
13-374	Operating and application information systems (under the organisation's control) support appropriate access control functionality and documented and managed access rights are in place for all users of these systems
13-	All transfers of hardcopy and digital person identifiable and sensitive information have

375	been identified, mapped and risk assessed; technical and organisational measures adequately secure these transfers
13-376	Business continuity plans are up to date and tested for all critical information assets (e.g. data processing facilities, communications services and data) and service - specific measures are in place
13-377	Procedures are in place to prevent information processing being interrupted or disrupted through equipment failure, environmental hazard or human error.
13-378	Information Assets with computer components are capable of the rapid detection, isolation and removal of malicious code and unauthorised mobile code
13-379	Policy and procedures are in place to ensure that Information Communication Technology (ICT) networks operate securely
13-380	Policy and procedures ensure that mobile computing and teleworking are secure
13-381	There is an information asset register that includes all key information, software, hardware and services
13-382	All information assets that hold, or are, personal data are protected by appropriate organisational and technical measures
13-383	The confidentiality of service user information that is not involved in the process of providing direct care is protected through use of pseudonymisation and anonymisation techniques where appropriate
Care Records Assurance	
13-441	The Information Governance agenda is supported by adequate information quality and records management skills, knowledge and experience
13-442	There is consistent and comprehensive use of the NHS Number in line with National Policy requirements
13-443	Procedures are in place to ensure the accuracy of service user information on all systems and /or records that support the provision of care
13-444	Procedures are in place for monitoring the availability of paper service user records and tracing missing records

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 15 SEPTEMBER 2015

REVIEW OF STRATEGIC RISK REGISTER – JULY 2015

REPORT OF THE MANAGING DIRECTOR – LEAD OFFICER FOR GOVERNANCE

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1. For the Audit Committee to note the latest Strategic Risk Register. The strategic risk register enables the Council to meet its statutory requirements under the Accounts and Audit Regulations 2015 Part 2 paragraph 3. “A relevant authority must ensure that it has a sound system of internal control which – (c) includes effective arrangements for the management of risk”.
- 1.2. The strategic risk register is a means for the Council to identify and manage the substantive issues which could impact negatively on delivery of the Council’s priorities. As part of the Council’s governance arrangements the risk register is presented twice a year to Cabinet to demonstrate that the Council understands its key risks and how they are being mitigated. Appendix A sets out the key risks which have been identified for 2015/16 and the mitigating actions in place to manage these risks. The register is reviewed and updated as necessary on a regular basis to ensure appropriate management of these risks and mitigations and to make sure they are always current.
- 1.3. The Register was last presented to Cabinet in July 2015 and periodically reviewed by Cabinet moving forward.

2. RECOMMENDATIONS

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

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priority objective(s)?	
	Yes	<i>All Priorities</i>
	Will the proposals impact on specific groups of people?	
	Yes	<i>The Council’s priorities impact across all communities</i>
TARGET COMPLETION/DELIVERY DATE	<i>This is part of the on-going monitoring of delivery of the Council’s priorities.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	Strategic risks are considered as part of the budget setting process and the effective management of risks helps to maximise the financial resources available to deliver services to the community.

		<i>BM 07.09.2015</i>
LEGAL ISSUES	Yes	<p>The Council has statutory responsibilities to undertake functions which are, in many cases, subject to Regulations and central government guidance. As mentioned in the report, the attached risk register is a strategic one and therefore will not provide all of the details for each statutory responsibility (although some are referred to in the appendix attached to this report). However, the strategic risk register must continue to comply both with the Council's statutory duties and generally for instances where the Council has a duty of care to the public and its employees. Accordingly, this should be a consideration if/when any changes to the register are made.</p> <p>Reference to how the register attached to this report assists the council in meeting its responsibilities contained in The Accounts and Audit Regulations 2015/234 is set out in paragraph 1.1 of this report.</p> <p style="text-align: right;"><i>KF 07.09.2015</i></p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	The report identifies key risks to the delivery of the Council's priorities
IMPACT ON SPECIFIC WARDS	No	Borough-wide impact

PART B) – ADDITIONAL INFORMATION

4. PREVIOUS MINUTES

4.1. N/A

5. BACKGROUND PAPERS

5.1. "Driving the Delivery of the Council's priorities" – presented to Cabinet on 23rd July 2015

Report prepared by Jon Power, Delivery & Planning Manager. Tel: 01952 380141

Appendix A

**Strategic Risk Register
Updated July 2015**

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
1.	Death or serious harm of a vulnerable child or vulnerable adult (Breach of duty of care)	<ul style="list-style-type: none"> • Safeguarding Children and Adult Boards (SABs became a statutory requirement of the Care Act from April 2015), Community Safety Partnership and Youth Offending Service Board scrutinise performance, call partners to account and drive practice improvement in the light of learning (e.g. from Serious Case, Safeguarding Adult & Domestic Homicide Reviews) • Created draw down budgets of £0.75m for children and £2.5m for adults for 2015-16 • Work to national inspection standards (Ofsted and Care Quality Commission) and respond to actions required from inspections <p>Children:</p> <ul style="list-style-type: none"> • Workforce development strategy – recruitment and retention, learning and development including Systemic Practice across the council’s children’s workforce • Children’s Services - Systematic quality assurance role for all managers from frontline team manager through to MD and DCS • No staff savings target for Children’s Social Workers <p>Adults:</p> <ul style="list-style-type: none"> • Review of Safeguarding Adult Board arrangements took place prior to April 2015 to ensure compliance with Care Act requirements and new Adult Safeguarding Guidance & Regulations. As a result a new T&W specific Board has been put in place with an Independent Chair • Adult Safeguarding – following review, new multi-agency strategy agreed, regional procedures are now operational and additional adult safeguarding capacity put in place within Council. 	LJ/PT

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
		<ul style="list-style-type: none"> Regional Quality Surveillance Group chaired by Chief Officer of NHS England Area Team ensures co-ordination of quality & safeguarding issues across health & social care. 	
2.	Not managing the impact of organisational and culture change in the Council and partner organisations within the constraints of the public sector economy	<ul style="list-style-type: none"> Engagement and communication with all staff through structured sessions and interactive sessions with Cabinet to support Co-operative working Regular meetings with Trade Union representatives Loss of service delivery performance and risk exposure monitored through SMT New Organisational Development Strategy (see 8 below) Constitution – assurance by AD’s, Finance, Legal, Internal Audit and external reviews (i.e. External audit and government bodies) Transparency Codes of conduct Maintaining communication channels with appropriate senior executives LSP Executive Health & Wellbeing Board and Community Safety Partnership Commissioning and Transformation Partnerships 	RP
3.	Failure to match available resources (both financial , people and assets) with statutory obligations, agreed priorities and service standards	<ul style="list-style-type: none"> Rigorous service and financial planning and regular monitoring and active management through S&FPG, SMT and Policy Review Group. Savings programme, service reviews and restructuring In-year savings exercise as necessary Rationalisation of Council assets and accommodation Delivery of capital receipts/rigorous monitoring of capital receipts realisation and impact on the budget 	RP
4.	Failure to deliver financial strategy: <ul style="list-style-type: none"> capital receipts delivery of Council 	<ul style="list-style-type: none"> If necessary contingency plans reviewing phasing of planned capital expenditure, schemes included in capital programme, alternative potential disposals and further revenue budget cuts would be prepared 	RP

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
	savings	<ul style="list-style-type: none"> • Review of reserves and balances against risk exposure and available contingency • Review of financial policies • Safeguarding Cost Improvement Plan • Adult Social Care Cost Improvement Plan • Commercial Strategy • “Culture Change” to budget management by managers • Specialist legal advice as required • Cabinet Members regularly briefed 	
5.	Failure to manage the impact of poverty and deprivation on future wellbeing of our residents	<ul style="list-style-type: none"> • Council has adopted a “Business Supporting, Business Winning” approach that will provide a joined up, business facing service that provides the conditions to enable businesses to start up, expand and to attract new investors. • Working through/with the LEP to drive economic growth • Community Loans • Telford Crisis Network/Food Bank • “Pride in your community” Project • Target Intervention Area programme • Public Health Grant to drive improvements in health of population/address health inequalities (Public Health outcomes) • Health & Wellbeing Board and Commissioning & Transformation Partnerships 	RP
6.	Major emergency affecting the community and/or ability to provide priority services	<ul style="list-style-type: none"> • Maintaining appropriate, risk based contingency plans (Civil Resilience Team) which are exercised and reviewed on regular basis • Individual Service Delivery Managers are responsible for maintaining and exercising their Business Continuity Plan. These plans would be coordinated corporately and the emergency plan activated if necessary. 	PT

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
		<ul style="list-style-type: none"> • Maintain appropriate levels of trained staff to be able to respond to an emergency. • Work collaboratively with other LRF partner agencies, maintaining effective working relationships with the relevant bodies • Gorge - Additional funding with conditions received from DCLG which has enabled further stabilisation work in Jackfield which is on target for completion. Need to acquire further funding for other at risk areas within the Gorge. • Operation 'Tangent' – multi agency plan to respond to landslide in the Gorge is in place and is reviewed and exercised regularly 	
7.	Significant business interruption affecting ability to provide priority services	<ul style="list-style-type: none"> • ICT controls – Disaster Recovery facilities in place based on revised Priority Services in line with Business Continuity Plans. • New programme of actions/interventions in place to secure a stable infrastructure, to include the secondment of the ICT Group Manager of the Infrastructure Team to lead this programme for the next 12 months to ensure successful and speedy delivery. (Separate Project Plan available.) • Substantial investment made to upgrade the council's voice and data network which was 10 years old. Will be completed by Dec 2015. • Investment secured into Office 365 a cloud solution to Microsoft Office ensuring email is provided for 99.9% of the time, commencing Sept 2015 and completed Sept 2016 • Investment in ICT infrastructure within the server room to provide enhanced business continuity, further improvements are being made to the Councils main Data Centre (Ab Dab) to include enhanced proactive monitoring of all systems, air conditioning, electrical etc. • ICT Business Strategy prioritises the increase of cloud provided services over the next 2 years reducing the risk of downtime experienced within the Council owned Data Centres (Ab Dab). 	AA

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
		<ul style="list-style-type: none"> • Improvement to Service Areas' Business Continuity Plans to reflect risk and appropriate mitigation. 	
8.	Key skills shortages (retention & recruitment)	<ul style="list-style-type: none"> • Organisational Development Plan e.g.: <ul style="list-style-type: none"> - skills gap analysis and needs - flexible working policy - staff benefit scheme • Council values, ethos, rewards and recognition 	RP
9.	Failure to manage the health & safety risks in delivering the council's functions.	<ul style="list-style-type: none"> • Reviewing, writing and monitoring of health and safety policies through SMT and Health and Safety Committee • Risk based health and safety audit process of service areas and local authority managed schools, which not only audit implementation of health and safety policies but also proactively identifies short comings, actions and controls that need to be in place to manage those risks. Significant findings of the audits are reported back though SMT and Health and Safety Committee. • Internal Health and Safety work to Health and Safety Executive (HSE) guidance and revise Policies and Procedures to ensure compliance with legal standards. Revisions reported back through SMT and Health and Safety Committee • There is a system in place for reporting all accidents, incidents and near misses. Non reportable accidents investigated by service area • All reportable accidents are investigated by Internal Health and Safety Team and significant findings reported to Health and Safety Committee. Other findings reported back to relevant Service area management • Training provided on Health and Safety through a mixture of OLLIE and face to face. • Regular meetings with Trade Unions 	PT

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
		<ul style="list-style-type: none"> • Coordination and management of Personal Safety Precautions Risk Register to ensure safety of employees. 	
10.	Information Governance	<ul style="list-style-type: none"> • The Council has an Information Governance Framework which includes the Corporate Information Security Policy (CISP) and other policies (Data protection, Information Sharing policies) • Small dedicated team promoting sound Information Governance within the Council and ensuring that good practise is shared across the Council • Training and awareness programme put in place annually and Information Governance module on OLLIE forms part of induction • Established procedures for investigating and recording data breaches including identifying and communicating lessons learnt • Information Governance compliance programme includes tasks to check on Council compliance with local and legal requirements • Secure Communication System in place • Compliance with Public Service Network (PSN) requirements • Governance includes regular review by Internal Audit and reporting to Audit Committee twice a year to provide assurance on Information Governance • ICT Security Group in place which considers Information Governance matters of new developments/issues arising 	RP

Existing Strategic Risks Being Managed Through Appropriate Significant Projects

- Single Status
- Better Care Fund and Care Act, Social Care Change Board
- Commercial project(s) for additional income generation
- Housing Investment Programme

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 15th SEPTEMBER 2015

PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2014/15

JOINT REPORT OF THE MONITORING OFFICER AND THE CHIEF FINANCIAL OFFICER

1 PURPOSE

- 1.1 To present to the Audit Committee the information to be published in respect to Councillors who traded with the Council during 2014/15.

2 RECOMMENDATIONS

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

3 SUMMARY

- 3.1 To improve transparency it was agreed in autumn 2012 that details of Councillors who have an interest in companies that receive a payment from the Council, for example a directorship, should be separately reported to the Council through the Audit Committee.
- 3.2 This information is collected as part of the final accounts process and this report represents information for 2014/15.
- 3.3 This information will be reported to Council following presentation to the September Audit Committee.

4 PREVIOUS MINUTES

- 4.1 Council's Constitution Committee 4th September 2012
Council 19th September 2012
Audit Committee 28th January 2014
Audit Committee 16th September 2014

5 BACKGROUND AND INFORMATION

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

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

- 5.3 It was agreed that the information reported would be the previous year's value and description of any payments received from the Council to any businesses/companies where that Member has an interest.
- 5.4 The only Councillor during 2014/15 who received any such payments from the Council was Councillor Stephen Burrell in respect to the company Peace of Mind Ltd. The value of the payments was £306,916.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	Transparency supports equalities and demonstrates the Council's commitment to be open and fair.
Environmental Impact	This report has limited environmental impact due to the nature of the work companies reported.
Legal Implications	It should also be noted that in addition to the publication of the information referred to in this report, Councillors also have to complete a disclosable pecuniary interest's form following their appointment. This form includes a section where Councillors must provide details of any contracts they have with the Council. The form for each Councillor is published on the Council's website.
Links with Corporate Priorities	The report supports the Council's values which are embedded in the delivery of all the Council's priorities.
Risks and Opportunities	The risks and opportunities in respect to this report will be appropriately identified and managed.
Financial Implications	There are no financial implications arising from this report as the information is already collected as part of the final accounts process.
Ward Implications	Borough wide

7 BACKGROUND PAPERS

Localism Act 2011

Co-operative Council Commissions Report 2012

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

TELFORD & WREKIN COUNCIL

**AUDIT COMMITTEE 15th SEPTEMBER 2015
COUNCIL 1st OCTOBER 2015**

AUDIT COMMITTEE ANNUAL REPORT 2014/15

JOINT REPORT OF THE SECTION 151 & THE MONITORING OFFICERS

1 PURPOSE

1.1 To present to the Council an Annual Report on the 2014/15 operations of the Audit Committee.

2 RECOMMENDATIONS

2.1 That Members note the contents of the annual report 2014/15.

3 SUMMARY

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

- ✓ raising awareness on the need for and benefits arising from good governance (including risk management) and internal control including the implementation of both internal and external audit recommendations.
- ✓ demonstrating the objectivity and fairness of financial and other reporting.
- ✓ reinforcing the importance and independence of internal and external audit.
- ✓ providing additional assurance through a process of independent and objective review by a cross party group of elected Members who can, and do, challenge Cabinet Members and Senior Officers.

3.2 As the key assurance Committee of the Council it is best practice that an Annual Report is presented to the Council on the operations of the Committee during the municipal year (May 2014 – April 2015). The structure of the report is based on the terms of reference and includes a summary of the business conducted by the Committee during the period (attached as Appendix A).

3.3 There were 3 meetings of the Audit Committee in 2014/15 each with comprehensive agendas. In addition to the scheduled meetings, there is also the opportunity to call additional meetings whenever required by Members between the scheduled meetings in June, September and January.

4 PREVIOUS MINUTES

4.1 Audit Committee - 20th September 2011; 25th September 2012; 17th September 2013; 16th September 2014
Council - 24th November 2011; 22nd November 2012; 21st November 2013; 27th November 2014

5 INFORMATION – AUDIT COMMITTEE 2014/15

5.1 Internal Audit

- 5.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the Public Sector Internal Audit Standards (PSIAS - effective from April 2013) and Constitution, highlighting any areas requiring attention by Members. An action plan setting out outstanding actions to ensure compliance with the Standards was presented to the January 2014 committee and updated in the annual report.
- 5.1.2 The Internal Audit Plan for 2014/15 was approved by the Committee at the June 2014 meeting and the Internal Audit Charter for 2015/16 was approved by the Committee at the January 2015 meeting.
- 5.1.3 In addition updates have been provided by the appropriate Senior Management to the Committee on the progress of audit reports in respect to:
 - a) The Abacus system review; and
 - b) Commercial projects

5.2 External Audit

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

5.3 Governance

- 5.3.1 The Annual Governance Statement 2013/14 was approved at the June meeting after consideration of the supporting information.
- 5.3.2 The September meeting also reviewed the Council's Strategic risk register.
- 5.3.3 The 2013/14 Information Governance annual report was presented to the Committee in June 2014. An Information Governance update report was provided for April – July 2014 at the September meeting along with the Information Governance Framework.

5.4 Treasury Management

- 5.4.1 The Committee received the annual report 2013/14, in year updates for 2014/15 and reviewed the 2015/16 strategy prior to approval by Cabinet.

5.5 Statement of Accounts 2013/14

- 5.5.1 The Statement of Accounts was approved by the Committee following external audit at the September 2014 meeting. As in previous years the approval meeting was preceded by a training session with key Finance staff who explained the statements and the changes that had occurred during 2013/14. The Statements have not yet been closed due to an outstanding elector question.
- 5.5.2 There was an update to the September 2014 meeting in respect to the Council's capital receipts position.

5.6 Anti-Fraud & Corruption

5.6.1 The annual report on the Anti-Fraud & Corruption Policy and Policy update was received in June 2014.

5.6.2 Audit Commission Fraud survey results were also presented to the Committee.

5.7 Complaints

5.7.1 The Committee reviewed the 2013/14 Customer Performance Feedback Report at their September meeting.

5.8 General

5.8.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution with no changes required.

5.9 Conclusions for 2014/15 and the future 2015/16

5.9.1 The Committee has considered comprehensive agendas in order to provide assurance for Members and the community on the audit, governance (including information governance), risk management, financial statements, treasury management, complaints and anti-fraud and corruption arrangements of the Council. Many challenging questions have been asked by Members who have required senior officers to attend and give account for decisions taken and progress in implementing both internal and external audit recommendations.

5.9.2 The Committee recognises that the Council is continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2015/16. Most notable are the organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	Internal reports to the Committee consider any appropriate equalities/diversity issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Environmental Impact	Internal reports to the Committee consider any appropriate sustainability issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Legal Implications	The work undertaken by the Audit Committee during the year 2014/15 assists in ensuring that the Council complies with the statutory requirements set out in the Accounts and Audit (England) Regulations 2011 ('the Regulations'). These set out certain requirements that the Council must adhere to in relation to matters such as risk and financial management. The Regulations were replaced on 1 st April 2015 by The Accounts and Audit Regulations 2015. Accordingly the Committee will need to comply with the requirements and responsibilities set out on the new Regulations. Officers will ensure that the new rules are taken into consideration when addressing the Committee on future work.
Links with Corporate Priorities	The Audit Committee contributes to good governance and the assurance framework. The work of the Committee links to all Council priorities.
Risks and	The Audit Committee has an assurance role in the management of the Council's

Opportunities	risks and opportunities. The Chairman of the Committee is responsible for the management of the risks and opportunities associated with the committee but supported by appropriate officers.
Financial Implications	The Section 151 officer has a responsibility to ensure that the council has effective internal audit arrangements in place. This report helps to demonstrate that this is the case. There are no financial implications arising from this report. The Audit Committee and support arrangements are fully funded from within existing budgets.
Ward Implications	The operations of the Audit Committee encompass all Council activities and all Council locations. Therefore all Council Wards are affected by its operations.

7 **BACKGROUND PAPERS**

Audit Committee Papers 2014/15 (including minutes)

Constitution

Constitution Committee, Full Council – appropriate agenda's, papers and minutes

Report by Jenny Marriott, Audit & Information Governance Manager 383101

Area	Activity
Internal Audit	Internal Audit Annual Report 2013/14 Quarter 4 2013/14 Update report Internal Audit Plan 2014/15 Update on the Abacus Audit Report Update on Commercial Projects Quarter 1 2014/15 Update report and PSIA Standards update Quarter 2 2014/15 Update report Quarter 3 2014/15 Update report Changes to Internal Audit Charter 2015/16
External Audit	External Audit Fee Letter 2014/15 Interim Visit Letter 2013/14 Grant Certification Letter 2013/14 Annual Governance Report 2013/14 Annual External Audit Letter 2013/14 External Audit Plan Letter 2014/15 Grant Report 2013/14
Governance	Annual Governance Statement (AGS) 2013/14 Half yearly progress on the 2013/14 AGS Action Plan Review of the Strategic Risk Register June 2014 Information Governance Annual Report 2013/14 Information Governance Update Report April to July 2014 & Information Governance Framework Information Governance Work programme 2014/15 Publication of Information on Councillors who Traded with the Council during 2013/14 Audit Committee Annual Report 2013/14
Treasury Management	2013/14 Annual Treasury Management Report & 2014/15 update report Draft 2015/16 Treasury Management Strategy and update 2014/15
Statement of Accounts	Draft Statement of Accounts 2013/14 Approval of the audited Statement of Accounts 2013/14 Capital receipts update September 2014
Fraud & Corruption	2013/14 Annual Report on Corporate Anti-Fraud & Corruption Policy and Policy update Audit Commission Fraud Survey Results 2013 Audit Commission/KPMG Fraud report 2013/14
Complaints	Customer Feedback Performance Report – 1 st April 2013 – 31 st March 2014
General	Terms of Reference reviewed June 2014 Outline Audit Committee Business 2014/15

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 15th SEPTEMBER 2015

2015/16 INTERNAL AUDIT QUARTER 1 UPDATE REPORT AND INFORMATION GOVERNANCE UPDATE REPORT TO END JULY 2015

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter one - April – June 2015.
- 1.2 To update members on the work of the Information Governance team from April – July 2015.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Internal Audit and Information Governance update information for the first part of 2015/16.

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 first update for 2015/16 in respect to quarter one – April – June 2015.
- 3.2 The Councils Information Governance (IG) function forms part of the Council’s Information Security framework and good governance. The terms of reference of the Audit Committee include information governance which consists of several aspects:
 - Data Protection & Privacy
 - Freedom of Information
 - Information Security
 - Information Sharing & Confidentiality
 - Information & Records Management
 - Information Quality & Assurance

This report provides an update to members on the activities of the Information Governance Team during April – end July 2015.

4 PREVIOUS MINUTES

- 4.1 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 and Public Sector Internal Audit Standards
Information Governance Update & Information Governance Framework 2014/15
Audit Committee 27th January 2015 – Internal Audit Quarters 2 and 3 Update 2014/15

5 QUARTER 1- INTERNAL AUDIT UPDATE INFORMATION

- 5.1 This report provides information on the work of Internal Audit from 1st April – 30th June 2015 and provides an update on the progress of previous audit reports issued (October 2012 to March 2015).
- 5.2 The key focus for the team during quarter one has been the commencement of the 2015/16 plan. In addition the outstanding IT audits from 2014/15 were completed. Several larger audits were started which are currently in the process of being finalised. We also started to plan and undertake some of the key financial systems audits and the specification for the 2015/16 IT audits were developed. Productive resources were affected during the quarter by the election, preparations for and the office move (we are now located in A wing, Ground Floor Darby House) and the continued induction of our new Auditor who joined us in mid-March.
- 5.3 The following internal audit update report appendices are attached:
- i) **Appendix A** – List of final reports issued in quarter one with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.
 - ii) **Appendix B** – List of all work undertaken for quarter one for a period of 1 day or more.
 - iii) **Appendix C** - Previous graded reports from October 2012 to March 2015 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 2 amber reports issued in quarter one.
- 5.4 Appendix A shows 14 reports were issued in quarter one, several being the ICT audits outstanding from 2014/15. 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
Flood debrief lessons learned	- 51%	Testing took less time than planned
Charlton School	+ 12%	New Auditor attended visit therefore extra time spent due to familiarisation with programme and processes.
Section 17	+ 59%	Audit covered a wide area and there were several delays due to staff availability
Newport Pool	+ 33%	Updated scope and programme and New Auditor attended visit therefore extra time spent due to familiarisation with programme and processes

The reasons for the variances are as explained above and 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 reports issued during quarter one. A summary of each report is provided in Appendix D. For these Amber reports management actions and

time scales have been agreed to implement the recommendations. 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	31	Continued advice and guidance sought due to more commercial approach and staff new to roles and responsibilities due to restructures
Adult Social Care Payments	17	Transferred to the Payments team in 2014/15 and audit undertaken following this and system upgrade
ASS Financial Assessment Processes	11	Agreed as part of the Adult Social Care work from 2014/15
Newport Pool	14	Had not been undertaken for a while and induction for new Auditor.
Procurement including use of the Government Procurement Card (GPC)	25	Checklist developed to review compliance with procurement procedures for various contracts across each AD's service areas and review of GPC expenditure
Treasury Management	11	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	Due to the absence of the School Business Manager the planned follow up was cancelled. To be re-arranged when the school return from the summer break.
4.	Shared Lives	Red	Green	Follow up complete and moved to a green
5.	Direct Payments	Amber		Follow up in progress. However an external review of the Direct Payment processes and future structure of the service is currently being undertaken
6.	Adults Safeguarding Policies & electronic records	Red	Green	Follow up complete and moved to green
7.	Holy Trinity Academy (formerly Blessed Robert Johnson School)	Red	Yellow	2 nd follow up to be undertaken October 2015

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 INFORMATION GOVERNANCE UPDATE APRIL – JULY 2015

- 6.1 The IG work programme for 2015/16 was presented and approved at the June 2015 Audit Committee. Appendix E of this report details each task on the programme and a summary of the progress to date on completing each of these. IG has made good progress in respect to completing agreed tasks to date. The majority of tasks that were due for completion have either been completed on time or are within acceptable extended timescales. IG is confident that the remaining tasks on the work programme will be completed in full by the end of 15/16.
- 6.2 The Council has received 222 FOI requests for the first quarter of 2015/16. Out of 194 requests responded to (the remaining 28 requests were not due to be responded to in this period), 194 (87%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 11 days to respond to each request we receive.
- 6.3 The Council has also received 39 EIR requests in the same period. Out of 36 requests responded to (the remaining 3 requests were not due to be responded to in this period), 33 (92%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 8 days to respond to each request we receive
- 6.3 For the same period we had received 14 Subject Access Requests (SARs) under the Data Protection Act 1998. All 7 requests (100%) responded to (the remaining 7 were not due to be responded to in this period) were completed within the 40 calendar day statutory period (compared to the Information Commissioners benchmark of 80%).
- 6.4 Also in this period we have received and responded to 1 appeal from a requestor who was not satisfied with the response they received to their information request – this appeal was not upheld. In our responses to information requests we provide requestors with details on how they can make an appeal in compliance with relevant information rights legislation. The Audit & Information Governance Manager/Information Governance Team Leader hears all appeals received.
- 6.5 During this period we were still dealing with 1 ICO complaint that dates back to 2014/15 (this matter has previously been reported to the Audit Committee). The ICO did not uphold the complaint in question but the complainant has now appealed the ICO's decision to the First Tier Tribunal. We are awaiting the tribunal's decision on this matter and will update the Audit Committee during the next IG update report.
- 6.6 The Council takes its responsibility for protecting personal and sensitive information very seriously and therefore encourages an open culture where employees are encouraged to report all actual and potential data breaches in order that we can put measures in place to reduce potential issues in future. In this period we identified 8 data breaches. None of these met the Information Commissioners rationale for reporting serious breaches to them. IG is continuing to work with all service areas where breaches have occurred to ensure they improve procedures and that disciplinary action is taken where appropriate. The table below shows a summary by type of the confirmed data breaches and the number of subsequent formal complaints received. Lessons learnt from security incidents during the first half of the year will be shared across the Council in early October.

Category/Type	Number of cases (%)	Number of Formal Complaints received from Data Subjects
Information accidentally sent/made available to the incorrect recipient	8 (100%)	1

7 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. 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 to this Committee contributes towards meeting these requirements. 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>Financial monitoring is currently showing that Audit & IG are operating within budget for 2015/16. Audit & IG team members will identify cost implications arising from reviews wherever possible.</p> <p>It should be noted that if the ICO found that the Council was not complying with the information rights legal requirements and a fine was imposed there is no budget identified to fund this. MLB 24.08.15</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.

8 BACKGROUND PAPERS

Annual Audit Plan 2015/16 and Charter
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 – 2015
Corporate Information Security Policy
Corporate Information Security Breach Procedure

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FINAL REPORTS ISSUED QUARTER ONE – APRIL TO JUNE 2015

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Digitisation report	Yellow	September 2015	*	*	*
ICT Change /Release Management including upgrade of SharePoint 2013	Yellow	October 2015			
Free School Meals ICT system	Yellow	October 2015			
Recruitment	Yellow	Nov 15	*	*	*
Flood debrief lessons learned	N/a	Nov 15	4.5	2.19	- 51%
Charlton School	Amber	September 15	9.75	11	+ 12%
Section 17	Amber	Nov 15	9.5	15.15	+ 59%
ICT Strategy	Yellow	September 2015	*	*	*
ICT Incident and Capacity Management	Yellow	September 2015	*	*	*
Flood Damage Grant (Review of Processes)	Green	n/a	2.88	3.14	+ 9%
Newport Pool	Yellow	December 2015	10.38	13.83	+ 33%
Information Governance Review	Yellow	December 2015	*	*	*
Application Audit – Agresso	Green	n/a	*	*	*
Application Audit – Care First	Green	n/a	*	*	*

* Work undertaken by specialist third party contractor under framework contract

AUDIT WORK UNDERTAKEN FOR QUARTER ONE FOR A PERIOD OF 1 DAY OR MORE

Audit Area	Days
Adult Social Care Payments	17
Advice & Consultancy including org change	31
AGS assurance & certification	10
ASS - Review of Prototype	1
Bank Project Assurance	1.5
Holy Trinity Academy (formerly BRJ) Follow Up	1.5
Care Leavers Grant & Process	3
Care Provider Complaint	5
Charlton Secondary School	4
Community Fit Programme	1
Council Tax & NNDR (2015-2016)	3
Direct Payments	8.5
Downing House	1
External IT Audit quality assurance & 15/16 Procurement	3
Facilities Management - Help Desk Review	2
Financial Assessment Process Review	11
Flood Damage Grant	3
Other Follow ups	2
Food Hygiene Rating System	1
Fraud Response Plan	1
Halcrow Contract	2
KPMG - Interim visit	2
Leaving Care Process	9
Madeley Parish Council	1
Mount Gilbert Follow Up	2
National Fraud Initiative	2
Newport Pool	14
Oakengates Children's centre Follow Up	3
Payment Card Industry Compliance	1
Pot Hole Grant	2
Procurement including GPC	25
Review of Audit Processes & Procedures	1
Scott & Linden Centre	8.5
Section 17 payments	1
St Georges Primary School	9.5
Transport Processes Review - Adults	7
Treasury Management (2015-2016)	11
Windmill Primary School	1.5
Wrockwardine Wood Junior School	8

STATUS ON FINAL REPORTS ISSUED OCTOBER 2012 TO MARCH 2015

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.07.15
Abacus system & Abacus concerns	Amber Red	Amber/ yellow	Regular updates to Audit Committee with last one January 2015.	Update agreed to September 2015 meeting
Moorfield Primary School	Red	Amber	Follow up visit undertaken March 2015	Planned follow up cancelled due to absence of SBM. To be rearranged when school return from summer holidays
Shared Lives	Red	Green	Follow up completed June 2015	Follow up Complete and moved to Green
Town Park review*	N/A requeste d review		Follow up commenced May 2015 and progressing well.	2nd follow up to be completed Oct 2015
Telford Ice Rink	Amber	Yellow	Follow up completed January 2015	2 nd Follow up in progress
Hadley Learning Community	Yellow	Green	Follow up completed May 2015	Complete and moved to Green
Direct payments	Amber		Follow up due May 2015	In Progress - waiting for follow up to be returned from Service area
Adults Safeguarding Policies & Electronic Records	Red	Green	Follow up completed July 2015	Follow up complete and moved to Green
Muxton Primary School	Yellow		Follow up due June 2015	Follow up in progress so will report back to next Committee
Randlay Primary School	Yellow		Follow up due June 2015	Follow up in progress so will report back to next Committee
Holy Trinity Academy (formerly Blessed Robert Johnson RC College)	Red	Yellow	Follow up visit June 2015	2 nd Follow up due October 2015
Redhill Primary	Yellow		Follow up commenced June 2015	Follow up in progress so will report back to next Committee
Mount Gilbert Primary School	Red	Yellow	Follow up completed June 2015	2 nd Follow up due October 2015

STATUS ON FINAL REPORTS ISSUED OCTOBER 2012 TO MARCH 2015

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.07.15
Housing Benefits & Local Council Tax Support Scheme	Yellow		As part of annual audit	
P2P – Purchase to Payment	Yellow		2015-16 audit	2015-16 audit in progress, previous recommendations to be followed up as part of this year's audit.
Public Health Standards Compliance	Yellow		August 2015	In progress will be reported to next meeting
Main Accounting General Ledger	Yellow		As part of annual audit	
Cash Collection	Yellow		As part of annual audit	2015-16 audit in progress, previous recommendations to be followed up as part of this year's audit.
Vacant units	Yellow		September 15	
Haughmond Hill Catering	Amber		June 2015	In Progress - Received update from catering but currently with finance for their comments
Ice Rink Catering	Amber		June 2015	In Progress - Received update from catering but currently with finance for their comments
Ercall Wood Technology College	Yellow		September 2015	
Pensions	Green		August 2015	No follow up required as a green report.
HR/Payroll	Yellow		As part of 2015-16 audit	

AMBER REPORT ISSUED QUARTER 1

SECTION 17 PAYMENTS – Children’s Safeguarding & Specialist Services

1. Introduction and Scope

- 1.1 An audit review was commenced in August 2014, to provide an opinion on the control environment and a level of assurance for Section 17 Payments. The scope of the audit was agreed Assistant Director Children’s Safeguarding & Specialist Services.
- 1.2 We would like to thank the following for their help during the audit:
- ** Business Support and Quality Manager
 - ** Service Delivery Manager (previous and current)
 - ** Business Support Officers
 - ** Senior Business Support Officer

2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out, our opinion based on the level of assurance provided by the controls for this audit area is limited. Whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 2.2 Recommendations have been made to strengthen the controls found to require improvement and you have agreed actions for implementation. We have categorised the recommendations as shown in the table below and have included a risk rating (High, Medium, and Low) for each recommendation to assist in the prioritisation of their implementation.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	0	0
Financial Regulation – immediate implementation	4	28%
Policy/Procedure – implementation within a month of agreement to the report.	5	36%
Best Practice – implementation at a mutually agreed date	5	36%
	14	100%

- 2.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in respect to section 17 payments.

CHARLTON SCHOOL**1. Introduction and Scope**

- 1.1 An audit review was commenced on 24th March 2015, to provide an opinion on the control environment and a level of assurance for Charlton School. We would like to thank the following for their help during the audit:
- ** Principal, School Business Manager; School Fund Officer; Finance Officer; P.A to the Head teacher; Site Manager; Finance Officer and Senior Behavioural Manager.

2. Good Practice Areas

- 2.1 During the audit a couple of good practice areas within the process for Charlton School were identified. These included:
- ** Information presented to Governors is detailed and comprehensive to ensure they are kept up to date with the financial position and other developments of the school
 - ** Operation and maintenance of the Private School Fund account

3. Management Summary and Overall Opinion

- 3.1 On the basis of the work carried out, our opinion based on the level of assurance provided by the controls for this audit area is Limited - Whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 3.2 Recommendations have been made to strengthen the controls found to require improvement. We have categorised the recommendations as shown in the table below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	4	18
Financial Regulation – immediate implementation	8	35
Policy/Procedure – implementation within a month of agreement to the report.	10	43
Best Practice – implementation at a mutually agreed date	1	4
Total	23	100%

- 3.3 As part of this audit we have also followed up the implementation of recommendations made in the previous audit. The table below shows the action taken since that audit:

Recommendation Category	Implemented	Not Implemented (Re-iterated)	Superseded
Legal Requirement	1		
Financial Regulation	8	1	
Policy/Procedure	5	1	
DfE Requirement	-		2
Best Practice	1	1	
Total	15	3	2

- 3.4 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes at the Charlton School.

Information Governance (IG) Work Programme 2015/16

No	Task	Completion date	Progress as at July 2015
1	Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO.	Ongoing	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	Ongoing
3	Keep TORCH site up to date to support the above.	On going	Ongoing
4	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing	Ongoing
5	Support service areas to address any information security risks that arise.	Ongoing	Ongoing
6	Support information sharing and the production of information sharing agreements.	Ongoing	Ongoing
7	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications.	Ongoing.	Ongoing
8	<p>Agree and deliver an IG training and awareness programme.</p> <p>Assess numbers completing the IG training module.</p>	<p>Agree programme (with SIRO) – End May 15.</p> <p>Deliver programme throughout 15-16.</p> <p>Review Ollie training take up by end of June 2015.</p>	<p>Programme agreed with SIRO.</p> <p>Programme currently being delivered.</p> <p>Review complete and further promotion to be undertaken.</p>

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.	Programme agreed. Ongoing.
10	File and folder accesses review and rationalisation.	End of May 2015 (for IG to agree future actions for ICT on this)	Complete but further report being taken to SMT by ICT in October 2015.
11	Complete Ollie module for classification scheme and promote scheme and policy.	End of July 2015	Item deferred so revised date is December 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—End September 15. Disseminate any changes as and when required. Review CISP by end of March 16	Framework updated and revised CISP in place. Any changes have been disseminated via staff news and managers briefing. Review will be completed by this date.
13	Report to the Audit Committee on progress against the work programme and any issues arising.	September 2015 June 2016	Ongoing
14	Implement findings of the IG framework audit	End of November 2015	Implementation will be achieved by Nov 15.
15	Review and update intranet and internet pages for FOI and DPA.	Internet content reviewed on an on-going basis but full review of content by end Dec 15.	Review is on-going with a full review scheduled for completion by end Dec 15.
16	Complete N3 connection assessment for central government.	March 16.	Work item scheduled.