



**Telford & Wrekin**  
**C O U N C I L**

**Addenbrooke House Ironmasters Way Telford TF3 4NT**

## **AUDIT COMMITTEE**

Date	<b>Tuesday 28 June 2016</b>	Time	<b>6.00pm</b>
Venue	<b>Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford TF3 4NT</b>		

### **Enquiries Regarding this Agenda:**

Democratic Services	Jessica Tangye	01952 382061
Media Enquiries	Corporate Communications	01952 382407
Lead Officer	Jenny Marriott	01952 383101

**Committee Membership:** Councillors **R J Sloan (Chair), C F Smith (Vice Chair),**  
I T W Fletcher, K R Guy, A Lawrence, K S Sahota, W L Tomlinson  
and D G Wright

## **AGENDA**

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes** **Appendix A**  
To confirm the minutes of the Audit Committee held on 26<sup>th</sup> January 2016 **Page No:4**
4. **Review of Audit Committee Terms of Reference** **Appendix B**  
To review the Terms of Reference **Page No:15**
5. **KPMG Reports**
  - **Audit Plan 2015/16** **Appendix C**  
To receive the report of KPMG **Page No:19**
  - **Interim Report 2015/16** **Appendix D**  
To receive the report of KPMG **Page No:35**
  - **Fee letter 16/17** **Appendix E**  
To receive the letter from KPMG **Page No:37**
6. **Treasury Management - 2015/16 Annual Report and 2016/17 Update** **Appendix F**  
To receive the report of the Assistant Director: Finance and Human Resources and the Chief Financial Officer **Page No:43**

Continued ...

- |     |  |                                  |
|-----|--|----------------------------------|
| 7.  | <b>Annual Governance Statement 2015/16</b><br>To receive the joint report of the Chief Financial Officer and the Monitoring Officer  | <b>Appendix G</b><br>Page No:55  |
| 8.  | <b>Internal Audit Quarter 4 Update Report 2015/16; Internal Audit Plan 2016/17; and Information Governance Work Programme 2016/17</b><br>To receive the report of the Service Delivery Manager: Internal Audit, Information Governance and Insurance Services  | <b>Appendix H</b><br>Page No:74  |
| 9.  | <b>Internal Audit, Information Governance and Caldicott Guardian Annual Report 2015/16</b><br>To receive the joint report of the Service Delivery Manager: Internal Audit, Information Governance and Insurance Services; and the Assistant Director: Early Help & Support and the Director of Adult Social Services | <b>Appendix I</b><br>Page No:102 |
| 10. | <b>Corporate Anti-Fraud &amp; Corruption 2015/16 Annual Report and Policy Update</b><br>To receive the report of the Assistant Director: Finance and Human Resources and the Chief Financial Officer   | <b>Appendix J</b><br>Page No:126 |
| 11. | <b>Results of the Survey of the Effectiveness of the Audit Committee</b><br>To receive the report of the Service Delivery Manager: Internal Audit, Information Governance and Insurance Services   | <b>Appendix K</b><br>Page No:150 |
| 12. | <b>Outline of Business for Future Meetings2016/17</b><br>To receive the report of the Service Delivery Manager: Internal Audit, Information Governance and Insurance Services  | <b>Appendix L</b><br>Page No:156 |

## **PUBLIC INFORMATION**

### **Accessing Agendas, Reports and Minutes**

All public committee papers are available for inspection at Addenbrooke House during normal office hours, and also on the internet from the day of publication, accessed from the Council's website at [www.telford.gov.uk/meetings](http://www.telford.gov.uk/meetings).

### **Enquiries regarding meeting arrangements**

Please contact Democratic Services using the contact details shown on the agenda to obtain information concerning the agenda or meeting arrangements.

### **Queries on reports**

Please contact report authors prior to the meeting if you have questions on the reports or wish to inspect the background documents stated in the report. The name and telephone number of the report author is shown at the end of each report.

### **Meeting Procedures Rules and Speaking Rights**

Details of meeting procedures and the Council's public speaking policies can be downloaded from the Council's website [www.telford.gov.uk/meetings](http://www.telford.gov.uk/meetings) or by contacting Democratic Services using the contact details shown on the front page.

Terms of Reference can be viewed in the Council's Constitution which can also be downloaded from the Council's website: [www.telford.gov.uk/constitution](http://www.telford.gov.uk/constitution).

### **Representation**

Find contact details for your local Ward Councillor on the Council's website: [www.telford.gov.uk/councillors](http://www.telford.gov.uk/councillors).

### **Audio/Visual Recording of Meetings**

Members of the public are welcome to attend and observe the proceedings of all public meetings whilst in open session. The filming, recording or taking of photographs of proceedings is allowed, as well as the use of social networking and micro-blogging to communicate with people about what is happening at the meeting. These activities are subject to a protocol, which can be accessed from the Council's website [www.telford.gov.uk/meetings](http://www.telford.gov.uk/meetings).

### **Calendar of Meetings**

Dates of future meetings for all of the Council's meetings can be accessed from the Council's website [www.telford.gov.uk/meetings](http://www.telford.gov.uk/meetings).

### **Social Media**



[www.facebook.com/telfordwrekin](http://www.facebook.com/telfordwrekin)



[www.twitter.com/telfordwrekin](http://www.twitter.com/telfordwrekin)



[www.flickr.com/telford-wrekin](http://www.flickr.com/telford-wrekin)



Take Pride in your Community, report issues using the Everyday Telford app  
[www.telford.gov.uk/everydaytelford](http://www.telford.gov.uk/everydaytelford)

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Tuesday, 26 January 2016 at 6.00pm in Meeting Room G3, Addenbrooke House, Ironmasters Way, Telford, Shropshire**

**PRESENT:** Councillors R Sloan (Chair), C F Smith (Vice Chair), I T W Fletcher, K Guy, W Tomlinson and D Wright.

**IN ATTENDANCE:** Mr I Pennington (Director at KPMG) and Ms P Katrak (Arlingclose).

**OFFICERS:** R Partington (Managing Director), K Woodhouse (Senior Business Systems Support Officer), C Jones (Director of Children's and Adult Services), J Eatough (Assistant Director: Legal, Procurement & Commissioning), R Smith (Interim Assistant Director: Early Help & Support), J Middleton (Housing Investment Programme Manager), K Clarke (Assistant Director: Finance & Human Resources), P Harris (Finance Manager - Corporate Finance & Customer Services), J Marriott (Service Delivery Manager: Internal Audit, Information Governance & Insurance Services), B Morris (Finance Team Leader), and J Clarke (Democratic Services Support Officer).

#### **AUC-28      APOLOGIES FOR ABSENCE**

Councillor S Reynolds

#### **AUC-29      DECLARATIONS OF INTEREST**

None.

#### **AUC-30      MINUTES**

**RESOLVED** – that the minutes of the meeting of the Audit Committee held on 15 September 2015 be confirmed and signed by the Chair.

The Chair asked the Members of the Committee if they would be willing to move item 8 of the Agenda – Draft Treasury Management Strategy 2016/17 and update 15/16 to follow items 4 and 5 of the Agenda following the Treasury Management Training that had taken place prior to the meeting and the attendance of P Katrak from Arlingclose.

**AGREED** – that the Draft Treasury Management Strategy 2016/17 and update 15/16 be moved to follow items 4 and 5 on the Agenda.

#### **AUC-31      KPMG ANNUAL AUDIT LETTER 2014/15**

Mr I Pennington, KPMG, gave brief overview of the report which summarised the key findings from the 2014/15 audit of the Authority.

All of the information contained within the report had previously been to the Audit Committee and there was nothing new to report. Appendix 1 to the report summarised the report which had been issued since the last Annual Audit Letter.

A discussion took place which included:

- Adequate controls and value for money (vfm) opinion
- The work being undertaken around the question raised by an elector regarding Station Road, Newport

The Chair thanked KPMG for the report which the Committee had noted.

#### **AUC-32      GRANTS REPORT 2014/15**

Mr I Pennington, KPMG, gave a brief summary of the results of the work which had been carried out on the Council's 2014/15 grants claims and returns.

The Certification results on the Council's Housing Benefit Subsidy claim resulted in an unqualified certificate and a reasonable assurance report was issued in relation to the Teachers' Pension Contributions return. This had been a good report for the Council with no issues to report.

A discussion took place around the criteria used for determining which grants would be audited. Mr Pennington confirmed that it was the grant givers who requested that an audit took place. These requests had been received from:

- DWP – Housing Benefit Subsidy
- Teachers' Pension Agency – Teachers Pension Contributions Return

The Chair, on behalf of the Committee, thanked all officers involved with the audits for their hard work which had put the Council in a good position.

The Chair asked that the Committee note the report.

#### **AUC-33      DRAFT TREASURY MANAGEMENT STRATEGY 2016/17**

The Finance Manager - Corporate Finance & Customer Services presented the 2016/17 Treasury Strategy and Treasury Update Report which listed activities undertaken during 2015/16 and detailed the Treasury Strategy which was recommended for adoption during 2016/17. Any changes through the budget consultation would be made and a copy of the final report would be circulated to the Committee. She also thanked Ms Katrak, from Arlingclose, for the training that was delivered to Members prior to the Committee Meeting.

The treasury portfolio showed an overall net indebtedness of £130.4m at the end of December. Base Rates had remained at 0.5% all year with the next move expected to be upwards towards the end of 2016 or early 2017, but this was unknown at this stage.

The borrowing strategy for 2015/16 was to use maturing investments to reduce borrowing and then take up new borrowing with shorter maturity dates before gradually lengthening maturities. Part of the EIP PWLB loans had matured but no new loans had been taken out. Short term borrowing had been used to fund short term cash flow requirements and to take advantage of low interest rates. The investment strategy for 2015/16 was to gain maximum benefit with security of the principal sum invested being the primary consideration and the return on internal investments at the end of December 2015 was 0.43% compared to the benchmark return of 0.30%.

The Treasury Management Strategy had been set within the parameters of statute and adhered to the guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management and the Prudential Code.

The Council was expected to borrow up to £53.1m in 2016/17 based on the current capital programme plans but would adopt a flexible approach to borrowing following consultation with Arlingclose, the Council's Treasury Management Advisors and taking into consideration affordability, maturity profile of existing debt, interest rate and refinancing risks and borrowing sources. It was expected that the strategy would be kept to short-term investments and costs kept to a minimum.

Maximum investment levels with counterparties would be set to ensure prudent diversification was achieved whilst recognising strict investment criteria that the Council applied to severely reduce the number of suitable available counterparties and sums with individual counterparties had been reduced from £20m to £15m at any one time in order to spread the risk.

The Council's Minimum Revenue Provision Statement had been updated to state the exact policy for each borrowing type and would apply from 2015/16. Although this policy was broadly in line with that previously agreed, it was being extended to include the Public Finance Initiative (PFI) Agreement and changed the way that MRP was charged in respect of historic borrowing. This included backdating the adjustments to the start of the prudential regime and would produce a net saving of £5.3m in 2015/16, £5.7m in 2016/17 and £5.3m in 2017/18. These savings would then remain broadly at £2.4m until 2033/34 before ultimately becoming a cost. This saving was calculated using the government's green book discount rates and present a value of saving of £50m.

A discussion took place including:

- Maturing/Long term investments
- Short term cash flow
- Investments
- HIP/PIP figures

As the Treasury Management Strategy was due for final approval at Council on 3<sup>rd</sup> March it was suggested that recommendation 3 of the report be "noted". Members unanimously agreed that this amendment be made.

**RESOLVED – that:**

- a) the Treasury Management activities for the first half of the year be noted;
- b) the Treasury Management Policy Statement be noted; and
- c) the Treasury Strategy, including the Annual Investment Strategy for 2016/17 together with the associated treasury Prudential Indicators and the Minimum Revenue Provision Statement, which would apply from 2015/15 onwards be noted.

**AUC-34      ADULT SOCIAL CARE SYSTEMS UPDATE**

R Smith (Interim Assistant Director: Early Help & Support) and K Woodhouse (Senior Business Systems Support Officer) gave a verbal update on the current position with regard to the adult social care systems.

The Interim Assistant Director: Early Help & Support gave the Members some background regarding the need for changes to the system. In April 2015 there were changes to Part 1 of the Care Act 2014 which required adult social care to develop work streams for the funding programme and deferred payments which meant that older people would not have to sell their homes to fund their care and that they were given information and guidance, together with being assessed for their eligibility and level of need for help. A Telford and Wrekin Care Act Implementation Board was set up to oversee the implementation programme for the delivery of these requirements and the work streams which included:

- Funding reform & Deferred payments
- Commissioning
- Information and Advice
- Assessment & Eligibility
- Safeguarding
- Workforce Development
- Infrastructure
- Communication & Engagement

These work streams ensured that there was an efficient service for health and wellbeing which would reduce the delays in delivering adult social care and set up a first point of contact for adult social care needs in order to deliver a person led service. It would also ensure that financial assessments were undertaken and people charged appropriately. The planning of services would need to be integrated and become partnership working.

A Telford and Wrekin Safeguarding Board was set up in order to support transition arrangements between authorities and ensure that robust care and support was in place. It was also important to meet the Care Act responsibilities towards carers and meet family needs.

The Care Act Board had now been stepped down but a number of Director's Challenges had taken place with officers in order to give reassurance that the Act had been implemented appropriately. The Care Act also required the Council to complete a quarterly stocktake and undertake benchmarking exercises. A new target operated model had been implemented in order to meet the Care Act responsibilities.

Part 2 of the Care Act 2014 postponed the funding reforms until 2020. These reforms had included a cap on care costs. This work would need to be looked at in the near future in order to have work streams and infrastructure in place to give reassurance to the Committee.

The Interim Assistant Director: Early Help & Support updated the Committee on the current position with regards to the Abacus system and the improvements made since the last report on 15<sup>th</sup> September 2015.

In order to be Care Act 2014 compliant the following requirements needed to be met:

- Improve financial controls
- Accurate recording of client expenditure and income
- Improved process efficiency (via an interface between CareFirst and Abacus)
- Statutory reporting requirements SALT (Short and Long Term Care return) and ASC-FR (Adult Social Care Finance Return)

The Senior Business Systems Support Officer informed the Committee that Abacus had been upgraded to version 170R1 on 1<sup>st</sup> December 2015. The upgrade had facilitated the implementation of the deferred payments module which enabled the Council to provide service users with the facility to defer payments for care against their capital, with automated calculations identifying when a service user reached their equity limits. The module reduced the margin for error and made the process more efficient and to allow for closer monitoring and ensure the Council is Care Act Compliant.

It was intended to interface CareFirst and Abacus in order to remove duplication and to allow information input into Carefirst to be transferred through to the Abacus system automatically. Further scoping work had identified the need to commission the system suppliers to assist with a partial re-build and this work would begin imminently and continue until March. Once this work had been completed and thoroughly tested it would deliver the direct payments module and a timeframe of April/May 2016 was envisaged for completion.

The Interim Assistant Director: Early Help & Support would circulate a briefing note to the Committee following the meeting. The Committee's role was to look at the size of the budget and assesses where the Council were with the ICT issues. He looked forward to the time when the Committee could discharge the Abacus system, but unfortunately they were not quite in this position yet.



A discussion took place including:

- The size of the IT system
- The interface
- Overall control of the system
- Testing of the systems, including non-scheduled testing and sample testing
- Efficiency of the system once completed
- Quality Assurance processes
- Financial confidence in the interim period and ensuring the system was accurate, on time and that checks and balances were in place
- Final sign off of system and the expected date for completion

The Service Delivery Manager: Internal Audit, Information Governance & Insurance Services confirmed that regular meetings took place with the Care Act Lead Officer and that a formal review would take place as part of the audit process next year.

It was expected that the sign off would be July 2016, but that this may be an optimistic date, given the unknown findings and testing and the reliance on supplies providing a fix for any errors, if found. New releases to the system would be expected year on year to reflect the changes to the Care Act and there would be a regular sign off programme.

The Chair suggested that he meet with the Vice-Chair and the Assistant Director: Early Help & Support and Service Delivery Manager: Service Improvement & Efficiency in late March in order to discuss progress and the Chair bring a verbal update to the June meeting of the Committee with a formal update in September 2016.

It was also requested that reports come to the Committee in writing rather than verbal reports.

## **AUC-35      SIGNIFICANT PROJECTS RISK REGISTER AND ASSURANCE OF RISK MANAGEMENT**

### **Better Care Fund, Care Act and Social Care Change Board**

The Director of Children's and Adult Services gave a verbal report on the Better Care Fund and with regard to the Care Act and Social Care Change Board.

The Better Care Fund (BCF) now had a S75 Agreement for the pooled budget of £10m for the 2015/16 in place and had reached moderate success on the plan and spending was within budget. This was a foundation year for the fund and enabled the Council to build a relationship with the Clinical Commissioning Group (CCG) which would continue into 2016/17. The Council had reached a reasonable outturn within 2015/16 but had not moved funding around within the pooled budget. The Council was working with the CCG to identify a shared narrative based upon "Being the Change" in particular the building of community resilience capable of managing inappropriate demand away from health and social care services.

The Council and CCG were currently working to establish the pooled BCF budget for 2016/17. This was likely to include a larger contribution from the CCG and the continuing protection of spending on social care.

The Service Delivery Manager: Internal Audit, Information Governance & Insurance Services confirmed that the Better Care Fund has its own risk and issues log. There was a BCF Strategic Group who met to discuss finances and although there had been successful meetings there were still things to tease out due to the substantial sums of money involved and the need to establish the risks.

A discussion took place including:

- Pooled budgets and the uncertainty around continuing health care (CHC)
- The Council's engagement with SaTH
- Different BCF Models in other areas and looking at the options via the Health and Wellbeing Board, the Council's Cabinet and the CCG Board.

A question was raised with regard to who was responsible for health services provided for a non-Telford resident who needs health care whilst visiting Telford. As the Director of Children's and Adult Services did not have the answer to hand a written answer would be supplied to answer the question.

### Single Status

The Assistant Director: Legal, Procurement & Commissioning gave a verbal report on the current position with regard to Single Status.

Single Status was progressing well and a Job Evaluation Scheme was being developed.

As far as governance was concerned the Single Status Implementation Team met monthly to discuss progress against a project plan.

There was now a joined up approach to how the project was being managed alongside a linked project to implement a new payroll system prior to Single Status being implemented.

With regard to affordability, money had been set aside to meet single status liabilities. The Budget had been reduced pro rata due to the reduction in the size of the Council workforce.

A discussion took place including:

- Problems with the existing scheme
- Evaluations within the new scheme
- Budget set aside including claims/protection costs/one-off funding costs and appeals
- Data cleansing

## Housing Investment Programme

The Managing Director and the Housing Investment Programme Manager presented a verbal report on the Housing Investment Programme.

In January 2015 the Council took its Business Case to Cabinet, following external advice from Savills, to deliver 425 private and affordable rented properties following earlier approval from Cabinet and Council in 2014. The Business case contained an extensive risk register and the Council was mindful of the risks when investing £45m. Clear aims were requested by Cabinet that the Council set the standard for a quality private rented offer and a private landlord. Cabinet also requested that the council diversify in order to reduce the risk.

The Project Team met 4 weekly and consisted of some officers from the Senior Management Team, the Service Delivery Manager: Housing Investment Programme Manager, and officers from Finance, Legal and members of Telford Homefinder. A Project Board meeting was held every 6 weeks and consisted of the Managing Director and 2 Cabinet Members who had been given delegated powers through the business case and the strategic risk register was reviewed as the projects moved forward.

The Service Delivery Manager: Internal Audit, Information Governance & Insurance Services confirmed that there was a governance structure in place and decision making arrangements were made through the Business Case and required Cabinet approval. External Solicitors had drawn up a set of Agreements in order to operate the business case and to take into consideration the business case for Nuplace and respond to its requirements.

A discussion took place regarding the business case and plans and Members asked how many units had been built so far.

The Housing Investment Programme Manager confirmed that they were currently working on Phase 1. There were 3 phases with approximately 400 units in total. Phase 1 was on site and construction was underway on:

- Woodlands (former Woodland Primary School) – 101 market rental units of which 33 had been built and let which were one third of the properties with very little marketing. The remaining properties would be advertised on “Right Move”

Phase 2 was currently at the stage of processing planning applications for the sites which included:

- Matlock Avenue, Malinslee (former Malinslee Primary School)
- Madeley Court (former Madeley Court and Leisure site)
- Newport (Springfields)

Phase 3 was at the discussion stage.

The Managing Director confirmed that there would be a further report to Cabinet at the end of March.

A discussion took place regarding the project and included:

- Assurance that the Board was looking after the Project at arm's length
- Right to Acquire properties rather than rental
- Affordable rents or Private market rents
- The rules surrounding the spending of the Company and the Management Charges
- Accounts – Telford & Wrekin stand-alone accounts and the Group Accounts

**AUC-36      2015/16 INTERNAL AUDIT QUARTERS 2 AND 3 UPDATE REPORT;  
UPDATE OF THE INTERNAL AUDIT CHARTER FOR 2016/17;  
EXTERNAL ASSESSMENT IN RESPECT TO THE PUBLIC SECTOR  
INTERNAL AUDIT STANDARDS**

The Service Delivery Manager: Internal Audit, Information Government & Insurance Services updated Members on the work of Internal Audit during quarters two and three, July to December 2015 together with an update on the Internal Audit Charter for 2016/17 and the External Assessment against the Public Sector Internal Audit Standards.

There were 9 Amber reports issued during quarters two and three details of which could be found at Appendix D to the report, together with one part of the opinion for Cash Collection. Variances in the timescales allocated by +/- 10% could be found at 5.4 to the report and the Team as a whole were to look at time allocations across the areas.

Reports that remained Amber could be found at 5.7 to the report. The Abacus system concerns had already been reported earlier in the meeting. With regards to Moorfield Primary School, this had moved from Amber to Yellow and it was hoped to move this forward at the next audit. Direct Payments had been delayed due to the implementation of the new system and a full review was due to take place in 2016/17 following the restructures. Charlton School was due to have a visit during the forthcoming week. Section 17 payments was still currently rated Amber but a further follow up visit was due in April 2016.

A discussion took place regarding:

- Amber/Yellow reports regarding Abacus Systems
- St Matthews School – due to a new head and business manager being in place extra time had been given prior to the next audit taking place
- Multi Storey Car Park – 121% variance

The Public Sector Internal Audit Standards required that the Council's Internal Audit have a Charter which sets out the purpose, resources, reporting and other information important to the provision of services. The Council's draft Internal Audit Charter 1<sup>st</sup> April 2016 – 31<sup>st</sup> March 2017 could be found at Appendix E to the report and had been reviewed and updated to reflect:

- The Internal Professional Practices Framework – the 10 core principles for the Professional Practice of Internal Auditing;
- The resources available for 2016/17;
- The revised title of the Service Delivery Manager to Internal Audit, Information Governance and Insurance Services as she took over responsibility for Insurance on 17th November 2015 (although the current retender is being completed by Finance colleagues); and
- Other minor changes to reflect the changing organisation.

Members were asked to approve the Internal Audit Charter.

The PSIAS in Standard 1310 of the Quality Review and Improvement Programme (QAIP) set out the requirement for internal and external assessments of the Internal Audit activity. Standard 1312 stated that an external assessment must be conducted at least once every 5 years and therefore all Councils would need to have completed an external review prior to the 31<sup>st</sup> March 2018. Given the likely demand for reviews in the financial year 2017/18 together the scheduled restructure within Finance & Human Resources within this period, it was suggested that it would be prudent to have an external review during 2016/17. It was felt that although an external peer review could be a cost effective approach, independence criteria would need to be met. A collaborative approach had been taken by Staffordshire Chief Auditors Group (SCAG – made up from Staffordshire County Council and the shire districts plus High Peak BC and Staffordshire Fire and Rescue) led by Newcastle BC had undertaken work during 2015 in order to confirm to the standards but keep down time and costs for respective authorities. Shropshire Council and Telford & Wrekin Council had been invited to join these arrangements subject to Audit Committee approval. These costs were expected to be in the region of £2-£3K and were a one-off cost that could be taken from the budget.

The Committee were asked to endorse these collaborative arrangements.

**RESOLVED – that**

- a) the Internal Audit update information for quarters 2 and 3 2015/15 be noted;
- b) the 2016/17 Internal Audit Charter attached as Appendix E be approved; and
- c) the procurement route for an external assessment of Internal Audit against the PSIAS as set out in Section 7 with final details to be agreed by the Service Delivery Manager: Internal Audit, Information Governance & Insurance Services in consultation with the Chair of the Audit Committee and Chief Financial Officer be agreed.

**AUC-37      UPDATE ON THE ANNUAL GOVERNANCE STATEMENT 2014/15 ACTION PLAN**

The Service Delivery Manager: Internal Audit, Information Government & Insurance Services reported on the Annual Governance Statement 2014/15 Action Plan which

the Council was required to produce and best practice was that the statement should include an action plan for further improvement. The report set out the progress made to the end of November 2015 against the actions agreed in this action plan in June 2015.

A discussion took place including:

- Governance changes within the last 3 years and the resources to undertake the work
- Ensuring the Council was legally and financially covered for risks
- Members being prepared to challenge officers

**RESOLVED** – that progress made against the actions in the AGS Action Plan (Appendix A) be noted.

**AUC-38      REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2015/16**

The Service Delivery Manager: Internal Audit, Information Government & Insurance Services reported to Members that the last survey to review the effectiveness of the Audit Committee had been undertaken in February 2013. A decision was made by Audit Committee in January 2014 to undertake surveys bi-annually but to postpone the next survey until after the Council's elections in May 2015.

It was good practice for the Council and the Committee to review its effectiveness as it helped to demonstrate good governance by measuring and reporting on its effectiveness, including identification of any improvement areas.

Members were asked to approve the draft Survey which could be found at Appendix A to the report and that the result of the survey be brought to the June 2016 meeting.

**RESOLVED** – that

- a) the survey attached to the report at Appendix A be agreed and that it be issued to those outlined in paragraph 5.2 to measure the effectiveness of the Audit Committee; and
- b) that the results of the effectiveness survey will be presented to the June 2016 Audit Committee be agreed.

The meeting ended at 8.16 pm

**Chairman:** .....

**Date:** .....

**TELFORD & WREKIN COUNCIL**
**AUDIT COMMITTEE 28th JUNE 2016**
**REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE**
**JOINT REPORT OF THE ASSISTANT DIRECTOR FINANCE & HUMAN RESOURCES  
AND THE MONITORING OFFICER**
**1 SUMMARY OF MAIN PROPOSALS**

- 1.1 For the Audit Committee to note and recommend to Council the changes to the Audit Committee's terms of reference included in the papers to the Council's Constitution Committee that are proposed to be adopted by the Council in July 2016.

**2 RECOMMENDATION**

- 2.1 That members of the Audit Committee note and recommend the changes to the terms of reference attached as Appendix 1 to be adopted (through the Council's Constitution Committee) by the Council in July 2016.

**3 SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The Audit Committee is part of the Council's Governance Framework encompassing the whole Council and therefore all of the Council's priorities.</i>
	Will the proposals impact on specific groups of people?	
	No	
<b>TARGET COMPLETION/DELIVERY DATE</b>	<i>Approval by Council at their July 2016 meeting.</i>	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	No	<i>Good governance processes support value for money in ensuring economy, efficient and effectiveness in the Council's decision making and processes.</i>
<b>LEGAL ISSUES</b>	Yes	<i>The requirement for Terms of Reference for Council Committees is part of the Constitution.</i>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes	<i>The Audit Committee provides assurance on good governance and that there is the proper identification and management of risks and robust control arrangements.</i>
<b>IMPACT ON SPECIFIC WARDS</b>	Yes	<i>Borough-wide impact</i>

#### **4     INFORMATION**

- 4.1     There is a requirement in the Constitution for all Committees to annually review their terms of reference at their first meeting following Annual Council.
- 4.2     The changes to the Audit Committee terms of reference reflect the future requirements of the Council under the Local Audit & Accountability Act 2014 in respect to the appointment of external auditors.

#### **5     IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

N/A

#### **6     PREVIOUS MINUTES**

- 6.1     Audit Committees – 1<sup>st</sup> meeting after the commencement of the municipal year

#### **7     BACKGROUND PAPERS**

Constitution  
The Accounts & Audit Regulations 2015  
Local Audit & Accountability Act 2014

Report by Jenny Marriott, Audit, IG & Insurance SDM 383101



## Telford and Wrekin 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))

1. The approval (but not direction) of, and monitoring of progress against, the internal audit Charter 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.
5. External Auditors:
  - a. Recommend the appointment of the External Auditors to the Council
  - b. Review and agree the External Auditors annual plan, including the annual audit fee
  - c. Receive regular update reports on progress and other reports of external auditor.
  - d. Meet privately with the external auditor as required.
  - e. Ensure that there are effective relationships between external and internal audit so that the value of the combined internal and external audit process is maximised.
6. Consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:
  - a. the Council's Code of Corporate Governance;
  - b. the Council's information security framework;
  - c. receipt of the Caldicott Guardian's Annual report;
  - d. oversight of Commercial projects;
  - e. the management of opportunities and risks; and
  - f. other corporate governance arrangements.

7. 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.
8. 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.
9. 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.
10. 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.
11. To approve the Speak Up Policy ('whistle blowing') and to recommend its adoption by the Council, and to monitor its operation. This policy will be reviewed at least once every two years. Recognising that Complaints/Compliments are a Cabinet function, the Committee should:-
12. Review the Annual Complaints Report and seek assurances that the Council is improving in response to complaints raised.
13. 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.
14. To ensure that adequate training is received by the members of the committee on the areas covered by these terms of reference.
15. To ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as confidential.
16. Annually review their effectiveness and their terms of reference.



# External Audit Plan



Telford & Wrekin Council

—

April 2016



## Financial statement audit

**There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority needs to comply with.**

### Materiality

Materiality for planning purposes has been based on last year's expenditure and set at £5.0 million.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £250,000.

### Significant risks

Professional standards require us to consider the following as two standard risks for all organisations:

- Management override of controls; and
- Fraudulent Revenue Recognition

### Other areas of audit focus

We have identified a further risk with less likelihood of giving rise to a material error but which is nevertheless worthy of audit understanding:

- Group accounting; and
- Better Care Fund Accounting.

**See pages 3 to 6 for more details.**

## Value for Money Arrangements work

The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risks:

- Better Care Fund Governance; and
- Budget Delivery.

**See pages 8 to 11 for more details.**

## Logistics

Our team is:

- Ian Pennington – Director;
- Adam Bunting – Manager; and
- James Keen – Assistant Manager.

More details are on **page 14**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 13**.

Our fee for the audit is £117,119, which is a reduction of £39,039 (25%) compared with 2014/15), see **page 12**. A small additional fee be charged in relation to the production of consolidated financial statements.

# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- Financial statements (including the Annual Governance Statement): Providing an opinion on your accounts; and
- Use of resources: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

## Acknowledgements

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

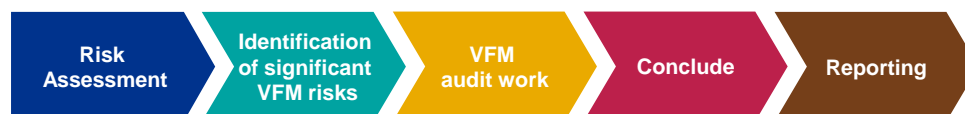
## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16 and the findings of our VFM risk assessment.



# Financial statements audit planning

## Financial Statements Audit Planning

Our planning work takes place during December to March 2016. This involves the following key aspects:

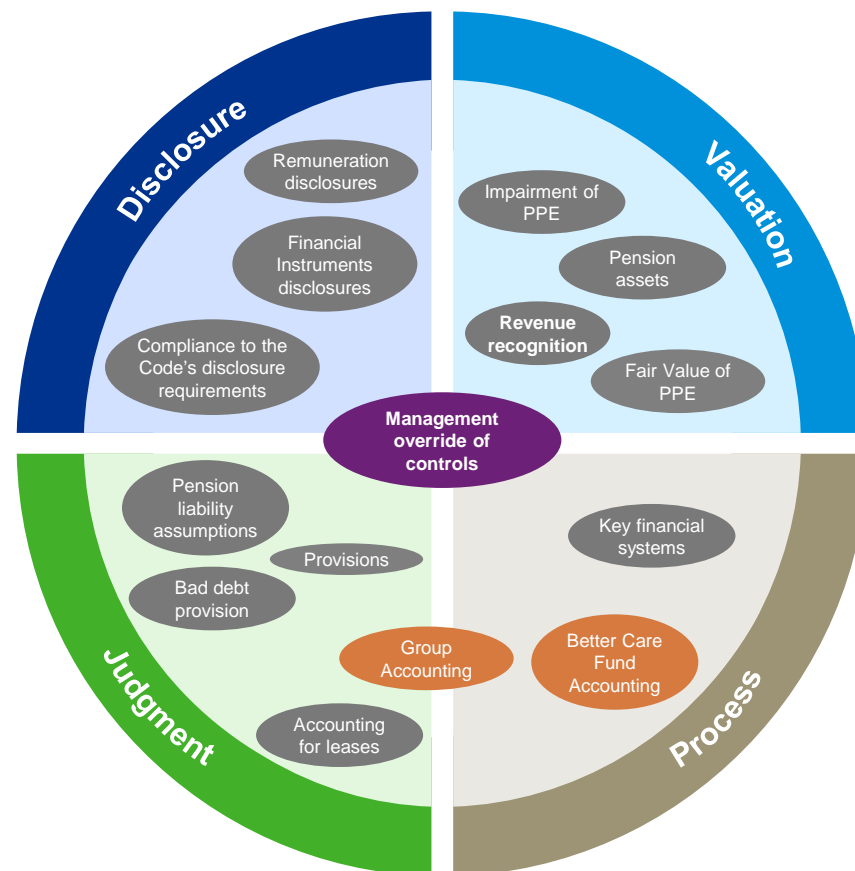
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

## Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry 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.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach

# Financial statements audit planning (cont.)

Other areas of audit focus		
Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.		
	Issue	Approach
<b>Group Accounting</b>	<p>During 2014/15, the Authority approved an investment in a commercial project to develop housing for the private rental market and generate income. In order to facilitate this, the Authority has established a wholly owned subsidiary company (NuPlace Ltd) which is responsible for procurement and development of the housing units, and for their subsequent rental, maintenance and management.</p> <p>The Authority will therefore be required to produce group accounts for the period. This will require additional disclosures and revised presentational requirements throughout the financial statements.</p> <p>This is the first time that the Authority has prepared consolidated financial statements and as a result new processes will need to be established as part of the existing closedown arrangements.</p>	<p>We will review the way in which transactions have been accounted for and confirm that required consolidation adjustments have been made as part of the preparation of the group accounts.</p> <p>NuPlace Ltd has appointed us to carry out the audit of their financial statements, and we will use this to help us perform the audit of the consolidated accounts of the Authority.</p>
<b>Better Care Fund Accounting</b>	<p>The introduction of the Better Care Fund, which results in pooling of budgets between local authorities and clinical commissioning groups, represents a significant change in relation to the way in which care is delivered throughout the country. The Fund represents a significant accounting risk for the Authority. This is, in part, due to the need to ensure that any under or overspend is appropriately shared between the Authority and its partnering Clinical Commissioning Group and that such sharing is agreed between the parties and founded upon an appropriate basis.</p> <p>In addition, the Code of Practice on Local Authority Accounting in 2015/16 sets out disclosure requirements in relation to the Better Care Fund which must be complied with in the preparation of the Council's financial statements for the year ended 31 March 2016. The Authority will need to ensure that appropriate records and documents are in place to facilitate and support the preparation of these disclosures.</p>	<p>We will review the processes which the Authority has implanted to identify the appropriate costs and contribution to be recognised in its financial statements to ensure that they are effective and appropriate. We will subsequently:</p> <ul style="list-style-type: none"> <li>— agree the value of costs and contributions allocated to the Authority to supporting records and documents;</li> <li>— confirm that the wider values disclosed in relation to the overall Better Care Fund agree to supporting records; and</li> <li>— check that the disclosures related to the Better Care Fund are in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting in 2015/16.</li> </ul>

# Financial statements audit planning (cont.)

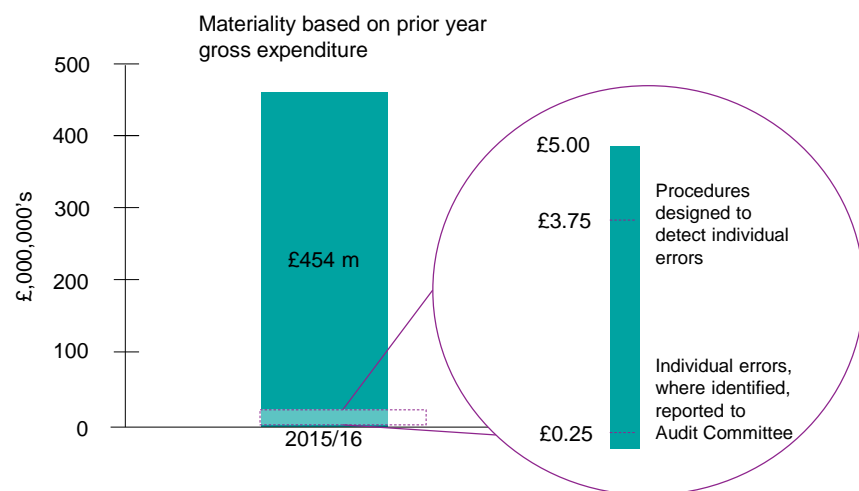
## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £5.0 million, which equates to approximately 1.1% 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 unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

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 £250,000.

If 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.



# Value for money arrangements work

## Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.

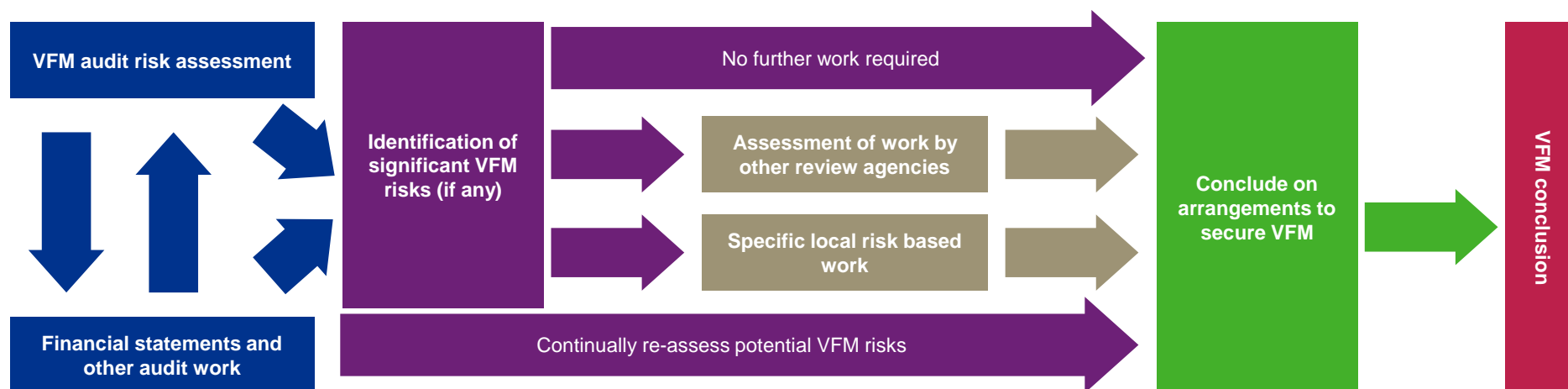
### Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed  
decision  
making

Sustainable  
resource  
deployment

Working with  
partners and  
third parties



# Value for money arrangements work (cont.)

VFM audit stage	Audit approach
<b>VFM audit risk assessment</b>	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the Code of Audit Practice.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>— The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>— Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li> <li>— Evidence gained from previous audit work, including the response to that work; and</li> <li>— The work of other inspectorates and review agencies.</li> </ul>
<b>Linkages with financial statements and other audit work</b>	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
<b>Identification of significant risks</b>	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>— Considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>— Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>

# Value for money arrangements work (cont.)

VFM audit stage	Audit approach
<p>Assessment of work by other review agencies and Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>— Meeting with senior managers across the Authority;</li> <li>— Review of minutes and internal reports;</li> <li>— Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

# Value for money arrangements work planning

Significant VFM Risks		
Those risks requiring specific audit attention and procedures to address the possibility that proper arrangements are not in place to deliver value for money.		
	Risk	Approach
<b>Better Care Fund Governance</b>	<p>As set out on page 4, the Better Care Fund represents a significant development for local authorities and their NHS partners. The need to ensure that appropriate governance structures are in place is essential. Without such, there is a significant risk that funds contributed by the Authority will fail to deliver the desired outcomes and benefits (both for the public and for the Authority). One of the key challenges in establishing effective governance arrangements is the need to balance the demands of the Authority and partnering Clinical Commissioning Group.</p>	<p>We will review the governance structure and processes which the Authority has put in place for the management of the Better Care Fund and the way in which this is designed to ensure that the objectives of the fund are met. This will include interviews with key members of staff from both the Authority and the CCG.</p>
<b>Budget Delivery</b>	<p>The Authority has identified the need to make savings of £10.2m in 2015/16. The period 9 forecast showed that the Authority would deliver a £4m underspend against its budget.</p> <p>The Authority's budget for 2016/17 was approved at the Council meeting on 3 March 2016 and recognised a need for £17.9m in savings. The approved budget includes individual proposals to support the delivery of the overall savings requirement. Further savings of £20.8m will be required over the period 2017/18 and 2018/19 to address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.</p> <p>As part of its response to reductions in central government funding the Authority had demonstrated a commitment to identifying new income streams. This has included the establishment of commercial projects in relation to the construction and operation of a solar farm and the delivery of housing for private rental.</p>	<p>As part of our additional risk based work, we will review the controls the Authority has in place to identify the need for financial savings and to deliver these. This will include considering whether the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.</p> <p>We will also review the way in which the Authority monitors the delivery of income from commercial projects and the extent to which these have met expectations.</p>

# Other matters

## Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

## Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The cost incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

## Our audit team

Our audit team will be led by Ian Pennington, supported by Adam Bunting, which will deliver continuity with prior years. Appendix 2 provides more details on specific roles and contact details of the team.

## Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

## Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

## Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The basic planned audit fee for 2015/16 is £117,119 for the Authority. This is a reduction in audit fee compared to 2014/2015 of £39,039 (25%). There will be a small additional fee charged as a result of the preparation of consolidated financial statements and the additional audit work required in relation to this. The fees quoted do not include the audit of the Authority's wholly owned subsidiary (NuPlace Ltd).

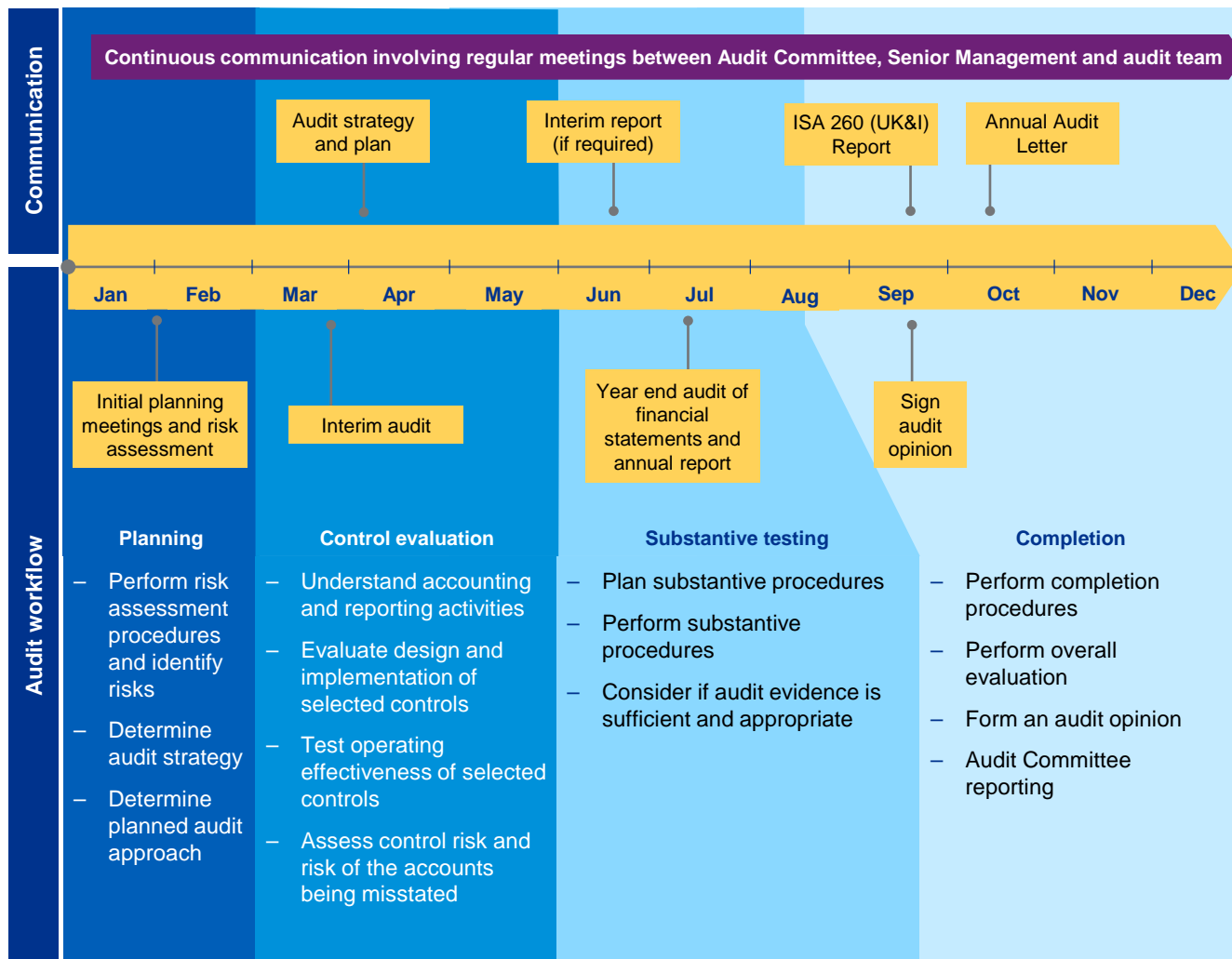
Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned certification fee for 2015/16 is £9,239, resulting in a total planned fee of £126,358.



# Appendices

## Key elements of our financial statements audit approach



### Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

**We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.**

## Appendix 2

# Audit team

Your audit team has been drawn from our specialist public sector assurance department. Both Ian and Adam were part of the Telford & Wrekin Council audit last year.



Name	Ian Pennington
Position	Director
	Ian's role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.
	Ian will be the main point of contact for the Audit Committee and Corporate Directors.

Ian Pennington  
Director  
T: 0292 046 8087  
E: [ian.pennington@kpmg.co.uk](mailto:ian.pennington@kpmg.co.uk)



Name	Adam Bunting
Position	Manager
	Adam will provide quality assurance for the audit work and specifically any technical accounting and risk areas.
	Adam will work closely with Ian to ensure we add value and will liaise with the Assistant Director: Finance, Audit and Information Governance, and other Directors.

Adam Bunting  
Manager  
T: 0117 905 4470  
E: [adam.bunting@kpmg.co.uk](mailto:adam.bunting@kpmg.co.uk)



Name	James Keen
Position	Assistant Manager
	James will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.

James Keen  
Assistant Manager  
T: 0121 232 3268  
E: [james.keen@kpmg.co.uk](mailto:james.keen@kpmg.co.uk)



# Independence and objectivity requirements

### Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

### Confirmation statement

We confirm that as of 21 April 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.



**KPMG LLP**  
**Audit**  
3 Assembly Square  
Britannia Quay  
Cardiff CF10 4AX  
United Kingdom  
**KPMG LLP**

Tel +44 (0) 29 2046 8087  
Fax +44 (0) 29 2046 8119  
DX 742270 Cardiff 37  
ian.pennington@kpmg.co.uk

Tel +44 (0) 29 2046 8205

Mr R Partington  
Managing Director  
Telford & Wrekin Council  
Addenbrooke House  
Ironmaster Way  
Telford Centre  
TF3 4NT

Our ref **TWC/1617/Fee Letter**

Contact **Adam Bunting**  
**+44 (0)117 905 4470**

28 April 2016

Dear Richard

#### **Annual audit fee 2016/17**

I am writing to confirm the audit work and fee that we propose for the 2016/17 financial year at Telford & Wrekin Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

#### ***Planned audit fee***

The planned audit and certification fees for 2016/17 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

<b>Audit area</b>	<b>Planned fee 2016/17</b>	<b>Planned fee 2015/16</b>
	<b>£</b>	<b>£</b>
Code of Audit Practice audit fee	<b>117,119</b>	117,119
Certification of housing benefit grant claims	<b>7,155</b>	9,239

PSAA has set the 2016/17 scale fees for the audit of Council's financial statements at the same level as for 2015/16, thereby preserving the 25 per cent reductions that were applied that year, which in turn was in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012/13. The planned fee is in line with the scale fee.

Additional fees for both 2015/16 and 2016/17 will arise, however, in relation to the audit of the consolidated financial statements as this is the first year that such accounts have been produced.

At this point, the extent of these fees is unclear as the level of additional work required is still to be determined but we anticipate that it will be in the region of £820. In addition, as we have not yet completed our audit for 2015/16, we will continue the audit planning process for 2016/17, including the risk assessment, as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

### ***Redistribution of Audit Commission surplus***

Following completion of the Audit Commission's 2014/15 accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. PSAA will distribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established by the PSAA Board.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

### ***Factors affecting audit work for 2016/17***

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

CIPFA/LASAAC has confirmed that the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* will adopt the measurement requirements of the CIPFA *Code of Practice on Transport Infrastructure Assets* for highways network assets. This change will require additional work in 2016/17 but PSAA has indicated that it is not appropriate to increase the scale fees to cover the costs of this work because the amount of work required at individual authorities will vary based on local circumstances. The fees for this additional work will therefore be discussed and agreed with you in due course and will be subject to PSAA's normal fee variation process. PSAA expects that the additional fees for a highways authority will be in the range £5,000 to £10,000, where authorities are able to provide the information required and the auditor is able to rely on central assurance of the valuation models in use. This amounts are indicative and therefore costs outside of this range may be necessary.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2016/17 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise

that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

### ***Certification work***

As well as our work under the Code, we will certify the 2016/17 claim for housing benefit subsidy to the Department for Work & Pensions.

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

### ***Assumptions***

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

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with Ken Clarke and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

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

### ***Our team***

The key members of our audit team for the 2016/17 audit are:

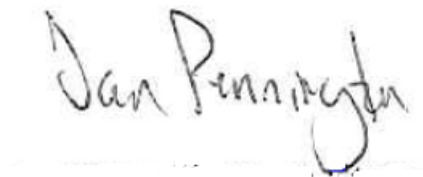
<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Ian Pennington	Director	ian.pennington@kpmg.co.uk 0292 046 8087
Adam Bunting	Manager	adam.bunting@kpmg.co.uk 0117 905 4470
James Keen	Assistant Manager	james.keen@KPMG.co.uk 0121 232 3268

### ***Quality of service***

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@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](mailto: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

Yours sincerely



Ian Pennington  
Director, KPMG LLP

## **Appendix 1 – Audit fee assumptions**

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2015/16;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2016/17 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

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

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

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

## **Appendix 2: Planned outputs**

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

<b>Planned output</b>	<b>Indicative date</b>
External audit plan	February 2017
Interim audit report	April 2017
Report to those charged with governance (ISA260 report)	September 2017
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2017
Opinion on Whole of Government Accounts return	September 2017
Annual audit letter	October 2017
Certification of grant claims and returns	December 2017





KPMG LLP  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX  
United Kingdom

Tel +44 (0) 292 046 8087

ian.pennington@kpmg.co.uk

**Private & confidential**

Ken Clarke  
Assistant Director: Finance and HR  
Telford and Wrekin Council  
Addenbrooke House  
Ironmasters Way  
Telford  
TF3 4NT

Our ref TWC/1516/INT

10 June 2016

Dear Ken

**Telford and Wrekin Council – Audit progress**

We have now completed our planning and interim audit work in line with the timetable set out in our detailed External Audit Plan, dated January 2016. In that plan we indicated that we were planning to present an Interim Audit Report to the Council's Audit Committee to report on the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

As our audit work to date has gone smoothly and we have not identified any significant issues, we no longer consider it necessary to report to the Audit Committee at this stage.

Our review of the work of Internal Audit as part of our planning and interim audit work identified that Internal Audit has raised a number of recommendations for control improvements with which we concur. These include recommendations of relevance to our audit work in relation to:

- **Journals:** Officers should ensure that supporting documentation is attached or clearly referenced for all journal transactions posted.
- **Benefits:** Officers should ensure that all exception reports are signed and dated to document that appropriate action has been undertaken.
- **HR and Payroll:** Officers should ensure that a copy of all documentation, as detailed on internal checklists, is obtained by HR and retained on employees' personnel files.

Each of these recommendations have been agreed with relevant Council officers, and a quarterly summary of reports separately reported to the Audit Committee. There were no further issues identified as part of our interim audit work that had not been identified by Internal Audit.



**KPMG LLP**  
*Telford and Wrekin Council – Audit progress*  
10 June 2016

In the absence of the need for an Interim Audit Report, please feel free to table this letter at the June meeting of your Audit Committee, to provide them with an update on the progress of our audit.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Pennington', written over a horizontal line.

Ian Pennington  
Director

**TELFORD & WREKIN COUNCIL****AUDIT COMMITTEE – 28 JUNE 2016****TREASURY MANAGEMENT - 2015/16 ANNUAL REPORT AND 2016/17 UPDATE****REPORT OF THE ASSISTANT DIRECTOR: FINANCE & HR (CHIEF FINANCIAL OFFICER)****PART A) – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

The report updates members on the outcome of Treasury Management activities for 2015/16 and details the position for 2016/17 to date.

**2015/16 Treasury Outturn**

The treasury portfolio ended the year with net indebtedness of £156.9m (borrowing: £164.1m less investments: £7.2m (excluding NuPlace Share capital). Base rate was 0.5% for the whole year and is predicted to stay at 0.5% until 2018.

The borrowing strategy for 2015/16 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate. Borrowing was £47.5m higher at 31 March 2016 compared to 31 March 2015, however investments were £3.4m higher (excluding NuPlace share capital). The net increase in net indebtedness was due to capital expenditure, including on income generating schemes such as NuPlace and the Property Investment Portfolio as well as the Ironbridge Gorge land stability project and various highways schemes. The value of fixed assets on the balance sheet has increased by £47.9m (prior to new Academies being removed) to £571.7m. Short term borrowing was used during the year at favourable interest rates generating a significant benefit for the Council's budget.

The investment strategy for 2015/16 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 0.42% against a benchmark of 0.37%.

Overall, treasury delivered a net over-achievement of £7.095m against the budget set for 2015/16. The majority of the saving relates to the benefit of extending the change in the calculation of the Minimum Revenue Provision applied in 2013/14 and 2014/15 to include historic debt (government allocations) and the Private Finance Initiative. It also includes £0.089m generated as a one-off saving in 2015/16 as a result of capitalisation of interest on capital projects pending their completion.

### **2016/17 Update**

The strategy for 2016/17 remains consistent with that of the previous year. Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters. There are currently no long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

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

Temporary borrowing was £75.6m at 31/3/16 and has reduced slightly to £71.5m as at 31 May 2016. Investments were £8.5m at 31 May 2016.

## **2. RECOMMENDATIONS**

**Audit Committee Members are asked to:-**

- 2.1 note the contents of the report
- 2.2 note the performance against Prudential Indicators.

## **3. SUMMARY IMPACT ASSESSMENT**

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

Yes/~~No~~ Efficient Community Focussed Council

Will the proposals impact on specific groups of people?

~~Yes~~/No

**TARGET COMPLETION / DELIVERY DATE** Part of ongoing Treasury Management Activities within the Treasury Management Strategy and Policy approved by Council.

**FINANCIAL/VALUE FOR MONEY IMPACT** Yes/~~No~~ Where appropriate these are detailed in the body of the report.

**LEGAL ISSUES** Yes/~~No~~ The AD: Finance & HR (Section 151 Officer), has responsibility for the administration of the financial affairs of the Council. In providing this report the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Article 12, paragraph 12.04(f) which states "The Chief financial Officer will contribute to the

promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee.”

**OTHER IMPACTS,  
RISKS AND  
OPPORTUNITIES**

Yes/No

The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.

**IMPACT ON  
SPECIFIC WARDS**

Yes/No

4. **PREVIOUS MINUTES**

Council 5 March 2015

Audit Committee 30 June 2015

Audit Committee 26 January 2016

Council 3 March 2016

**PART B – ADDITIONAL INFORMATION**

5. **BACKGROUND**

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

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

6. **2015/16**

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

- 2015/16 Portfolio position;
- the borrowing strategy for 2015/16;
- the borrowing outturn for 2015/16;
- compliance with treasury limits;
- investments strategy for 2015/16;
- investments outturn for 2015/16;

- debt rescheduling;
- Shropshire Council debt
- overall outturn position
- leasing

## 7. **2015/16 PORTFOLIO POSITION**

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

	<b>31 March 2016</b>		<b>31 March 2015</b>	
	<b>Principal</b>	<b>Rate</b>	<b>Principal</b>	<b>Rate</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Borrowing	164.098	2.82	116.613	3.49
Investments (excluding NuPlace share capital)	7.189	0.42	3.778	0.92
<b>Net Indebtedness (ex NuPlace)</b>	<b><u>(156.909)</u></b>		<b><u>(112.835)</u></b>	
Investment in NuPlace	3.500		0.000	
<b>Net Indebtedness</b>	<b><u>(153.409)</u></b>		<b><u>(112.835)</u></b>	

There was new temporary borrowing and repayment of £1m PWLB during 2015/16 as well as new PWLB borrowing of £2m; temporary borrowing was £75.6m at 31 March 2016 (including £1m PWLB maturing in 2016/17). The capital programme was funded from a combination of borrowing, capital receipts, grants and other external contributions plus funds from maturing investments; this has resulted in an increase in net indebtedness during the year. Prudential borrowing increased in 2015/16 due to planned capital expenditure approved as part of the capital programme. Investments at 31/3/16 included £3.5m share capital in NuPlace.

### ***The Adopted Treasury Strategy was to:-***

- Monitor borrowing opportunities determined by the prevailing markets.
- Only investing short term to meet cashflow requirements.
- Reduce the volatility of investment returns while maintaining adequate flexibility in arrangements.
- To achieve optimum return on investments commensurate with proper levels of security and liquidity.

## 9. **COUNCILS RESPONSE TO ECONOMIC CLIMATE**

- 9.1 The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling

since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

- 9.2 The Council has continued to maintain short duration and relatively low level of investments during 2015/16. This reduces exposure to investment risk.
- 9.3 We have closely followed investment guidance issued by our Treasury Advisors in relation to credit ratings, financial standing and duration and take advice on borrowing strategies and options.

## 10. **BORROWING 2015/16**

### 10.1 **Original Economic Projections**

The Expectation for Interest Rates – When the budget was set for 2015/16 the “average” City view anticipated that Bank Rate would remain at 0.5% until August 2015 before starting to rise gradually back towards more normal levels in 2015, though Bank Rate would take a long time to return to a normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. .

### 10.2 **Outturn 2015/16**

During 2015/16 the Monetary Policy Committee (MPC) was focused on helping the economy to recover, but with inflation falling and staying below target level.

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

The dominant focus in 2015/16 was on low inflation, quarterly GDP growth figures and the unemployment rate. Overall for 2015/16 the economy grew by 2.3%.

Inflation had been a major concern of the MPC but this has been flat for the year commencing at 0.0% in March 2015 to 0.3% in March 2016. Inflation is predicted to increase back to the 2% target level within the 2 year horizon.

### **Borrowing and Investment Rates in 2015/16**

The overnight investment rate has varied little during the year.

### **Treasury Borrowing and Rescheduling**

The borrowing strategy for the current year was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate.

During the year we borrowed one new PWLB loans for £2.0m at the project rate and we had some maturities totalling £1m.

### **PWLB Repayments & Discounts**

No loans were repaid early or rescheduled during the year.

An analysis of the maturity structure of our debt is shown below. The maturing in less than 1 year includes £1.001m of PWLB loans.

### **Analysis of Debt Maturity as at 31<sup>st</sup> March**

	<b>2016</b>		<b>2015</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Maturing in less than 1 year	75,579	29.5	29,093	25.0
Maturing in 1-2 years	1,001	0.8	1,001	0.9
Maturing in 2-5 years	2,503	2.4	3,003	2.6
Maturing in 5-10 years	7	1.2	507	0.4
Maturing in more than 10 years*	<u>85,008</u>	66.1	<u>83,009</u>	71.1
	<b><u>164,098</u></b>	100.0	<b><u>116,613</u></b>	100.0

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

### **Debt Performance**

As highlighted in section 7 the average debt portfolio rate has fallen over the course of the year from 3.49% to 2.82%. This is due to the increase in temporary borrowing being undertaken in 2015/16 at low interest rates as compared to 2014/15.

## **11. COMPLIANCE WITH TREASURY LIMITS**

During the financial year the Council operated within the Treasury Limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement

## **12. INVESTMENTS 2015/16**

### **12.1 Strategy**

Internally Managed Investments - The authority currently manages all of its investments in-house and invests within the institutions complying with its counterparty limits and credit rating requirements. All investments are short term related to cash flows in order to minimise counterparty risk and to minimise overall treasury management costs.

Investment Strategy - The agreed short term investment strategy for 2015/16 was to achieve optimum return on investments commensurate with proper levels of security and liquidity.



## 12.2 Outturn 2015/16

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

	Average Investment	Rate of Return (gross of fees)	Rate of Return (net of fees)	Benchmark Return *
<u>Internally Managed</u>				
Investments	£20.439m	0.42%	0.42%	0.37%

\*overnight rate

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

## 13. SHROPSHIRE COUNCIL DEBT

The Council makes an annual contribution (£1.781m in 2015/16) towards County Council costs on pre disaggregation debt (i.e. pre unitary inception) - interest paid averaged 5.38% last year. The rate of interest paid on this is managed by Shropshire and is considerably higher than the rate payable by Telford & Wrekin Council on its borrowing.

## 14. OVERALL OUTTURN FOR 2015/16

The net overall position is summarised in the table below. The sound overall position has resulted from a mix of cash flow benefits plus pro-active treasury management activities. The budget reflected the position when the budget was set, the underspend has been achieved through active management of debt principal and the low interest rates prevailing for the year. Overall a net saving of £7.1m was made against budget for the year which is summarised below:

### Summary of Outturn Position

	Estimate £m	Outturn £m	Variance £m
Interest Received	(0.1)	(0.3)	(0.2)
Principal Repayments	3.8	0.0	(3.8)
MRP saving from change of policy re PFI	0.0	(2.1)	(2.1)
Capitalisation of Interest	(0.0)	(0.1)	(0.1)
Shropshire County Council	1.8	1.8	0.0
Interest Paid	<u>5.0</u>	<u>3.7</u>	<u>(1.3)</u>
Net Position	10.5	3.4	(7.1)

## 15. LEASING

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

The final drawdown for 2015/16 was completed in March. The drawdown consisted of an operating leases from CHG Meridian totalling £0.049m and funded the purchase of ICT equipment over three years and a finance lease with Specialist Fleet Services totalling £0.204m and funded the purchase of ICT equipment and Ice Resurfacing Equipment at interest rates between 1.0% and 1.5%.

## 16. **2016/17 UPDATE**

The remainder of this report deals with the current financial year based largely on information to 31 May 2016.

### 16.1 **Strategy**

The strategy for 2015/16 is to continue to keep investments as short term, where possible, to reduce the need to borrow thus reducing investment exposure and maximising overall returns to the revenue account. We will review investment opportunities if they arise and also review borrowing opportunities as we progress through the year and look to take advantage of the advantageous interest rates if possible. 2016/17 and 2017/18 will see the Council continue to invest in significant regeneration projects including highways and building homes and commercial property for rent as part of the approved Housing Investment Programme

### 16.2 **Interest Rates**

Base rate began the year at 0.5% and has remained there. The current expectation is that there will be no increase before mid 2018.

### 16.3 **Prudential Regime**

This Council agreed its required indicators at Council on 3 March 2016. There have been no breaches of the indicators and none have been amended. The Council set itself an Operational limit for external debt of £370m for 2016/17 and an Authorised limit of £392m. Our total borrowing outstanding as at 31/05/16 (including PFI) is £217m which is within both limits.

### 16.4 **Borrowing**

We have not taken any new long term borrowing in 2016/17 and have had no maturities to-date. In total we have £1m maturing during 2016/17.

### 16.5 **Internally Managed Investments**

The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the overnight deposit rate. For the period to 31 May 2016 some £318m worth of investments have been made in our overnight call accounts. Rates have ranged from 0.40% to 0.45%. As at 31 May 2016 internal investments stood at £8.49m.

Potentially the Council can place up to £15.0m with any Counterparty. At the end of May the greatest exposure with a single counterparty was £4.5m with Svenska

Handelsbanken (53.0% of the portfolio). It was also our only investment with a non UK sovereign institution. A detailed breakdown is shown in Appendix 2.

#### 16.6 **Non UK Sovereign Counterparty Limits**

At present we have a non UK sovereign counterparty limit set at £15m.

#### 17 **Background Papers**

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

Report prepared by:

Bernard Morris, Finance Team Leader (Capital & Treasury)

Tel. (01952) 383702

## PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2014/15	2015/16	2015/16
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	£m	£m	£m
	<b>Actual Outturn</b>	<b>Original Estimate</b>	<b>Actual Outturn</b>
<b>Capital Expenditure</b>			
TOTAL	115.3	110.4	74.5
<b>Ratio of financing costs to net revenue stream</b>			
General fund	3.85%	4.78%	2.88%
<b>Net borrowing requirement</b>			
brought forward 1 April	125.6	148.4	116.6
carried forward 31 March	116.6	203.9	164.1
in year borrowing requirement	-9.0	+55.4	+47.5
<b>Capital Financing Requirement as at 31 March</b>			
TOTAL	295.5	363.1	335.6
<b>Annual change in Cap. Financing Requirement</b>			
TOTAL	+19.6	+49.6	+40.1
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in council tax (band D) per annum (not cumulative)	21.20	22.08	22.08

PRUDENTIAL INDICATOR	2014/15	2015/16	2015/16
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£m	£m	£m
	<b>final</b>	<b>original</b>	<b>final</b>
<b>Authorised limit for external debt -</b>			
borrowing	240	327	327
other long term liabilities	64	63	63
TOTAL	304	390	390
<b>Operational boundary for external debt -</b>			
borrowing	223	309	309
other long term liabilities	62	61	61
TOTAL	285	370	370
<b>Upper limit for fixed interest rate exposure</b>			
Net principal re fixed rate borrowing / investments	100	100	100
<b>Upper limit for variable rate exposure</b>			
Net principal re variable rate borrowing / investments:-	80%	30%	30%

<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	95%	95%	95%
---	-----	-----	-----

<b>Maturity structure of fixed rate borrowing during 2015/16</b>	lower limit	upper limit
under 12 months	0%	50%
12 months and within 24 months	0%	30%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

## Summary of Investments at 31 May 2016

	<b>Sovereign Credit Rating</b>	<b>Individual credit Rating</b>	<b>Total £m</b>	<b>%</b>
<b>Call Accounts</b>				
Lloyds Svenska	UK AA+	F1+AA- support 5 viability a	3.921	46.4
Handelsbanken	SWE AAA	F1+AA- support 2 viability aa-	4.535	53.6
			<b>8.456</b>	<b>100.0</b>
<b>Fixed Deposits</b>				
			0	
			<b>0.000</b>	<b>0.0</b>
<b>Variable Deposit</b>				
			0	
<b>Total</b>			<b>8.456</b>	<b>100.0</b>
Non UK holding £4.5m (Limit £15m)				

**TELFORD & WREKIN COUNCIL****AUDIT COMMITTEE 28<sup>th</sup> JUNE 2016****THE ANNUAL GOVERNANCE STATEMENT 2015/16****JOINT REPORT OF THE CHIEF FINANCIAL OFFICER and THE MONITORING OFFICER****1 SUMMARY OF MAIN PROPOSALS**

- 1.1 For the Audit Committee to approve the Annual Governance Statement 2015/16 to accompany the 2015/16 annual accounts.

**2 RECOMMENDATION**

- 2.1 That members of the Audit Committee approve the Annual Governance Statement 2015/16, attached as Appendix 1, and note the information in the report.

**3 SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The Governance Framework encompasses the whole Council and therefore all of the Council's priorities.</i>
	Will the proposals impact on specific groups of people?	
	No	
<b>TARGET COMPLETION/ DELIVERY DATE</b>	<i>Annual Governance Statement signed and ready to accompany the 2015/16 accounts by 30<sup>th</sup> June 2016.</i>	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	No	<i>The governance framework includes several financial elements, including the Council's financial regulations, the budget strategy and the Treasury Management Strategy. These provide the financial parameters, systems, processes and guidelines within which the Council must operate and as such assists in the delivery of good governance. Strong financial management also supports the delivery of value for money in ensuring economy, efficiency and effectiveness in the Council's decision making and processes.</i>  <i>The Council's external auditors give an opinion on the financial statements of the authority and a value for money conclusion in their Annual Audit Letter each year which provides further assurance.</i>
<b>LEGAL ISSUES</b>	Yes	<i>The requirement for an Annual Governance Statement is established at Part 2 paragraph 6 of the Accounts and Audit Regulations 2015. Further details of this</i>

		<i>requirement are set out at sections 4.1 and 4.2 of this report.</i>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes	<i>Good governance supports the identification and management of risks and robust control arrangements.</i>
<b>IMPACT ON SPECIFIC WARDS</b>	Yes	<i>Borough-wide impact</i>

#### **4 INFORMATION**

- 4.1 Under the Accounts and Audit Regulations 2015 the Council is required to produce an Annual Governance Statement and it is best practice that the statement is signed by the Leader and Managing Director of the Council. This statement should accompany the Annual Accounts and the Audit Committee terms of reference set out that it has to be agreed by this Committee.
- 4.2 The Annual Governance Statement for 2015/16 is attached at Appendix 1 and has been developed based on the requirements of the regulations and CIPFA/Solace guidance<sup>1</sup>. The statement includes an action plan (Annex 1) to ensure that we continue to improve our existing governance arrangements.
- 4.3 The action plan attached to the 2014/15 statement (implemented during 2015/16) has been reviewed and updated to reflect current progress. The position as at 31/03/16 is attached as Appendix 2 to this report.
- 4.4 The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control which is even more important in these times of financial constraint. The Council can be assured that during 2015/16, including during organisational and personnel changes that the existing or revised governance arrangements have continued to support proper governance. Where required changes to procedures have been agreed by SMT and changes to the Constitution have been agreed by the Council, through the Council's Constitution Committee.
- 4.5 Assurance for the annual governance statement is provided by all areas of the Council and externally by the following:
- Leader and Managing Director – who sign the statement to acknowledge their responsibilities;
  - Senior management – Managing Director, Directors, Assistant Directors;
  - Chief Financial Officer;
  - The Monitoring Officer;
  - Members – Scrutiny arrangements, Standards Committee, Audit Committee and other Regulatory Committees;
  - Internal Audit ;

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



- g) Partners;
- h) External Audit; and
- i) Other external inspection agencies.

4.6 The 2015/16 Annual Governance Statement sets out the Council's governance arrangements that operated during the period – 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 and measures the effectiveness of them.

## **5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

N/A

## **6 PREVIOUS MINUTES**

6.1 Cabinet 26<sup>th</sup> June 2014; 25<sup>th</sup> June 2015  
Audit Committee 30<sup>th</sup> June 2014; 30<sup>th</sup> June 2015

## **7 BACKGROUND PAPERS**

Local Code of Corporate Governance May 2008

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

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

CIPFA/SOLACE – Delivering Good Governance in Local Government: Framework (2016 Edition)

KPMG Annual Audit Letter 2014/15

External inspection reports 2015/16

Annual Audit & Information Governance Report 2015/16

Report by Jenny Marriott, Audit, IG & Insurance Services SDM 383101

## AGS ACTION PLAN FOR 2015/16 TO BE IMPLEMENTED 2016/17

No	Action	Lead Officer	Comments	Date
1.	Continued strategic management of organisational change in respect to "Being the Change", revised structures, and commercial/ business approach which links to the continued development and implementation of revised governance framework.	Managing Director and SMT	Agreeing revised governance requirements from "Being the Change", updated Code of Good Governance and incorporating any changes into the Constitution, strategies and policies. Service Planning process has been updated and new plans will be operational for 2016/17 and monitoring will take place through challenge at SMT.  Updated Constitution effective from Summer 2016.	On-going 31/03/17
2.	Update local Code of Good Governance to reflect the revised CIPFA/SOLACE framework and guidance (issued April 2016)	Managing Director/ Monitoring Officer	Local Code to be updated and then communicated across the Council. Update 2016/17 certification process to reflect revised framework Implement March 2017 to support 2016/17 Annual Governance Statement.	31/05/16  31/01/17  16/03/17
3.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources	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 commenced early 2016 and will progress during the year as will need to be completed by 31/12/17.  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 <sup>st</sup> May (instead of 30 <sup>th</sup> June) and audited accounts by 31 <sup>st</sup> July instead of 30 <sup>th</sup> September.	Procurement actions on-going throughout the year including reporting to Audit Committee as appropriate.    Working towards updated final accounts timetable for 2016/17 onwards.

No	Action	Lead Officer	Comments	Date
4.	<p>Complete the review and implementation of Workforce Development priorities and delivery.</p> <p>Continue to review and update the management competencies and skills required in the revised organisation.</p> <p>Review of Human Resources policies and procedures to support the priorities and organisational change.</p>	Managing Director & AD – Finance & Human Resources	<p>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.</p> <p>Human Resources policies have been prioritised and are being revised and renegotiated in line with these priorities.</p>	On-going as agreed with SMT (31/03/17).
5.	<p>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 2016/17 and beyond.</p>	Interim AD: Early Help & Support/ AD Governance, Procurement & Commissioning	<p>New target operating model effective from November 2015 and links to Cost Improvement Plan. Monitoring of the latter continuing with Senior Management and Members.</p> <p>Further governance in respect to the Better Care Fund will be implemented during 2016/17.</p>	On-going 31/03/17 and beyond
6.	<p>Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC)</p>	Director: Children's & Adult Services and Director – Customer,	<p>This action plan is particularly focussed on any recommendations from external reviews that improve the governance arrangements in these areas.</p>	Various dates throughout 2016/17

No	Action	Lead Officer	Comments	Date
	inspection reports and peer reviews/challenges.	Neighbourhood & Well-Being Services		
7.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	<p>Continued support and review of the separate company arrangements and associated governance issues.</p> <p>Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval.</p>	On-going during 2016/17

**ANNUAL GOVERNANCE STATEMENT 2015/16****1. Introduction**

- 1.1 Under the Accounts and Audit Regulations 2015 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 regulations<sup>1</sup> 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. During 2016/17 there will be a new local Code of Good Governance approved to meet the updated CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition).

**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

---

<sup>1</sup> Regulations 6 1(b), 6 2(b), 6 3(b) and 4 of the Accounts and Audit Regulations 2015

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 2016 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2016/17 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 values<sup>2</sup>) include:

- 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 Children's & Adults Services from January 2016), Director of Adult Social Services (AD Early Help & Support from February 2016), 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 SMT<sup>3</sup>, 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 Managers/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

---

<sup>2</sup> Co-operative values of ownership; openness & honesty; involvement, fairness and respect

<sup>3</sup> Senior Management Team – Managing Director, Directors and Assistant Directors.

formulate medium term planning including the supporting financial 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 (Human Resources from January 2016) and workforce /organisational development procedures<sup>4</sup> are supported by clear recruitment processes. These are followed up by on-line induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on-going training and development;
- Member and Officer<sup>5</sup> 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 Leader and deputy Leader of the Cabinet are the lead members responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and strategic risks are reviewed by SMT and agreed by the Cabinet;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- A process for the completion and approval of business cases for use of the Capacity fund, Invest to Save fund and use of consultants;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and External Audit guidance and is monitored by the Audit Committee;
- Internal audit operates to the Public Sector Internal Audit Standards and on a risk basis reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Audit, IG & Insurance Services SDM 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 has processes and documents to support governance and reporting arrangements for partnerships;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management;

---

<sup>4</sup> Further development work has continued on these during 2015/16 to reflect Organisational Development, the Council's priority of Business Supporting, Business Winning Council and increased Commercial activities.

<sup>5</sup> The Employee Code of Conduct which was re-issued in April 2013.

- Governance awareness and training for members within their member development programme and for officers through induction, Ollie and Staff news (updates/reminders 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, 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 intelligence, 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 2015/16 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 Directors/Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.
- 6.6 Adult Social Services in respect to systems, financial management and implementation of the cost improvement plan have continued to provided updates during the year to Members including the Audit Committee. To support the revised target operating model there has been commissioned external support, management changes and the implementation of phase 2 of the Adult Social Care restructure.



- 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 has reviewed 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.
- 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 will be required in 2016/17 to reflect the updated CIPFA/SOLACE Good Governance Framework 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 2015/16 no enforcement action has been taken by the ICO against the Council.
- 6.12 Implementation of the ICT Strategy 2014-17 has continued in 2015/16 including infrastructure upgrades and further security improvements particularly in response to spam, phishing/ whaling and Ransom ware threats. Further infrastructure improvements are planned during 2016/17 including the move to Office 365.
- 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 Regulations 2015 require a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, management, other internal assurance services and the External Auditors' review of the work of Internal Audit. The Internal Audit Annual Report 2015/16 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 2015/16 final accounts audit.

6.15 The External Auditor's Annual Audit Letter 2014/15 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 2014/15 on 20 September 2015. This means we are satisfied that the Authority had proper arrangements for securing financial resilience and challenging how it secures 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 20 September 2015. 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 Carwood Residential Home was inspected by CQC in January 2015 with the report issued in May 2015. The overall rating for the service was "*requires improvement*" but for the 5 questions of the assessment the results were as below:

Question	Rating
Is the service safe?	Requires improvement
Is the service effective?	Requires improvement
Is the service caring?	Good
Is the service responsive?	Good
Is the service well-led?	Requires improvement

The full report can be accessed through the link below:

<http://www.cqc.org.uk/search/services/care-homes/Carwood%20Residential%20Home?location=&latitude=&longitude=&sort=default&la=&distance=15&mode=html>

Although actions had been agreed to address the issues requiring improvement by the inspection the decision was taken by the Council in September 2015 to close the facility due to reduced demand. The last 3 residents will be leaving in early 2016/17. CQC also made an inspection of Lakewood Court in March 2016 and the draft report gives an overall rating of good. The report is due to be published in 2016/17.

6.17 HM Inspectorate of Probation undertook a Short Quality Screening of Youth offending Work in West Mercia from 16<sup>th</sup> – 18<sup>th</sup> March 2015 and the report was issued on 13<sup>th</sup> May 2015.

**The report Summary is shown below** (full report can be viewed at <https://www.justiceinspectorates.gov.uk/hmiprobation/about-our-inspections/>):

The published reoffending rate for West Mercia was 31.3%. This was better than the previous year and better than the England & Wales average of 36.1%.

& West Mercia YOS was formed in October 2012 following the merger of Worcestershire Herefordshire YOS and Shropshire, Telford & Wrekin YOS. Given that the past two and a half years has been a period of change, including restructuring, it is not surprising that overall there has been a slight deterioration in the quality of work since the previous inspections of the two separate services. We were, however, impressed overall by the commitment of both management and staff to improve the lives of the children and young people they work with and their eagerness to improve their practice.

**Key strengths identified by the short quality screening were:**

- Services provided to the courts, and in particular Pre-Sentence Reports (PSR), were of a high standard.
- Assessments of diversity factors. This had been aided by the introduction of learning style questionnaires and the availability of a speech, language and communication skills worker within the Worcestershire area of the YOS.
- Good levels of compliance and, where needed, effective enforcement of court orders.
- The engagement of children and young people and parents/carers at the PSR stage and in understanding diversity factors.
- Positive health and well-being outcomes for children and young people as the result of multi-agency working.

**Areas requiring improvement were:**

- Planning to address vulnerability required substantial improvement.
- Reviews of assessment and planning to address reoffending and vulnerability needed improvement.
- Assessments and interventions of the speech, language and communication skills worker should be available across all areas of the YOS.
- More attention needed to be given to victim safety and identifying actions to manage this.
- Managers should provide greater support to staff to improve the quality of their assessments and plans, and ensure that their oversight of risk of harm and safeguarding work is effective.

West Mercia YOS are addressing the areas of improvement identified during the review.

6.18 The Arts Council Music Hub Peer Development programme undertook a peer review of the North West Midlands Music Education Hub Federation in 2015/16 and reviewed the following areas:

- 1: Partnership Development and working across a multi-authority how do you do this, how do you work with a range of partners?
- 2: Leadership development and succession planning
- 3: Securing investment and funding

Feedback has been provided which is being responded to by the partnership.

6.19 Adult Social Care participated in a Sector Led Improvement/Peer Challenge as part of the West Midlands Peer Challenge Summit in December 2015. The Council were paired with Warwickshire who provided challenge on our performance and actions for improvement are being acted on or included in the 2016/17 Service Plan.

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

Richard Partington  
Managing Director  
**Dated**

Cllr Shaun Davies  
Leader of the Council  
**Dated:**

Cllr Rob Sloan  
Chair of Audit Committee  
**Dated:**

## APPENDIX 2

### 2014/15 ANNUAL GOVERNANCE STATEMENT ACTION PLAN – Position as at 31<sup>st</sup> March 2016

No	Action	Lead Officer	Comments when AGS agreed and Target Completion Date	Updated Position as at 31 <sup>st</sup> March 2016
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	<p>Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies.</p> <p>Change management processes have been adjusted to reflect the different phase of change which the council is currently in</p> <p>Endorsing and delivering an awareness programme for officers and members.</p> <p>Updated Constitution effective from May 2015.</p> <p><b>On-going 31/03/16</b></p>	New SMT structure implemented early February 2016 and revised service areas mean restructures will continue throughout 16/17.
2.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources	<p>Local Audit and Accountability Act 2014 enacted but is not yet fully in force. Further secondary legislation and guidance to be published.</p> <p>External audit procurement – planning may need to commence early 2016 if contracts not extended.</p> <p>Planning for revised final accounts deadlines for 2017/18 to commence in 2015/16 so can be phased changes to practices. Draft accounts by 31<sup>st</sup> May (instead of 30<sup>th</sup> June) and audited accounts by 31<sup>st</sup> July instead of 30<sup>th</sup> September.</p> <p><b>On-going 31/03/16</b></p>	<p>Contracts have now been extended by the DCLG for one year so External Auditors need to be appointed by December 2017 for audit of 2018/19 accounts. Internal meeting held in early 2016 and expression of interest letter to be sent by 30<sup>th</sup> April to PSAA who are setting up Sector led body.</p> <p>Working towards updated final accounts timetable for 2016/17 onwards.</p>

			<b>Procurement – possibly from January 2016.</b> <b>Working towards updated final accounts timetable for 2016/17 onwards.</b>	
No	Action	Lead Officer	Comments when AGS agreed and Target Completion Date	Updated Position as at 31 <sup>st</sup> March 2016
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 Human Resources policies and procedures to support the priorities and organisational change.	Managing Director and AD – Finance & Human Resources	<p>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.</p> <p><b>On-going as agreed with SMT (31/03/16).</b></p>	<p>The rolling review of priorities continues as organisational demands change. We continue to invest in our e-learning platform and have a variety of on line learning available. Our e-learning platform now includes face to face learning to reflect access to learning in one place.</p> <p>We have worked with SMT and managers to isolate the qualities/behaviours we require of managers in the forthcoming new structure and way of working with the Council post January 2016.</p> <p>Learning to support core workforce and key leadership and management requirements continue to be managed on a rolling basis. Whilst some areas have a detailed workforce Development plan a council wide Workforce Development Plan will be a priority in the new structure.</p> <p>Employment Policies are also reviewed to coincide with external and organisational priorities and change. We regularly operate to a schedule of these and in recent months have reviewed and renegotiated the Sickness Absence policy, Redeployment support, Probation, Business and Private activities, social media along with incorporating new employment legislation into</p>

				existing practice. This has included implementing the Flexible Working Policy
No	Action	Lead Officer	Comments when AGS agreed and Target Completion Date	Updated Position as at 31 <sup>st</sup> March 2016
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.	Director: Children's & Adult Services	<p>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&amp;BT, and via agreed communications channels.</p> <p>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.</p> <p>Care Act Implementation programme completed for 1<sup>st</sup> April 2015 and then to be implemented for 1<sup>st</sup> April 2016. Chair – Director. Programme Lead – Clare Hall-Salter</p> <p><b>31/03/16 and beyond</b></p>	<p>Recommendations from external reviews of Adult Social Services together with a Cost Improvement Plan have been implemented and are closely monitored via the Senior Management Team and Members, including Audit and Scrutiny committees. Savings have been delivered and will continue to be delivered in line with the Cost Improvement Plan through 15/16 and beyond.</p> <p>Our next formal external review of Adult Social Services will take place in May/June 2016.</p> <p>The Service Improvement and Efficiency Team are now responsible for ensuring that processes and systems are fit for purpose and are followed by staff to ensure appropriate financial control and compliance with the new legislation under the Care Act 2014.</p> <p>A new Target Operating Model has been launched on 11<sup>th</sup> November 2015 with clearly defined roles and responsibilities for all staff within the restructured Adult Social Services.</p> <p>Care Act reforms Part 2 are no longer required to be implemented for April 2016, as they have now been delayed until April 2020.</p>
No	Action	Lead Officer	Comments when AGS agreed and Target Completion Date	Updated Position as at 31 <sup>st</sup> March 2016

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's & Adult Services	<p>This action plan is particularly focussed on any recommendations from external reviews that improve the governance arrangements in these areas.</p> <p><b>Various dates throughout 2015/16</b></p>	<p><b>Children:</b></p> <p>Governance of improvement plans, including findings from external inspections, is via regular updates at Children and Family Services Senior Leadership Team.</p> <p>External governance is provided by the LSCB Quality, Performance and Operations Sub Group, where progress reports are submitted twice yearly.</p> <p><b>Adults:</b></p> <p>We continue to have monthly "challenge" sessions with Cabinet Members/Managing Director in respect to the Cost Improvement Plan and service transformation.</p> <p>In respect of Sector Led Improvement/Peer Challenge for Adult Social Care we took part in a West Midlands Peer Challenge Summit on 4 December where we were paired with Warwickshire who provided challenge on our performance.</p> <p>Our next formal peer challenge through the West Midlands scheme will be in May/June 2016.</p> <p>Carwood House received a CQC inspection during the Spring of this year and an action plan is in place to address areas for improvement however Carwood will be closing by the end of April 2016 but the areas for improvement are still relevant and best practice.</p>
<b>No</b>	<b>Action</b>	<b>Lead Officer</b>	<b>Comments when AGS agreed and Target Completion Date</b>	<b>Updated Position as at 31<sup>st</sup> March 2016</b>



6.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	<p>Continued support and review of the separate company arrangements and associated governance issues.</p> <p>Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval.</p> <p><b>On-going during 2015/16</b></p>	These actions continue to be on-going during 2015/16 with appropriate support services being provided by the Council or external specialists to ensure appropriate governance arrangements.
----	---	-------------------------	---	---

# **Telford & Wrekin Council**

## **Unaudited Statement of Accounts**

**2015/16**

### **Contents**

#### Financial Statements

• Narrative Statement	3
• Statement of Responsibilities	22
• Annual Governance Statement	23
• Auditors' Report	34
• Movement In Reserves Statement	37
• Comprehensive Income and Expenditure Account	39
• Balance Sheet	40
• Cash Flow Statement	41
• Notes to the Core Financial Statements	
1. Accounting Policies	42
2. Accounting Standards that have been issued but have not yet adopted and prior period adjustments	50
3. Critical Judgements in Applying Accounting Policies	52
4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	52
5. Material Items of Income & Expenditure	53
6. Events after the Balance Sheet Date	53
7. Adjustments between Accounting Basis and Funding Basis under Regulations	53
8. Disclosure of deployment of Dedicated Schools Grant	58
9. Other Operating Expenditure	58
10. Financing and Investment Income and Expenditure	59
11. Taxation and Non Specific Grant Incomes	59
12. Defined Benefit Pension Schemes	59
13. Pension Schemes Accounted for as Defined Contribution Schemes	63
14. Property, Plant and Equipment	64
15. Investment Properties	68
16. Intangible Assets	69
17. Assets Held for Sale	69
18. Heritage Assets	70
19. Impairment Losses	70
20. Inventories	70
21. Debtors	71
22. Financial Instruments	71
23. Nature & Extent of Risks Arising from Financial Instruments	73
24. Investments	79
25. Cash and Cash Equivalents	79

26. Provisions	80
27. Creditors	81
28. Private Finance Initiatives and Similar Contracts	81
29. Usable Reserves - Transfers to/from Earmarked Reserves & Balances	82
30. School Balances	82
31. Unusable Reserves	83
32. Revenue Expenditure Funded from Capital Under Statute	87
33. Usable Capital Receipts Reserve	87
34. Capital Expenditure & Capital Financing	87
35. Minimum Revenue Provision	88
36. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements	88
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	89
38. Cash Flow Statement – Investing Activities	89
39. Cash Flow Statement – Financing Activities	89
40. Cash Flow Statement – Operating Activities	89
41. Grant Income	90
42. Amounts Reported for Resource Allocation Decisions	90
43. Acquired and Discontinued Operations	93
44. Market Undertakings and Industrial Units	93
45. Pooled Budgets	93
46. Member Allowances	95
47. Senior Officers’ Remuneration & Employee Remuneration Bands	96
48. Exit Packages	100
49. External Audit costs	101
50. Related Parties	102
51. Leases	102
52. Contingent Liabilities	103
53. Contingent Assets	103
54. Local Services Support Grant	103
55. Income & Expenditure Account Surplus/Deficit	104
56. Special Fund Revenue Account	104
57. Soft Loan	105
58. Building Control Account	105
59. Insurance Reserves	106
60. West Mercia Energy Joint Committee	106
• The Collection Fund Account	108
• Group Accounts	110
• Glossary	122

# **Telford & Wrekin Council**

## **Unaudited Statement of Accounts**

**2015/16**

### **Financial Statements**

#### **Chief Financial Officer's Narrative Statement**

**Note: This Statement of Accounts is unaudited and may be subject to change.**

##### **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](http://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 2015/16; 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 and Group Accounts:

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

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

The main statements are supplemented by the Collection Fund Account which receives all council tax and business rates income before passing this income to the council or the Government, Shropshire Combined Fire Authority or the office of the West Mercia Police & Crime Commissioner as appropriate.

The Council's accounts for the year 2015/16 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 £4.490m at 31<sup>st</sup> March 2016). This statement represents the authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable.
- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This statement reports on how the Authority performed financially during the year and whether its operations resulted in a surplus or deficit. This shows a deficit for the year of £30.955m compared with the outturn report which shows an underspend of £0.121m. 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 adjustments 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 31<sup>st</sup> March 2016 and shows net assets for the Council of £99.217m, a decrease from £106.457m 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 increase in Cash and Cash Equivalents of £2.6m.
- ... **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 £0.128m for the year and the Council's share of the surplus was £3.7m at 31<sup>st</sup> March 2016. 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 £1.9m and the Council's share of the surplus was £1.7m at 31<sup>st</sup> March 2016.
- ... **Group Accounts** – consolidates the Council's accounts with those of NuPlace Ltd, the Council's wholly owned Housing Investment Company to give an overall picture of the Council's activities.

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

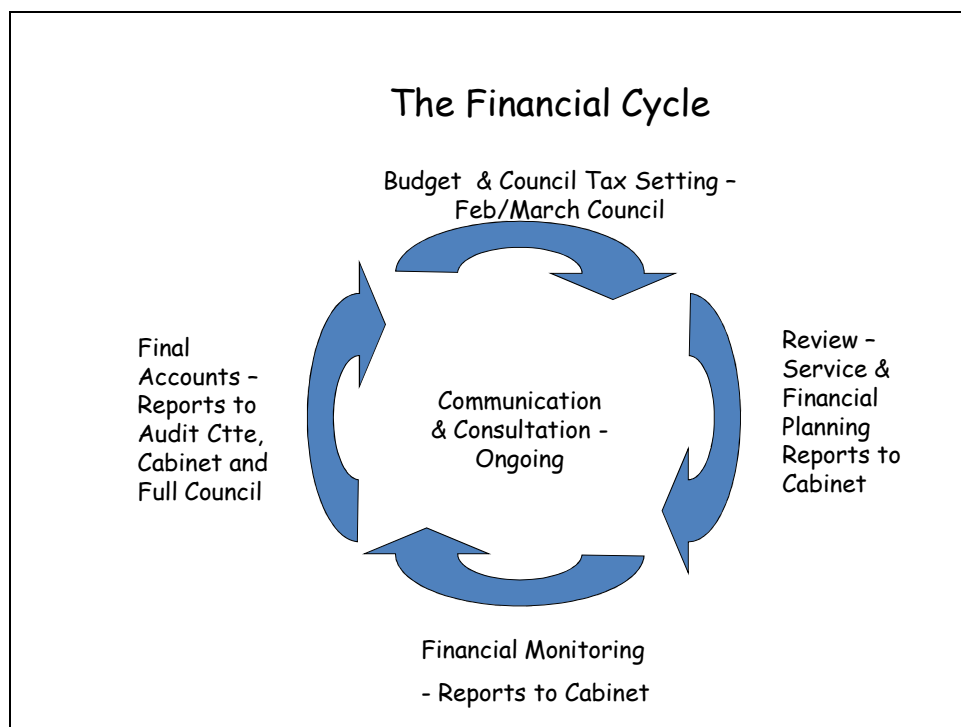
## 2. **FINANCIAL CONTEXT**

This section of the Statement of Accounts summarises the background to the Council's accounts for 2015/16. In particular it sets out

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2015/16
- Issues highlighted during 2015/16

- The final outturn for 2015/16
- Achievements and Performance During 2015/16
- Strategic Risks
- A commentary on 2016/17

## 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 2015/16

The Council's 2015/16 budget was set in the context of a three year service and financial planning strategy which covered the period 2015/16 to 2017/18. The budget is the financial expression of the Council's priorities and plans linked to the available funding. 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 second lowest council tax for Unitary Services in the Midlands in 2015/16 and is the third lowest in 2016/17).

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 care for older people, have been increasing. In 2015/16 £10m of budget savings were delivered, which was on top of £70m made in the previous 6 years. A further £30m of savings need to be made over the next two years, 2016/17 and 2017/18.

Despite the financial challenges the Council has a clear mission to: attract new jobs and investment and promote growth in the borough; to protect, as far as possible, priority front line services; to reduce dependency on Government grant and work with partners and the community; and operating in a more commercial way.

The Cabinet published its draft service and financial planning strategy for 2015/16 to 2017/18 in January 2015 and extensive public consultation was undertaken on the

proposals. The final budget strategy was approved at Council in March 2015 taking account of consultation responses.

Council tax was frozen for 2015/16. The average charge (Band B) for the Council's services was £892 per year. The table below shows how Net Revenue Spend was funded.

<b>2015/16 Budgeted Net Revenue Spend - £m</b>	
<b>2015/16 Total Net Revenue Spend</b>	<b>123.661</b>
Funded From:	
Government Grant (RSG and Top Up)	33.275
Retained Business Rates	35.655
Council Tax	51.857
Council Tax Freeze Grant	0.612
Collection Fund and Balances	2.262
<b>Total Funding</b>	<b>123.661</b>

The medium term planning period was one of continuing uncertainty with a Spending Review anticipated following the General Election in May 2015 and further significant spending cuts anticipated for Local Government.

### **2.3 Issues Highlighted During 2015/16**

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

Service Area	Service Variance £
Adult Social Services	894,080
Public Health, Public Protection, Civil Resilience and Coroners	(71,323)
Education & Corporate Parenting	(156,349)
Children's Safeguarding & Specialist Services	1,939,624
Family Cohesion & Commissioning	(218,271)
Neighbourhood & Customer Services	(76,083)
Planning	(18,838)
Development Business & Employment	(219,409)
Leisure, Culture & Facilities Management	(74,542)
Law Democracy & People Services	(964,044)
Finance Audit & Information Governance	(7,263,190)
Co operative Council & Commercial Delivery Unit	(197,024)
Council Wide	(5,633,433)
Transfers to Reserves	11,079,395
<b>Total before transfers to balances</b>	<b>(979,407)</b>
<b>Transfer to balances</b>	<b>858,000</b>
<b>Total after transfers to balances</b>	<b>(121,407)</b>

Variances exclude IAS 19 Pension entries and asset rental 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
<b><u>Children's Safeguarding &amp; Specialist Services</u></b>	
<b>Children in Care Placements</b> (CiC) –The final position for 2015/16 reflected a cost improvement of £223k from 2014/15. At the end of March there were 299 Looked After Children which was an increase of 6 compared to the position at the end of 2014/15. A review of placements was undertaken as part of the 2016/17 budget process and a pressure of £1.2m has been included in the 2016/17 budget strategy.	+1.711
<b>Internal Foster Carer Costs</b> – payments to Foster Carers including transport costs and foster carer training.	+0.127
<b>Staffing (Safeguarding)</b> – this included the cost of agency social workers and reflected the significant pressure placed on the service from difficulties with recruitment and retention of staff. There were 10 Safeguarding agency staff at the end of March and an agency manager within the Educational Psychology service. The 2016/17 budget strategy has addressed staffing pressures identified.	+0.446
<b>Care Leavers Accommodation Costs</b> – the final position reflected a significant reduction in both activity and placement costs.	-0.228
<b>Joint Adoption Service</b> – pressures arising from the cessation of the Adoption Reform Grant that part-funded this service and savings targets not delivered.	+0.210
<b>One off Funds</b> – use of specific contingency set aside as part of the budget strategy.	-0.750
The Service Area has a Cost Improvement Plan in place for 2016/17 to address areas of pressure and to ensure costs are contained within budgets as far as possible. The 2016/17 budget invested £1.621m into Children's Safeguarding highlighting the high priority placed on Children's safety. One-off resources of £0.5m have also been set aside within the Service Area that could be used for unexpected cost pressures.	



<b><u>Education &amp; Corporate Parenting</u></b>  There are no variances over £0.100m to report at year end.	
<b><u>Family, Cohesion Services &amp; Commissioning</u></b>  <b>Transport Contracting &amp; Commissioning</b> – costs relating to Supporting People. The service is currently under review to deliver savings and is looking at innovative ways of providing support.  <b>Cohesion including homelessness and housing needs</b> – higher than anticipated housing income received and lower occupancy levels within temporary accommodation resulted in an underspend at year end.	+0.208     -0.211
<b><u>Adult Social Services</u></b>  <b>Purchasing budgets</b> – this pressure had been reported throughout the year and included the impact of the rising unit costs of care which had offset cost savings made through the effective management of demand. The management team continue to focus on the cost Improvement Plan and the savings required in the 2016 budget strategy.  <b>Income</b> – shortfall relating to client contributions.  <b>Transport</b> – a review group has been set up to look at ways to reduce expenditure and identify a more robust transport policy.  <b>One off Contingency</b> – use of specific contingency set aside as part of the budget strategy.  <b>One off Funds</b> – use of one off reserves.  The Council has increased the Adult Social Services budget by £1.648m in 2016/17 and is committed to meeting the needs of vulnerable members of our community.	+3.503     +0.716  +0.123  -2.500  -0.475
<b><u>Public Health, Wellbeing &amp; Public Protection</u></b>  <b>Smoking Cessation Contract</b> – saving arising from reduced demand and use of service.  <b>Working Age – Healthy Lifestyles &amp; Health Trainers</b> – in year vacancies has resulted in an underspend.  <b>Public Health Grant</b> – in year cut to the Public Health Grant funding announced by the Chancellor in June.  <b>Public Health Grant</b> – underspend at year end carried forward to 2016/17.	-0.193   -0.207  +0.773  +0.122

<b><u>Leisure, Culture &amp; Facilities Management</u></b>	
<b>Income</b> - The income targets for the Leisure centres were challenging for 2015/16. The BSF building works at Oakengates impacted on this facility along with new income targets set for the proposed Synthetic Turf pitch. Swimming Lesson income projections have been revised due to the successful channel shift to Direct Debit, this has resulted in a one off, in year impact associated with the timing of payments, this change will result in additional income from 2016/17 onwards.	+0.148
<b>Primary School Meals</b> – additional income relating to an increase in take-up.	-0.148
<b>Oakengates Theatre</b> – additional income due to the success of the Pantomime and other productions.	-0.105
<b><u>Development, Business &amp; Employment</u></b>	
<b>Regeneration &amp; Investments</b> – Property Investment Portfolio (PIP) income. The PIP generated £5.5m in 2015/16. PIP performance continues to improve as PIP holdings are rationalised.	+0.412
<b>Property &amp; Design – Admin Buildings</b> – one off saving as a result of buildings rationalisation.	-0.210
<b><u>Neighbourhood &amp; Customer Services</u></b>	
<b>ICT</b> – pressure mainly arising from the increased number of Microsoft licenses required across the council together with costs associated with the purchase of PCs.	+0.343
<b>Transport &amp; Highways Development</b> – one off savings from vacant posts during the year.	-0.268
<b>Concessionary Travel</b> – saving as a result of reduced passenger numbers.	-0.228
<b>Grounds Maintenance</b> – contribution to reserves to fund data collection required for tender process.	+0.150
<b>Environmental Maintenance</b> – contribution to reserves to fund drainage schemes.	+0.125
<b>Waste</b> – contribution to reserves to fund CRC changes.	+0.348
<b>Public Transport</b> – costs relating to the provision of subsidised bus routes; funds have been set aside in the 2016/17 budget strategy for this pressure.	+0.280
<b>Housing Benefits</b> – grant income higher than budgeted.	-0.123
<b>My Options</b> – reduced staffing costs partly offset by income shortfalls.	-0.184

<b><u>Finance, Audit &amp; Information Governance</u></b>	
<b>Treasury</b> – this included the benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year; together with £5.9m benefit from rescheduling debt repayments which is following considerable technical work and discussions with our external auditors.	-7.095
<b><u>Law, Democracy &amp; People Services</u></b>	
<b>Single Status</b> - the budget for 2015/16 allowed for implementation of the single status settlement during the year which did not happen. This is net of the Payroll/HR IT system costs approved by Cabinet in July.	-0.800
<b><u>Co-operative Council Delivery Unit</u></b>	
<b>Delivery &amp; Planning</b> – underspend from vacant posts during the year.	-0.109

## 2.4 **Final Outturn for 2015/16**

### **Revenue**

Final net service expenditure was £123.540m, after transfers to reserves, compared to a budget of £123.661m, an underspend of £0.121m (or -0.1%). Given the context of the Council having to make £10m of budget savings in 2015/16, on top of £70m delivered in previous years, it was a particularly positive outturn position which demonstrates the continuing long track record of strong financial management in the Council

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Overall Totals (see page 6)	123.062	122.083	-0.979
Funding Variance	0.000	0.000	0.000
Contribution to (+)/from (-) balances	0.599	1.457	0.858
Service Outturn (see page 11)	123.661	123.540	-0.121
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances	-123.661	-123.661	0.000
Net General Fund position	0.000	-0.121	-0.121

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 38)	438.033	313.052	124.981
Trading Services	(3.024)	6.996	(10.020)
Pensions Adjustments under IAS 19	(5.348)	0.000	(5.348)
Interest Payable and Similar Charges	8.764	0.000	8.764
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(0.403)	0.000	(0.403)
Interest and Investment Income	0.000	0.022	(0.022)
Capital Grants and Revenue Grants Unapplied	0.000	(25.937)	25.937
General Grants (LSSG, Section 31)	0.000	0.042	(0.042)
Remove Depreciation & Impairments, REFCUS etc from Net Operating Cost	(26.736)	0.000	(26.736)
Accumulated Absences	0.463	0.000	0.463
Minimum Revenue Provision	0.416	0.000	0.416
Net Movement on Reserves	5.550	0.000	5.550
<b>Total Service Outturn</b> (see table on page 10)	<b>417.715</b>	<b>294.175</b>	<b>123.540</b>

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

The outturn position has resulted in a general fund balance of £3.806m and a special fund balance of £0.684m (see Note 56 to the Core Financial Statements), giving a consolidated balance of £4.490m. The total for all reserves and usable revenue balances held by the Authority is £62.2m, although almost all of this is held to meet known or likely commitments.

### **Workforce Analysis**

At 31 March 2016 Telford & Wrekin Council employed 2,842 people [2,237 FTEs]. At 31 March 2015 the comparative figures were 2,997 people [2,319 FTEs]:

	31 March 2015		31 March 2016	
	Head Count	FTEs	Head Count	FTEs
Male	797	697.5	750	675.12
Female	2,200	1,621.4	2,092	1,562.81
Total	2,997	2,318.9	2,842	2,237.93

## **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 reduced by £9.6m; 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 increased, which has the impact of reducing the value of future liabilities). The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £13.652m (comprising contributions of £10.443m plus a lump sum payment of £3.209m). 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 2016/17 is estimated at 17.1%, slightly higher than 2015/16.

## **Capital Accounting**

### **Capital**

The Council spent £74.46m on capital projects during the year, an underspend of £16m against budget within the year, although this will be re-phased into future years. Detail is shown in the table below.

Policy Area	2015/16 Approved Budget £m	2015/16 Expenditure £m
Education and Corporate Parenting	30.7	24.6
Development Business and Employment	33.0	27.3
Neighbourhood and Leisure Services	21.7	19.3
Adult Social Services	2.4	1.5
Customer Services	2.4	1.7
Corporate Delivery Unit	0.2	0.1
Corporate	0.1	0.0
<b>Total</b>	90.5	74.5
<b>Funded by:</b>		
Supported Borrowing	1.4	0.1
Prudential Borrowing	49.5	38.9
Capital Receipts	3.6	2.7
Government Grants	30.6	27.8
Revenue	1.8	1.9
Other External Sources	3.6	3.1
<b>Total</b>	90.5	74.5

The Council has ready access to borrowings from both the Money Markets and Public Works Loans Board (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 £74.46m on capital projects during 2015/16.

Overall the Council's net indebtedness is £156.9m at 31<sup>st</sup> March 2016 which is an increase of £44.1m 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 Queensway (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 2015/16 the Authority made payments of £10,000,492 (£9,883,380 in 2014/15) 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 2016 was £0.71m.

**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<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2015/16 accounts, as was the case last year and previous years. The amount in the provision at 31 March 2016 was £16.4m (£4.4m 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, £5.6m is estimated as the amount required to set aside for this purpose at the end of 2015/16. Telford & Wrekin Council's proportion of this is £2.7m (49%).

**Litigation Costs** – A provision has been created for 2015/16 in respect of Litigation Costs. This is to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group.

**Insurance** – The accounts include a provision to meet a known insurance liability in relation to Municipal Mutual Insurance Limited (MMI) who prior to 1992 provided the majority of insurance cover to Local Authorities, including Wrekin DC and Shropshire County Council. MMI ceased trading in 1992 and after several years of a deteriorating solvency it was determined that a levy would be charged to local authorities to meet the cost of claims. An initial levy of 15% was set however following a review of MMI's financial position a second levy of 10% is now due and funds are set aside in this provision to meet the cost.

## **Commentary on the Accounts for 2015/16**

**Better Care Fund** – This was introduced in 2015/16 and has brought together into one place a number of Pooled Budgets that existed under separate agreements in 2014/15. The disclosure in Note 45 includes the Better Care Fund for 2015/16 followed by the separate Pooled Budgets that existed in 2014/15. The Better Care Fund is a pooled fund governed by a Section 75 agreement. The parties to this joint arrangement are Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group. The fund has been established for the first time in 2015/16 in order to meet the Government's requirement to encourage closer working and integration between health and care services and to improve outcomes for Patients and Service Users and Carers. There are performance targets mainly reducing non-elective admissions to hospital and to deliver more care in the community helping people to remain independent, but there are other performance criteria to be managed within the scheme.

**Group Accounts** – The Council's wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015. The 2015/16 Statement of Accounts includes Group Accounts which consolidate the Council and NuPlace's financial statements at 31 March 2016. The Council has examined the relationship with other partners including West Mercia Energy (see note 60 to the accounts) and have concluded that group accounts only need to be prepared in respect of NuPlace.

**Highways Network Asset** – This will be included in the accounts for 2016/17 for the first time. The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. This will also require a change to accounting policies in respect of the Highways Network Asset.

### **2.5 Achievements & Performance During 2015/16**

Through 2015/16 Telford & Wrekin Council continued to drive the efficiency and effectiveness of its services:

#### **People**

##### **Adults**

- In general, our Adult Social Care Outcomes Framework (ASCOF) performance saw large improvements in 2015/16. Adult social care quality of life, is the highest it has ever been as is service users' perception safety questions. Areas for improvement include enablement.

## **Children**

- The Government has set targets which have been adopted by the Council to work with families which need additional support through the "Troubled Families" programme. This target of 282 families worked with was achieved in 2015/16 and we are on track to achieve our target for 2016/17.
- Demand for children's services through Family Connect continues to grow, despite this the numbers of looked after children by the authority remains stable at around 300. This is in line with statistical neighbours.
- Telford & Wrekin Council's Children & Young People Scrutiny Committee completed "A Review of Multi-Agency Working Against Child Sexual Exploitation". The report recognised the progress the Council and its partners has made on this issue and made a series of recommendations which will be delivered through the Telford & Wrekin Safeguarding Children Board.
- Educational attainment in schools:
  - KS1 the achievement rate for Key Stage 1 has improved across all three themes Reading, Writing and Maths and is higher than the national rate for each measure.
  - KS2 continues to improve and is higher than the national figure.
  - KS4 saw a small improvement but remains below the national rate. The gap between Free School Meals pupils and their peers narrowed to 26.2% - points slightly better than the national gap of 27.5% - points.

## **Health**

- Improving the health and lifestyle of the population remains a significant challenge in the Borough. Although still areas of challenge, progress continues to be made with breastfeeding initiation, reducing smoking and reducing excess weight.

## **Places**

- Household recycling rate at 46.25% continues to be above the 2014/15 national rate 43.7%. Residents recycled over 2,000 tonnes more in 2015 than in previous years, a rise of 17 percent placing less pressure on landfill and reducing the impact on the environment.
- Pride in your High Street Fund grants were awarded to 21 projects to revitalise the high streets and help businesses grow.
- Telford Town Park was voted nationally the best in the UK by the general public in the Fields in Trust Awards.
- A £5.6m Super Fast Broadband roll out programme will make fibre broadband available to a further 9,300 homes and businesses.

## **Economy**

- The Council has secured agreement with the Homes & Community Agency (HCA) to market and sell all HCA's housing and employment land in Telford for the next 10 years and have a share of receipts delivering 2,800 new homes and 8,500 new jobs. Securing up to £44.5m investment into the local area for new infrastructure to support growth and a potential £6m each year in Council Tax and business rates.
- A significant investment has been secured by Magna International Inc investing to build a new world class aluminium casting facility at T54 - the borough's flagship



automotive and advanced manufacturing employment site. This will create nearly 300 new jobs at the site and many more in the supply chain.

- Work started in September 2015 on the national MOD logistics hub which was successfully secured.
- Over 700 jobs were created as a result of business support activity during 2015.
- A 'Telford deal for business' was approved by Cabinet in March 2014 giving the flexibility to negotiate business rate concessions with businesses. Two business rate deals have been agreed creating 120 jobs.

### **Organisation**

- Continued to effectively deliver savings with £10m being achieved in 2015/16.
- Council Tax, Business rates and accounts receivable income collection rates all ahead of target for 2015/16 with over £9m more cash collected than the previous year.
- Our commercial activities continued to grow income to help protect front-line services. Our Solar Farm achieved £0.2m profit in its first full year of operation. The Council's wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015 with the objective of developing and managing a programme of 400 rental properties in the borough. The initial phase of the programme is well underway and the first tenants moved into their new homes in March 2016.

## **2.6 Strategic Risks**

The strategic risk register identifies the substantive issues which need to be managed and could impact negatively on delivery of the Council's priorities. The key strategic risks identified for 2015/16 are listed below:

- Death or serious harm of a vulnerable child or vulnerable adult (Breach of duty of care)
- Not managing the impact of organisational and culture change in the Council and partner organisations within the constraints of the public sector economy
- Failure to match available resources (both financial , people and assets) with statutory obligations, agreed priorities and service standards
- Failure to deliver the financial strategy: capital receipts; delivery of council savings
- Failure to manage the impact of poverty and deprivation on future wellbeing of our residents
- Major emergency affecting the community and/or ability to provide priority services
- Significant business interruption affecting ability to provide priority services
- Key skills shortages (retention & recruitment)
- Failure to manage the health & safety risks in delivering the council's functions
- Information Governance/Data Security

These are reviewed and updated on a regular basis to ensure appropriate management and mitigation is in place.

## 2.7 2016/17 Commentary

The Council has a rolling service and financial planning process. This was updated for 2016/17 formally by reports to the Council's Cabinet in January and February 2016. The decisions on the medium term budget strategy at 3 March 2016 Council reflect the outcome of extensive consultation with a wide variety of stakeholders following publication of the draft strategy on the 7 January 2016.

The provisional funding settlement for 2016/17 was announced very late on the 17th December 2015, followed by the final settlement on the 8<sup>th</sup> February 2016; as anticipated the Council faced a very significant reduction in funding. After delivering £80m of savings over the previous 7 years, further savings of over £16m were required in 2016/17.

The agreed strategy for 2016/17 to meet the savings requirement and to continue to invest in the area to support both the community and businesses is:

- a savings package delivering an additional £18.1m for general fund budgets;
- funding for unavoidable service pressures totalling £8.4m, including £5.4m for Early Help & Support (Adult Social Services) and £1.9m for Children's Safeguarding;
- A commitment to work with partner organisations to seek new solutions to deliver services to minimise the impact of cuts;
- To continue to deliver jobs and investments and provide additional income business rates, council tax and New Homes Bonus.

The decision has been made to increase council tax by 3.2% for 2016/17, which includes the new 2% Adult Social Care precept introduced by the Government. As a result, the Council Tax for Council Services in 2016/17 (Band B) is £921 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,184). The medium term strategy assumes increases of 3.2% for the three years 2017/18 to 2018/19 to match the period of the Government's Spending Review and commitment of 4 year settlements.

<b>2016/17 Net Revenue Budget - £m</b>	
<b>2016/17 Total Net Revenue Spend</b>	<b>122.279</b>
Funded From:	
Government Grant (including RSG)	26.814
Retained Business Rates	36.295
Council Tax	55.641
Balances and Collection Fund	3.529
<b>Total Funding</b>	<b>122.279</b>

### **Looking Ahead**

Full Council approved the medium term financial strategy on the 3 March 2016 (available on the Council's web site). Despite the Government's commitment to give Four Year Revenue Support Grant Settlements, the funding outlook for the medium term is still particularly uncertain due to the number of pending changes which sit outside the Settlement Process, including a Business Rates national revaluation exercise to be implemented in April 2017, a fundamental review of the Business Rates Retention system with 100% of income retained by Councils before the end of the Parliament but with additional responsibilities transferred to Councils to fund and a review of the assessment of "needs" for each Council, proposed changes to New Homes Bonus and Education Funding Reform all of which could have significant impacts on the Council's funding. Projections beyond 2016/17 therefore currently include a high degree of uncertainty however it is anticipated that the Council will

need to identify a further £20m savings by the end of 2019/20 on top of the £23m additional savings required in 2016/17 and 2017/18. 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.

---

Ken Clarke MBA CPFA  
Chief Financial Officer

Chart 1

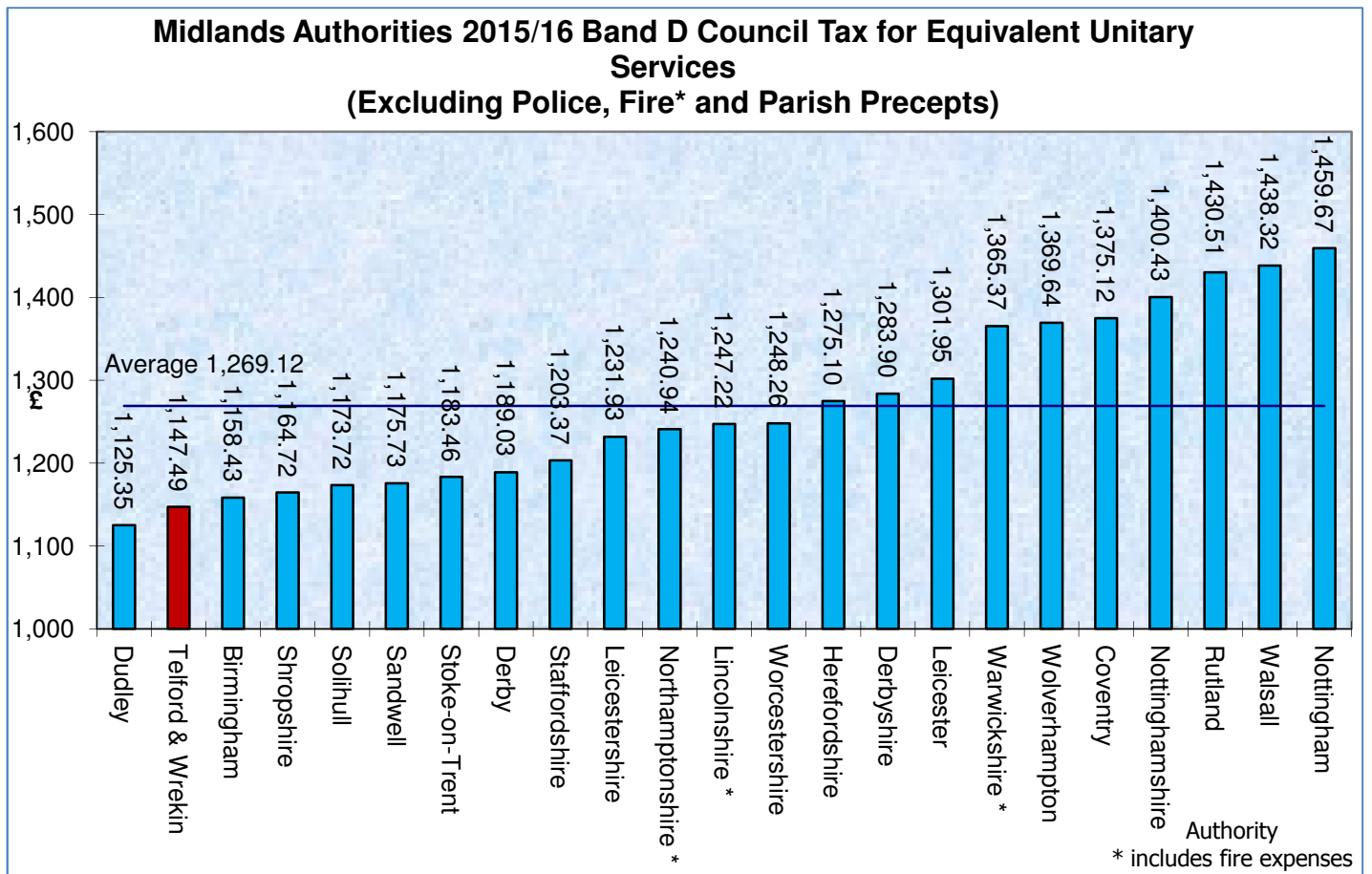


Chart 2

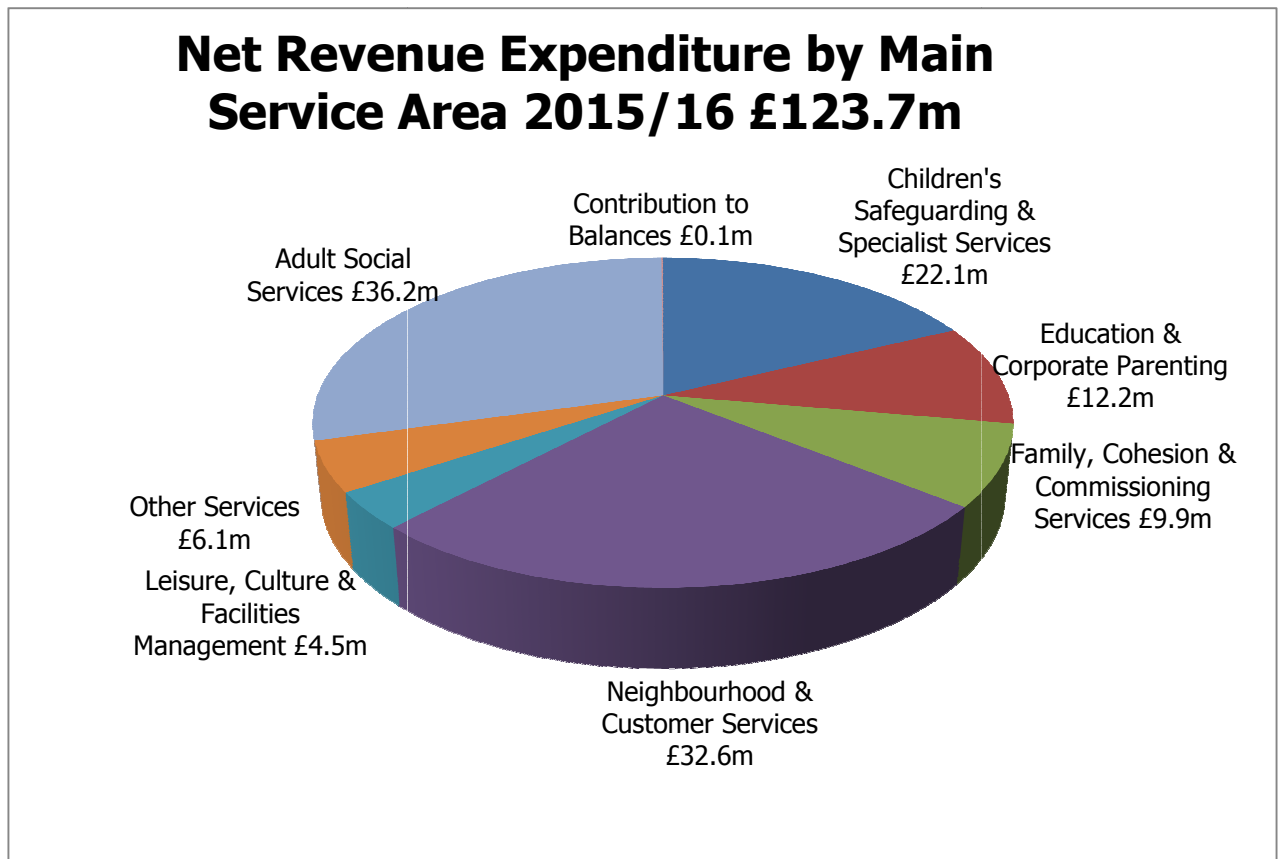


Chart 3

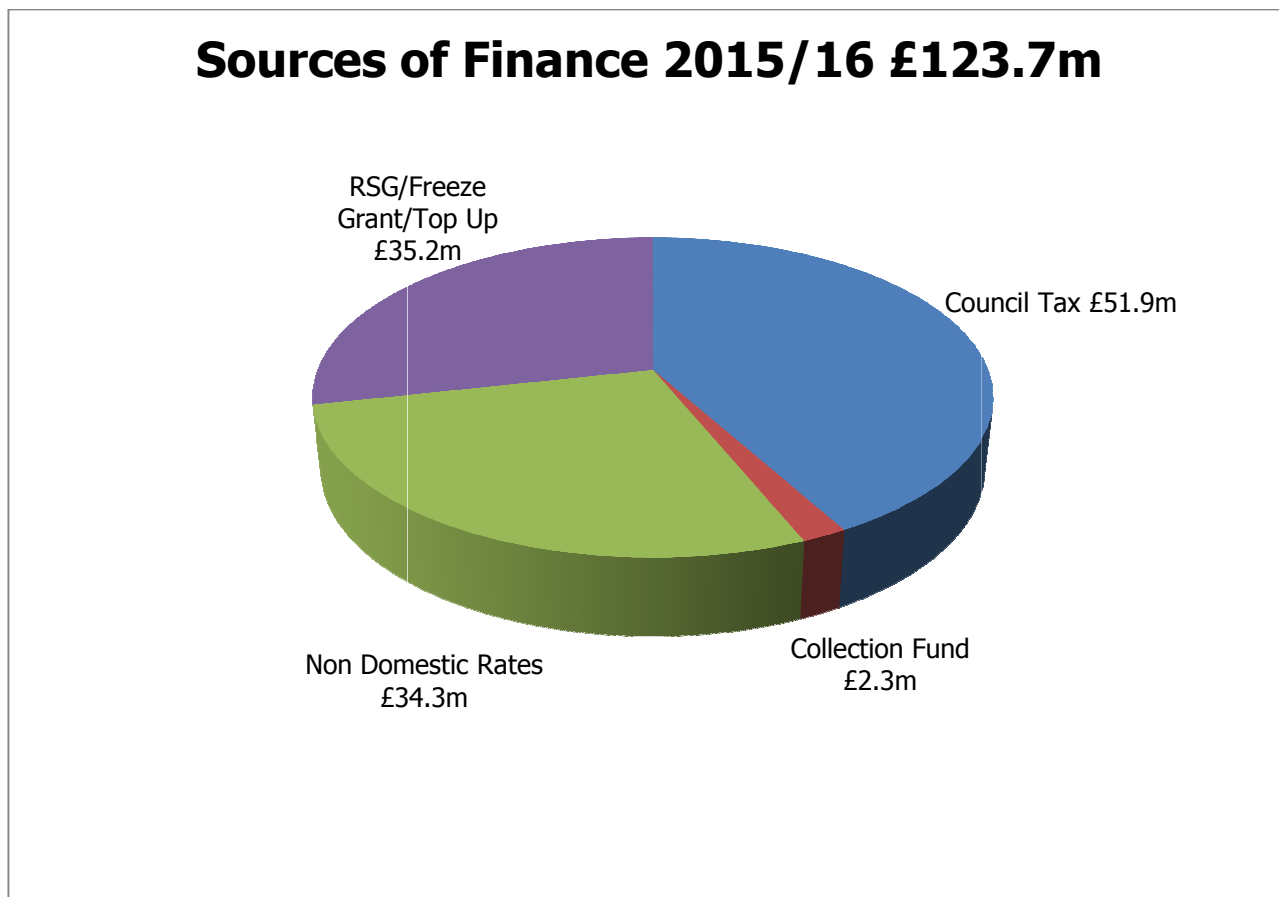


Chart 4

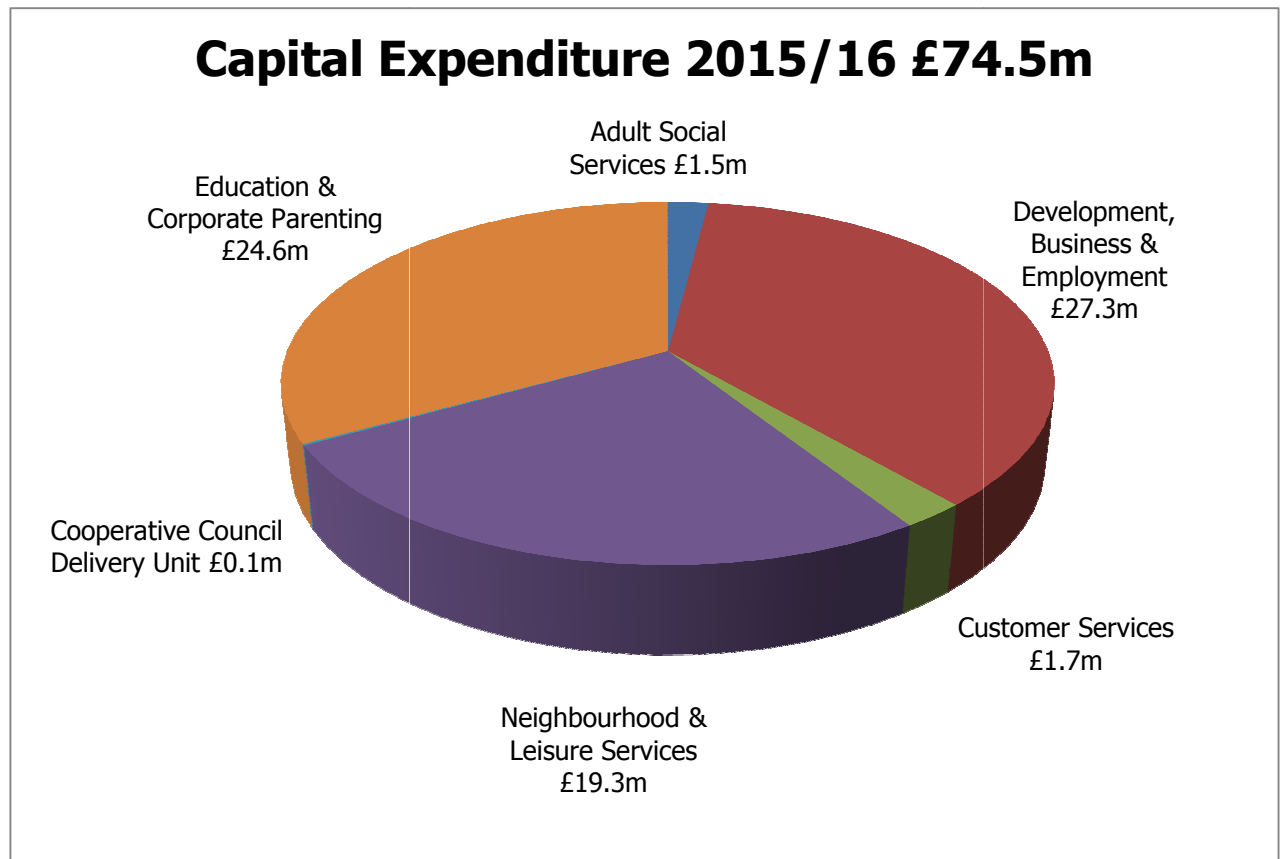
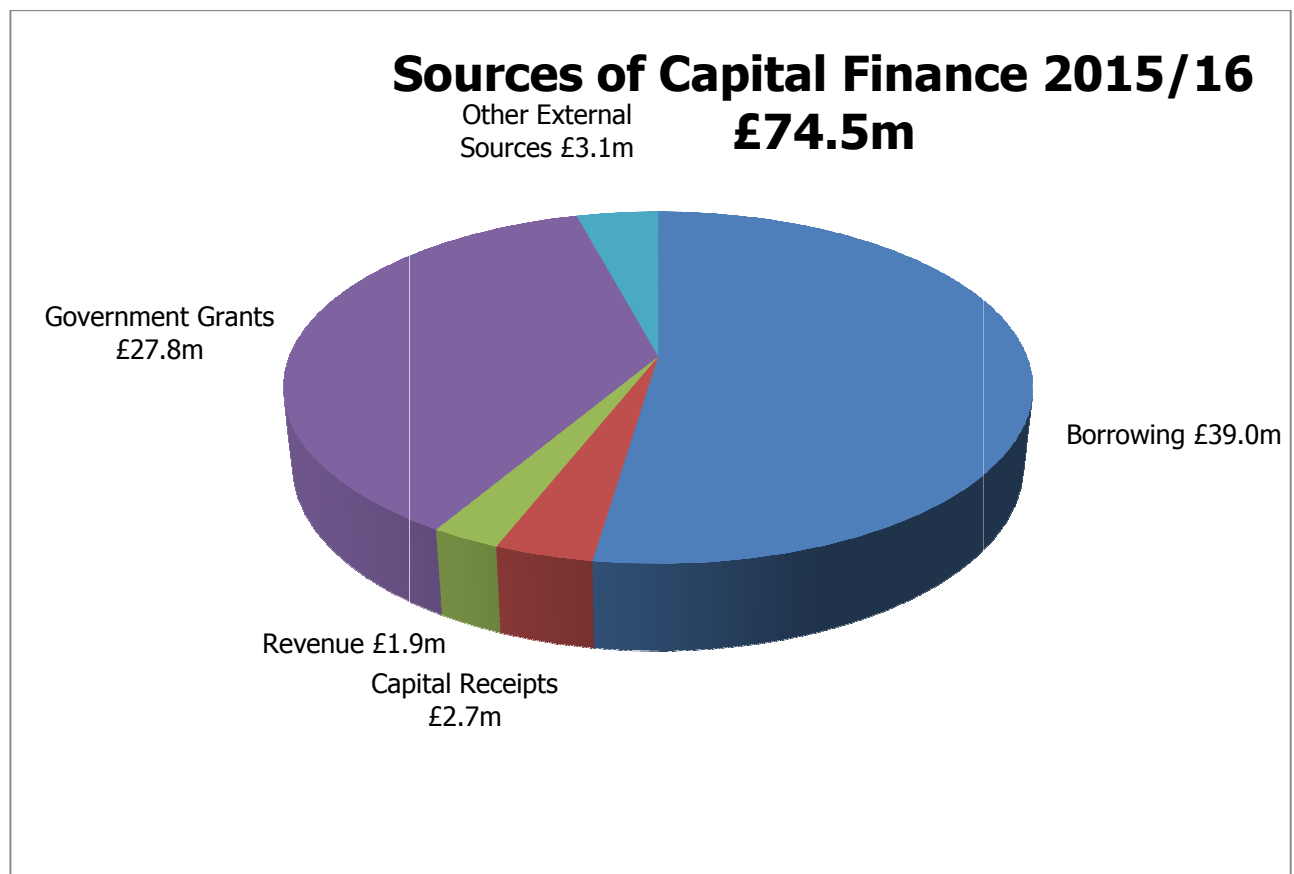


Chart 5



## **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 31<sup>st</sup> March 2016.

#### **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 121 complies with the requirements of the Accounts and Audit Regulations 2015.

Ken Clarke MBA CPFA,  
Assistant Director  
**Dated: 20 June 2016**

### **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: 28 June 2016**

## **ANNUAL GOVERNANCE STATEMENT 2015/16**

### **1. Introduction**

- 1.1 Under the Accounts and Audit Regulations 2015 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 regulations<sup>1</sup> 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. During 2016/17 there will be a new local Code of Good Governance approved to meet the updated CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition).

### **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 2016 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2016/17 and beyond to support good governance, revised service delivery and organisational change.

---

<sup>1</sup> Regulations 6 1(b), 6 2(b), 6 3(b) and 4 of the Accounts and Audit Regulations 2015



## **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 values<sup>2</sup>) include:

- 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 Children's & Adults Services from January 2016), Director of Adult Social Services (AD Early Help & Support from February 2016), 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 SMT<sup>3</sup>, 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 Managers/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 including the supporting financial 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 (Human Resources from January 2016) and workforce /organisational development procedures<sup>4</sup> are supported by clear recruitment processes. These are followed up by on-line induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on-going training and development;
- Member and Officer<sup>5</sup> 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;

---

<sup>2</sup> Co-operative values of ownership; openness & honesty; involvement, fairness and respect

<sup>3</sup> Senior Management Team – Managing Director, Directors and Assistant Directors.

<sup>4</sup> Further development work has continued on these during 2015/16 to reflect Organisational Development, the Council's priority of Business Supporting, Business Winning Council and increased Commercial activities.

<sup>5</sup> The Employee Code of Conduct which was re-issued in April 2013.

- The Council's communication, consultation and engagement strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The Leader and deputy Leader of the Cabinet are the lead members responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and strategic risks are reviewed by SMT and agreed by the Cabinet;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- A process for the completion and approval of business cases for use of the Capacity fund, Invest to Save fund and use of consultants;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and External Audit guidance and is monitored by the Audit Committee;
- Internal audit operates to the Public Sector Internal Audit Standards and on a risk basis reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Audit, IG & Insurance Services SDM 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 has processes and documents to support governance and reporting arrangements for 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, Ollie and Staff news (updates/reminders 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, 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 intelligence, 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 2015/16 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 Directors/Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.
- 6.6 Adult Social Services in respect to systems, financial management and implementation of the cost improvement plan have continued to provide updates during the year to Members including the Audit Committee. To support the revised target operating model there has been commissioned external support, management changes and the implementation of phase 2 of the Adult Social Care restructure.
- 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 has reviewed 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.
- 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 will be required in 2016/17 to reflect the updated CIPFA/SOLACE Good Governance Framework 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 2015/16 no enforcement action has been taken by the ICO against the Council.
- 6.12 Implementation of the ICT Strategy 2014-17 has continued in 2015/16 including infrastructure upgrades and further security improvements particularly in response to spam,

phishing/ whaling and Ransom ware threats. Further infrastructure improvements are planned during 2016/17 including the move to Office 365.

- 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 Regulations 2015 require a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, management, other internal assurance services and the External Auditors' review of the work of Internal Audit. The Internal Audit Annual Report 2015/16 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 2015/16 final accounts audit.
- 6.15 The External Auditor's Annual Audit Letter 2014/15 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 2014/15 on 20 September 2015. This means we are satisfied that the Authority had proper arrangements for securing financial resilience and challenging how it secures 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 20 September 2015. 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 Carwood Residential Home was inspected by CQC in January 2015 with the report issued in May 2015. The overall rating for the service was "*requires improvement*" but for the 5 questions of the assessment the results were as below:

Question	Rating
Is the service safe?	Requires improvement
Is the service effective?	Requires improvement
Is the service caring?	Good
Is the service responsive?	Good
Is the service well-led?	Requires improvement

The full report can be accessed through the link below:

<http://www.cqc.org.uk/search/services/care-homes/Carwood%20Residential%20Home?location=&latitude=&longitude=&sort=default&la=&distance=15&mode=html>

Although actions had been agreed to address the issues requiring improvement by the inspection the decision was taken by the Council in September 2015 to close the facility due to reduced demand. The last 3 residents will be leaving in early 2016/17.

CQC also made an inspection of Lakewood Court in March 2016 and the draft report gives an overall rating of good. The report is due to be published in 2016/17.

- 6.17 HM Inspectorate of Probation undertook a Short Quality Screening of Youth offending Work in West Mercia from 16<sup>th</sup> – 18<sup>th</sup> March 2015 and the report was issued on 13<sup>th</sup> May 2015.

**The report Summary is shown below** (full report can be viewed at <https://www.justiceinspectorates.gov.uk/hmiprobation/about-our-inspections/> ):

The published reoffending rate for West Mercia was 31.3%. This was better than the previous year and better than the England & Wales average of 36.1%. West Mercia YOS was formed in October 2012 following the merger of Worcestershire & Herefordshire YOS and Shropshire, Telford & Wrekin YOS. Given that the past two and a half years has been a period of change, including restructuring, it is not surprising that overall there has been a slight deterioration in the quality of work since the previous inspections of the two separate services. We were, however, impressed overall by the commitment of both management and staff to improve the lives of the children and young people they work with and their eagerness to improve their practice.

**Key strengths identified by the short quality screening were:**

- Services provided to the courts, and in particular Pre-Sentence Reports (PSR), were of a high standard.
- Assessments of diversity factors. This had been aided by the introduction of learning style questionnaires and the availability of a speech, language and communication skills worker within the Worcestershire area of the YOS.
- Good levels of compliance and, where needed, effective enforcement of court orders.
- The engagement of children and young people and parents/carers at the PSR stage and in understanding diversity factors.
- Positive health and well-being outcomes for children and young people as the result of multi-agency working.

**Areas requiring improvement were:**

- Planning to address vulnerability required substantial improvement.
- Reviews of assessment and planning to address reoffending and vulnerability needed improvement.
- Assessments and interventions of the speech, language and communication skills workers should be available across all areas of the YOS.
- More attention needed to be given to victim safety and identifying actions to manage this.
- Managers should provide greater support to staff to improve the quality of their assessments and plans, and ensure that their oversight of risk of harm and safeguarding work is effective.

West Mercia YOS are addressing the areas of improvement identified during the review.

6.18 The Arts Council Music Hub Peer Development programme undertook a peer review of the North West Midlands Music Education Hub Federation in 2015/16 and reviewed the following areas:

- 1: Partnership Development and working across a multi-authority how do you do this, how do you work with a range of partners?
- 2: Leadership development and succession planning.
- 3: Securing investment and funding.

Feedback has been provided which is being responded to by the partnership.

6.19 Adult Social Care participated in a Sector Led Improvement/Peer Challenge as part of the West Midlands Peer Challenge Summit in December 2015. The Council were paired with Warwickshire who provided challenge on our performance and actions for improvement are being acted on or included in the 2016/17 Service Plan.

6.20 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, senior managers, Internal Audit and external review, and plan to address weaknesses and

ensure continuous improvement of the framework as outlined in the action plan attached as Annex 1.

Richard Partington  
Managing Director  
**Dated:**

Cllr Shaun Davies  
Leader of the Council  
**Dated:**

Cllr Rob Sloan  
Chair of Audit Committee  
**Dated:**

2014/15 ANNUAL GOVERNANCE STATEMENT ACTION PLAN – Position as at 31<sup>st</sup> March 2016

No	Action	Lead Officer	Comments when AGS agreed and Target Completion Date	Updated Position as at 31 <sup>st</sup> March 2016
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	<p>Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies.</p> <p>Change management processes have been adjusted to reflect the different phase of change which the council is currently in</p> <p>Endorsing and delivering an awareness programme for officers and members.</p> <p>Updated Constitution effective from May 2015.</p> <p><b>On-going 31/03/16</b></p>	New SMT structure implemented early February 2016 and revised service areas mean restructures will continue throughout 16/17.
2.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources	<p>Local Audit and Accountability Act 2014 enacted but is not yet fully in force. Further secondary legislation and guidance to be published.</p> <p>External audit procurement – planning may need to commence early 2016 if contracts not extended.</p> <p>Planning for revised final accounts deadlines for 2017/18 to commence in 2015/16 so can be phased changes to practices. Draft accounts by 31<sup>st</sup> May (instead of 30<sup>th</sup> June) and audited accounts by 31<sup>st</sup> July instead of 30<sup>th</sup> September.</p> <p><b>On-going 31/03/16</b></p> <p><b>Procurement – possibly from January 2016.</b></p> <p><b>Working towards updated final accounts timetable for 2016/17 onwards.</b></p>	<p>Contracts have now been extended by the DCLG for one year so External Auditors need to be appointed by December 2017 for audit of 2018/19 accounts.</p> <p>Internal meeting held in early 2016 and expression of interest letter to be sent by 30<sup>th</sup> April to PSAA who are setting up Sector led body.</p> <p>Working towards updated final accounts timetable for 2016/17 onwards.</p>

No	Action	Lead Officer	Comments when AGS agreed and Target Completion Date	Updated Position as at 31 <sup>st</sup> March 2016
3.	<p>Complete the review and implementation of Workforce Development priorities and delivery.</p> <p>Continue to review and update the management competencies and skills required in the revised organisation.</p> <p>Review of Human Resources policies and procedures to support the priorities and organisational change.</p>	Managing Director and AD – Finance & Human Resources	<p>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.</p> <p>People policies have been prioritised and are being revised and renegotiated in line with these priorities.</p> <p><b>On-going as agreed with SMT (31/03/16).</b></p>	<p>The rolling review of priorities continues as organisational demands change. We continue to invest in our e-learning platform and have a variety of on line learning available. Our e-learning platform now includes face to face learning to reflect access to learning in one place.</p> <p>We have worked with SMT and managers to isolate the qualities/behaviours we require of managers in the forthcoming new structure and way of working with the Council post January 2016.</p> <p>Learning to support core workforce and key leadership and management requirements continue to be managed on a rolling basis. Whilst some areas have a detailed Workforce Development Plan, a council wide Workforce Development Plan will be a priority in the new structure.</p> <p>Employment Policies are also reviewed to coincide with external and organisational priorities and change. We regularly operate to a schedule of these and in recent months have reviewed and renegotiated the Sickness Absence policy, Redeployment support, Probation, Business and Private activities, social media along with incorporating new employment legislation into existing practice. This has included implementing the Flexible Working Policy.</p>



No	Action	Lead Officer	Comments when AGS agreed and Target Completion Date	Updated Position as at 31 <sup>st</sup> March 2016
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.	Director: Children's & Adult Services	<p>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&amp;BT, and via agreed communications channels.</p> <p>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.</p> <p>Care Act Implementation programme completed for 1<sup>st</sup> April 2015 and then to be implemented for 1<sup>st</sup> April 2016. Chair – Director. Programme Lead – Clare Hall-Salter.</p> <p><b>31/03/16 and beyond</b></p>	<p>Recommendations from external reviews of Adult Social Services together with a Cost Improvement Plan have been implemented and are closely monitored via the Senior Management Team and Members, including Audit and Scrutiny committees. Savings have been delivered and will continue to be delivered in line with the Cost Improvement Plan through 15/16 and beyond.</p> <p>Our next formal external review of Adult Social Services will take place in May/June 2016.</p> <p>The Service Improvement and Efficiency Team are now responsible for ensuring that processes and systems are fit for purpose and are followed by staff to ensure appropriate financial control and compliance with the new legislation under the Care Act 2014.</p> <p>A new Target Operating Model has been launched on 11<sup>th</sup> November 2015 with clearly defined roles and responsibilities for all staff within the restructured Adult Social Services.</p> <p>Care Act reforms Part 2 are no longer required to be implemented for April 2016, as they have now been delayed until April 2020.</p>

No	Action	Lead Officer	Comments when AGS agreed and Target Completion Date	Updated Position as at 31 <sup>st</sup> March 2016
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's & Adult Services	<p>This action plan is particularly focussed on any recommendations from external reviews that improve the governance arrangements in these areas.</p> <p><b>Various dates throughout 2015/16</b></p>	<p><b>Children:</b></p> <p>Governance of improvement plans, including findings from external inspections, is via regular updates at Children and Family Services Senior Leadership Team. External governance is provided by the LSCB Quality, Performance and Operations Sub Group, where progress reports are submitted twice yearly.</p> <p><b>Adults:</b></p> <p>We continue to have monthly "challenge" sessions with Cabinet Members/Managing Director in respect to the Cost Improvement Plan and service transformation.</p> <p>In respect of Sector Led Improvement/Peer Challenge for Adult Social Care we took part in a West Midlands Peer Challenge Summit on 4 December where we were paired with Warwickshire who provided challenge on our performance.</p> <p>Our next formal peer challenge through the West Midlands scheme will be in May/June 2016.</p> <p>Carwood House received a CQC inspection during the Spring of this year and an action plan is in place to address areas for improvement however Carwood will be closing by the end of April 2016 but the areas for improvement are still relevant and best practice.</p>
6.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	<p>Continued support and review of the separate company arrangements and associated governance issues.</p> <p>Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval.</p> <p><b>On-going during 2015/16</b></p>	<p>These actions continue to be on-going during 2015/16 with appropriate support services being provided by the Council or external specialists to ensure appropriate governance arrangements.</p>

## **Auditors' Report**

To be added at the conclusion of the Audit

Auditors report to be added at the conclusion of the Audit

Auditors report to be added at the conclusion of the Audit

## 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
<b>Balance at 31 March 2014 carried forward restated</b>	<b>3,224</b>	<b>43,707</b>	<b>0</b>	<b>7,116</b>	<b>54,047</b>	<b>51,263</b>	<b>105,310</b>
<b>Movement in reserves during 2014/15</b>							
Surplus or (deficit) on the provision of services	61,206	0	0	0	<b>61,206</b>	0	<b>61,206</b>
Other Comprehensive Income and Expenditure restated	0	0	0	0	<b>0</b>	(60,059)	<b>(60,059)</b>
<b>Total Comprehensive Income and Expenditure restated</b>	<b>61,206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,206</b>	<b>(60,059)</b>	<b>1,147</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(53,723)	0	0	1,813	<b>(51,910)</b>	51,910	<b>0</b>
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves restated</b>	<b>7,483</b>	<b>0</b>	<b>0</b>	<b>1,813</b>	<b>9,296</b>	<b>(8,149)</b>	<b>1,147</b>
Transfers to/(from) Earmarked Reserves	(6,338)	6,338	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/ (Decrease) in 2014/15 restated</b>	<b>1,145</b>	<b>6,338</b>	<b>0</b>	<b>1,813</b>	<b>9,296</b>	<b>(8,149)</b>	<b>1,147</b>
<b>Balance at 31 March 2015 carried forward restated</b>	<b>4,369</b>	<b>50,045</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>	<b>43,114</b>	<b>106,457</b>

<b>Movement in reserves during 2015/16</b>							
Surplus or (deficit) on the provision of services	(30,955)	0	0	0	<b>(30,955)</b>	0	<b>(30,955)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	<b>0</b>	23,715	<b>23,715</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(30,955)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(30,955)</b>	<b>23,715</b>	<b>(7,240)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	35,842	0	0	(6,069)	<b>29,773</b>	(29,773)	<b>0</b>
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>4,887</b>	<b>0</b>	<b>0</b>	<b>(6,069)</b>	<b>(1,182)</b>	<b>(6,058)</b>	<b>(7,240)</b>
Transfers to/(from) Earmarked Reserves	(4,766)	4,766	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/ (Decrease) in 2015/16</b>	<b>121</b>	<b>4,766</b>	<b>0</b>	<b>(6,069)</b>	<b>(1,182)</b>	<b>(6,058)</b>	<b>(7,240)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,490</b>	<b>54,811</b>	<b>0</b>	<b>2,860</b>	<b>62,161</b>	<b>37,056</b>	<b>99,217</b>

It can be seen from this table that of the total £99.2m reserves, only £4.5m 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	2014/15 Gross Expenditure £000	2014/15 Income £000	2014/15 Net Expenditure £000	2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000
Children's and Education Services (note 8)	161,361	178,364	(17,003)	150,049	131,754	18,295
Adult Social Care	65,705	25,656	40,049	64,741	22,990	41,751
Environmental & Regulatory Services	15,997	3,409	12,588	13,221	3,063	10,158
Cultural and Related Services	24,330	13,007	11,323	24,373	12,224	12,149
Planning Services	10,643	17,532	(6,889)	14,322	9,556	4,766
Highways & Transport Services	21,848	22,120	(272)	21,162	16,053	5,109
Housing Services	84,441	81,651	2,790	92,396	77,535	14,861
Court & Probation Services	267	0	267	314	0	314
Contribution re Former County Council Debt	1,876	0	1,876	1,792	0	1,792
Corporate & Democratic Core	3,610	0	3,610	3,429	0	3,429
Central Services	34,164	23,848	10,316	38,532	28,165	10,367
Non Distributed Costs	1,964	0	1,964	1,548	0	1,548
Public Health	11,264	10,929	335	12,154	11,712	442
<b>Net Cost of Services (Note 42)</b>	<b>437,470</b>	<b>376,516</b>	<b>60,954</b>	<b>438,033</b>	<b>313,052</b>	<b>124,981</b>
Other Operating Expenditure (Note 9)			1,133			28,278
Financing and Investment Income and Expenditure (Note 10)			12,738			5,793
Taxation & Non Specific Grant Income and Expenditure (Note 11)			(136,031)			(128,097)
<b>(Surplus) or deficit on provision of services</b>			<b>(61,206)</b>			<b>30,955</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets (restated for 2014/15)			(3,953)			(1,696)
Remeasurements of the net defined benefit pension liability (Note 12)			64,012			(22,019)
<b>Other Comprehensive Income &amp; Expenditure (restated for 2014/15)</b>			<b>60,059</b>			<b>(23,715)</b>
<b>Total Comprehensive Income and Expenditure (restated for 2014/15)</b>			<b>(1,147)</b>			<b>7,240</b>



## 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'.

<b>31 March 2014 restated £000</b>	<b>31 March 2015 restated £000</b>		<b>31 March 2016 £000</b>	<b>31 March 2016 £000</b>
413,754	483,855	Property, Plant & Equipment (Note 14)	485,007	
54,275	59,329	Investment Properties (Note 15)	71,390	
1,627	2,065	Intangible Assets (Note 16)	2,437	
33	33	Long Term Investments (Notes 22,23,24)	3,533	
573	614	Long Term Debtors (Note 22)	8,344	
<b>470,262</b>	<b>545,896</b>	<b>Total Long Term Assets</b>		<b>570,711</b>
		<b>Current Assets</b>		
298	297	Inventories (Note 20)	351	
20,731	19,706	Debtors (Notes 21,22)	23,517	
10,000	0	Investments - (short term) (Notes 22,23,24)	0	
4,842	14,468	Assets Held for Sale (Note 17)	12,844	
14,467	4,657	Cash and Cash Equivalents (Note 25)	7,286	
50,338	39,128		43,998	
		<b>Current Liabilities</b>		
(18,654)	(19,053)	Provisions (Note 26)	(20,073)	
(37,063)	(29,093)	Short term Borrowing (Notes 22,23)	(75,579)	
(62,521)	(64,166)	Creditors (Notes 22,27)	(62,872)	
(118,238)	(112,312)		(158,524)	
<b>(67,900)</b>	<b>(73,184)</b>	<b>Total Net Current Assets/(Liabilities)</b>		<b>(114,526)</b>
(88,520)	(87,520)	Less Long Term Borrowing (Notes 22,23)		(88,519)
(58,274)	(56,488)	Less Long Term Creditors (PFI & Finance Leases) (Note 22,28)		(55,321)
(150,183)	(222,247)	Less Pensions Liability (Note 12)		(212,647)
(75)	(0)	Capital Grants Receipts in Advance (Note 41)		(481)
<b>105,310</b>	<b>106,457</b>	<b>Net Assets</b>		<b>99,217</b>
54,047	63,343	Usable Reserves (Note 29)		62,161
51,263	43,114	Unusable Reserves (Note 31)		37,056
<b>105,310</b>	<b>106,457</b>	<b>Net Reserves</b>		<b>99,217</b>

## 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.

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>(61,206)</b>	Net (surplus) or deficit on the provision of services	<b>30,955</b>
<b>(30,745)</b>	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 36)	<b>(66,225)</b>
<b>89,054</b>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 37)	<b>40,682</b>
<b>(2,897)</b>	<b>Net cash flows from Operating Activities (Note 40)</b>	<b>5,412</b>
<b>6,183</b>	Investing Activities (Note 38)	<b>39,086</b>
<b>6,524</b>	Financing Activities (Note 39)	<b>(47,127)</b>
<b>9,810</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(2,629)</b>
<b>14,467</b>	Cash and cash equivalents at the beginning of the reporting period	<b>4,657</b>
<b>4,657</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 25)</b>	<b>7,286</b>

# 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 the amount 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 31<sup>st</sup> March 2016 there were 5 significant capital contracts in place. These total £13.3m 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 Queensway 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 2015/16, 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 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 2015/16 a total of £0.089m (£0.246m for 2014/15) 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 2015/16 the following new standards have been issued, but not yet adopted:

- The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. This will require a change to accounting policies in respect of the Highways Network Asset.
- IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.
- Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

### **Prior Period Adjustments**

The Council is in the process of implementing a Computerised Fixed Asset Model. As part of that implementation we have amended the treatment of impairment and subsequent revaluation of assets, so that any revaluations reverse previous impairments before adding to the Revaluation Reserve. This has had a small impact on the value of assets and also led to a reduction in the Revaluation Reserve offset by an increase in the Capital Adjustment Account.

### **Movement In Reserves Statement**

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Total Usable Reserves – Balance at 31/3/14	51,219	+44	51,263
Total Authority Reserves – Balance at 31/3/14	105,266	+44	105,310
Movement During 2014/15 – Other Comprehensive Income and Expenditure – Unusable Reserves	(60,018)	-41	(60,059)
Movement During 2013/14 – Other Comprehensive Income and Expenditure – Total Authority Reserves	(60,018)	-41	(60,059)
Total Comprehensive Income and Expenditure – Unusable Reserves	(60,018)	-41	(60,059)
Total Comprehensive Income and Expenditure – Total Authority Reserves	1,188	-41	1,147
Net Increase / (Decrease) before Transfers to Earmarked Reserves – Unusable Reserves	(8,108)	-41	(8,149)
Net Increase / (Decrease) before Transfers to Earmarked Reserves – Total Authority Reserves	1,188	-41	1,147
Increase / (Decrease) in 2014/15 – Unusable	(8,108)	-41	(8,149)

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Reserves			
Increase / (Decrease) in 2014/15 – Total Authority Reserves	1,188	-41	1,147
Balance at 31/3/15 carried forward – Total Unusable Reserves	43,111	+3	43,114
Balance at 31/3/15 carried forward – Total Authority Reserves	106,454	+3	106,457

### Comprehensive Income and Expenditure Account

Description	Original Figure £000	Adjustment £000	Revised Figure £000
(Surplus) or deficit on revaluation of Property, Plant and equipment Assets	(3,994)	+41	(3,953)
Other Comprehensive Income & Expenditure	60,018	+41	60,059
Total Comprehensive Income & Expenditure	(1,188)	+41	(1,147)

### Balance sheet

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Property, Plant and Equipment	483,852	+3	483,855
Total Long Term Assets	545,893	+3	545,896
Net Assets	106,454	+3	106,457
Unusable Reserves	43,111	+3	43,114
Net Reserves	106,454	+3	106,457

### The following Notes were also amended to correspond with these changes

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

Note 14 – Property, Plant and Equipment

Note 31 – Unusable Reserves

### **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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Property, Plant and Equipment</b>	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 £2.2m for every year that useful lives had to be reduced.
<b>Pensions Liability</b>	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 £11.9m. However, the assumptions interact in complex ways.
<b>Arrears</b>	At 31 March 2016, the Authority had a balance of £31.527m for sundry debtors. The Council has set aside a bad debts provision of 25.4% (£8.010m) 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 £1.6m to be set aside as an allowance.
<b>Single Status</b>	Single Status is a national pay and conditions agreement for staff employed under NJC terms and	The costs in relation to the scheme could be lower or higher than the sum provided.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 <sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2015/16 accounts, as was the case last year.	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 Expenditure**

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 June 2016. 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 2016, 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.

<b>2015/16</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	<b>17,573</b>	<b>0</b>	<b>0</b>	<b>(17,573)</b>
Movement in the market value of Investment Properties	<b>(6,550)</b>	<b>0</b>	<b>0</b>	<b>6,550</b>
Revenue expenditure funded from capital under statute	<b>15,713</b>	<b>0</b>	<b>0</b>	<b>(15,713)</b>
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	<b>38,930</b>	<b>0</b>	<b>0</b>	<b>(38,930)</b>

<b>2015/16</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(416)	0	0	416
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(26,721)	0	26,721	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(32,790)	32,790
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,674)	2,674	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,674)	0	2,674
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,287)	0	0	11,287
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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	403	0	0	(403)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	25,579	0	0	(25,579)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,160)	0	0	13,160
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				

<b>2015/16</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
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	<b>(1,085)</b>	<b>0</b>	<b>0</b>	<b>1,085</b>
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	<b>(463)</b>	<b>0</b>	<b>0</b>	<b>463</b>
<b>Total Adjustments</b>	<b>35,842</b>	<b>0</b>	<b>(6,069)</b>	<b>(29,773)</b>



<b>2014/15 Comparative Figures</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
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)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(4,403)	0	0	4,403
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(85,955)	0	85,955	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(84,142)	84,142
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
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
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
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)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
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

<b>2014/15 Comparative Figures</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	<b>(3,651)</b>	<b>0</b>	<b>0</b>	<b>3,651</b>
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	<b>157</b>	<b>0</b>	<b>0</b>	<b>(157)</b>
<b>Total Adjustments</b>	<b>(53,723)</b>	<b>0</b>	<b>1,813</b>	<b>51,910</b>

## 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 2015/16 are as follows:

<b>Schools Budget Funded By Dedicated Schools Grant</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2015/16			<b>129,547</b>
Brought forward from 2014/15			<b>852</b>
Academy Figure recouped for 15/16			<b>(26,695)</b>
<b>Agreed budgeted distribution in 2015/16</b>	<b>13,739</b>	<b>89,965</b>	<b>103,704</b>
In Year Adjustments	<b>0</b>	<b>46</b>	<b>46</b>
<b>Final Budget Distribution for 2015/16</b>	<b>13,739</b>	<b>90,011</b>	<b>103,750</b>
Actual Central Expenditure	(13,434)		<b>(13,434)</b>
Actual ISB deployed to Schools		(89,965)	<b>(89,965)</b>
<b>Carry Forward to 2016/17</b>	<b>305</b>	<b>46</b>	<b>351</b>

The in-year adjustment of £46,000 is derived from adjustments to early years funding and recoupment made after the year end.

## 9. Other Operating Expenditure

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>2,898</b>	Parish Council precepts	<b>2,993</b>
<b>427</b>	Payment of RSG to Parishes	<b>316</b>
<b>0</b>	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	<b>35,867</b>
<b>(2,192)</b>	(Gains)/losses on the disposal of non-current assets – Other Assets	<b>(10,898)</b>
<b>1,133</b>	<b>Total</b>	<b>28,278</b>

## **10. Financing and Investment Income and Expenditure**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>8,935</b>	Interest payable and similar charges	<b>8,764</b>
<b>6,419</b>	Pensions interest cost and expected return on pensions assets	<b>7,071</b>
<b>(176)</b>	Interest receivable and similar income	<b>(22)</b>
<b>(2,478)</b>	Income and expenditure in relation to investment properties and changes in their fair value	<b>(10,060)</b>
<b>38</b>	Other investment income and expenditure	<b>40</b>
<b>12,738</b>	<b>Total</b>	<b>5,793</b>

## **11. Taxation and Non Specific Grant Income and Expenditure**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(55,718)</b>	Council tax income	<b>(54,947)</b>
<b>(300)</b>	Collection Fund Surplus/Deficit	<b>(2,262)</b>
<b>(33,615)</b>	Non domestic rates	<b>(35,258)</b>
<b>(2,076)</b>	Non domestic rates Top Up Grant	<b>(2,116)</b>
<b>(70)</b>	Local Services Support Grant	<b>(42)</b>
<b>(42,071)</b>	Revenue Support Grant	<b>(31,444)</b>
<b>(1,575)</b>	Section 31 Grant	<b>(1,416)</b>
<b>(606)</b>	Council Tax Freeze Grant	<b>(612)</b>
<b>(136,031)</b>	<b>Total</b>	<b>(128,097)</b>

## **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 decreased by £9.6m; this has been as a result of remeasurements on liabilities (due to changes in assumptions including a higher discount rate).

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 2014/15).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £13.652m (comprising contributions of £10.443m plus a lump sum payment of £3.209m). The contribution rate was set for 2015/16 at 12.6%, plus a lump sum. The combined rate for 2015/16 is estimated at 17.1%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/16 the cumulative amount of actuarial losses recognised in the statements is £95.167m.

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
(633,181)	Present Value of Funded Benefit Obligations	(623,175)
(10,873)	Present Value of Unfunded Benefit Obligations	(10,206)
(644,054)	Total Present Value of Benefit Obligations	(633,381)
421,807	Fair Value of Pension Fund Assets	420,734
(222,247)	Surplus/(Deficit)	(212,647)

Change in Benefit Obligation during year.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
(529,543)	Benefit Obligation at Beginning of Year	(644,054)
(13,070)	Current Service Cost	(17,488)
(23,514)	Interest on Pension Liabilities	(21,042)
(4,297)	Member Contributions	(4,423)
(91,188)	Remeasurements (Liabilities)	36,986
(742)	Curtailment Cost	(670)
18,300	Benefits / Transfers Paid	17,310
(644,054)	Surplus / (Deficit) at End of Year	(633,381)

Change in Plan Assets during year.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
379,360	Fair Value of Plan Assets at Beginning of Year	421,807
17,095	Expected Return on Plan Assets	13,971
27,176	Remeasurements (Assets)	(14,967)
12,518	Employer Contributions	13,160
4,297	Member Contributions	4,423
(339)	Administration Expenses	(350)
(18,300)	Benefits / Transfers Paid	(17,310)
421,807	Surplus / (Deficit) at End of Year	420,734

## Statement of Gains and Losses

	2014/15 £000	%	2015/16 £000	%
Actuarial Gain/(Loss)	(64,012)	9.9% of liabilities	22,019	3.5% of liabilities
Actual Return on Plan Assets	44,271		(997)	
Experience Gains/(Losses) On Assets	27,176	6.4% of assets	(14,967)	3.6% of assets
Experience Gains/(Losses) On Liabilities	0	0% of liabilities	0	0% of liabilities

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

2014/15			2015/16	
£000	%		£000	%
219,382	52.0%	Equity Investments	214,826	51.1%
46,821	11.1%	Government Bonds	46,744	11.1%
60,824	14.4%	Other Bonds	61,512	14.6%
17,294	4.1%	Property	22,509	5.4%
13,118	3.1%	Cash/Liquidity	7,237	1.7%
64,368	15.3%	Other	67,906	16.1%
421,807	100.0%	Total	420,734	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.

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 36 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:

2014/15		2015/16
2.0%	- rate of inflation (CPI)	2.0%
3.5%	- rate of increase in salaries	3.5%
2.0%	- rate of increase in pensions	2.0%
50%	- proportion of employees opting to take a commuted lump sum	50%
3.3%	- rate for discounting scheme liabilities	3.6%
	- longevity at 65 for current pensioners	
23.9	Male	23.9
26.3	Female	26.4
	- longevity at 65 for future pensioners	
26.1	Male	26.2
29.1	Female	29.2

Changes to the pension scheme permit employees retiring on or after 6<sup>th</sup> 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 31/3/2016

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	633,381	621,499	645,490	636,088	645,362
Assets	(420,734)	(420,734)	(420,734)	(420,734)	(420,734)
Deficit/(Surplus)	212,647	200,765	224,756	215,354	224,628
Projected Net Interest Cost for next year	7,427	7,194	7,875	7,536	7,870

#### Scheme History

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Present Value of Liabilities	(453,881)	(539,135)	(529,543)	(644,054)	(633,381)
Fair Value of Assets	299,294	343,129	379,360	421,807	420,734
Surplus/(Deficit) on scheme	(154,587)	(196,006)	(150,183)	(222,247)	(212,647)
(Gains) and Losses on Assets	3.5%	(7.7%)	(7.2%)	(10.5%)	(0.2%)
Gains and (Losses) on Liabilities	0.0%	0.0%	0.9%	0.0%	0.0%

#### **Pensions Asset/Liability Account**

2014/15 £000		2015/16 £000
(150,183)	Opening Balance	(222,247)
(742)	Past Service Cost - Added Years	(670)
(13,070)	Current Service Cost	(17,488)
(23,514)	Interest Cost	(21,042)
17,095	Return On Assets	13,971
12,518	Payments to Pension Fund	13,160
(339)	Administration Expenses	(350)
(64,012)	Actuarial Gain or (Loss)	22,019
(222,247)	Closing Balance	(212,647)

## **Pensions Reserve**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
150,183	Opening Balance	222,247
742	Past Service Cost - Added Years	670
(12,518)	Charging Pensions Costs Payable	(13,160)
19,828	Reversing Out IAS 19 Items	24,909
64,012	Actuarial (Gain) or Loss	(22,019)
222,247	Closing Balance	212,647

### **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 2015/16 the Council paid an employer's contribution of £6,144,244 (£5,493,481 in 2014/15) representing 15.5% 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 31<sup>st</sup> 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 £6,530,895 (£6,213,667 in 2014/15) representing 16.48% of pensionable pay.

National Health Service Pension Scheme:

In 2015/16 the Council paid an employer's contribution of £46,590 (£45,390 in 2014/15) representing 14.3% (14.0% in 2014/15) 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 31<sup>st</sup> 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 £46,590 representing 14.3% of pensionable pay.



## 14. Property, Plant and Equipment

Movements in 2015/16:

	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
<b>Cost or Valuation</b>						
<b>At 1 April 2015</b>	<b>378,532</b>	<b>31,152</b>	<b>114,690</b>	<b>55,556</b>	<b>579,930</b>	<b>60,943</b>
Additions	8,015	2,624	18,394	26,077	<b>55,110</b>	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,680)	0	0	0	<b>(2,680)</b>	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,221)	0	0	0	<b>(2,221)</b>	0
derecognition – disposals	(1,873)	0	0	(36,902)	<b>(38,775)</b>	0
assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	710	0	0	0	<b>710</b>	0
assets reclassified (to) /from Investment Properties	(1,098)	0	0	0	<b>(1,098)</b>	0
<b>At 31 March 2016</b>	<b>397,832</b>	<b>35,307</b>	<b>134,432</b>	<b>23,405</b>	<b>590,976</b>	<b>61,852</b>
<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2015	<b>66,434</b>	<b>19,474</b>	<b>9,495</b>	<b>672</b>	<b>96,075</b>	<b>5,621</b>
depreciation charge	8,612	2,040	2,900	0	<b>13,552</b>	1,407
depreciation written out to the Revaluation Reserve	(3,534)	0	0	0	<b>(3,534)</b>	(583)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	686	0	0	0	<b>686</b>	0
derecognition – disposals	(810)	0	0	0	<b>(810)</b>	0
<b>At 31 March 2016</b>	<b>71,388</b>	<b>21,514</b>	<b>12,395</b>	<b>672</b>	<b>105,969</b>	<b>6,445</b>
<b>Net Book Value</b>						
<b>at 31 March 2016</b>	<b>326,444</b>	<b>13,793</b>	<b>122,037</b>	<b>22,733</b>	<b>485,007</b>	<b>55,407</b>
<b>at 31 March 2015</b>	<b>312,098</b>	<b>11,678</b>	<b>105,195</b>	<b>54,884</b>	<b>483,855</b>	<b>55,322</b>
<b>Information on Assets Held at 31/3/16</b>						
Nature of Holding						

Owned	271,037	12,504	122,037	22,733	<b>428,311</b>	
Leased	0	1,289	0	0	<b>1,289</b>	
PFI	55,407	0	0	0	<b>55,407</b>	
<b>Total</b>	<b>326,444</b>	<b>13,793</b>	<b>122,037</b>	<b>22,733</b>	<b>485,007</b>	

Comparative 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	<b>342,289</b>	<b>22,879</b>	<b>87,639</b>	<b>37,787</b>	<b>490,594</b>	<b>60,617</b>
Additions	20,778	5,604	27,051	51,541	<b>104,974</b>	326
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,493)	0	0	0	<b>(1,493)</b>	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,868)	0	0	0	<b>(1,868)</b>	0
derecognition – disposals	(150)	0	0	0	<b>(150)</b>	0
assets reclassified (to) /from Assets Under Construction	31,103	2,669	0	(33,772)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	(7,400)	0	0	0	<b>(7,400)</b>	0
assets reclassified (to) /from Investment Properties	(4,727)	0	0	0	<b>(4,727)</b>	0
At 31 March 2015	<b>378,532</b>	<b>31,152</b>	<b>114,690</b>	<b>55,556</b>	<b>579,930</b>	<b>60,943</b>

<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2014	<b>52,189</b>	<b>16,650</b>	<b>7,329</b>	<b>672</b>	<b>76,840</b>	<b>4,228</b>
depreciation charge	8,081	2,824	2,166	0	<b>13,071</b>	1,393
depreciation written out to the Revaluation Reserve	(1,744)	0	0	0	<b>(1,744)</b>	0
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	7,908	0	0	0	<b>7,908</b>	0
derecognition – disposals	0	0	0	0	<b>0</b>	0
<b>At 31 March 2015</b>	<b>66,434</b>	<b>19,474</b>	<b>9,495</b>	<b>672</b>	<b>96,075</b>	<b>5,621</b>

## 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 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £13.3m. Similar commitments at 31 March 2015 were £29.6m. The major commitments are:

- Ercall Wood School - £2.4m
- Grange Park Primary - £3.6m
- Telford Growth Package - £2.0m
- Superfast Broadband - £3.9m
- Meeting Point House - £1.4m

### **14a. Fixed Asset Valuation**

The Council's property was valued on 1 April 2015 by internal valuers, James Dunn MRICS and David Scrimgeour MRICS, both 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 £66.850m, 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
2011/12	120,710
2012/13	85,058
2013/14	27,555
2014/15	37,504
2015/16	45,747
Total	316,574

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 the year after 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:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(6,120)</b>	Rental income from investment property	<b>(6,996)</b>
<b>2,937</b>	Direct operating expenses arising from investment property	<b>3,486</b>
<b>(3,183)</b>	<b>Net Operational (gain)/loss</b>	<b>(3,510)</b>
<b>705</b>	Net (gain)/loss on revaluation of properties	<b>(6,550)</b>
<b>(2,478)</b>	<b>Total Net (gain)/loss</b>	<b>(10,060)</b>

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:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>54,275</b>	Balance at start of the year	<b>59,329</b>
<b>2,891</b>	Additions	<b>4,829</b>
<b>(1,859)</b>	Disposals	<b>(416)</b>
<b>(705)</b>	Revaluation Increases/Decreases met from net surplus /deficit on provision of services	<b>6,550</b>
	Transfers:	
<b>4,727</b>	- to/from Property, Plant and Equipment	<b>1,098</b>
<b>59,329</b>	Balance at end of the year	<b>71,390</b>

## 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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
	Balance at start of the year	
<b>3,665</b>	- Gross Carrying Amount	<b>4,993</b>
<b>(2,038)</b>	- Accumulated Amortisation	<b>(2,928)</b>
<b>1,627</b>	Net Carrying Amount at Start of Year	<b>2,065</b>
	Additions	
<b>1,328</b>	- Purchases	<b>1,457</b>
<b>(890)</b>	Amortisation for the Period	<b>(1,085)</b>
<b>2,065</b>	Net Carrying Amount at Year End	<b>2,437</b>
	Comprising	
<b>4,993</b>	- Gross Carrying Amount	<b>6,450</b>
<b>(2,928)</b>	- Accumulated Amortisation	<b>(4,013)</b>
<b>2,065</b>	Total	<b>2,437</b>

## 17. Assets Held for Sale

<b>Current 2014/15 £000</b>		<b>Current 2015/16 £000</b>
<b>4,842</b>	<b>Balance outstanding at start of year</b>	<b>14,468</b>
<b>7,400</b>	Reclassified from - Property, Plant and Equipment	<b>(710)</b>
<b>4,665</b>	Revaluation gains	<b>4</b>
<b>(1,000)</b>	Impairment losses met from the revaluation reserve	<b>0</b>
<b>(755)</b>	Impairment losses met from income and expenditure	<b>0</b>
<b>(700)</b>	Assets sold	<b>(941)</b>
<b>16</b>	Acquisitions	<b>23</b>
<b>14,468</b>	<b>Balance outstanding at year end</b>	<b>12,844</b>

## **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.

<b>Asset</b>	<b>Location</b>
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 2015/16, the Authority has recognised revaluation gains of £3.613m (2014/15 revaluation loss £11.282m) 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 £0.351m at 31/3/16 and £0.297m at 31/3/15. These mainly consist of stocks at Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

## 21. Debtors

2014/15 £000		2015/16 £000
	Amounts falling due in one year:	
1,625	Central Government	3,966
498	Other Local Authorities	331
832	NHS Bodies	951
1,085	Public Corporations and Trading Funds	800
0	Debtors with Subsidiaries	7
23,180	Other Entities and Individuals	25,472
27,220	<b>Gross Debtors</b>	31,527
(7,514)	Provision for doubtful debts	(8,010)
19,706	<b>Total</b>	23,517

## 22. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
<b>Investments</b>				
Loans and receivables	33	33	0	0
Shares in Subsidiary	0	3,500	0	0
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total investments</b>	33	3,533	0	0
<b>Debtors</b>				
Financial assets carried at contract amounts	614	557	19,706	23,535
Debtors with Subsidiary	0	7,787	0	7
<b>Total Debtors</b>	614	8,344	19,706	23,542
<b>Borrowings</b>				
Financial liabilities at amortised cost	87,520	88,519	29,093	75,579
<b>Total borrowings</b>	87,520	88,519	29,093	75,579
<b>Other Liabilities</b>				
PFI and finance lease liabilities	56,488	54,345	2,476	2,567
Other Creditors	0	0	61,690	60,330
<b>Total Other Liabilities</b>	56,488	54,345	64,166	62,897



## Income, Expense, Gains and Losses

	2014/15			2015/16		
	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	8,935	0	8,935	8,764	0	8,764
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	8,935	0	8,935	8,764	0	8,764
Interest income	0	(176)	(176)	0	(22)	(22)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	0	(176)	(176)	0	(22)	(22)
<b>Net gain/(loss) for the year</b>	8,935	(176)	8,759	8,764	(22)	8,742

### 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:

	2014/15			2015/16	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	£000	£000		£000	£000
Financial liabilities	116,613	178,453		164,098	228,763
Long-term creditors	56,488	56,488		54,345	54,345

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 2016) arising from a commitment to pay interest to lenders above current market rates.

	2014/15		2015/16	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	33	33	3,533	3,533
Long-term debtors	614	614	8,344	8,344

The fair value of the assets is the same of the carrying amount due to the nature of the assets held.

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 31/3/16 £000	Fair Value 31/3/16 £000
<b>Financial Assets</b>		
Fixed Term Deposits	0	0
Other	3,533	3,533
	3,533	3,533
<b>Financial Liabilities</b>		
Money Market Loans (LOBO's)	60,000	95,763
PWLB Loans	28,519	48,890
Temporary Loans	75,579	75,579
	164,098	220,232

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.

	<b>Amount at 31 March 2016</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions at 31 March 2016 (rounded to 3 decimal place)</b>	<b>Estimated maximum exposure to default and uncollectability</b>
	<b>£000s</b>	<b>%</b>	<b>%</b>	<b>£000s</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>A * C</b>
Deposits with banks and financial institutions	0	0.0	0.000	0
Other	3,533	0.0	0.000	0
Debtors	31,527	12.0	25.407	8,010
Total	35,060	12.0	22.847	8,010

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:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
1,001	Maturing in 1-2 years	1,001
3,003	Maturing in 2-5 years	2,503
507	Maturing in 5-10 years	7
83,009	Maturing in more than 10 years	85,008
<b>87,520</b>		<b>88,519</b>

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 have a maximum of 30% of its borrowings in variable rate loans. 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 31<sup>st</sup> March 2016 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.

	<b>Investments</b>	<b>Borrowing</b>	<b>Net Total</b>	<b>1% Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Variable	(7,156)	75,579	68,423	684.2
Fixed	(3,533)	88,519	84,986	0.0
Total	(10,689)	164,098	153,409	684.2

A 1% change in interest rates would have an impact on the budget of £684,230, this is because at 31<sup>st</sup> March 2016 we had more variable borrowing than variable investments. The most likely next move in interest rates is upwards, although not expected before mid 2018, this would lead to a net increase in borrowing costs based on the position at 31<sup>st</sup> March 2016. 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		
				2014/15 £000		2015/16 £000
Public Works Loan Board	1.92	-	9.375	27,520		28,519
Money Market Loans (LOBOs)	3.98	-	4.50	60,000		60,000
				<b>87,520</b>		<b>88,519</b>

An analysis of loans by maturity is:						
				2014/15 £000		2015/16 £000
Maturing in 1-2 years				1,001		1,001
Maturing in 2-5 years				3,003		2,503
Maturing in 5-10 years				507		7
Maturing in more than 10 years				83,009		85,008
				<b>87,520</b>		<b>88,519</b>

				2014/15 £000		2015/16 £000
Total Long Term Borrowing				87,520		88,519
Temporary Borrowing				29,093		75,579
Total Borrowing				<b>116,613</b>		<b>164,098</b>

In total fixed and temporary borrowing increased by £47.5m, from £116.613m to £164.098m during the year. This was due to capital expenditure during 2015/16.

## 24. Investments

In total our investments have been increased by £6.9m as a result of the cash flow together with share capital in our wholly owned subsidiary.

The Council has long term investments, totalling £3.533m, including share capital in our wholly owned subsidiary. 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

2014/15 £000	Category	2015/16 £000
	<b>Long Term Investments</b>	
0	Fixed Term Deposits	0
33	Other	3,533
<b>33</b>	<b>Total Long Term</b>	<b>3,533</b>
	<b>Short Term Investments</b>	
0	Fixed Term Deposits	0
<b>0</b>	<b>Total Short Term</b>	<b>0</b>
<b>3,745</b>	<b>Cash &amp; Cash Equivalent Investments</b>	<b>7,156</b>
<b>3,778</b>	<b>Total Investments</b>	<b>10,689</b>

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:

2014/15 £000		2015/16 £000
<b>163</b>	Cash held by the Authority	<b>130</b>
<b>749</b>	Bank current accounts	<b>3,121</b>
<b>3,745</b>	Call Accounts	<b>4,035</b>
<b>4,657</b>	<b>Total Cash and Cash Equivalents</b>	<b>7,286</b>
<b>0</b>	<b>Bank Account Overdrawn</b>	<b>0</b>
<b>4,657</b>	<b>Net Cash Position for Cash Flow Purposes</b>	<b>7,286</b>



## 26. Provisions

	2015/16 Opening £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	2015/16 Closing £000
Restructure Provision	128	689	(106)	711
Single Status Provision – Non Schools	11,917	0	(0)	11,917
Single Status Provision – Schools	4,348	243	(138)	4,453
NDR Appeals Provision	2,401	2,732	(2,401)	2,732
Insurance	0	179	(0)	179
Litigation Costs	259	64	(242)	81
<b>Total</b>	<b>19,053</b>	<b>3,907</b>	<b>(2,887)</b>	<b>20,073</b>
2014/15	18,654	2,769	(2,370)	19,053

Restructure Provision - 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 2016 was £0.71m.

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<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2015/16 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2016 was £16.4m.

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, £5.6m is estimated as the amount required to set aside for this purpose in the 2015/16 accounts (£4.9m 2014/15). Telford & Wrekin Council's proportion of this is £2.7m (49%) (£2.4m 2014/15).

A provision has been created for 2015/16 in respect of Litigation Costs. This is to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group.

Insurance – The accounts include a provision to meet a known insurance liability in relation to Municipal Mutual Insurance Limited (MMI) who prior to 1992 provided the majority of insurance cover to Local Authorities, including Wrekin DC and Shropshire County Council. MMI ceased trading in 1992 and after several years of a deteriorating solvency it was determined that a levy would be charged to local authorities to meet the cost of claims. An initial levy of 15% was set however following a review of MMI's financial position a second levy of 10% is now due and funds are set aside in this provision to meet the cost.

## 27. Creditors

2014/15 £000		2015/16 £000
5,877	Central Government	8,861
844	Other Local Authorities	854
246	NHS Bodies	239
829	Public Corporations and Trading Funds	780
0	Creditors with Subsidiaries	592
53,894	Other Entities and Individuals	48,979
2,476	PFI and Leases	2,567
64,166	<b>Total</b>	62,872

## 28. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Queensway. We have assets held of £55.4m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £56.896m as at 31<sup>st</sup> March 2016 (£58.047m as at 31<sup>st</sup> March 2015). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £4.9m to the interest paid for 2015/16 (£5.4m 2014/15). Amounts due are shown in the table below:

	2014/15				2015/16			
	Service £000	Lifecycle £000	Interest £000	Finance Lease £000	Service £000	Lifecycle £000	Interest £000	Finance Lease £000
Within 1 year	1,546	976	4,861	2,127	(73)	2,658	4,835	2,212
2 to 5 years	6,824	3,912	18,679	9,877	7,964	3,040	18,147	10,660
6 to 10 years	8,117	6,883	20,500	16,673	8,820	6,555	19,673	17,850
11 to 15 years	9,630	7,342	15,403	23,466	10,493	6,902	14,046	24,635
16 to 20 years	13,652	4,522	6,584	29,540	11,018	3,504	4,465	24,120

## 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 2015/16.

	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
<b>Balance at 31 March 2014 carried forward</b>	<b>3,224</b>	<b>36,184</b>	<b>6,013</b>	<b>1,510</b>	<b>0</b>	<b>7,116</b>	<b>54,047</b>
Movement / Use of reserves during 2014/15	1,145	3,312	948	2,078	0	1,813	9,296
<b>Balance at 31 March 2015 carried forward</b>	<b>4,369</b>	<b>39,496</b>	<b>6,961</b>	<b>3,588</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>
Movement / Use of reserves during 2015/16	121	5,960	(410)	(784)	0	(6,069)	(1,182)
<b>Balance at 31 March 2016 carried forward</b>	<b>4,490</b>	<b>45,456</b>	<b>6,551</b>	<b>2,804</b>	<b>0</b>	<b>2,860</b>	<b>62,161</b>

## 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:

2014/15 £000		2015/16 £000
6,341	School Balances - Revenue	6,079
620	School Balances - Capital	472
<b>6,961</b>	<b>Total School Balances</b>	<b>6,551</b>

### 31. Unusable Reserves

2014/15 £000		2015/16 £000
<b>44,930</b>	Revaluation Reserve	<b>45,196</b>
<b>219,252</b>	Capital Adjustment Account	<b>190,896</b>
<b>(372)</b>	Financial Instruments Adjustment Account	<b>(775)</b>
<b>(222,247)</b>	Pensions Reserve	<b>(212,647)</b>
<b>4,352</b>	Collection Fund Adjustment Account	<b>5,437</b>
<b>0</b>	Deferred Capital Receipts	<b>11,287</b>
<b>(2,801)</b>	Accumulated Absences Account	<b>(2,338)</b>
<b>43,114</b>	<b>Total Unusable Reserves</b>	<b>37,056</b>

#### 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.

2014/15 £000		2015/16 £000
<b>42,293</b>	<b>Balance brought forward</b>	<b>44,930</b>
<b>7,460</b>	Upwards revaluation of assets	<b>4,042</b>
<b>(4,213)</b>	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	<b>(5,944)</b>
<b>(993)</b>	Difference between fair value depreciation and historical cost depreciation	<b>(980)</b>
<b>383</b>	Accumulated gains and losses on assets sold or scrapped	<b>3,148</b>
<b>44,930</b>	<b>Balance carried forward</b>	<b>45,196</b>

## 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.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>161,098</b>	<b>Balance Brought Forward</b>	<b>219,252</b>
<b>(23,604)</b>	Charges for depreciation and impairment of non-current assets	<b>(16,459)</b>
<b>(890)</b>	Amortisation of intangible assets	<b>(1,085)</b>
<b>(8,665)</b>	Revenue expenditure funded from capital under statute	<b>(15,713)</b>
<b>(906)</b>	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	<b>(38,120)</b>
<b>1,275</b>	Adjusting amounts written out of the Revaluation Reserve	<b>620</b>
<b>3,099</b> <b>84,142</b>	Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>2,674</b> <b>32,790</b>
<b>4,403</b>	Minimum Revenue Provision	<b>416</b>
<b>(700)</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>6,521</b>
<b>219,252</b>	<b>Balance Carried Forward</b>	<b>190,896</b>

## 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 2016 will be charged to the General Fund over the next 12 years.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(2)</b>	<b>Balance at 1 April</b>	<b>(372)</b>
<b>(370)</b>	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	<b>(403)</b>
<b>(372)</b>	<b>Balance at 31 March</b>	<b>(775)</b>

## 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.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>150,183</b>	<b>Balance at 1 April</b>	<b>222,247</b>
<b>64,012</b>	Actuarial (gains) or losses on pensions assets and liabilities	<b>(22,019)</b>
<b>742</b>	Added Years	<b>670</b>
<b>0</b>	Entity Combination	<b>0</b>
<b>19,828</b>	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	<b>24,909</b>
<b>(12,518)</b>	Employer's pensions contributions and direct payments to pensioners payable in the year	<b>(13,160)</b>
<b>222,247</b>	<b>Balance at 31 March</b>	<b>212,647</b>

### 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.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>701</b>	<b>Balance at 1 April</b>	<b>4,352</b>
<b>3,651</b>	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	<b>1,085</b>
<b>4,352</b>	<b>Balance at 31 March</b>	<b>5,437</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>0</b>	<b>Balance at 1 April</b>	<b>0</b>
<b>0</b>	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>11,287</b>
<b>0</b>	Transfer to the Capital Receipts Reserve upon receipt of cash	<b>0</b>
<b>0</b>	<b>Balance at 31 March</b>	<b>11,287</b>

### 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.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(2,644)</b>	<b>Balance at 1 April</b>	<b>(2,801)</b>
<b>2,644</b>	Settlement or cancellation of accrual made at the end of the preceding year	<b>2,801</b>
<b>(2,801)</b>	Amounts accrued at the end of the current year	<b>(2,338)</b>
<b>(2,801)</b>	<b>Balance at 31 March</b>	<b>(2,338)</b>
<b>(157)</b>	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	<b>463</b>

### **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 2015/16 expenditure on this totalled £15.713m and grant receivable amounted to £1.652m. 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**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
0	Opening balance	0
3,099	Capital receipts received during year	2,674
(3,099)	Less Capital receipts used for financing during year	(2,674)
<b>0</b>		<b>0</b>

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure. The balance was nil at 31<sup>st</sup> 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.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
271,106	<b>Opening Capital Financing Requirement</b>	295,535
	<b>Capital Investment</b>	
104,976	Property, Plant & Equipment	55,110
2,891	Investment Properties	4,829
16	Assets Held for Sale	23
1,327	Intangible Assets	1,457
8,665	Revenue Expenditure funded from Capital under Statute	15,713
528	Leased Vehicles	491
	<b>Sources of Finance</b>	
(3,099)	Capital Receipts	(2,674)
(2,330)	Finance Leases & Deminimis Capital Expenditure	(1,692)
(84,142)	Government Grants and Other Contributions	(32,790)
(4,403)	Revenue Provision (NB: includes MRP)	(416)
<b>295,535</b>	<b>Closing Capital Finance Requirement</b>	<b>335,586</b>
24,429	Movement for Year	40,051
	Explanation of movements in the year	



79	Increase in underlying need to borrow (supported by Government financial assistance)	123
24,350	Increase in underlying need to borrow (unsupported by Government financial assistance)	39,928
24,429	Increase/(decrease) in Capital Financing Requirement	40,051

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 2016 there were 5 significant contracts in place with outstanding commitments of £13.3m, 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 Queensway 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 2015/16 the Authority made payments of £10,000,492 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 £3.235m, this was offset by an adjustment to prior years MRP of £3.235m, the principal repayment in respect of leases was £0.416m and due to a change in policy and over provision in previous years the principal repayment in respect of the PFI lease was £0.000m giving a total provision of £0.416m in 2015/16 (£4.403m in 2014/15).

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(24,530)</b>	Impairment and depreciation of property, plant and equipment and intangible assets	<b>(17,544)</b>
<b>39</b>	(Increase)/decrease in interest creditors	<b>(66)</b>
<b>4,344</b>	(Increase)/decrease in creditors	<b>(5,322)</b>
<b>(3,043)</b>	Increase/(decrease) in interest/dividend debtors	<b>0</b>
<b>2,508</b>	Increase/(decrease) in debtors	<b>1,691</b>
<b>(1)</b>	Increase/(decrease) in inventories	<b>54</b>
<b>(8,052)</b>	Pension Liability	<b>(12,419)</b>
<b>(399)</b>	Contribution (to)/from provisions	<b>(1,020)</b>
<b>(906)</b>	Carrying amount of non current assets sold	<b>(38,120)</b>
<b>(705)</b>	Movement in Investment Property Values	<b>6,521</b>
<b>(30,745)</b>	<b>Total</b>	<b>(66,225)</b>

**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**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>85,955</b>	Capital grants credited to surplus or deficit on the provision of services	<b>26,721</b>
<b>0</b>	Proceeds from sale of short and long term investments	<b>0</b>
<b>3,099</b>	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>13,961</b>
<b>89,054</b>	<b>Total</b>	<b>40,682</b>

**38. Cash Flow Statement – Investing Activities**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>105,435</b>	Purchase of property, plant and equipment, investment property and intangible assets	<b>67,825</b>
<b>0</b>	Purchase of short-term and long-term investments	<b>3,500</b>
<b>348</b>	Other payments for investing activities	<b>8,013</b>
<b>(3,589)</b>	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>(11,841)</b>
<b>(10,000)</b>	Proceeds from short-term and long-term investments	<b>0</b>
<b>(86,011)</b>	Other receipts from investing activities	<b>(28,411)</b>
<b>6,183</b>	<b>Net cash flows from investing activities</b>	<b>39,086</b>

**39. Cash Flow Statement – Financing Activities**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(105,100)</b>	Cash receipts of short and long term borrowing	<b>(198,220)</b>
<b>(2,775)</b>	Other receipts from financing activities	<b>(1,100)</b>
<b>(1,979)</b>	Appropriation to/from Collection Fund Adjustment Account	<b>(1,085)</b>
<b>114,070</b>	Repayments of short and long term borrowing	<b>150,735</b>
<b>2,308</b>	Cash payments in relation to finance leases and PFI agreements	<b>2,543</b>
<b>6,524</b>	<b>Net cash flows from financing activities</b>	<b>(47,127)</b>

**40. Cash Flow Statement – Operating Activities**

The cash flow for operating activities includes the following items:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(3,219)</b>	Interest received	<b>(22)</b>
<b>8,896</b>	Interest paid	<b>8,698</b>

#### 41. **Grant Income**

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

2014/15 £000		2015/16 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
42,071	Revenue Support Grant	31,444
2,076	Non Domestic Rates Top Up Grant	2,116
70	Local Services Support Grant	42
1,575	Section 31 Grant	1,426
606	Council Tax Freeze Grant	612
<b>46,398</b>	<b>Total</b>	<b>35,640</b>
	<b>Credited to Services</b>	
100,928	Dedicated Schools Grant	102,898
71,103	Mandatory Rent Allowances Subsidy	68,381
10,913	Public Health Grant	11,712
7,747	Pupil Premium Grant	7,661
3,069	Education Services Grant	2,256
3,437	New Homes Bonus	4,652
1,143	Universal Free School Meals	1,919
6,113	Other grants	8,860
<b>204,453</b>	<b>Total</b>	<b>208,339</b>

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:

2014/15 £000		2015/16 £000
	<b>Capital Grants Receipts in Advance</b>	
0	Park for People 10 year Maintenance Programme	481
<b>0</b>	<b>Total</b>	<b>481</b>

#### 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

<b>2015/16</b>	<b>Employee expenses</b>	<b>Other service expenses</b>	<b>Total Expenditure</b>	<b>Fees, charges &amp; other service income</b>	<b>Government grants</b>	<b>Total Income</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adult Social Services</b>	<b>5,346</b>	<b>51,975</b>	<b>57,321</b>	<b>12,833</b>	<b>8,353</b>	<b>21,186</b>	<b>36,135</b>
<b>Education &amp; Corporate Parenting</b>	<b>6,275</b>	<b>115,498</b>	<b>121,773</b>	<b>4,059</b>	<b>112,009</b>	<b>116,068</b>	<b>5,705</b>
<b>Children's Safeguarding &amp; Specialist Services</b>	<b>9,736</b>	<b>19,232</b>	<b>28,968</b>	<b>3,623</b>	<b>3,592</b>	<b>7,215</b>	<b>21,753</b>
<b>Family, Cohesion &amp; Commissioning</b>	<b>9,377</b>	<b>10,615</b>	<b>19,992</b>	<b>6,786</b>	<b>3,548</b>	<b>10,334</b>	<b>9,658</b>
<b>Development, Business &amp; Employment</b>	<b>8,581</b>	<b>13,267</b>	<b>21,848</b>	<b>20,547</b>	<b>2,267</b>	<b>22,814</b>	<b>(966)</b>
<b>Leisure, Culture &amp; Facilities Management</b>	<b>9,318</b>	<b>49,308</b>	<b>58,626</b>	<b>28,932</b>	<b>2,243</b>	<b>31,175</b>	<b>27,451</b>
<b>Customer &amp; Neighbourhood Services</b>	<b>10,674</b>	<b>7,560</b>	<b>18,234</b>	<b>10,966</b>	<b>1,740</b>	<b>12,706</b>	<b>5,528</b>
<b>Law, Democracy &amp; People Services</b>	<b>4,058</b>	<b>2,520</b>	<b>6,578</b>	<b>5,975</b>	<b>232</b>	<b>6,207</b>	<b>371</b>
<b>Finance, Audit &amp; Information Governance</b>	<b>6,262</b>	<b>62,678</b>	<b>68,940</b>	<b>11,152</b>	<b>42,657</b>	<b>53,809</b>	<b>15,131</b>
<b>Health, Well Being &amp; Public Protection</b>	<b>4,006</b>	<b>6,903</b>	<b>10,909</b>	<b>724</b>	<b>8,312</b>	<b>9,036</b>	<b>1,873</b>
<b>Co-Operative Council</b>	<b>2,978</b>	<b>1,548</b>	<b>4,526</b>	<b>3,502</b>	<b>123</b>	<b>3,625</b>	<b>901</b>
<b>Total</b>	<b>76,611</b>	<b>341,104</b>	<b>417,715</b>	<b>109,099</b>	<b>185,076</b>	<b>294,175</b>	<b>123,540</b>
<b>Less items in above table but not shown under provision of services in statement of accounts</b>			<b>(11,303)</b>			<b>(7,018)</b>	<b>(4,285)</b>
<b>Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts</b>			<b>31,621</b>			<b>25,895</b>	<b>5,726</b>
<b>Provision of services in the statement of accounts</b>			<b>438,033</b>			<b>313,052</b>	<b>124,981</b>

<b>2014/15</b>	<b>Employee expenses</b>	<b>Other service expenses</b>	<b>Total Expenditure</b>	<b>Fees, charges &amp; other service income</b>	<b>Government grants</b>	<b>Total Income</b>	<b>Net Expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adult Social Services</b>	<b>6,260</b>	<b>54,313</b>	<b>60,573</b>	<b>18,678</b>	<b>3,774</b>	<b>22,452</b>	<b>38,121</b>
<b>Education &amp; Corporate Parenting</b>	<b>6,313</b>	<b>104,354</b>	<b>110,667</b>	<b>5,011</b>	<b>100,476</b>	<b>105,487</b>	<b>5,180</b>
<b>Children's Safeguarding &amp; Specialist Services</b>	<b>9,098</b>	<b>19,373</b>	<b>28,471</b>	<b>3,662</b>	<b>3,443</b>	<b>7,105</b>	<b>21,366</b>
<b>Family, Cohesion &amp; Commissioning</b>	<b>9,186</b>	<b>11,987</b>	<b>21,173</b>	<b>9,789</b>	<b>2,993</b>	<b>12,782</b>	<b>8,391</b>
<b>Development, Business &amp; Employment</b>	<b>7,317</b>	<b>15,900</b>	<b>23,217</b>	<b>22,078</b>	<b>2,478</b>	<b>24,556</b>	<b>(1,339)</b>
<b>Neighbourhood &amp; Leisure Services</b>	<b>9,381</b>	<b>42,938</b>	<b>52,319</b>	<b>22,543</b>	<b>2,049</b>	<b>24,592</b>	<b>27,727</b>
<b>Customer Services</b>	<b>10,565</b>	<b>7,471</b>	<b>18,036</b>	<b>11,929</b>	<b>2,537</b>	<b>14,466</b>	<b>3,570</b>
<b>Law, Democracy &amp; People Services</b>	<b>3,452</b>	<b>2,468</b>	<b>5,920</b>	<b>5,458</b>	<b>212</b>	<b>5,670</b>	<b>250</b>
<b>Finance, Audit &amp; Information Governance</b>	<b>5,797</b>	<b>84,795</b>	<b>90,592</b>	<b>10,761</b>	<b>58,060</b>	<b>68,821</b>	<b>21,771</b>
<b>Health, Well Being &amp; Public Protection</b>	<b>2,001</b>	<b>5,342</b>	<b>7,343</b>	<b>51</b>	<b>5,691</b>	<b>5,742</b>	<b>1,601</b>
<b>Co-Operative Council</b>	<b>2,861</b>	<b>1,553</b>	<b>4,414</b>	<b>3,061</b>	<b>151</b>	<b>3,212</b>	<b>1,202</b>
<b>Total</b>	<b>72,231</b>	<b>350,494</b>	<b>422,725</b>	<b>113,021</b>	<b>181,864</b>	<b>294,885</b>	<b>127,840</b>
<b>Less items in above table but not shown under provision of services in statement of accounts</b>							
<b>Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts</b>			<b>(20,944)</b>			<b>(6,332)</b>	<b>(14,612)</b>
<b>Provision of services in the statement of accounts</b>			<b>35,689</b>			<b>87,963</b>	<b>(52,274)</b>
			<b>437, 470</b>			<b>376,516</b>	<b>60,954</b>

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:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
36	Income from Stallholders' Rents and charges	26
(74)	Expenditure	(66)
<b>(38)</b>	(Deficit)/Surplus taken to General Fund	<b>(40)</b>

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
5,085	Income from rents	5,633
1,035	Other income	1,363
(705)	Net gains/(losses) on revaluation of property	6,550
(2,937)	Direct operating expenses	(3,486)
<b>2,478</b>	(Deficit)/Surplus taken to General Fund	<b>10,060</b>

<b>2,440</b>	Total Trading Accounts	<b>10,020</b>
--------------	------------------------	---------------

#### **45. Pooled Budgets**

The introduction of the Better Care Fund in 2015/16 has brought together into one place a number of Pooled Budgets that existed under separate agreements in 2014/15. The disclosure below includes the Better Care Fund for 2015/16 followed by the separate Pooled Budgets that existed in 2014/15.

The Better Care Fund is a pooled fund governed by a Section 75 agreement. The parties to this joint arrangement are Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group.

The fund has been established for the first time in 2015/16 in order to meet the Government's requirement to encourage closer working and integration between health and care services and to improve outcomes for Patients and Service Users and Carers. There are performance targets mainly reducing non-elective admissions to hospital and to deliver more care in the community

helping people to remain independent, but there are other performance criteria to be managed within the scheme.

**Better Care Fund where Telford & Wrekin Clinical Commissioning Group was the host in 2015/16.**

The revenue fund is hosted by the Telford & Wrekin Clinical Commissioning Group and a section 75 pooled budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics. The relevant funding contributions are reported below, but the contribution by the Telford & Wrekin Clinical Commissioning Group includes revenue funding targeted to the protection of Adult Social Care for which the local authority commissions services.

<b>2014/15 £000</b>	<b>Better Care Fund Revenue Pooled Budget</b>	<b>2015/16 £000</b>
<b>0</b>	Funding from Telford & Wrekin Council	<b>367</b>
<b>0</b>	Funding from Telford & Wrekin Clinical Commissioning Group	<b>10,907</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Council	<b>(7,814)</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	<b>(3,451)</b>
<b>0</b>	Net Surplus/(Deficit) arising on Pooled budget	<b>9</b>

**Better Care Fund where Telford & Wrekin Council was the host in 2015/16.**

The capital fund is hosted by Telford & Wrekin Council, and a section 75 Pooled Budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics.

The expenditure has been incurred in the year entirely on local authority commissioned services. The relevant funding contributions are reported below, and the underspend in 2015/16 will be retained in the fund and carried forward by the council into 2016/17.

<b>2014/15 £000</b>	<b>Better Care Fund Capital Pooled Budget</b>	<b>2015/16 £000</b>
<b>0</b>	Funding from Telford & Wrekin Council	<b>1,280</b>
<b>0</b>	Funding from Telford & Wrekin Clinical Commissioning Group	<b>0</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Council	<b>(847)</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	<b>0</b>
<b>0</b>	Net Surplus/(Deficit) arising on Pooled budget	<b>433</b>

## Other Pooled Budgets where Telford & Wrekin Council was the host in 2015/16.

### Mental Health Residential Rehabilitation Pooled Budget

The Authority had 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% in 2014/15 and Telford & Wrekin Council 64.6%, Telford & Wrekin CCG 35.4% in 2015/16.

2014/15 £000		2015/16 £000
204	Expenditure	198
204	Income	198

## Pooled Budgets where Telford & Wrekin Council was the host in 2014/15.

### Carers Pooled Budget-Now part of the Better Care Fund

The Authority had 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%, Telford & Wrekin CCG 37.9%.

2014/15 £000		2015/16 £000
550	Expenditure	0
646	Income	0

### Intermediate Care Pooled Budget-Now part of the Better Care Fund

The Authority had 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%, Telford & Wrekin CCG 86.3%.

2014/15 £000		2015/16 £000
392	Expenditure	0
392	Income	0

## 46. Members' Allowances

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

2014/15 £000		2015/16 £000
611	Allowances	617
2	Expenses	1
613	Total	618



## 47. Senior Officers' Remuneration & Employee Remuneration In Bands

This note shows the amounts paid to Senior Officers in 2015/16 and 2014/15. 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.

### 2015/16

Post Holder Information (Post title) Those roles in bold represent current posts	Notes	Annualised salary £	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Total Remuneration excluding Pension contributions 2015/16 £	Pension contributions £	Total Remuneration including pension contributions 2015/16 £
<b>Managing Director</b>			137,000	0	<b>137,000</b>	16,619	<b>153,619</b>
<b>Director: Customer, Neighbourhood &amp; Wellbeing</b>			109,600	0	<b>109,600</b>	13,810	<b>123,410</b>
<b>Director: Children's &amp; Adult Services</b>	1	109,600	24,454	0	<b>24,454</b>	3,081	<b>27,535</b>
<b>Assistant Director: Finance &amp; Human Resources</b>			83,950	0	<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Development, Business &amp; Employment</b>	2	75,704	63,087	0	<b>63,087</b>	7,949	<b>71,036</b>
<b>Assistant Director: Education &amp; Corporate Parenting</b>			83,950	0	<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Legal, Procurement &amp; Commissioning</b>			83,950	0	<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Customer &amp; Neighbourhood Services</b>			83,950	0	<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Health &amp; Wellbeing</b>			83,950	0	<b>83,950</b>	12,005	<b>95,955</b>
<b>Interim Assistant Director: Early Help &amp; Support</b>			79,000	0	<b>79,000</b>	0	<b>79,000</b>
<b>Assistant Director: Children's Safeguarding</b>	3	75,704	44,161	0	<b>44,161</b>	5,564	<b>49,725</b>
<b>Interim Assistant Director: Commercial Services</b>	4	75,704	14,042	0	<b>14,042</b>	1,769	<b>15,811</b>
<b>Service Delivery Manager: Delivery &amp; Planning</b>	5		59,640	0	<b>59,640</b>	7,515	<b>67,155</b>
<b>Service Delivery Manager: Community Participation</b>	3		59,640	0	<b>59,640</b>	7,515	<b>67,155</b>
Director of Children & Family Services	6	109,600	91,333	0	<b>91,333</b>	11,508	<b>102,841</b>
Interim Director of Care, Health & Wellbeing	6	109,600	91,333	0	<b>91,333</b>	11,508	<b>102,841</b>
Assistant Director: Development, Business & Employment	7	79,000	35,146	0	<b>35,146</b>	9,044	<b>44,190</b>
Assistant Director: Planning Specialist	6	81,681	68,068	70,496	<b>138,564</b>	8,577	<b>147,141</b>
Assistant Director: Family, Cohesion & Commissioning	8	83,950	65,219	0	<b>65,219</b>	8,218	<b>73,437</b>

Assistant Director: Children's Safeguarding & Specialist Services	9	82,302	34,293	20,575	<b>54,868</b>	4,321	<b>59,189</b>
Interim Assistant Director: Leisure, Culture & Facilities Management	10	77,353	63,845	0	<b>63,845</b>	8,044	<b>71,889</b>
Service Delivery Manager: Co-Operative & Commercial Projects	5	52,961	31,479	0	<b>31,479</b>	3,966	<b>35,445</b>
			<b>1,491,090</b>	<b>91,071</b>	<b>1,582,161</b>	<b>183,325</b>	<b>1,765,486</b>

**Notes:**

**Those roles shown in bold above represent the current posts.**

- 1) This post holder was appointed to this post on 11th January 2016
- 2) The post holder was appointed to this post on 1st June 2015
- 3) This post holder was appointed to this post on 1st September 2015
- 4) This post holder was appointed on 25th January 2016
- 5) These Service Delivery Managers posts report directly to the Managing Director
- 6) These post holders left on 31st January 2016
- 7) This post holder was on maternity leave for part of the year
- 8) This post holder secured the position of Director and took up post from 11th January 2016
- 9) This post holder left on 31st August 2015
- 10) This post holder returned to their substantive post within the organisation on 1st February 2016

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 £
<b>Current Posts</b>								
<b>Managing Director</b>			137,000			<b>137,000</b>	16,994	<b>153,994</b>
<b>Director of Children &amp; Family Services</b>			109,600			<b>109,600</b>	13,810	<b>123,410</b>
Director of Development, Business & Customer Services	1	109,600	98,509			<b>98,509</b>	12,412	<b>110,921</b>
<b>Interim Director of Neighbourhood, Customer &amp; Cultural Services</b>	5	109,600	17,940			<b>17,940</b>	2,261	<b>20,201</b>
<b>Interim Director of Care, Health &amp; Wellbeing</b>			109,600			<b>109,600</b>	13,810	<b>123,410</b>
<b>Assistant Director: Finance, Audit &amp; Information Governance</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Development, Business &amp; Employment</b>			76,215			<b>76,215</b>	9,603	<b>85,818</b>
<b>Assistant Director: Planning Specialist</b>		83,950	80,480			<b>80,480</b>	10,141	<b>90,621</b>
<b>Assistant Director: Family, Cohesion &amp; Commissioning</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Education &amp; Corporate Parenting</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Children's Safeguarding &amp; Specialist Services</b>			79,468			<b>79,468</b>	10,013	<b>89,481</b>
<b>Assistant Director: Law, Democracy &amp; People Services</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
Assistant Director: Neighbourhood & Leisure Services		83,950	68,974			<b>68,974</b>	8,691	<b>77,665</b>
<b>Assistant Director: Neighbourhood &amp; Customer Services</b>			82,716			<b>82,716</b>	10,422	<b>93,138</b>
<b>Assistant Director: Health, Wellbeing &amp; Public Protection</b>			82,716			<b>82,716</b>	11,580	<b>94,296</b>
<b>Assistant Director: Adult Social Services</b>			75,677			<b>75,677</b>	0	<b>75,677</b>
<b>Assistant Director: Leisure, Culture &amp; Facilities Management</b>	2	75,704	9,238			<b>9,238</b>	1,164	<b>10,402</b>

<b>Service Delivery Manager: Delivery &amp; Planning</b>	3		58,763			<b>58,763</b>	7,404	<b>66,167</b>
<b>Service Delivery Manager: Co-Operative &amp; Commercial Projects</b>	3	52,961	38,023			<b>38,023</b>	4,791	<b>42,814</b>
<b>Service Delivery Manager: Community Participation</b>	3		58,763			<b>58,763</b>	7,404	<b>66,167</b>
			<b>1,514,546</b>			<b>1,514,546</b>	<b>182,188</b>	<b>1,696,734</b>

**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.

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 2014/15	Salary Band	Number of Employees 2015/16
42	£50,000 - £54,999	47
39	£55,000 - £59,999	31
28	£60,000 - £64,999	19
19	£65,000 - £69,999	24
7	£70,000 - £74,999	9
2	£75,000 - £79,999	7
3	£80,000 - £84,999	0
2	£85,000 - £89,999	1
0	£90,000 - £94,999	2
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
1	£105,000 - £109,999	1

The 2015/16 figures include 90 school based employees (89 in 2014/15). The 2015/16 figures include 10 employees (13 in 2014/15) 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 2015/16 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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£000	£000
£0 - £20,000	9	9	52	22	61	31	499,029	263,147
£20,001 - £40,000	5	3	14	10	19	13	548,630	370,365
£40,001 - £60,000	0	0	3	7	3	7	147,998	370,832
£60,001 - £80,000	0	0	2	3	2	3	131,896	211,178
£80,001 - £100,000	0	0	2	2	2	2	175,843	183,149
£100,000 - £150,000	0	1	2	2	2	3	218,790	336,682
£150,001 - £200,000	0	0	0	3	0	3	0	485,977
£200,001 - £250,000	0	0	0	1	0	1	0	228,874
Total	14	13	75	50	89	63	1,722,186	2,450,204

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 2015/16	737,569	1,001,746	1,739,315
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 2016 (i.e. employees who had received formal notice at 31 March 2016 and will leave during 2016/17)	377,242	333,647	710,889
<b>Total</b>	<b>1,114,811</b>	<b>1,335,393</b>	<b>2,450,204</b>

\* 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 2014/15 and 2015/16. The Council incurred the following fees relating to external audit and inspection:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>156</b>	Fees payable to KPMG with regard to external audit services	<b>117</b>
<b>(13)</b>	Fees payable to Audit Commission in respect of statutory inspection	<b>0</b>
<b>16</b>	Fees payable to KPMG for the certification of grant claims and returns	<b>13</b>
<b>4</b>	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	<b>12</b>

## 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 2015/16 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 £191,019 in 2015/16 (£306,916 in 2014/15).

**Councillor Lee Carter** is Managing Director at AFC Telford. The Council paid £72,979 to AFC Telford during 2015/16 mainly in relation to grant payments.

### 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 2015/16 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £490,620. Finance lease rentals of £461,957 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	369	628	8	1,005

The aggregate amount of finance charges in respect of finance leases was £33,654 for 2015/16 (£29,118 for 2014/15).

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 2015/16 the value of vehicles, plant and equipment acquired under operating leases amounted to £200,778. Operating lease rentals of £69,869 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	70	63	0	133

### Hire Purchase Contracts

During 2015/16 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 2015/16 amounted to £6,896,000 (£6,120,000 for 2014/15). 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 2016, the Authority had no known material contingent liabilities.

## **53. Contingent Assets**

At 31 March 2016, 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 2014/15 was £0.070m, the value of LSSG for 2015/16 is £0.042m.



## 55. Income & Expenditure Account Surplus/Deficit

For 2015/16 the accounts show a deficit on the Income and Expenditure Account of £30.955m. There was planned use of General Fund Balances for 2015/16 of £0.858m. The actual outturn was an underspend of £0.979m and an actual contribution to General Fund Balances of £0.121m. 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	30.955
Plus:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	(36.639)
Plus:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	0.013
Changes in Reserves	5.550
Actual Contribution (to)/from General Fund Balances	(0.121)

## 56. Special Fund Revenue Account

2014/15 Net Expenditure £000		2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000
	<b>EXPENDITURE ON SERVICES</b>			
(106)	Cemeteries	147	226	(79)
640	Highways – footway lighting	645	20	625
<b>534</b>	<b>Total expenditure on services</b>	<b>792</b>	<b>246</b>	<b>546</b>
	<b>INCOME</b>			
(644)	Council Tax			(644)
<b>(110)</b>	<b>(Surplus) or deficit for year</b>			<b>(98)</b>
	<b>Special Fund</b>			
476	Balance at beginning of the year			586
110	Surplus or (deficit) for year			98
<b>586</b>	<b>Balance at end of year</b>			<b>684</b>

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 2014/15 and 2015/16 and the balance at 31<sup>st</sup> March is £318,188. This is shown as a debtor on the Balance sheet at a fair value of £264,739 and a notional £53,449 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 2015/16**

<b><u>Expenditure</u></b>	<b>Chargeable</b>	<b>Non-Chargeable</b>	<b>Total Building Control</b>
	<b>2015/16 £000</b>	<b>2015/16 £000</b>	<b>2015/16 £000</b>
Employee Expenses	107	167	274
Support Services	71	103	174
	178	270	448
<b><u>Income</u></b>			
Building Regulation Charges	(245)	(155)	(400)
<b>(Surplus)/Deficit</b>	<b>(67)</b>	<b>115</b>	<b>48</b>
<b>2014/15 (Surplus)/Deficit</b>	<b>(125)</b>	<b>104</b>	<b>(21)</b>

## 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 2015/16 indicates the following:

	General Fund		Education	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance b/f	1,936	2,070	947	945
Charges in the Year	(661)	(542)	(2)	0
Transfers to other reserves	0	0	0	0
Contributions	795	945	0	0
<b>Balance c/f</b>	<b>2,070</b>	<b>2,473</b>	<b>945</b>	<b>945</b>

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	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Balance b/f	469	470	1,467	1,600
Charges In Year	(323)	(283)	(338)	(259)
Contributions	324	464	471	481
<b>Balance c/f</b>	<b>470</b>	<b>651</b>	<b>1,600</b>	<b>1,822</b>

For 2015/16 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. Also see Note 26 Provisions.

## 60. West Mercia Energy Joint Committee

West Mercia Energy (WME) is a Purchasing Consortium (formerly West Mercia Supplies (WMS) established in 1987) which is constituted as 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 2015/16 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 25.47%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

<b>Extract from WME Balance Sheet</b>	<b>2015/16</b>	<b>Telford &amp; Wrekin Share</b>
	<b>£000</b>	<b>£000</b>
<b>Long Term Assets</b>		
Property, Plant & Equipment	27	7
<b>Current Assets</b>		
Short Term Debtors	9,151	2,331
Cash and Cash Equivalents	4,950	1,261
<b>Current Liabilities</b>		
Short Term Creditors	(11,335)	(2,887)
<b>Long Term Liabilities</b>		
Other Long Term Liabilities	(4,950)	(1,261)
<b>Total Assets Less Liabilities</b>	<b>(2,157)</b>	<b>(549)</b>
<b>Financed By</b>		
Usable Reserves	(2,157)	(549)
	<b>(2,157)</b>	<b>(549)</b>
Turnover	63,177	3,649

## Collection Fund Account

	<b>NDR 2014/15 £000</b>	<b>Council Tax 2014/15 £000</b>	<b>Total 2014/15 £000</b>	<b>NDR 2015/16 £000</b>	<b>Council Tax 2015/16 £000</b>	<b>Total 2015/16 £000</b>
<b>Income</b>						
Income from Council Tax (Note 1)		68,658	68,658		70,675	70,675
Transfers from the Council's General Fund						
– Council Tax Benefits		0	0		0	0
– Transitional Relief	(333)	0	(333)	73	(1)	72
Income collectable from business ratepayers (Note 2)	70,521		70,521	73,271		73,271
<b>Contributions</b>						
Adjustment of previous years' community charges		0	0		0	0
<b>Total Income</b>	<b>70,188</b>	<b>68,658</b>	<b>138,846</b>	<b>73,344</b>	<b>70,674</b>	<b>144,018</b>
<b>Expenditure</b>						
Precepts, demands and Shares						
Telford & Wrekin Council	31,944	51,141	83,085	34,270	54,119	88,389
West Mercia Police Authority		8,120	8,120		8,741	8,741
Shropshire & Wrekin Fire Authority	652	4,028	4,680	699	4,336	5,035
Parish Councils		2,898	2,898		2,993	2,993
Central Government	32,595		32,595	34,969		34,969
Cost of Collection	210		210	214		214
Bad and Doubtful Debts/Appeals						
– Write Offs	489	251	740	750	183	933
– Provisions	894	(211)	683	542	174	716
<b>Contributions</b>						
Adjustment of previous years' community charge		0	0		0	0
<b>Total Expenditure</b>	<b>66,784</b>	<b>66,227</b>	<b>133,011</b>	<b>71,444</b>	<b>70,546</b>	<b>141,990</b>
<b>Movement on fund balance (Increase)/Decrease</b>	<b>(3,404)</b>	<b>(2,431)</b>	<b>(5,835)</b>	<b>(1,900)</b>	<b>(128)</b>	<b>(2,028)</b>

## Notes To Collection Fund Accounts

### 1. Council Tax Base for 2015/16

2014/15 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
10,177	Band A	26,335	(10,354)	15,981	10,647
10,789	Band B	19,331	(4,632)	14,699	11,433
7,788	Band C	11,110	(1,779)	9,331	8,294
7,118	Band D	8,120	(612)	7,508	7,508
4,979	Band E	4,537	(350)	4,187	5,117
2,740	Band F	2,065	(134)	1,931	2,789
1,538	Band G	1,024	(79)	945	1,575
76	Band H	50	(11)	39	78
<b>45,205</b>	<b>TOTAL</b>	<b>72,572</b>	<b>(17,951)</b>	<b>54,621</b>	<b>47,441</b>
(899)	Adjustments for growth and losses				(945)
44,306	Taxbase for year				46,496
£1,485.60	Average Council Tax for year				£1,491.84
<b>2014/15 £000</b>					<b>2015/16 £000</b>
65,821	Gross Yield				69,365
0	Less Benefits and Transitional Relief				1
2,837	Add increase in debit net of exemptions and reliefs				1,309
<b>68,658</b>					<b>70,675</b>

2. <u>Income Collectable from Business Rate Payers</u>	2014/15 £000	2015/16 £000	2015/16 £000
Effective non-domestic rateable value for year	163,656	167,799	
Uniform Business Rate for year	48.2p	49.3p	
Gross Yield for year	78,882		82,725
Less Reductions & Transitional Rate Relief	(8,361)		(9,454)
	<b>70,521</b>		<b>73,271</b>

The rateable value was £174,371,133 at 31/3/2016

3. <u>Allocation of Fund Balance (Council Tax)</u>	2014/15 £000	2015/16 £000
Telford & Wrekin Council	(3,614)	(3,709)
West Mercia Police Authority	(545)	(567)
Shropshire & Wrekin Fire Authority	(271)	(282)
	<b>(4,430)</b>	<b>(4,558)</b>

4. <u>Allocation of Fund Balance (NDR)</u>	2014/15 £000	2015/16 £000
Telford & Wrekin Council	(734)	(1,664)
Shropshire & Wrekin Fire Authority	(15)	(34)
Central Government	(748)	(1,698)
	<b>(1,497)</b>	<b>(3,396)</b>

## Group Accounts

### Introduction

During 2015/16 the Council established a Wholly Owned Company (NuPlace Ltd) for the provision of market rented housing in the Borough. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements.

As a result, group financial statements are produced to reflect the extent of Telford & Wrekin Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures from organisations considered to be part of the group. Only entries relating to 2015/16 are shown.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Reconciliation of the Single Entity Deficit to the Group Deficit
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts where they differ from the notes to the Single Entity Accounts

The group financial statements are presented in accordance with the IFRS based Code. Land and buildings in the Council's single entity accounts are valued at fair value (i.e. the amount that would be paid for an asset in its existing use). Where sufficient market evidence is not available, fair value is estimated at depreciated replacement cost, using the modern equivalent asset method (i.e. the market value of the land on which the building sits plus the current gross replacement cost of the building less an allowance for physical deterioration of the building). Accounting policies are aligned between the group members.

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, 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 Group'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
<b>Balance at 31 March 2015 carried forward restated</b>	<b>4,369</b>	<b>50,045</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>	<b>43,114</b>	<b>106,457</b>
<b>Movement in reserves during 2015/16</b>							
Surplus or (deficit) on the provision of services	(31,177)	0	0	0	(31,177)	0	(31,177)
Other Comprehensive Income and Expenditure	0	0	0	0	0	23,715	23,715
<b>Total Comprehensive Income and Expenditure</b>	<b>(31,177)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31,177)</b>	<b>23,715</b>	<b>(7,462)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	35,842	0	0	(6,069)	29,773	(29,773)	0
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>4,665</b>	<b>0</b>	<b>0</b>	<b>(6,069)</b>	<b>(1,404)</b>	<b>(6,058)</b>	<b>(7,462)</b>
Transfers to/(from) Earmarked Reserves	(4,766)	4,766	0	0	0	0	0
<b>Increase/ (Decrease) in 2015/16</b>	<b>(101)</b>	<b>4,766</b>	<b>0</b>	<b>(6,069)</b>	<b>(1,404)</b>	<b>(6,058)</b>	<b>(7,462)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,268</b>	<b>54,811</b>	<b>0</b>	<b>2,860</b>	<b>61,939</b>	<b>37,056</b>	<b>98,995</b>

It can be seen from this table that of the total £99.0m reserves, only £4.3m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances.



## Group 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	2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000
Children's and Education Services	150,049	131,754	18,295
Adult Social Care	64,741	22,990	41,751
Environmental & Regulatory Services	13,221	3,063	10,158
Cultural and Related Services	24,373	12,224	12,149
Planning Services	14,322	9,556	4,766
Highways & Transport Services	21,162	16,053	5,109
Housing Services	81,143	77,537	3,606
Court & Probation Services	314	0	314
Contribution re Former County Council Debt	1,792	0	1,792
Corporate & Democratic Core	3,429	0	3,429
Central Services	38,532	28,165	10,367
Non Distributed Costs	1,548	0	1,548
Public Health	12,154	11,712	442
<b>Net Cost of Services</b>	<b>426,780</b>	<b>313,054</b>	<b>113,726</b>

Other Operating Expenditure (Note 1) 39,565

Financing and Investment Income and Expenditure (Note 2) 5,983

Taxation & Non Specific Grant Income and Expenditure (128,097)

**(Surplus) or deficit on provision of services 31,177**

(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets (1,696)

Remeasurements of the net defined benefit pension liability (22,019)

**Other Comprehensive Income & Expenditure (23,715)**

**Total Comprehensive Income and Expenditure 7,462**

## Reconciliation of the Single Entity Deficit to the Group Deficit

	<b>2015/16 £000</b>
Deficit from the Single Entity Accounts (Page 39)	30,955
Deficit contained within Subsidiary Accounts	32
Removal of Trading Surpluses from Single Entity Accounts	190
Deficit in Group Accounts (Page 112)	31,177

## Group 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 2016	31 March 2016
	£000	£000
Property, Plant & Equipment (Note 3)	496,278	
Investment Properties	71,390	
Intangible Assets	2,437	
Long Term Investments	33	
Long Term Debtors	557	
Total Long Term Assets		<b>570,695</b>
<b>Current Assets</b>		
Inventories	351	
Debtors (Note 4)	23,511	
Investments - (short term)	0	
Assets Held for Sale	12,844	
Cash and Cash Equivalents (Note 5)	7,611	
	<u>44,317</u>	
<b>Current Liabilities</b>		
Provisions	(20,073)	
Short term Borrowing	(75,579)	
Creditors (Note 6)	(63,133)	
	<u>(158,785)</u>	
<b>Total Net Current Assets/(Liabilities)</b>		<b>(114,468)</b>
Less Long Term Borrowing		(88,519)
Less Long Term Creditors		(55,585)
Less Pensions Liability		(212,647)
Capital Grants Receipts in Advance		(481)
<b>Net Assets</b>		<b>98,995</b>
Usable Reserves (Note 7)		61,939
Unusable Reserves (Note 8 & 9)		37,056
<b>Net Reserves</b>		<b>98,995</b>

## Group 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.

	2015/16
	£000
Net (surplus) or deficit on the provision of services	31,177
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 11)	(66,492)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 12)	29,395
<b>Net cash flows from Operating Activities</b>	<b>(5,920)</b>
Investing Activities (Note 13)	50,357
Financing Activities (Note 14)	(47,391)
<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(2,954)</b>
Cash and cash equivalents at the beginning of the reporting period	4,657
<b>Cash and cash equivalents at the end of the reporting period (Note 5)</b>	<b>7,611</b>

### Group Note 1. Other Operating Expenditure

	2015/16 £000
Parish Council precepts	2,993
Payment of RSG to Parishes	316
(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	35,867
(Gains)/losses on the disposal of non-current assets – Other Assets	389
<b>Total</b>	<b>39,565</b>

### Group Note 2. Financing and Investment Income and Expenditure

	2015/16 £000
Interest payable and similar charges	8,954
Pensions interest cost and expected return on pensions assets	7,071
Interest receivable and similar income	(22)
Income and expenditure in relation to investment properties and changes in their fair value	(10,060)
Other investment income and expenditure	40
<b>Total</b>	<b>5,983</b>

### Group Note 3. **Property, Plant and Equipment**

Movements in 2015/16:

	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
<b>Cost or Valuation</b>						
<b>At 1 April 2015</b>	<b>378,532</b>	<b>31,152</b>	<b>114,690</b>	<b>55,556</b>	<b>579,930</b>	<b>60,943</b>
Additions	8,015	2,624	18,394	37,348	<b>66,381</b>	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,680)	0	0	0	<b>(2,680)</b>	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,221)	0	0	0	<b>(2,221)</b>	0
derecognition – disposals	(1,873)	0	0	(36,902)	<b>(38,775)</b>	0
assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	710	0	0	0	<b>710</b>	0
assets reclassified (to) /from Investment Properties	(1,098)	0	0	0	<b>(1,098)</b>	0
<b>At 31 March 2016</b>	<b>397,832</b>	<b>35,307</b>	<b>134,432</b>	<b>34,676</b>	<b>602,247</b>	<b>61,852</b>
<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2015	<b>66,434</b>	<b>19,474</b>	<b>9,495</b>	<b>672</b>	<b>96,075</b>	<b>5,621</b>
depreciation charge	8,612	2,040	2,900	0	<b>13,552</b>	1,407
depreciation written out to the Revaluation Reserve	(3,534)	0	0	0	<b>(3,534)</b>	(583)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	686	0	0	0	<b>686</b>	0
derecognition – disposals	(810)	0	0	0	<b>(810)</b>	0
<b>At 31 March 2016</b>	<b>71,388</b>	<b>21,514</b>	<b>12,395</b>	<b>672</b>	<b>105,969</b>	<b>6,445</b>
<b>Net Book Value</b>						
<b>at 31 March 2016</b>	<b>326,444</b>	<b>13,793</b>	<b>122,037</b>	<b>34,004</b>	<b>496,278</b>	<b>55,407</b>
<b>at 31 March 2015</b>	<b>312,098</b>	<b>11,678</b>	<b>105,195</b>	<b>54,884</b>	<b>483,855</b>	<b>55,322</b>
<b>Information on Assets Held at 31/3/16</b>						
Nature of Holding						
Owned	271,037	12,504	122,037	34,004	<b>439,772</b>	

Leased	0	1,289	0	0	1,289	
PFI	55,407	0	0	0	55,407	
<b>Total</b>	<b>326,444</b>	<b>13,793</b>	<b>122,037</b>	<b>34,004</b>	<b>496,278</b>	

#### Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £18.9m. Similar commitments at 31 March 2015 were £29.6m. The major commitments are:

- Ercall Wood School - £2.4m
- Grange Park Primary - £3.6m
- Telford Growth Package - £2.0m
- Superfast Broadband - £3.9m
- Meeting Point House - £1.4m
- NuPlace - £5.6m

#### Group Note 4. Debtors

	2015/16 £000
Amounts falling due in one year:	
Central Government	3,966
Other Local Authorities	331
NHS Bodies	951
Public Corporations and Trading Funds	800
Other Entities and Individuals	25,473
<b>Gross Debtors</b>	<b>31,521</b>
Provision for doubtful debts	(8,010)
<b>Total</b>	<b>23,511</b>

#### Group Note 5. Cash and Cash Equivalents

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

	2015/16 £000
Cash held by the Authority	130
Bank current accounts	3,446
Call Accounts	4,035
<b>Total Cash and Cash Equivalents</b>	<b>7,611</b>
<b>Bank Account Overdrawn</b>	<b>0</b>
<b>Net Cash Position for Cash Flow Purposes</b>	<b>7,611</b>

#### Group Note 6. Creditors

	2015/16 £000
Central Government	8,861
Other Local Authorities	854
NHS Bodies	239
Public Corporations and Trading Funds	780
Other Entities and Individuals	49,832
PFI and Leases	2,567
<b>Total</b>	<b>63,133</b>

**Group Note 7. 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 2015/16.

	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
<b>Balance at 31 March 2015 carried forward</b>	<b>4,369</b>	<b>39,496</b>	<b>6,961</b>	<b>3,588</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>
Movement / Use of reserves during 2015/16	(101)	5,960	(410)	(784)	0	(6,069)	<b>(1,404)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,268</b>	<b>45,456</b>	<b>6,551</b>	<b>2,804</b>	<b>0</b>	<b>2,860</b>	<b>61,939</b>

## Group Note 8. 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.

	2015/16 £000
<b>Balance Brought Forward</b>	<b>219,252</b>
Charges for depreciation and impairment of non-current assets	<b>(16,459)</b>
Amortisation of intangible assets	<b>(1,085)</b>
Revenue expenditure funded from capital under statute	<b>(4,426)</b>
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	<b>(38,120)</b>
Adjusting amounts written out of the Revaluation Reserve	<b>620</b>
Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>2,674</b> <b>32,790</b>
Minimum Revenue Provision	<b>416</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>6,521</b>
<b>Balance Carried Forward</b>	<b>202,183</b>

## Group Note 9. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2015/16 £000
<b>Balance at 1 April</b>	<b>0</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>0</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	<b>0</b>
<b>Balance at 31 March</b>	<b>0</b>



## **Group Note 10. 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.

	<b>2015/16 £000</b>
<b>Opening Capital Financing Requirement</b>	295,535
<b>Capital Investment</b>	
Property, Plant & Equipment	66,381
Investment Properties	4,829
Assets Held for Sale	23
Intangible Assets	1,457
Revenue Expenditure funded from Capital under Statute	4,426
Leased Vehicles	491
<b>Sources of Finance</b>	
Capital Receipts	(2,674)
Finance Leases & Deminimis Capital Expenditure	(1,692)
Government Grants and Other Contributions	(32,790)
Revenue Provision (NB: includes MRP)	(416)
<b>Closing Capital Finance Requirement</b>	<b>335,570</b>
Movement for Year	40,035
Explanation of movements in the year	
Increase in underlying need to borrow (supported by Government financial assistance)	123
Increase in underlying need to borrow (unsupported by Government financial assistance)	39,912
Increase/(decrease) in Capital Financing Requirement	40,035

## **Group Note 11. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements**

	<b>2015/16 £000</b>
Impairment and depreciation of property, plant and equipment and intangible assets	<b>(17,544)</b>
(Increase)/decrease in interest creditors	<b>(66)</b>
(Increase)/decrease in creditors	<b>(5,583)</b>
Increase/(decrease) in interest/dividend debtors	<b>0</b>
Increase/(decrease) in debtors	<b>1,685</b>
Increase/(decrease) in inventories	<b>54</b>
Pension Liability	<b>(12,419)</b>
Contribution (to)/from provisions	<b>(1,020)</b>
Carrying amount of non current assets sold	<b>(38,120)</b>
Movement in Investment Property Values	<b>6,521</b>
<b>Total</b>	<b>(66,492)</b>

**Group Note 12. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**

	<b>2015/16 £000</b>
Capital grants credited to surplus or deficit on the provision of services	<b>26,721</b>
Proceeds from sale of short and long term investments	<b>0</b>
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>2,674</b>
<b>Total</b>	<b>29,395</b>

**Group Note 13. Cash Flow Statement – Investing Activities**

	<b>2015/16 £000</b>
Purchase of property, plant and equipment, investment property and intangible assets	<b>79,096</b>
Other payments for investing activities	<b>226</b>
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>(554)</b>
Proceeds from short-term and long-term investments	<b>0</b>
Other receipts from investing activities	<b>(28,411)</b>
<b>Net cash flows from investing activities</b>	<b>50,357</b>

**Group Note 14. Cash Flow Statement – Financing Activities**

	<b>2015/16 £000</b>
Cash receipts of short and long term borrowing	<b>(198,220)</b>
Other receipts from financing activities	<b>(1,100)</b>
Appropriation to/from Collection Fund Adjustment Account	<b>(1,085)</b>
Repayments of short and long term borrowing	<b>150,471</b>
Cash payments in relation to finance leases and PFI agreements	<b>2,543</b>
<b>Net cash flows from financing activities</b>	<b>(47,391)</b>

## 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 <sup>st</sup> 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	Specific ring-fenced grant allocated by the Department for

(DSG)	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 <b>operating lease</b> is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. <b>Finance leases</b> 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 and Human Resources.
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 28<sup>th</sup> JUNE 2016

### 2015/16 INTERNAL AUDIT QUARTER 4 UPDATE REPORT AND INTERNAL AUDIT PLAN 2016/17 and INFORMATION GOVERNANCE WORK PROGRAMME 2016/17

### REPORT OF THE AUDIT, INFORMATION GOVERNANCE & INSURANCE SERVICES SERVICE DELIVERY MANAGER

## 1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter four – January to March 2016.
- 1.2 For members to approve the 2016/17 Internal Audit plan
- 1.3 For members to note the 2016/17 Information Governance Work Programme

## 2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Internal Audit update information for quarter four 2015/16.
- 2.2 That members approve the 2016/17 Internal Audit Plan attached as Appendix E.
- 2.3 That members note the 2016/17 Information Governance Work Programme attached as Appendix F.

## 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 update for quarter four 2015/16 – January to March 2016.
- 3.2 The Chief Financial Officer (CFO) also has responsibilities under s 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 which are as follows:

### *Part 2 Internal Control* *Internal audit*

*5. A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

The CFO is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet these obligations. This report also presents the Internal Audit Plan 2016/17 for approval (attached at Appendix E).

3.3 The terms of reference also include:

9. Consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:  
b) the Council's information security framework;

This report includes the IG work programme which presents the activities that will be undertaken to ensure compliance with legislation and good governance in respect to information security.

## 4 **PREVIOUS MINUTES**

- 4.1 Audit Committee 30<sup>th</sup> June 2015 – Internal Audit & Information Governance Annual Report 2014/15 and Internal Audit Quarter 4 Update and 2015/16 Internal Audit Plan and IG Work Programme.  
Audit Committee 15<sup>th</sup> September 2015 – 2015/16 Internal Audit Quarter 1 Update report and Information Governance Update April to August 2015.  
Audit Committee 26<sup>th</sup> January 2016 – 2015/16 Internal Audit Quarters 2 & 3 Update Report

## 5 **QUARTER 4 INTERNAL AUDIT UPDATE INFORMATION**

- 5.1 This report provides information on the work of Internal Audit from 1<sup>st</sup> January – 31<sup>st</sup> March 2016 and provides an update on the progress of previous audit reports issued (April 2013 to December 2015).
- 5.2 The key focus for the team during the quarter has been completion of the fundamental audits for the External Audit visit at the end of March and the completion of audits set out in the quarters plan to conclude the work for 2015/16. The IT audit supplier for 2015/16 TIAA have been undertaking and completing their work in this period.
- 5.3 The following internal audit update report appendices are attached:
- i) **Appendix A** – List of final reports issued in quarter four with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.
  - ii) **Appendix B** – List of all work undertaken for quarter four for a period of 1 day or more.
  - iii) **Appendix C** - Previous graded reports from April 2013 to December 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 ? amber reports issued in quarter four.
- 5.4 Appendix A shows 20 reports were issued in quarter four. For the final reports issued the time taken for the areas shown in the table below varied from the allocated time by more than +/- 10%.

<b>Area</b>	<b>Variance (&gt; +/- 10%)</b>	<b>Reason</b>
Purchase Ledger	+20%	Additional time due to reporting across the Council as recommendations not just for system owners.
The Place	+77%	Additional time due to the follow up of previous issues and additional testing.
Payroll/HR	+50%	Increased sample sizes due to comments from the External Auditor during 2014/15 audit and time taken to locate evidence as scanning is not well referenced.
Benefits	-46%	Work completed competently and few queries.
Pre & Post 16 Transport	+19%	New area and involved several service areas across the Council.
St. Peter's School, Bratton	+11%	School records not well organised

<b>Area</b>	<b>Variance (&gt; +/- 10%)</b>	<b>Reason</b>
Newdale School	+66%	Additional testing requested by the Headteacher
Town Park (including the Visitors Centre)	+122%	Additional testing required on income – lettings and lease agreements
Business continuity	-17%	Questionnaire returns were easier than estimated

The reasons for the variances are as explained above. As a result of this information the SDM has reviewed the time allocations for audits within the 2016/17 Audit Plan and will ensure scopes are designed to provide assurance and added value within the time allocated. Allocations will continue to be monitored to inform future allocations.

5.5 From Appendix A there were two Red and six Amber reports issued during quarter four. A summary of these eight reports is provided in Appendix D. For these Red and Amber reports management actions and time scales have been agreed to implement the recommendations and follow ups are scheduled. 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:

<b>Audit Area</b>	<b>Days</b>	<b>Explanation</b>
Advice & support	36	Continued advice and guidance sought due to more commercial approach and staff new to roles and responsibilities due to restructures
Children's brokerage	12	Budget for work was 11 days but there has been additional testing.
General Ledger	29	Fundamental audit



Property Investment Portfolio (review of bad debts)	11	Budget for work was 10 days and finalisation of report added additional time.
---	----	---

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/ Yellow	Following update to January 2016 meeting and meeting with the Audit Committee Chair in April the Chair has provided a verbal update to the meeting today and a further report will come to the September 2016 Committee.
2.	Moorfield Primary School	Red	Yellow	Second follow up completed and moved to yellow. Due a full audit 2016/17 so next follow up will be part of this.
3.	Direct Payments	Amber	Superseded	Follow up superseded by new processes so new audit commenced March 2016 and still in progress. Will report to next Committee.
4.	Charlton School	Amber	Yellow	Follow up completed some outstanding recommendations to be followed up again depending on Academy status.
5.	Section 17 Payments	Amber	Amber	Follow up completed and remains Amber. May 2016 follow up now in progress.
6.	Setting up Home grant	Amber		Follow up sent but service area changes so further work required.
7.	Transport Adults	Amber		Further evidence required so results of follow up will be reported to next Committee.
8.	Financial Assessment review	Amber	Yellow	New Senior so further work was undertaken. Operating model is currently being reviewed and new process maps are being created. Moved to Yellow.
9.	Leaving care process review	Amber		New officer so further work to be undertaken (linked to Setting up Home grant above).
10.	Cash collection – Transport & Highways	Amber	N/A	Will be undertaken as part of cash collection audit 2016/17 due to commence May/June 2016.
11.	Multi-Storey Car Park	Amber		Follow up in progress
12.	Downing House (now Lakewood Court)	Amber	Yellow	Follow up completed and moved to yellow. Next follow up due September 2016.

- 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 INTERNAL AUDIT PLAN 2016/17**

- 6.1 Internal Audit has a statutory obligation under legislation outlined in paragraph 3.2 above and also strives to provide a quality and up to date service for the Council.
- 6.2 Internal Audit work, in addition to obtaining assurance on key areas and controls for the Council, aims to challenge where controls are not required or make suggestions for adjustments to existing controls to make processes more efficient so that managers and their teams can achieve their objectives, contribute to the achievement of the Council's priorities and the aims of "Being the Change". This is part of the Council's corporate governance framework and the effective management of risks.
- 6.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance<sup>1</sup> to managers, Members and the Council as a whole on the risk management, control and governance processes of the Council, an annual programme of work (annual Audit Plan) is developed.
- 6.4 In accordance with professional standards<sup>2</sup> and good practice, Internal Audit planning should be directly linked to the Council's objectives and priorities, the strategic risk register and be directed by the Charter agreed by this Committee in January 2016. The plan is informed and influenced by previous Internal Audit work, requirements of the External Auditor, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and the Senior Management Team.
- 6.5 The plan is attached as Appendix E with detail at the bottom for the ICT audit work which has been informed by challenge from suppliers on the external framework. The plan has been drawn up based on the internal and external resources available for 2016/17 (see 6.6 below), the factors in paragraph 6.4 above and discussions with the CFO. The resultant plan should provide a reasonable level of assurance for 2016/17 but limited to the areas reviewed. It also includes all the work identified by the external auditor that can be undertaken by Internal Audit to meet their requirements. If this was not included then the external audit fee could increase significantly (by up to £100,000).
- 6.6 The planned resources for 2015/16 were 1072 days plus 75 days specialist ICT audit work (total of 1147). The resources **for 2016/17 are 991 plus 60 days specialist ICT audit work (total resources 1051)**. The decrease of just over 8% is due to a reduction in the external ICT budget and reduced hours of an Auditor (part of 2016/17 savings). Although this is a decrease from 2015/16 it is 3% more than in 2014/15 (1018).

---

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

<sup>2</sup> Public Sector Internal Audit Standards

- 6.7 Based on good practice the plan includes around a 10% contingency to meet any unexpected work requirements, any changes identified during the year or changes to resources during the year. Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the CFO, SMT and managers to ensure that the appropriate risks and controls are being reviewed by the resources available. Any significant changes will be agreed with the CFO and appropriate AD and will be reported for information to SMT and this Committee.
- 6.8 The external auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised. Similar liaison takes place with Scrutiny to avoid duplication or to ensure work is complementary.

## **7 INFORMATION GOVERNANCE WORK PROGRAMME 2016/17**

- 7.1 Information Governance is key to the Council's information security framework which forms part of the Council's corporate governance arrangements. Members have received work programmes for previous years and this report presents the 2016/17 programme in Appendix F for information. Updates on progress will be provided to the September 2016 Audit Committee and in the 2016/17 Annual Report.

## **8 OTHER CONSIDERATIONS**

<b>AREA</b>	<b>COMMENTS</b>
Equal Opportunities	All members of the Internal Audit, IG and Insurance Services 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 Internal Audit, IG and Insurance Services Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	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. 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.
Links with Corporate Priorities	All aspects of the Internal Audit, IG and Insurance Services teams work support good governance which underpins the achievement of the Council's objectives and priorities.

	An effective Internal Audit service will contribute to all corporate priorities and look to identify efficiencies and improvements in effectiveness.
Risks and Opportunities	All aspects of the Internal Audit, IG and Insurance Services teams work supports managers and the Council to identify and manage their risks and opportunities.
Financial Implications	Internal Audit, IG and Insurance Services operated within budget for 2015/16 and are anticipated to do so for 2016/17. One post from the insurance team was offered up as a saving in 2016/17 with the work being absorbed by the remaining team. Team members will identify cost implications arising from reviews wherever possible.
Ward Implications	The work of the Internal Audit, IG and Insurance Services team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

## **9 BACKGROUND PAPERS**

Annual Audit Plan 2015/16 and Charter 2016/17  
 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013  
 CIPFA Local Government Application Note – April 2013  
 Internal Professional Practices Framework  
 Accounts and Audit Regulations – 2015  
 Information Governance Framework  
 Information Governance legislation & guidance

Report by Jenny Marriott, Audit, Information Governance & Insurance Services SDM.  
 Telephone: 383101  
 Robert Montgomery IG & Insurance Team Leader – telephone 383103.

## APPENDIX A

### FINAL REPORTS ISSUED QUARTER FOUR – JANUARY TO MARCH 2016

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Woodlands Primary	Yellow	July 2016	7.75	7.55	-3%
Purchase ledger	Amber	2016-17 audit	25	30	+20%
The Place	Red	April 2016	10.5	18.85	+77%
ICT Risk Management	Yellow	August 2016	N/A contractor	N/A contractor	N/A contractor
ICT Help Desk	Yellow	August 2016	N/A contractor	N/A contractor	N/A contractor
Haughton School	Amber	May 2016	7.75	7.68	-1%
Payroll/HR	Yellow	2016/2017 Audit	30	45	+50%
GIS Application Review	Yellow	December 2016	N/A contractor	N/A contractor	N/A contractor
Benefits Audit	Yellow	2016/17 Audit	37	20	-46%
Pre & Post 16 Transport for Education and Training	Amber	June 2016	11.75	14	+19%
ICT Third Party Access	Amber	July 2016	N/A contractor	N/A contractor	N/A contractor
St Peters School, Bratton	Amber	June 2016	7.75	8.62	+11%
Newdale Primary	Amber	June 2016	7.75	12.89	+66%
Lightmoor Village Primary	Yellow	Sept 2016	7.75	7.60	-2%
ICT programme & Project management	Yellow	Sept 2016	N/A contractor	N/A contractor	N/A contractor
Town Park (including Visitor Centre)	Red	June 2016	9	20	+122%
P2.net – Concerto Application Review	Yellow	Sept 2016	N/A contractor	N/A contractor	N/A contractor
ICT Contract Management Arrangements	Yellow	Sept 2016	N/A contractor	N/A contractor	N/A contractor
Business continuity	n/a	Sept 2016	7	5.77	-17%
Elective Home Education	Green	N/A	3.81	4	-4.75%

N/A contractor - Work undertaken by third party contractor under the framework contract.

## APPENDIX B

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

<b>Audit Area</b>	<b>Days</b>
Advice & Support	36
Bank contract review	5
Business Continuity (Review of Plans)	6
Captain Webb School	7
Care & Enablement provider services	2
Charlton Follow up	2
Children's Brokerage (Link to Foster Care)	12
Children's Arrangement Orders	2
Contract Waivers	7
Council Tax & NNDR (2015-2016) additional testing	4
Deferred Payments	7
Discharge to Care - Mental Health Home from Hospital	2
Early Intervention (Common Assessment Framework)	10
Employment Code of Practice Compliance	4
External IT Audit quality review	3
Follow ups	2
Fraud & Compliance (High Value Direct Payments)	2
General Ledger (2015-16)	29
Haughton School	1
Home Education Process Review	3
Horsehay Golf Course	1
Housing Benefits & CTAX Support Scheme (2015-16)	2
Leaver Checklist	1
Leisure Budget review	3
Lightmoor Primary	7
Local transport grant	3
Making Safeguarding Personal (Adults)	4
Millbrook Primary School	7
National Fraud Initiative	1
Newdale Primary	1
Newdale School	1
Nuplace	1
P2P - Purchase Ledger (2015 - 2016)	1
Payroll / HR (2015-16)	3
Procurement including GPC follow up	1
Property Investment Portfolio (Review of bad debts)	11
PSE Upgrade	1
Public Health SLAs & MOUs	5
Social Care Payments	2
Social Letting Agency	8
St Peters Bratton	9

Supervision Policy Review (including Children's Safeguarding)	7
Temporary Accommodation	1
The Place	3
Town Park	10
Transport to Schools - pre & post 16	1
Treasury Management (2015-2016)	1
Troubled Families Grant	1
Wombridge	8

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 31.03.16
Abacus system & Abacus concerns	Amber Red	Amber/ yellow	Regular updates to Audit Committee - September 2015 and January 2016.	Verbal update to June 2016 Committee and further report due to September 2016 meeting.
Moorfield Primary School	Red	Yellow	Further follow up undertaken November 2015	Followed up November 2015 and changed grading to Yellow. Due for audit 2016/17 therefore this will be followed up during this visit.
Direct payments	Amber	N/A – see comment	Follow up due May 2015	Process for DP has now changed therefore this audit no longer applicable. Outsourced some of the service so new audit undertaken March 2016 on the financial side only. Final report of this audit not yet agreed.
Holy Trinity Academy (formerly Blessed Robert Johnson RC College)	Red	Green	Follow up completed January 2016	Follow up completed – grading now Green.
Haughmond Hill Catering	Amber	Green	1 <sup>st</sup> follow up undertaken June 2015 and moved to Yellow.	Follow up received December 2015 – grading now Green
Digitisation report	Yellow		Follow up due September 2015	Further follow up meeting with ICT SDM due May 2016.
ICT Change /Release Management including upgrade of SharePoint 2013	Yellow		Follow up due October 2015	Follow up issued November 2015, no response received and therefore following audit procedures no further chasing/ follow up to be undertaken
Free School Meals ICT system	Yellow		Follow up due October 2015	Follow up sent Nov 2015, no response received and therefore following audit procedures no further chasing/follow up undertaken.
Recruitment	Yellow		Follow up due November 2015	Follow up sent Dec 2015, no response received and therefore following audit procedures no further chasing/follow up undertaken but issues to be picked up in 2016/17 annual HR/Payroll audit.



**STATUS ON FINAL REPORTS ISSUED APRIL 2013 TO DECEMBER 2015**
**APPENDIX C**

<b>Audit</b>	<b>Original Opinion</b>	<b>Updated Opinion</b>	<b>Previous Comments</b>	<b>Status as at 31.03.16</b>
Flood debrief lessons learned	N/a		Follow up due November 2015	Followed up and response received from all but 2 officers. As this report was not graded and new audit procedures no further follow up will be undertaken.
Charlton School	Amber	Yellow	Follow up due September 2015	Follow up visit undertaken in February 2016 still some recommendations which have not been completed. Further follow up in June 2016 depending on Academy status.
Section 17	Amber	Amber	Follow up due November 2015 Second Follow up due May 2016	Follow up completed and remains Amber. Next follow up due May 2016. Will report to next Audit Committee.
ICT Strategy	Yellow		Follow up due September 2015	Follow up sent Nov 2015, no response received and therefore following audit procedures no further chasing/follow up undertaken.
ICT Incident and Capacity Management	Yellow		Follow up due September 2015	Further follow up meeting with ICT SDM due May 2016.
Scott / Linden Centre	Yellow	Green	Follow up due January 2016	Followed up completed and now Green
Setting Up home Grant (Leaving Care)	Amber		Follow up due November 2015	Follow up sent November no response despite a number of reminders. The service area met in April 2016 and further information to be provided. Will report back to next Audit Committee.
Financial Assessment review	Amber	Yellow	Follow up due January 2016	Follow up sent March 2016 and completed and moved to Yellow.
Transport (adults)	Amber		Follow up due January 2016	In progress, follow up sent and returned but further evidence required. Will report to next Committee.
CH2M Halcrow	Amber	Green	Follow up due December 2015	Complete – now Green

**STATUS ON FINAL REPORTS ISSUED APRIL 2013 TO DECEMBER 2015**
**APPENDIX C**

<b>Audit</b>	<b>Original Opinion</b>	<b>Updated Opinion</b>	<b>Previous Comments</b>	<b>Status as at 31.03.16</b>
Leaving care – review of process	Amber		Follow up due January 2016	Response received but new officer in post and further discussions taking place. Therefore will report to next Committee.
Procurement	Yellow		Follow up to commence March 2016	In progress – sample taken looking at contract monitoring. Update will be provided to next Committee.
GPC expenditure	Yellow		Follow up due March 2016	Follow up postponed to September 2016 due changes in processes
Windmill Primary School	Yellow		Follow up due March 2016	Follow up in progress
Wrockwardine Wood Junior	Yellow		Follow up due March 2016	Follow up in progress
Horsehay	Yellow		Follow up due April 2016	Follow up in progress
Cash Collection – Corporate Finance – Income Management	Yellow		Follow up part of 2016-17 annual audit	N/A
Cash Collection – Registrars	Yellow		Follow up part of 2016-17 annual audit	N/A
Cash Collection – Transport & Highways Development	Amber		Follow up part of 2016-17 annual audit	N/A
Facilities Management help Desk review	Yellow	Green	Follow up due April 2016	Complete and moved to Green
Car Parking & Enforcement (Excluding Multi-Storey)	Yellow		Follow up due June 2016	N/A
Adult Social Care Payments	Yellow		Follow up due April 2016	N/A
Donnington Wood Junior School	Yellow		Follow up due May 2016	In progress so update will be provided to next Audit Committee
St Matthews C E School	Amber	Green	Follow up due February 2016	Follow up returned – visit to take place 13th April 2016 to examine evidence. Now graded Green

<b>Audit</b>	<b>Original Opinion</b>	<b>Updated Opinion</b>	<b>Previous Comments</b>	<b>Status as at 31.03.16</b>
Council Tax & NNDR	Yellow		Follow up part of 2016-17 annual audit	N/A
Multi Storey Car park - Southwater	Amber		Follow up due March 2016	Follow up sent and waiting return from service area. Will report to next Committee
Grange Park Primary School	Amber	Yellow	Follow up due February 2016	Follow up complete March 2016 some items that are outstanding but these will be superseded if the school changes to Academy status. If the school do not change then a further follow up will be undertaken July 2016.
Downing House (now Lakewood Court)	Amber	Yellow	Follow up due March 2016	Follow up completed and moved to yellow. Further follow up due September 2016.
Waste Quality Performance Monitoring	Yellow		Follow up due June 2016	In progress so update will be provided to next Audit Committee
Newport Junior School	Yellow		Follow up June 2016	Will report back to next Audit Committee.
Sales Ledger	Yellow		Follow up part of 2016-17 annual audit	N/A

## SUMMARY OF RED AND AMBER REPORTS ISSUED QUARTER 4 2015/16

## RED REPORTS

THE PLACE**1. Introduction and Scope**

- 1.1 An audit review was commenced on 2<sup>nd</sup> November 2015, to provide an opinion on the control environment and a level of assurance for The Place. The scope of the audit was agreed by the Centre Manager, the Place.
- 1.2 We would like to thank the following for their help during the audit :
- ❖ Centre Manager, the Place
  - ❖ Front-of-House Operations Team Leader
  - ❖ Technical Operations Team Leader
  - ❖ Bars & Catering Officer
  - ❖ Customer Liaison Information Officer
  - ❖ Customer Liaison Information Officer
  - ❖ Finance Officer

**2. Good Practice Areas**

- 2.1 During the audit a couple of good practice areas within the processes for The Place were identified. These included:
- ❖ The Centre Manager has a robust monitoring system for income and expenditure. The centre has recently been designated as low risk.
  - ❖ The Emergency plan was last updated 23/07/2015 the document had been signed and dated by the officer reviewing the document.

**3. Management Summary and Overall Opinion**

- 3.1 On the basis of the work carried out, our opinion based on the level of assurance provided by the controls for this audit area is Poor - the system of control is weak and there is evidence of non-compliance with the controls that do exist.
- 3.2 Recommendations have been made to strengthen the controls found to require improvement with risk ratings and categories alongside your agreed actions. We have included a risk rating - High, Medium, and Low- for each recommendation to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High	9	27%
Medium	13	39%
Low	11	33%
<b>Total</b>	<b>33</b>	<b>100%</b>

- 3.3 As part of this audit we have also followed up the implementation of recommendations made in the previous audit in 2011. The table below shows the action taken since that audit:

Recommendation Category	Implemented	Reiterated	Superseded
Legal Requirement	1	2	1
Financial Regulation	0	1	0
Policy/Procedure	11	5	6
Best Practice	0		0
<b>Total</b>	<b>12</b>	<b>8</b>	<b>7</b>

- 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 Place.

---

## TOWN PARK (including the Visitors Centre)

### 1. Introduction and Scope

- 1.1 An audit review was commenced on 9<sup>th</sup> December 2015, to provide an opinion on the control environment and a level of assurance for the Town Park Visitors Centre. The scope of the audit was agreed by the Town Park Manager.
- 1.2 We would like to thank the following for their help during the audit:

Town Park Manager  
Duty Officer  
Administration Officer  
Senior Finance Officer  
Leisure Services Delivery Manager  
Graduate Surveyor  
Estates Surveyor

### 2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out, our opinion based on the level of assurance provided by the controls for this audit area is **POOR** – *The system of control is weak and there is evidence of non-compliance with the controls that do exist.*
- 2.2 Recommendations have been made to strengthen the controls found to require improvement with risk ratings and categories alongside your agreed actions. We have included a risk rating - High, Medium, and Low- for each recommendation to assist you in the prioritisation of their implementation.

<b>Recommendation Risk Rating</b>	<b>Number</b>	<b>Percentage</b>
High	11	24%
Medium	30	67%
Low	4	9%
<b>Total</b>	<b>45</b>	<b>100%</b>

2.3 The above recommendations are split into the following service areas of responsibility:

<b>Area</b>	<b>No of Recs</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
Town Park	41	11	26	4
Finance	1	0	1	0
Estates & Invest	3	0	3	0
<b>Total</b>	<b>45</b>	<b>11</b>	<b>30</b>	<b>4</b>

2.4 As part of the audit process we also identified some minor items that did not require recorded recommendations but were discussed with Town Park management as part of the audit feedback.

2.5 As part of this audit we have also followed up the implementation of recommendations made in the previous unplanned audit undertaken in 2014 (requested by the service area). The table below shows the action taken since that work:

<b>Implemented</b>	<b>Not Implemented</b>	<b>In Progress</b>	<b>Total</b>
10	6 *	3*	19

\*re-iterated this report

2.6 The implementation of the recommendations made in this report and those outstanding from the previous report will further strengthen the controls and processes at the Town Park.

## **AMBER REPORTS**

### **PRE & POST 16 TRANSPORT FOR EDUCATION & TRAINING**

#### **1. Introduction and Scope**

1.1 An audit review was commenced on 17<sup>th</sup> November 2015, to provide an opinion on the control environment and a level of assurance for Pre & Post 16 Transport for Education and Training. The scope of the audit was agreed by the SDM - School Organisation Services and SDM- Skills Delivery, Lifelong Learning, Careers & Youth Employment.

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

- ✱✱ Transport Contracts Officer
- ✱✱ Transport Assistant

- ✱✱ Transport Assistant
- ✱✱ Team Leader Self Directed Support & Brokerage
- ✱✱ Senior Finance Officer (Capital and Infrastructure Finance Team)
- ✱✱ Senior Finance Officer (Capital and Infrastructure Finance Team)
- ✱✱ Accountant (Schools and Care Finance Team)
- ✱✱ Senior Accountant – Taxation (Corporate Finance Team)
- ✱✱ ICT Business Improvement & Change Manager

## 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 Having reviewed the process for transport arrangements, consideration should be given to reviewing the roles and responsibilities undertaken to establish if a more joined up approach could be identified. This could lead to potential efficiencies and budget savings.
- 2.3 Recommendations have been made to strengthen the controls found to require improvement with risk ratings and categories alongside your agreed actions. The risk rating should assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High	5	19%
Medium	18	70%
Low	3	11
<b>Total</b>	<b>26</b>	<b>100%</b>

- 2.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in Pre & Post 16 Transport for Education and Training.

## THIRD PARTY ACCESS TO ICT SYSTEMS

### 1. Introduction and Scope

- 1.1 An audit review was commenced on 14<sup>th</sup> October 2015, to provide an opinion on the control environment and a level of assurance for third party access to ICT systems. The scope of the audit was agreed by the ICT Service Delivery Manager.
- 1.2 We would like to thank the following for their help during the audit :
- ✱✱ ICT Service Delivery Manager
  - ✱✱ ICT Education Services Architect
  - ✱✱ Network & Solutions Architect
  - ✱✱ Team Leader Application Support – ICT

- ✱ ICT Infrastructure Support Officer
- ✱ GIS Application Specialist
- ✱ ICT Service Desk Officer

## 2. Good Practice Areas

2.1 During the audit a number of good practice areas within the process for third party access to ICT systems were identified. These included:

- ✱ Two factor authentication is in use to limit risk of exposure from unauthorised access
- ✱ A process is in place to disable user accounts which remain unused for a predefined period.
- ✱ User accounts are locked out after a predefined number of attempts in accordance with the Corporate Information Security Policy.
- ✱ Third party connections are protected by encryption.
- ✱ Penetration testing is routinely completed.

## 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 is evidence of non-compliance with some key controls.
- 3.2 Recommendations have been made to strengthen the controls found to require improvement with risk ratings and categories alongside your agreed actions. We have included a risk rating to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High		
Medium	7	88
Low	1	12
<b>Total</b>	<b>8</b>	<b>100</b>

- 3.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in respect to third party access to ICT systems.

## ST PETERS CE PRIMARY SCHOOL, BRATTON

## 1. Introduction and Scope

- 1.1 An audit review was commenced on 12<sup>th</sup> January 2016, to provide an opinion on the control environment and a level of assurance for St Peters CE Bratton.
- 1.2 We would like to thank the Head teacher, Deputy Head, Office Manager and Clerical Assistants for their help during the audit.



## 2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for St Peters were identified. These included:
- ✱ Comprehensive folder of information which is given to all Governors
  - ✱ Requisition forms completed for ordering goods
  - ✱ Detailed inventory of equipment

## 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 St Peter's Bratton 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 with risk ratings and categories alongside your agreed actions. We have included a risk rating to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High	3	14%
Medium	16	72%
Low	3	14%
<b>Total</b>	<b>22</b>	<b>100%</b>

- 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; two recommendations have been reiterated in this audit report.

Recommendation Category	Implemented	Not Implemented
Legal Requirement	1	1
Financial Regulation		
Policy/Procedure	2	1
Best Practice		
<b>Total</b>	<b>3</b>	<b>2</b>

- 3.5 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in St Peters CE School, Bratton.

---

## NEWDALÉ PRIMARY SCHOOL

### 1. Introduction and Scope

- 1.1 An audit review commenced on 18<sup>th</sup> November 2015, to provide an opinion on the control environment and a level of assurance for Newdale Primary School. We

would like to thank the Head teacher, Schools Business Manager, Office Manager and Administrators for their help during the audit.

## **2. Good Practice Areas**

- 2.1 During the audit a number of good practice areas within the processes for Newdale Primary School were identified. These included:
- ⌘ checking Agresso about 5 days after a batch of invoices has been sent to Purchase Ledger to confirm that they have been entered onto the system.
  - ⌘ There is segregation of duties between cash collection, recording and banking
  - ⌘ Recording of income collected for budget and school fund makes it very easy to trace payments as all cross referenced.
  - ⌘ Good records maintained for administration of medicines

## **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 Newdale Primary School 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 and these are set out with risk ratings and categories alongside your agreed actions. We have included a risk rating to assist you in the prioritisation of their implementation.

<b>Recommendation Risk Rating</b>	<b>Number</b>	<b>Percentage</b>
High	6	27
Medium	12	55
Low	4	18
<b>Total</b>	<b>22</b>	<b>100%</b>

- 3.3 The previous audit in May/ June 2011 resulted in a report which was graded Green and only included two minor points. During this audit it was disappointing to find that systems and controls in a number of areas appear to have deteriorated since this time.

---

## **HAUGHTON SCHOOL**

### **1. Introduction and Scope**

- 1.1 An audit review was commenced on 7<sup>th</sup> December 2015, to provide an opinion on the control environment and a level of assurance for Haughton School. We would like to thank the Head teacher and the School Business Manager for their help during the audit.

## 2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for Haughton School were identified. These included:
- \*\* SBM scans invoices to Purchase Ledger, which results in her having a record that the invoice has been sent.
  - \*\* GPC details are not saved on online shopping sites they are entered on each individual purchase.
  - \*\* On the GPC log – receipts are numbered in accordance to the number on the log. Some cardholders mark the receipts to show which items are vatable and non vatable.
  - \*\* For their weekly shop each department submits a shopping list and this is then attached to the receipt.

## 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 Amber – 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 – notably banking's and imprest.
- 3.2 Recommendations have been made to strengthen the controls found to require improvement and these are set out with risk ratings and categories alongside your agreed actions. We have included a risk rating for each recommendation to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High		
Medium	16	76%
Low	5	24%
<b>Total</b>	<b>21</b>	<b>100%</b>

- 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 (Reiterated in this report)
Financial Regulation	3	
Policy/Procedure	4	1
Best Practice		
<b>Total</b>	<b>7</b>	<b>2</b>

- 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 Haughton School.

---

## PURCHASE LEDGER AUDIT

### 1. Introduction and Scope

- 1.1 An audit review commenced in July 2015, to provide an opinion on the control environment and a level of assurance for the Corporate Purchasing and Payment Arrangements and associated processes. The scope of the audit was agreed by Employment Services & Purchase Ledger Service Delivery Manager.
- 1.2 We would like to thank the following for their help during the audit :
- Purchase Ledger Team Leader
  - FMS Advisors
  - Admin Officer - Leisure
  - Procurement Officer
  - Strategic Procurement Service Delivery Specialist
  - Senior Accountant - Taxation
  - Agresso Accountant
  - Purchase Ledger Officer

### 2. Good Practice Areas

- 2.1 During the audit a couple of good practice areas within the purchasing and payment processes were identified. These included:
- ✱ The daily checklist used by the Purchase Ledger Team as a reminder to complete tasks
  - ✱ The checklist used as part of the payment run

### 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 and these are set out in the report alongside your agreed actions. We have categorised the recommendations with a risk rating to assist in the prioritisation of their implementation.

Recommendation Risk Rating	Total Number	Percentage
High	4	14%
Medium	20	69%
Low	5	17%
<b>Total</b>	<b>29 *</b>	<b>100%</b>

\* 29 recommendations have been made from this audit review and these have resulted in 62 action points. The table below shows the breakdown of these action points and the areas of responsibility, some action points have more than one area of responsibility. This demonstrates that there are 43 issues (69%) to action which are outside the control of the Purchase Ledger Team.

Area	Total Number of actions	High	Medium	Low	Total %
Purchase ledger	19	7	10	2	31%
Procurement	8	0	6	2	13%
Corporate/SMT	24	0	24	0	39%
Agresso Support	8	1	7	0	13%
ICT	1	0	0	1	1%
Finance/vat/ Income Management	2	0	2	0	3%
	<b>62</b>	<b>8</b>	<b>59</b>	<b>7</b>	<b>100%</b>

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
Policy/Procedure	11	14	3
Best Practice	2		
<b>Total</b>	<b>13</b>	<b>14 *</b>	<b>3</b>

\*recommendations re-iterated in the report.

3.4 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the Corporate Purchasing and Payments system and associated controls, processes and procedures.

**APPENDIX E - INTERNAL AUDIT PLAN 2016/17**

Line	Audit Area	Service Area	AD	Risk rating	Days	Priority/ BTC	Quarter
1	General ledger, assets & capital accounting	Finance & Human Resources	KC	n/a	30	ALL; A,B,D	Qtr 3/4
2	P2P (creditor payments)	Finance & Human Resources	KC	n/a	25	ALL; A,B,D	Qtr 2
3	Cash collection	Finance & Human Resources	KC	n/a	25	ALL; A,B,D	Qtr 2
4	Treasury Management	Finance & Human Resources	KC	n/a	10	ALL; A,B,D	Qtr 1
5	Corporate Governance (including risk management)	Finance & Human Resources	KC	n/a	15	ALL; A,B,D	Qtr 1
6	Payroll/HR	Finance & Human Resources	KC	n/a	30	ALL; A,B,D	Qtr 3
7	Council Tax/NNDR	Finance & Human Resources	KC	n/a	38	ALL; A,B,D	Qtr 1/2
8	Sales Ledger	Finance & Human Resources	KC	n/a	20	ALL; A,B,D	Qtr 2/3
9	Post room	Finance & Human Resources	KC	M	10	ALL; A,B,D	Qtr 2
10	PSE upgrade	Finance & Human Resources	KC	H	20	ALL; A,B,D	Qtrs 1/2/3
11	Civica upgrade	Finance & Human Resources	KC	M	6	ALL; A,B,D	Qtr 4
12	Restructure process review	Finance & Human Resources	KC	H/M	5	ALL	Qtr 1
13	Completion of Home from hospital mental health audit commenced 2015/16	Early Help & Support	RS	M	2.75	4 & 6; A,B,D	Qtr 1
14	Completion of Making Safeguarding personal audit commenced 2015/16	Early Help & Support	RS	M	3.75	4 & 6; A,B,D	Qtr 1
15	Completion of supervision policy review commenced 2015/16 ( also includes children's services)	Early Help & Support	RS	M	5	1, 4 & 6; A,B,D	Qtr 1
16	Support Planning process	Early Help & Support	RS	H	12	4 & 6; A,B,D	Qtr 1/2
17	Assistive technology	Early Help & Support	RS	M	6	4 & 6; A,B,D	Qtr 1
18	My Choices	Early Help & Support	RS	H	10	4 & 6; A,B,D	Qtr 2
19	Transition process - children 14+ to Adult Services	Early Help & Support	RS	M	10	1, 4 & 6; A,B,D	Qtr 1
20	Temporary accommodation - benefits	Early Help & Support	RS	M	8	4, 6 & 7; A,B,D	Qtr 1
21	Sickness management within the service	Early Help & Support	RS	M	7	B, D	Qtr 1
22	Effectiveness of the Safeguarding Board	Early Help & Support	RS	M	5	1, 4 & 6; D	Qtr 4
23	Review of financial controls/commissioning	Early Help & Support	RS	H	8	4,6, & 7; B,C,D	Qtr 3/4
24	Community support finances review	Health & Well-Being	LN	M	9	1, 4; B, D	Qtr 1
25	Events management	Health & Well-Being	LN	M	4	2, 6; B, C, D	Qtr 2
26	My Options (c/fwd from 15/16 due to restructure and use of new system)	Health & Well-Being	LN	H	10	1, 4; A,B,C,D	Qtr 2
27	Public Health - Commissioning/procurement (to be agreed with Helen Onions/Louise Mills)	Health & Well-Being	LN	M	7	1,2,4,6; B,C,D	Qtr 4
28	Family Nurse Partnership	Health & Well-Being	LN	M	4	1, 4, 6; B, D	Qtr 4
29	Community Pride Fund Grants - c/fwd from quarter 4 15/16	Co-operative Council	RP	M	7	2, 5, 6, 7; AB,D	Qtr 1
30	Troubled families grant	Co-operative Council	RP	M	4	1,3,4,6; B, D	Qtr 1
31	Completion of Children's arrangements orders commenced qtr 4 2015/16	Children's Safeguarding	JB	M	4	1,4,6; B,C,D	Qtr 1
32	Review of Core Group Activity	Children's Safeguarding	JB	M	7	1, 4, 6; A,B,D	Qtr 1
33	Inter agency communication & meetings in relation to children & young people who go missing	Children's Safeguarding	JB	H	8	1,3,4; B,D	Qtr 2
34	Care Planning meetings	Children's Safeguarding	JB	H	7	1,3,4,6; A,B,D	Qtr 3
35	Edge of care support and whether this is cost effective and reduces LAC	Children's Safeguarding	JB	M	7	1,4; A,B,C,D	Qtr 4
36	Child exploitation/Goddard enquiry - review of learning points & changes to processes	Children's Safeguarding	JB	M	3	1,4,6; A, B,D	Qtrs 3/4
37	Housing Benefits audit	Customer & Neighbourhood Services	AA	H	25	4,6,7; A,B,C,D	Qtr 3
38	Local council tax support scheme	Customer & Neighbourhood Services	AA	H	20	4,6; B,C,D	Qtr 3
39	Fee earning & geotechnics	Customer & Neighbourhood Services	AA	n/a	7	2, 5, 7; B,C,D	Qtr 2/3
40	Health & Safety - checklists and regular inspection checks	Customer & Neighbourhood Services	AA	n/a	8	6, 7; B,D	Qtr 1
41	Customer contact centre (selective parts)	Customer & Neighbourhood Services	AA	H/M	8	ALL; A,B,D	Qtr 4
42	PSP Register including management of sensitive/personal information	Customer & Neighbourhood Services	AA	M	5	4; D	Qtr 2
43	Transport grant certification	Customer & Neighbourhood Services	AA	L	2.5	5; C	Qtr 2
44	Schools (17 schools)	Education & Corporate Parenting	JC	H/M	120	1,3,4; B, D	ALL
45	HCA land deal - review processes and document retentions	Business, Development & Employment	KK	M	6	2,7; C	Qtr 2
46	Pride in the High Street - monitoring	Business, Development & Employment	KK	M	5	2, 5, 7; A, C	Qtr 2/3
47	s 106 agreements - review of application of revised processes	Business, Development & Employment	KK	M	7	2, 7; C	Qtr 3/4
48	Housing Investment Project - governance/assurance reviews	Business, Development & Employment	KK	M	5	2,6,7; C	ALL
49	ESF Skills funding agreement	Business, Development & Employment	KK	M	6	1,3; B,C,D	Qtr 3
50	Controls in respect to leases managed centrally	Business, Development & Employment	KK	M	8	2; B,C,D	Qtr 1
51	Nuplace	Business, Development & Employment	KK	M	8	2,5,7; A,B,C	Qtr 2
52	Abraham Darby Leisure Centre	Commercial Services	FM	M	8	4 & 6; B,C,D	Qtr 1
53	Arthog	Commercial Services	FM	M	8	3, 4 & 6; B,C,D	Qtr 2/3
54	Oakengates Leisure Centre	Commercial Services	FM	M	8	4 & 6; B,C,D	Qtr 2
55	Review of Leisure Direct debits central administration processes	Commercial Services	FM	M	7	2; A,C,D	Qtr 2
56	Review of the processes for the transfer of facilities to external organisations	Commercial Services	FM	H	8	2; A,B,C	Qtr 2/3
57	Compliance re Home to School transport policy	Commercial Services	FM	M	6	1,3,4; A,C,D	Qtr 4 or 1
58	Catering - commercial nurseries	Commercial Services	FM	M	10	1,2,6;B,C	Qtr 1
59	Telford & Wrekin Property Services/Facilities Management/BIT - review of operations to ensure effective and no duplication (undertake following restructure)	Commercial Services	FM	M	8	2,5,6,7; A, C,D	Qtr 4
60	Review procedures for Trading Company/business cases/commercial projects	Commercial Services	FM	H	5	A,B,C,D	ALL
61	IT audits - see list below	Commercial Services	FM	H/M	60	ALL	ALL
62	Review of updated Planning governance arrangements	Legal, Procurement & Commissioning	JE	M	5	2, 5, 7; B, D	Qtr 3/4
63	Procurement - follow up previous audits but also concentrate on contract monitoring	Legal, Procurement & Commissioning	JE	H	10	ALL; B,C,D	Qtr 1
64	Insurance - implementation of new policies and claims management	Legal, Procurement & Commissioning	JE	M	10	ALL; A,B,D	Qtr 2/3
65	Joint commissioning and information sharing - review of processes	Legal, Procurement & Commissioning	JE	M	6	1, 2,4,6; A, B,C	Qtr 3
66	Single Status verification	Legal, Procurement & Commissioning	JE	H	5	ALL	Qtr 4 / 1
	Total for new audits				797		
	Advice & guidance				50	ALL	
	Follow ups				60	ALL	
	Proactive fraud work & NFI				40	ALL	
	Contingency				104	ALL	
	Sub total				1051		
	Available days				1051		
	<b>PRIORITIES</b>						
1	Put our children and young people first						
2	Protect and create jobs as a 'Business Supporting, Business Winning Council'						

**APPENDIX E - INTERNAL AUDIT PLAN 2016/17**

3	Improve local people's prospects through education and skills training						
4	Protect and support our vulnerable children and adults						
5	Ensure that neighbourhoods are safe, clean and well maintained						
6	Improve the health and wellbeing of our communities and address health inequalities						
7	Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing						
	<b>BEING THE CHANGE (BTC)</b>						
A	Focusing on solving problems and promoting social responsibility and action to manage and reduce demand for services						
B	Challenging & changing, reviewing and reimagining the way we do things						
C	Reducing our dependency on Government grants						
D	Being a modern organisation with modern practices and where we always get the basics right.						
	<b>IT AUDIT AREAS</b>						
	Active Directory Management and Single Sign on						
	Control of privileged users including the use and support for administrative tools.						
	Antivirus/Malware arrangements						
	Network Management Arrangements						
	Software Licensing						
	Back-up and storage review (quarter 2 2016/17)						
	ICT Asset Management						
	Application reviews - CRM and EDRMS						
	Disaster recovery/BCM						
	Mobile device management						

## APPENDIX F

### Information Governance (IG) Work Programme 2016/17

No	Task	Completion date
1	Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO.	On-going
2	Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income.	On-going
3	Keep the T&W commercial website up to date to support the above.	On-going
4	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	On-going
5	Support service areas to address any information security risks that rise.	On-going
6	Support information sharing and the production of information sharing agreements.	On-going
7	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications.	On-going
8	Review and promote the CISP	End of April 16
9	Finalise and promote Information Asset Owner guidance	End of June 15
10	Agree and deliver an IG training and awareness programme.	Agree programme (with SIRO) – End May 16  Deliver programme throughout 16-17
11	Update compliance work programme and undertake activities	Agree programme (with SIRO) – End May 16  Deliver programme throughout 16-17
12	Review the Councils privacy notice and update where necessary.	End of June 2016
13	Complete Ollie module for classification scheme and promote scheme and policy.	End of July 2016
14	Report to the Audit Committee on progress against the work programme and any issues arising.	September 2016 June 2017
15	Produce gap analysis for the General Data Protection Regulations.	September 2016



16	Investigate channel shift options including use of disclosure log, open data, publication scheme and other communications from IG	September 2016
17	Review the IG strategy, update and get approved.	End of October 2016
18	GDPR gap analysis and action plan	End of November 2016

<b>N o</b>	<b>Task</b>	<b>Completion date</b>
1 9	Review the need for public task statement. Example : <a href="https://www.google.co.uk/url?sa=t&amp;rct=j&amp;q=&amp;esrc=s&amp;frm=1&amp;source=web&amp;cd=6&amp;ved=0ahUKEwiElejE-abLAhVCTBQKH2MArYQFgg5MAU&amp;url=https%3A%2F%2Fwww.leicester.gov.uk%2Fmedia%2F180379%2Fpublic-task-statement-2015.pdf&amp;usq=AFQjCNEURU1rVbH_f2bmY_kYyUbjeDDZSw">https://www.google.co.uk/url?sa=t&amp;rct=j&amp;q=&amp;esrc=s&amp;frm=1&amp;source=web&amp;cd=6&amp;ved=0ahUKEwiElejE-abLAhVCTBQKH2MArYQFgg5MAU&amp;url=https%3A%2F%2Fwww.leicester.gov.uk%2Fmedia%2F180379%2Fpublic-task-statement-2015.pdf&amp;usq=AFQjCNEURU1rVbH_f2bmY_kYyUbjeDDZSw</a>	End of December 2016
2 0	Review current IG policies in place to include as a minimum data protection, records management, information security breach procedure and information sharing.	End of March 2017
2 1	Create outstanding policies from the IG security framework and disseminate changes across the Council.	End of March 2017
2 2	Complete N3 connection assessment for central government.	End of March 2017
2 3	Implement findings of the IG related audits	As required in each audit report

## **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE 28<sup>th</sup> JUNE 2016**

**INTERNAL AUDIT, INFORMATION GOVERNANCE & CALDICOTT GUARDIAN  
ANNUAL REPORT 2015/16**

**JOINT REPORT OF THE AUDIT, INFORMATION GOVERNANCE & INSURANCE  
MANAGER AND ASSISTANT DIRECTOR EARLY HELP & SUPPORT (DIRECTOR OF  
ADULT SOCIAL SERVICES)**

### **1 PURPOSE**

- 1.1 To present the 2015/16 Internal Audit, Information Governance & Caldicott Guardian Annual Report to the members of the Audit Committee.

### **2 RECOMMENDATIONS**

- 2.1 That members of the Audit Committee note the Internal Audit, Information Governance & Caldicott Guardian Annual Report for 2015/16.

### **3 SUMMARY**

- 3.1 The terms of reference of the Audit Committee include:
1. "The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan".

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

- b) the Council's information security framework;
- c) receipt of the Caldicott Guardian's Annual report;

This report presents information to meet the requirements of these sections of the terms of reference and to continue to demonstrate good governance and support the Annual Governance Statement (AGS).

- 3.2 The Public Sector Internal Audit Standards are deemed as proper practice under the Accounts and Audit Regulations 2015 for Local Government in England. The standards state:

#### **2450 Overall Opinions**

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

#### **Public sector requirement**

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

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

The annual report must incorporate:

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

This report meets these requirements.

#### **4 PREVIOUS MINUTES**

Audit Committee 30<sup>th</sup> June 2014 – Internal Audit & Information Governance Annual Report 2013/14

Audit Committee 30<sup>th</sup> June 2015 – Internal Audit & Information Governance Annual Report and Quarter 4 Update report 2014/15

Audit Committee 15<sup>th</sup> September 2015 – Caldicott Guardian Annual Report 2014/15

#### **5 2015/16 INTERNAL AUDIT ANNUAL REPORT**

##### **5.1 Assurance and Opinion**

5.1.1 The Council's section 151 officer's statutory obligation under the Accounts and Audit Regulations 2015 to review the effectiveness of the system of internal control is informed by the work of Internal Audit. The assurance derived from this work forms part of the Council's assurance framework.

5.1.2 The system of internal control helps the Council to manage and control the risks which could affect the achievement of its priorities and objectives rather than eliminate them completely. Internal Audit and the other assurance processes therefore provide reasonable and not absolute assurance of the adequacy and effectiveness of the Council's framework of governance, risk management and internal control which is included within the Annual Governance Statement.

5.1.3 The planned Internal Audit resources for 2015/16 were 1072 days plus 75 days (1147) specialist ICT audit provided under contract (from external providers). These resources were over 12% more than in 2014/15 ( 963 plus 55 days specialist IT audit = 1018 days). The increase has been achieved by a full establishment for the whole year, utilisation part of the Compliance Officers time to undertake schools audits and an increase in the external IT budget through redistribution of underspends elsewhere in the budget and retained good prices through the framework contract.

5.1.4 Based on the work undertaken during the year (areas attached as **Appendix A**) and the implementation by management of the agreed recommendations, Internal Audit's annual opinion provides reasonable assurance in respect to the adequacy and

effectiveness of the Council's framework of governance, risk management and internal control within the areas of the Council reviewed during the year.

- 5.1.5 As in previous years Senior Management have attended the Audit Committee where requested to provide updates or explain why progress on the implementation of recommendations was not as agreed or to explain how risks are being managed.
- 5.1.6 As in previous years this Annual Report includes information in respect to the type and number of recommendations made during the year (as requested by the Committee). This information is shown below for 2015/16 with comparisons to 2014/15 shown in brackets.

#### Number of Recommendations made by Type 2015/16 (2014/15)

No. of Audit Reports & Grading	Total number of recommendations	Financial Regulation )	Legal	Policy and/or Procedure	Best Practice
<b>65 (45)</b> <b>7 (2) Green</b> <b>34 (24) Yellow</b> <b>18 (13) Amber</b> <b>2 (4) Red</b> <b>4 (2) no grading*</b>	<b>726 (541)</b>	<b>147 (68)</b>	<b>48 (20)</b>	<b>484 (430)</b>	<b>56 (23)</b>

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

- 5.1.7 65 audit reports were issued during 2015/16, 20 more than 2014/15 (but there were 9 reports finalised in early April 2015 in respect to 2014/15 work). Out of the 61 reports (excluding the no grading reports) 11% (5%<sup>1</sup>) were green (good), 56% (56%) were yellow (reasonable), 30% (30%) were amber (limited) and 3% (9%) were red (poor). The percentages for yellow and amber grading have remained the same as 2014/15 with a reduction in red reports and increase in green.
- 5.1.8 27% of the 15/16 recommendations were legal/financial regulation compared to 16% in 14/15 and 23% in 13/14. 67% of the 15/16 recommendations were policy and procedure compared to 79% in 14/15 and 70% in 13/14. These differences can be influenced by the areas reviewed during each audit year but this year there have been more schools graded amber than previously. There is also the continued impacts of organisational change and restructures which can result in limited training/handover and incomplete appreciation and understanding of staff in new/revised roles.

## 5.2 Public Sector Internal Audit Standards (PSIAS)

- 5.2.1 The Public Sector Internal Audit Standards (defined proper practice under the Accounts and Audit Regulations 2015) were effective from 1<sup>st</sup> April 2013 and Internal Audit reviewed their compliance during 2013/14 and annually since then

<sup>1</sup> Figures in brackets are for 2014/15

implementing actions identified as requiring attention. The Quality Assurance & Improvement Programme (QA&IP) was developed during 2014/15 and operational during 2015/16 with the output being reviewed by the External Auditors as part of their review of Internal Audit. A report re the External assessment which needs to be undertaken once every 5 years was presented to the Audit Committee in January 2015 outlining the approach to appointment and completion by March 2017 (well within the deadline of 31/03/18). Further actions in respect to the review of the management of fraud and ethics related activities will continue in 2016/17.

- 5.2.2 As part of the standards it is a requirement to outline in the annual report where there is any non-compliance. Paragraph 5.2.1 above sets out the two areas (fraud and ethics) where further work is still required out of over 120 areas within the checklist from the CIPFA Local Government Advisory Note to the Standards where we are not fully compliant but the CFO is satisfied with the mitigation and actions being taken.

### **5.3 Performance against External Review**

- 5.3.1 KPMG has been the Council's External Auditors since 1st April 2007. There is continuous liaison between Internal and External Audit to ensure that Internal Audit is undertaking appropriate work upon which the External Auditor can rely and reduce the External Audit fee. Internal Audit has delivered all the work for 2015/16 required by the External Audit and they have indicated that the work is of a good standard and that they can place reliance on it.
- 5.3.2 In order to place reliance on the work of Internal Audit the External Auditor assesses the performance of Internal Audit each year against the appropriate professional standards – the Public Sector Internal Audit Standards. They undertook their first review of Internal Audit against these standards in 2013/14 and this year they have again reviewed our updated evidence and information provided to demonstrate compliance. No issues have been raised.

### **5.4 Improvement Activity**

- 5.4.1 During the year to improve the team's efficiency, effectiveness and productivity we have held team meetings and development sessions. At these sessions and continually during the year we investigate and implement new/alternative ways of service delivery (practices, use of technology, procedures and standard documentation) based on our analysis, customer feedback (see 5.5), sharing best practice with other local authorities and service providers. In addition we implemented the results of a team review session held with a specialist Internal Audit consultant. We had reviewed our approach and processes to ensure that we were focussing on the right things, adding value and being as effective as possible.
- 5.4.2 The Audit, IG and Insurance SDM is one of the Unitary and District representatives on the CIPFA Audit Panel. This helps the team to continue to develop and have early awareness of developments in public sector Internal Audit and Governance enabling us to contribute to and influence relevant guidance. Other members of the team also attend regional Fraud, Contract and Unitary/Met Authority groups (when relevant)

which assist in identifying best practice and different approaches to audit work and information exchange.

## 5.5 Customer Feedback

5.5.1 Internal Audit receives customer feedback in several ways:-

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

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

### POST AUDIT QUESTIONNAIRE FEEDBACK 2015/16 compared to last 2 years

Question	2013/14 From top score 5	2014/15 From top score 5	2015/16 From top score 5	Difference 14/15 to 15/16
Pre- Audit Arrangements	4.6	4.9	4.8	-0.1
Audit Visit	4.7	4.9	4.9	No change
Communication	4.4	4.8	4.8	No change
Report	4.5	4.8	4.8	No change
Is audit a positive support – Yes	100%	100%	100%	No change

The team's customer performance has remained extremely high during 2015/16 with the average score being 4.8 or more. There is a marginal reduction in respect to pre-audit arrangements and we will ensure that our processes in this area will be further reviewed. The maintenance of these scores is a credit to the team and how they have approached their work and the audit of many services during or just after a restructure.

## 6 2015/16 INFORMATION GOVERNANCE ANNUAL REPORT

- 6.1 There are a number of pieces of legislation and good practice standards that govern the IG arrangements of the Council and these are listed in the background information at the end of this report. The Information Commissioners Office (ICO) is the regulatory body responsible for ensuring Council's meet the information legislative requirements.
- 6.2 The Local Authority Data Handling Guidelines recommend that each local authority should appoint a Senior Information Risk Owner (SIRO). The SIRO should be a representative at senior management level and has responsibility for ensuring that management of information risks are weighed alongside the management of other risks facing the Council such as financial, legal and operational risk. At Telford &

Wrekin the nominated SIRO for the period covered by this report was the Assistant Director: Finance and Human Resources with the Audit, IG & Insurance Service Delivery Manager designated as the Deputy SIRO. From the 1<sup>st</sup> April 2016 the SIRO responsibility transferred to the Assistant Director Governance, Procurement & Commissioning.

## Information Rights

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

- **Freedom of Information Act 2000** – encompasses any information held by the Council
- **Environmental Information Regulations 2004** – information with an environmental impact
- **Data Protection Act 1998** – looks at personal information relating to individuals

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

It also co-ordinates and guides service areas when the Council receives a subject access request (someone requesting their personal information) or a request to access social care records, e.g. a parent asking to view the contents of their child's records.

6.5 Before the financial constraints and public sector budget reductions the ICO set a benchmark of 80% for responding to FOI requests within the 20 working day statutory deadline.

6.6 See table below for figures relating to FOI performance for the year 1 April 2015 to end of March 2016 compared with the same period for the previous year:

	15/16	14/15	% Increase / Decrease
Number of FOI requests received	1090	1132	-4
Average number of FOI requests received per month	90	94	-4
% of FOI requests responded to within statutory deadline	81	93	-13
Average time taken (days) to respond to each request	14	10	+40

As can be seen from the figures in the table above, the Council's performance in responding to FOI requests within statutory deadlines reduced (down by 13%) from 2014/15. The main reasons for a reduction in performance are:

- Lack of success in recruiting an Apprentice during all of 2015/16 (however we have now successfully recruited an Apprentice who will be in post from 11/4/16)
- Requests received being more complex in nature
- The implementation of a major system upgrade (from version 3 to version 6) of the request logging system (Respond). This is the system used to log and process FOI, EIR and DPA requests. The upgrade meant FOI/EIR/DPA resources were used for system testing and for resolving upgrade issues. Time was also taken for established staff to get acclimatised to working with a very different system
- Change in role for the Compliance Officer who previously provided some support with the processing of requests.

Even given the issues bulleted above actual performance still exceeded the ICO benchmark of responding to 80% of FOI/EIR requests received with 20 working days.

In addition to the above the Council received 148 requests (48 in 14/15) that were processed under the Environmental Information Regulations (EIR) 2004. The increase in the number of EIR requests received is due to the IG Team categorising requests more accurately. 93% of these requests were responded to within the 20 working day deadline.

- 6.7 In this period IG have received and responded to 14 appeals (1 upheld) from requestors who were not satisfied with the response they received to their FOI request. This compares to a total of 21 appeals in (4 upheld) 2014/15.
- 6.8 During this period IG did not receive any complaints/referrals from the Information Commissioner (ICO) in respect to complaints made to them by FOI/EIR requestors. This compares to 4 in 2014/15 from two individuals.

The IG update report presented at the September 2015 Audit Committee detailed a complaint that the ICO were dealing with (which dated back to 2014/15). This complaint has now been heard at the First Tier Tribunal and was found to be in favour of the Council.

- 6.9 Between 1 April 2015 and 31 March 2016 the Council received 55 Subject Access Requests<sup>2</sup> (SAR's), this compares to 57 requests for the same period in 2014/15. 70% of SAR's received have been processed within the 40 calendar day deadline (94% of SAR's processed within deadline for 2014/15). This is a reduction in performance due to reasons bulleted in 6.6 above.

It should be noted that the size and complexity of subject access requests increases year on year. For the 55 requests responded to in 2015/16, the IG team has had to read and redact over 11,000 pages of mainly sensitive personal social care information. The largest individual request required 3,574 pages to be read and redacted as appropriate by IG officers. IG continually review its procedures for processing subject access requests and feel that these are streamlined and fit for

---

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



purpose. However further reviews will take place to ensure processes improve where possible.

It should also be noted that the council did not receive any complaints/referrals from the ICO during 2015/16 in respect to its processing of subject access requests (the same as 2014/15).

### Data Security Incidents

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

6.11 Between the 1 April 2015 and 31 March 2016 there were 56 reported instances of possible data breaches (86 reported instances in 2014/15). IG (with the assistance of service areas) investigated all of these and has confirmed that 25 data breaches had occurred (44 data breaches were identified in 2014/15). These are shown below categorised by type of breach:

	Number of Cases	Number of Complaints/Referrals from Data Subjects
Information accidentally sent/made available to the incorrect recipient	22 (37 in 14/15)	<b>19</b>
Accidental release of personal information verbally	2 (4 in 14/15)	<b>2</b>
Documents containing sensitive information left in an insecure location	1 (1 in 14/15)	<b>1</b>
Information lost or stolen	0 (2 in 14/15)	<b>0</b>
<b>TOTAL</b>	<b>25</b> (44 in 14/15)	<b>22</b>

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

It is pleasing to note that there has been a considerable drop (43%) in the number of confirmed data breaches in 15/16 (following an approximate drop of 50% in 14/15 compared to the previous year).

At the start of 2015/16 the Information Governance Team, with support from Internal Communications, kicked off a 'Mistakes Have Consequences' poster campaign which highlighted the negative human consequences of data breaches both for employees and customers. It is hoped that this has built on previous awareness initiatives and has, to some extent, contributed to the reduction in data breaches occurring.

- 6.12 For each of the confirmed breaches IG agrees actions with the relevant management team to minimise the impact of the breach on the customer. The Council also reviews and changes procedures and provides targeted training to reduce the possibility of similar data breaches occurring in the future.
- 6.13 Any lessons learnt from data security incidents/breaches are shared locally with appropriate employees. In addition to this the IG Team communicates half yearly lessons learnt highlighted by data breach investigations to all services across the Council – the lessons learnt from April 2015 – September 2015 are attached as Appendix B for information.
- 6.14 None of the data breaches detailed above were serious enough to meet the Information Commissioner's rationale for reporting serious breaches to them.
- 6.15 Out of the 25 confirmed data breaches investigated, appropriate disciplinary action has/or will be taken in 4 cases. Disciplinary action will range from written warning to possible dismissal.

### **Information Governance Work Programme**

- 6.16 The IG Team, in addition to the administration of information rights legislation and the investigation of data security breaches, set down a work programme to further improve the information governance framework of the Council. The 2015/16 IG work programme was agreed at the June 2015 Audit Committee. Progress to date in respect to this programme is shown attached as Appendix C.
- 6.17 The next update to the Audit Committee on Information Governance will be the 2015/16 update report, incorporating activity during April – mid August 2015 which will be presented to the September Audit Committee.

### **Information Governance Related Audits**

- 6.18 In 2015/16 Internal Audit undertook a number of IG related audit assignments. See below for the status of each of these reviews:

<b>Assignment</b>	<b>Status</b>	<b>Grading</b>
Information Governance Framework	Final	Yellow - Reasonable
Payment Card Industry Standards	Draft	Yellow – Reasonable
Information Sharing	Draft	Yellow – Reasonable
Information Security	In Progress	N/A

IG has agreed actions for the recommendations arising from the first three audits and these have been included in the 16/17 IG work programme.

## **7 2015/16 CALDICOTT GUARDIAN ANNUAL REPORT**

### **Caldicott Guardian (CG) Function – Key Responsibilities**

- 7.1 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)

- 7.2 In line with a key recommendation of the 1997 Caldicott Report, the Council has since then appointed a CG. The CG is currently the designated Director of Social Services (DASS).
- 7.3 As we move towards greater integration between health and social care to respond to the 5 year forward plan, information sharing becomes to the forefront of partnership arrangements. Social Care staff are making decisions in relation to when and how to share information to provide a seamless service to vulnerable adults and children. As the Mental Capacity Act becomes imbedded into practice, professionals are making decisions on day to day bases in relation to sharing information. This is reflected in the issues captured in the CG log -
- Completion of training & enrolment on national register
  - Sign off of data sharing agreement with Shropshire Community NHS Trust
  - Information Tool Kit completion and submission
  - Completed the implementation of the 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
  - Sign off the data sharing agreement for the Adult Safe Guarding Board
  - Completion of phase one of the community fit project sharing data across the health economy to inform the development of community based health services.
- 7.4 Appendix D gives an update on progress made in achieving the CG action plan which was presented at the September 2015 Audit Committee.

## **8 CONCLUSIONS FOR 2015/16**

- 8.1 Despite limited resources and adhoc requests for work the Internal Audit & IG Team has performed well and made a positive contribution to the governance arrangements within the Council.
- 8.2 The statutory responsibilities of the Council's Chief Financial Officer (section 151 officer) in respect to internal audit and internal control have been met and Internal Audit has provided reasonable assurance to the Council on the Council's internal controls, governance and risk management processes for the areas reviewed in 2015/16.
- 8.3 The Internal Audit & IG Team has also continued to provide advice and guidance on governance, procedures, controls, information security and risk management.
- 8.4 However, there are numerous major changes occurring both within and outside the Council during 2016/17 which could affect the team's activities, for example :-

- a) The continued pressure on the Council's budget strategy for 2016/17 and beyond may result in further changes to the service and resources but endeavouring to ensure that Internal Audit resources are not reduced;
- b) Further service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;
- c) The continued development of relationships with revised service delivery areas to ensure the team continues to support the authority in achieving its objectives.
- d) Consideration of the future changes to the external audit and inspection regime;
- e) Changes in any information rights legislation and guidance particularly the preparations for the General Data Protection Regulations (GDPR) which come fully into force in 2018 (replacing the 1998 Data protection Act);
- f) The new Caldicott Guardian may require additional support until they are more familiar with their role;
- g) The Council's key projects including Adult Social Services, Children's Safeguarding, transferring services to other providers, introduction of a new HR/Payroll system from 1<sup>st</sup> April 2017 and developing further commercial activities.

## 9 **OTHER CONSIDERATIONS**

AREA	COMMENTS
Equal Opportunities	All members of the Audit, IG & Insurance 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 & Insurance 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 and an Annual Report to this Committee contributes towards meeting these requirements.</p> <p>Further reference to legal requirements and the implementation of those legal requirements in accordance with CIPFA guidance are contained within the main body of the report at paragraphs 5.1.1, 6.1 and 6.3 respectively.</p> <p>In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance.</p>

	<p>Compliance with the Information Rights legislation mentioned in this report is mandatory. When assessing compliance, the ICO will consider approved policies and procedures of the authority.</p> <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 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 &amp; Social Care Information Centre [HSCIC] publishes guidance and resources for Caldicott Guardians.</p> <p>KF 19.05.2016</p>
Links with Corporate Priorities	All aspects of the Audit, IG & Insurance 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 &amp; Insurance teams work supports managers and the Council to identify and manage their risks and opportunities.</p> <p>The role of IG includes reviewing information security arrangements in place to manage IG risks within service areas. IG reports produced assist the Council in improving systems and controls (reducing IG risks) and therefore the delivery of services and achievement of objectives.</p> <p>If the Council does not comply with the information rights legal requirements there is the risk of the Council being issued with a fine by the ICO of up to £500,000. Service areas supported by the IG Team have and are continuing to implement mitigation to avoid this but there is still risk associated with this.</p>
Financial Implications	<p>Audit and Information Governance operated within its budget of £402k for 2015/16 with an under spend of £15k at the end of the year due to vacant posts. Team members will identify cost implications arising from reviews wherever possible.</p> <p>The 2015/16 budget for external audit of £166k was under spent by £37k mainly as a result of the reduced audit fee from KPMG.</p>

	<p>It should be noted that if the ICO found that the Council was not complying with the information rights legal requirements and a fine was imposed there is no budget allocation identified to meet this.</p> <p>The work in respect to the Council's fulfilment of their Caldicott Guardian responsibilities are met from within existing budgets.</p> <p>MLB 05.05.16</p>
Ward Implications	The work of the Audit & IG team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

## 10 **BACKGROUND PAPERS**

Annual Audit Plan 2015/16 and Charter  
 Internal Audit PSIAS Action Plan  
 Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013  
 CIPFA Local Government Application Note - April 2013  
 Accounts and Audit Regulations 2015  
 Corporate Information Security Policy  
 Corporate Information Security Breach Procedure  
 Local Authority Data Handling guidelines  
 ISO27001 (standard for information security)  
 Data Protection Act 1998  
 Freedom of Information Act 2000 (fully introduced 2005)  
 Environmental Information Regulations 2004.  
 Caldicott Review - <https://www.gov.uk/government/publications/the-information-governance-review>  
 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](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192572/2900774_InfoGovernance_accv2.pdf)

Report by Jenny Marriott, Audit, IG & Insurance Services SDM. Telephone: 383101  
 Rob Montgomery Information Governance Team Leader. Telephone 383103  
 Richard Smith AD Early Help & Support (DASS)

## APPENDIX A

### Work undertaken during 2015/16 to provide assurance and the Internal Audit Opinion

<b>Audit Area</b>	<b>Days</b>
Adult Safeguarding Follow Up	2
Adult Social Care Payments	25
Advice & Guidance	126
AGS assurance review (2014-2015)	11
ASS - Review of Prototype	3
Audit of Information Governance	1
Bank contract review	5
Bank Project Team	2
BRJ Follow Up	3
Business Continuity (Review of Plans)	6
Captain Webb Primary School	7
Care & Enablement provider services	3
Care Leavers Grant & Process	3
Cash Collection (2015-2016)	23
Charlton - Directed Salaried Grant 2015-16	1
Charlton Follow up	2
Charlton Secondary School	4
Children's Brokerage (Link to Foster Care)	12
Children's Arrangement Orders	2
Community Fit Programme	1
Contract Waivers	7
Council Tax & NNDR (2015-2016)	48
Deferred Payments	8
Direct Payments	9
Discharge to Care - Mental Health Home from Hospital	3
Donnington Wood Junior School	9
Downing House Clients Records & Finances	8
Early Intervention (Common Assessment Framework)	10
Email & Internet Filtering	3
Employment Code of Practice Compliance	6
IT Audit Management & Quality review	12
Facilities Management - Help Desk Review	14
Financial Assessment Process Review	15
Flood Damage Grant	4
Follow ups	11
Food Hygiene Rating System	1
Foster Carers Web Site	1
Fraud & Compliance framework and checks	6
General Ledger (2015-16)	33
Grange Park Primary School	10
Halcrow Contract	3

## Appendix A (continued)

<b>Audit Area</b>	<b>Days</b>
Haughton School	8
Home Education Process Review	3
Horsehay Golf Course	10
Benefits & CTAX Support Scheme (2015-16)	20
Leaver Checklist Review	3
Leaving Care Process	12
Leisure Budget review	3
Lightmoor Primary School	8
Local transport grant	5
Making Safeguarding Personal (Adults)	4
Millbrook Primary School	7
Moorfield Follow Up	3
Mount Gilbert Follow Up	3
Multi storey car park	11
National Fraud Initiative	7
Newdale Primary School	14
Newport Junior School	6
Newport Pool	14
Oakengates Children's centre Follow Up	5
Other Car Park Contracts	10
P2P - Purchase Ledger (2015 - 2016)	30
Payment of Employee Allowances	4
Payroll / HR (2015-16)	46
PCI Compliance review	4
Pot Hole Grant	6
Procurement including Government Procurement Card	32
Property Investment Portfolio (Review of bad debts)	12
PSE Upgrade	1
Review of Public Health SLAs & MOUs	5
Sales Ledger (2015-2016)	31
Scott & Linden Centre	9
Section 17 payments	3
Social Care Payments support	2
Social Letting Agency	8
Social Media Compliance Work	1
St Georges Primary School	10
St Matthews Primary School	12
St Peters Bratton	9
Supervision Policy Review (Children's & Adults)	7
Supplier complaint review	11
Temporary Accommodation	1
The Place	19
Town Park & Visitors Centre	20



Transport Processes Review - Adults	13
Transport to Schools - pre & post 16	14
Treasury Management (2015-2016)	13
Troubled Families Grant	2
Waste Quality Performance Monitoring	8
Windmill Primary School	9
Wombridge Primary School	8
Woodlands Primary School	8
Wrockwardine Wood Junior School	11

## Information Security Incidents: Lessons Learnt – 2015/16

### Information Governance (IG) 1st Half Yearly Update – 1 April to 30 September 2015

Information on lessons learnt in respect to data breaches investigated for 2014/15 were included in the relevant Briefing Notes (half yearly) for Managers and Staff News in 2014/15.

Despite further training/publicity the Council has continued to experience data security incidents including some minor breaches during the first half of the year. These have been investigated by the IG team/service areas and changes to processes have been agreed. However there are lessons to be learnt or reminders for us all from these incidents and this note aims to share them with you.



### Top 3 reasons for incidents at Telford & Wrekin

1

Emails sent to incorrect recipients

2

Officers not completely following agreed processes/procedure

3

Human error – typing errors, lack of checking contact details, etc.



### Reminders/Lessons learnt from these incidents



Always check who you are sending an email to against who you think you are emailing particularly when the email address auto-populates in Outlook. Also If you are sending an email to a group email address check all the officers in that group are authorised to receive it



You can select to not use the Auto-Complete function in Outlook, or clear the current entries in the Auto-Complete function by (in Outlook); 1) Click File tab 2) Click Options 3) Click Mail 4) Under Send messages, select or clear the Use Auto-Complete to suggest names when typing in the 'To' check box.



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



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



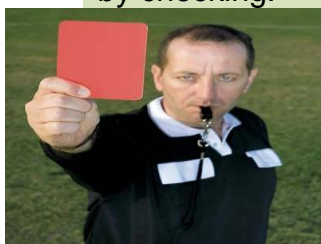
When sharing and sending personal information NEVER assume. Think what the impact could be of your assumption(s). All your decisions need to be based on fact.



Be careful when using Social Media to not post personal information about your work, i.e. about your work colleagues or customers



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



## Action taken by the Information Commissioners Office (ICO)

Up to February 2015 the ICO had collected **£5,573,500** in fines. Of this **£2,100,000** related to local authorities

What is the maximum fine a Council can face for a data breach?

- a) £5,000
- b) £100,000
- c) £500,000

Answer the Council can be fined a maximum of **£500,000**.

Make sure your actions do not result in the Council being fined

## Mistakes have consequences – protect personal information

Read stories about Ann, Dave, Jane and the Bridge family as part of the current Information Governance campaign....



# we can help

- Contact the IG Team on 82537 or email [IG@telford.gov.uk](mailto:IG@telford.gov.uk)
- Visit the IG intranet page for advice and guidance

## APPENDIX C

### Information Governance (IG) Work Programme 2015/16 updated as at 31/03/16

No	Task	Deadline	Progress/Completion as at 31/3/16
1	Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO.	On-going	On-going
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	On-going
3	Keep TORCH site up to date to support the above.	On-going	On-going (now superseded by commercial site)
4	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	On-going	On-going
5	Support service areas to address any information security risks that arise.	On-going	On-going
6	Support information sharing and the production of information sharing	On-going	On-going

	agreements.		
7	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications.	On-going.	On-going
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 by SIRO</p> <p>Programme delivered</p> <p>Ollie training reviewed. New module due in April 16.</p>

No	Task	Deadline	Progress/Completion as at 31/3/16
9	Update compliance work programme and undertake activities including records management.	Review and agree updated compliance programme by end of May 15.  On-going for completing compliance activities.	Programme reviewed and agreed.  Activities currently on-going.
10	File and folder accesses review and rationalisation.	End of May 2015 (for IG to agree future actions for ICT on this)	Complete.
11	Complete Ollie module for classification scheme and promote scheme and policy.	End of July 2015	Module completed – due for publicity in 16/17.
12	Keep the IG security framework up to date including the Corporate Information Security Policy (CISP).  Disseminate changes across the Council.  Review CISP	Review framework and agree this with Audit Committee –End September 15.  Disseminate any changes as and when required.  Review CISP by end of March 16	Framework reviewed (and audited).  Changes disseminated where appropriate.  Review currently on-going.
13	Report to the Audit Committee on progress against the work programme and any issues arising.	September 2015 June 2016	Complete for September Complete for June
14	Implement findings of the IG framework audit	End of November 2015	Complete
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.	Complete
16	Complete N3 connection assessment for central government.	March 16.	Complete

## Updated Position of the Caldicott Guardian Action Plan

Action	Target date	Lead
<b>Caldicott Review related actions - () = Recommendations from Caldicott Review</b>		
1. Examine our existing arrangements, and lead by example with our local partners to make it easier to share information (introduction)	On-going	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)	On-going	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 as part of the implementation of Accessible Information legislation December 17	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)	June 2017	CG/SIRO
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)	<b>Completed.</b> CG appointed and registered with Social Services CG Register. CG attending accredited CG training on 3 <sup>rd</sup> May 2017	CG

<b>10. Local authorities consider extending Caldicott Guardian arrangements to children's services (15)</b>	<b>Completed.</b> Role across Adult & Children's services	CG
---	---	----

<b>Action</b>	<b>Target date</b>	<b>Lead</b>
<b>Caldicott Review related actions - () = Recommendations from Caldicott Review</b>		
<b>11. Strengthen leadership on information governance (15)</b>	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
<b>12. Ensure that the information provided to inform citizens about how their information is used does not exclude disadvantaged groups (19)</b>	As per 5. above	CG
<b>13. Use the revised Caldicott principles in all relevant information governance material and communications (25)</b>	As per 5. above	CG
<b>14. Investigate, manage, report and publish personal data breaches and ensure that commissioned bodies are investigated, managed, reported and published appropriately (6)</b>	On-going	CG
<b>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)</b>	March 2016	CG
<b>Other actions</b>		
<b>16. CG report to form part of the annual audit report</b>	Completed	CG



<b>17. Identify deputy CG</b>	July 17	CG
<b>18. Complete register of Information Sharing Agreements and ensure reviews are held within agreed timescales.</b>	July 17	CG
<b>19. Ensure IG training has been undertaken by all relevant staff</b>	September 17	CG

## **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE 28<sup>th</sup> JUNE 2016**

### **CORPORATE ANTI-FRAUD & CORRUPTION POLICY – 2015/16 ANNUAL REPORT AND POLICY UPDATE**

#### **REPORT OF THE CHIEF FINANCIAL OFFICER**

## **1. PURPOSE**

- 1.1 For the Audit Committee to:
- a) consider the 2015/16 Annual Report on Corporate Anti-Fraud and Corruption activity; and
  - b) agree an updated policy and to recommend its adoption by the Council.

## **2. RECOMMENDATIONS**

- 2.1 That the Audit Committee notes the 2015/16 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Audit Committee agrees the updated policy attached as Appendix 2 and recommend its adoption by the Council.

## **3. SUMMARY**

- 3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. These procedures include the Anti-Fraud & Corruption Policy.
- 3.2 The terms of reference of the Audit Committee include:  
*“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.”*
- 3.3 This report includes annual information in respect to the Corporate Anti-Fraud and Corruption activity for 2015/16 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix 2 is an updated policy for members to agree and recommend on for adoption by the Council.

## **4. PREVIOUS MINUTES**

- 4.1 Audit Committee 26<sup>th</sup> June 2012 – Annual Report 2011/12  
 Audit Committee 25<sup>th</sup> June 2013 – Annual Report 2012/13 and Policy Update  
 Audit Committee 16<sup>th</sup> September 2014 – Annual Report 2013/14 and Policy Update  
 Audit Committee 30<sup>th</sup> June 2015 – Annual Report 2014/15 and Policy Update

## **5. INFORMATION - ANNUAL REPORT 2015/16**

- 5.1 The Anti-Fraud and Corruption Policy supports one of the key dimensions of good Corporate Governance – Standards of Conduct. The Council aims to ensure that all those associated with it maintain high standards of ethics and conduct in public life contributing to good Corporate Governance.
- 5.2 Nationally due to the economic climate there are indications from Police and Government statistics that fraudulent activity has and will continue to increase. Therefore it is important that the Council continues to maintain its vigilance in respect to Council services and the Community.
- 5.3 This report contains information for 2015/16 on counter fraud and investigation activities within the Investigation Team (Revenues), Internal Audit and Public Protection. The Committee should note that the Councils procedures and controls are designed to minimise the opportunity for fraud and to highlight where possible fraudulent activity may have occurred.
- 5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide information for investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

## **6. TRANSPARENCY CODE REQUIREMENTS**

- 6.1 The Local Government Transparency Code requires the council to publish data regarding its fraud arrangements. Below is a summary of these requirements together with the corresponding information on the council's fraud arrangements.

<b>Requirement Description</b>		<b>T&amp;W Arrangements</b>
1	Number of occasions the council have used the powers under the Prevention of Social Housing Fraud Regs 2014 or similar powers.	We do not have social housing and therefore these powers have not been used.
2	Number (absolute and FTE) of employees undertaking investigations and prosecutions of fraud	3 counter fraud specialists work in the Revenues Investigation Team. This equates to 2.95 FTE's.  Other council services undertake investigations into fraud, e.g. Internal Audit, Public Protection, etc. These tasks form part of an officer's job role and therefore it would be impossible to identify what proportion of their role would be taken up undertaking fraud investigations.
3	Number (absolute and FTE) of professionally accredited counter fraud	3 counter fraud specialists work in the Revenues Investigation Team.

	specialists	This equates to 2.95 FTE's.
4	Total amount spent by the authority on the investigation and prosecution of fraud	<p>The cost of the Investigation Team for 2015/16 was £155,135 including staff and other related costs.</p> <p>As stated on point 2 above other areas do undertake investigations but it is impossible to attribute a cost to this as costs are consumed in overall budgets for each service.</p>
5	Total number of fraud cases investigated	See case investigation data in this report.

## 7. INVESTIGATIONS TEAM (REVENUES)

### BENEFITS INVESTIGATIONS

- 7.1 The Housing Benefit and Council Tax Support caseload has decreased again over the last 12 months, from 18,921 (live cases) at 31<sup>st</sup> March 2015 to 18,335 at 31<sup>st</sup> March 2016. There are a number of reasons for this including the continuing impact of the government's Welfare Reforms and the introduction of Universal Credit in the area since June 2015. Universal Credit is replacing six working age benefits including Housing Benefit although the roll out is currently limited to those with specific circumstances. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled. We have continued our review programme throughout 2015/16. This is where we issue review forms to check on the circumstances of those claiming Housing Benefit and / or Council Tax Support and this has also resulted in the cancellation of some claims.
- 7.2 The Council has followed the Department for Work & Pensions (DWP) lead in "securing the gateway". The DWP aim at 'getting it right, and keeping it right' i.e. ensuring only those properly entitled are granted and paid benefit. A telephone appointment is made with anyone making contact to make a new claim. A Benefit Assessment Officer takes all the necessary details and then an appointment is made for the claimant to see a Benefit Assessment Officer at the Council's First Point facility where the information they have given is checked against the relevant proof of income, identity and rent details. To this end the majority of new benefit claimants who make a claim direct to the Council are seen in person by a Benefits Officer (either via the telephone claim process or those customers who drop-in to First Point). This ensures the best possible service for the customer as claims are processed whilst they wait and the Benefit Assessment Officer explains to the customer their responsibilities regarding reporting of changes in circumstance. Entitlement letters are given to the customer at the end of the interview and explained and checked with the customer to ensure accuracy. In 2016/17 we are looking to improve this process further with an on-line intention to claim form which will allow customers to book their own appointment at First Point, this will negate the need for the telephone part of the process.

7.3 The Benefit Team issued 4,996 review forms in 2015/16 as part of its targeted review exercise. It was determined that the non-passported claims (these are claims based on earnings, private pension etc. rather than Income Support and Job Seeker Allowance) were most likely to have had a change in circumstance. These customers were therefore contacted first by tranches on a monthly basis. Once these cases had been reviewed we started reviewing those people in receipt of a “passport” benefit such as Income Support, with those with a non-dependant targeted first. Weekly Council Tax Support savings were made of just under £5,300 which equates to an annual saving of £271,952. Weekly Housing Benefit reductions were made of just under £30,432 with an annual saving of £1,582,443. These figures were counted towards the Department for Work and Pensions Fraud and Error Reduction Incentive Scheme (FERIS) which gives a financial reward based on reductions in Housing Benefit. Overpaid Housing Benefit totalling £443,114 was identified during the exercise.

#### **7.4 Benefits Data Matching**

7.4.1 The Investigation Team have completed matches identified through the National Fraud Initiative (NFI) 2014/15 (released in January 2015). In 2015/16 25 investigations have so far been completed, of which no matches have resulted in a sanction but 4 matches resulted in the level of benefit paid being affected. A high number of referrals had to be forwarded to DWP’s Single Fraud Investigation Service (SFIS) as we no longer have the powers to investigate Housing Benefit fraud.

7.4.2 Unfortunately Benefit fraud is not just external to the Council. The Council undertakes internal checks in respect to monthly data matches with all new starters. This ensures all changes in circumstances have been declared. In 2015/16 no employee has received a benefit fraud sanction.

#### **7.5 Cases Investigated**

7.5.1 At the beginning of 2015/16 the Investigation Team consisted of one Team Leader, one full time Investigation Officer and one casual Assistant Investigation Officer. A further Investigation Officer returned from Maternity leave on 18th May 2015 on 35 hours per week. This equated to 2.95 Full Time Equivalents and one full time Fixed Term Contract. All Investigation Officers are accredited counter fraud specialists. The cost of the Investigation Team for 2015/16 was £148,150. This includes costs relating to the staff, postage, printing, telephones, mileage, computer software and all other investigation related costs.

7.5.2 Referrals to the Investigation Team come from various sources. The table below show the sources, number and percentage of total.

Source	Number of Referrals	Percentage of Total
Anonymous letter	14	1.23
Anonymous telephone call	176	15.41
Member of staff	289	25.31
DWP	10	0.88
Police	3	0.26
Landlord (inc Wrekin Housing Trust)	11	0.96

Internet/email	268	23.47
Other Local Authority	1	0.09
National Fraud Initiative	296	25.92
Reviews Forms	26	2.28
Real Time Information (RTI)	23	2.01
Everyday Telford App	20	1.75
Other	5	0.43
<b>Total Referrals</b>	<b>1142</b>	<b>100</b>

7.5.3 Each case that is referred is checked to ensure that the benefit that is in payment is correct. A risk based approach is used to ascertain which cases are investigated by an Investigation Officer. Since 1st June 2015 the DWP's Single Fraud Investigation Service (SFIS) took over responsibility for investigating Housing Benefit, Tax Credit and all DWP benefit fraud. The Council's Investigation Team focused on Council Tax discount and exemption cases and started to look at Business Rate fraud. In 2015/16 a total of 341 investigations were closed and 145 proved positive (benefit was affected in some way). Of this total, 31 cases received a formal sanction:

- Prosecutions – 24
- Administrative Penalties – 7

There are still 14 Joint Working cases where the outcome of the case is not known due to delays with the Crown Prosecution Service.

7.5.4 Although no credit is given, sanctions are also applied to partners/landlords/employers where it can be demonstrated that they were complicit in the fraud. There were no sanctions applied to these types of cases this year.

7.5.5 For the prosecutions fines of £100 were imposed and costs of £4,434.30 were awarded, please note that some of these are attributable to joint working with Department for Work and Pensions. Other sentences imposed by the courts in the last year include suspended custodial sentences, community orders, electronic tag and curfews, an alcoholic treatment order and unpaid work. In addition to recovery of the overpaid benefit amount anyone accepting an administrative penalty or successful prosecution cases will have a loss of benefit sanction applied which means that any on-going benefit entitlement is reduced for a period of four weeks. A further £2,491.37 was imposed in this form of Administrative penalties.

7.5.6 Overpayments of Housing Benefit and Council Tax Benefit detected in the above sanction cases totalled £233,474.18 (these figures do not include excess Council Tax Support).

7.5.7 During 2015/16 the Investigation Team continued looking into Council Tax fraud and error including incorrectly claimed discounts and Council Tax Support. For those people who have delayed in reporting a change we administer a civil penalty of £70. The Investigation Team imposed 32 civil penalties in 2015/16 totalling £2,240.00. In total £132,002.17 of additional Council Tax was identified through the Investigation Team finding incorrectly claimed Council Tax Support, Council Tax Benefit and Council Tax discounts.

## **7.6 Benefit Fraud Sanction & Prosecution Policy**

- 7.6.1 With responsibility for Housing Benefit fraud coming under the Single Fraud Investigation Service (part of Department for Work & Pensions) since 1 June 2015 a new Revenues and Benefits Sanction and Penalty Policy has been written and was agreed by Cabinet in July 2015.

## **8. INTERNAL AUDIT**

- 8.1 Internal Audit has an important role in the investigation of suspected internal fraud and assisting managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud.
- 8.2 Days are allocated within the audit plan to undertake proactive fraud work and work in areas where previous frauds have occurred. This work is informed by a Fraud Risk register<sup>1</sup>. A summary of the Internal audit work undertaken during 2015/16 for fraud and corruption risk areas, proactive work and requests is attached as Appendix 1 for your information. For 2015/16 the planned proactive fraud days (including NFI work – see below) were 50 days with an actual of 23 days. Other audit work is undertaken on fraud prevention but this is consumed within the days allocated to general audit assignments.
- 8.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit also has a role to investigate potential irregular activities reported to them throughout the year. During 2015/16 Internal Audit & Information Governance investigated 6 cases of alleged irregular activity. None of the cases referred resulted in an identifiable fraud.

1 of the cases investigated was referred to Internal Audit & Information Governance via the Speak Up Policy.

Changes to procedures and controls have been implemented as a result of these reviews and additional training and awareness provided to employees where necessary.

## **8.4 National Fraud Initiative (NFI)**

- 8.4.1 The Cabinet Offices NFI exercise is part of Central Government's national recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect their money from fraud. The national public bodies included in this exercise are police authorities, local probation boards, fire and rescue authorities and all upper tier and districts councils.
- 8.4.2 The Council has a statutory responsibility to provide data to the Cabinet Office for the prevention and detection of fraud as part of the NFI. NFI is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud.

---

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

8.4.3 In January 2015 the council received relevant NFI matches from 2014/15 data. In total 5,439 matches have been identified covering the data sets detailed below.

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

8.4.4 To date 4,116 matches have been investigated, 83 are still in the process of being investigated and sums amounting to £26,551 have been recovered. The Cabinet Office do not require every possible match to be investigated, therefore the remaining possible low risk matches identified as part of this exercise have not been investigated.

## **8.5 Training & Awareness**

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

8.5.2 All new staff within Revenues & Benefits (R&B) (as part of their induction) receive Fraud Awareness training from the Corporate Training Team. In addition periodic refresher training is given to existing staff.

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

## **8.6 Publicity**

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

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

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

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



## **9. PUBLIC PROTECTION**

- 9.1 The Public Protection Service which includes Trading Standards, Environmental Health and Licensing play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted.
- 9.2 Officers of these services have access to specific legal, procedural and operational training to enable effective discharge of their responsibilities.
- 9.3 Staff undertake extensive professional training and mentoring before being permitted to commence enforcement duties, and have access to a range of professional competency training facilities through CEnTSA (Central England Trading Standards Authorities), CIEH Chartered Institute of Environmental Health and the Institute of Licensing (IOL) and their regional professional networks as well as central government departments such as Food Standards Agency and Department of Environment, Food and Rural Affairs (DEFRA).

### **9.4 Anti-Fraud responsibilities**

- 9.4.1 All teams through the course of their routine work may come across irregularities relating to the running of the business. Where these irregularities are outside Public Protection's remit these are referred to agencies such as UK Border Force, Driving & Vehicle Licensing Agency, HM Revenues & Customs, Insurance Fraud Bureau, Police and internal service areas such as revenues and benefits.

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

### **Environmental Health**

#### **○ Food Fraud**

Prevention & detection of unfit and debased food through inspection, sampling and intelligence. In 2015/16 28 food samples were taken as part of the Food Standards Agency (FSA) program. Of these 28 samples, 17 were found to be unsatisfactory and appropriate follow up action was taken. Members of the public can now use the Everyday Telford App to report Food Crime.

Fraudulent use of health and identification marks. All Approved Premises within the

Borough are checked to ensure they are applying the health mark appropriately when

they are inspected.

- **Rogue Landlords**

Identifying fraudulent practices relating to tenant deposits

### **Licensing Service:**

- **Street trader consents**

Prevention and detection of the illegal and highly lucrative transfer of street trader consents.

- **Taxi licensing**

Ensuring the correct vehicle, correctly insured and driven by the licensed driver.

Ensuring that licences are granted to people who have the right to work in the UK. In 2015 /16 one driver was refused a private hire drivers licence as amongst other reasons they did not have the right to work in the UK.

- **Scrap metal dealers licensing.**

Joint working with police to detect illegal trading in stolen vehicles and other stolen metal items such as copper cabling through scrap metal dealers.

Taxis, private hire vehicles, gaming machines, as a means of converting large quantities of cash.

- **Street Collections, Charity collections.**

Identification, detection and enforcement of fraudulent collections

### **For the Trading Standards Service:**

- **Intellectual Property crime**

Copyright, Trade marks

- **Consumer Protection from Unfair Trading legislation**

Wide ranging legislation to keep pace with constantly changing fraudulent practices. This legislation covers a wide range of goods and services including houses purchases, animals, vehicles, food & drink and all personal and professional services

- **Cattle identification legislation**

To prevent fraudulent transfer to limit disease spread.

- **Weights and Measures**

Misrepresentation of quantity or measure of goods supplied.

- **Fraud Act**

This legislation is applicable to all the above legislative areas. The act allows Trading Standards to take action against serious criminality and persistent offenders to achieve the appropriate fines and sentences where necessary.

9.4.2 Trading Standards receives intelligence about rogue trader activities in Telford and deal with complaints about fraudsters that specifically target vulnerable and older people, carrying out unnecessary or misrepresented home improvement work and as

a result defraud them out of thousands of pounds. This area of fraud known also as Door Step Crime remains a priority for Trading Standards for 2016/17.

Officers delivered over 20 educational talks regarding scams and rogue trading to a number of partners including Age UK , Wrekin Housing Trust and took part in national scams week in July 2015. Officers provided advice to the public regarding telephone ,online ,mail and doorstep scams via social media , the authorities website and a display at Southwater.

Officers joined with the police in national rogue trader week. Over 20 traders were given information regarding their legal responsibilities and police officers were able to identify road traffic and related offences. The team also works closely with the national scams team, visiting victims of fraud to offer advice and support and assist in the national profiling of victims.

9.4.3 In 2015/16 the service engaged with key stakeholders to raise awareness of rogue trader and doorstep crime issues. Officers delivered training sessions to over 200 frontline police officers and support staff regarding the fraud act and legislation relating to rogue trading and doorstep crime. To enable intelligence to be shared efficiently a memorandum of understanding was created between TS and West Mercia Police.

9.4.4 Trading Standards have prioritised work streams around illicit tobacco and this work also forms part of the Tobacco Partnerships work plan & the Smoke Free Action Plan for 2016/17 which includes the following:

- Increasing awareness of illicit tobacco and how to report it
- Use of intelligence to determine under age sales operations - In 2015 officers from Public Protection undertook a joint operation with West Mercia Police following police intelligence that suggested that licensed premises in a certain area of the borough were selling alcohol to underage persons.
- Use of fines and to raise the profile of penalties for retailers selling illicit tobacco or to underage young people

In 2015/16 Trading Standards successfully prosecuted two trader for sale and possession of illicit tobacco (both counterfeit and non-duty paid) .The first trader received a community order for 12 months with 100 hours unpaid work, was order to pay full costs of £1974.31, a court charge of £180 and a victim surcharge of £60 and all the tobacco was confiscated which had an approximate street value of £6000.

The second trader received a Conditional Discharge for a period of two (2) years. He was also ordered to pay full costs of £1168.63 and a victim surcharge of £15. A forfeiture and destruction order in respect of all the items seized was also made.

9.4.5 Trading Standards also successfully prosecuted an individual who was involved in DVD pirating. This was the second time that this individual was successfully prosecuted. The trader was given a Community Order for 12 months with 300 hours unpaid work and

ordered to pay full costs of £2000. A forfeiture and destruction order in respect of all the items seized was also made.

## **9.5 Trading Standards Regional Initiatives**

### **Scambusters**

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

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

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

## **9.6 Loan Shark Team**

9.6.1 A loan shark is an unlicensed moneylender. Licensed moneylenders are regulated by the Competition Markets Authority (CMA) and must follow the CMA's codes of practice.

Because they're not licensed, loan sharks operate outside the law. If you borrow from them it's likely you'll:

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

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

## **10. Challenges for 2016/17**

- Reduced resources and therefore potential reduction in control and supervision and therefore potential increased opportunities for internal fraud, reduction in fraud awareness, investigation of data matches and opportunities for proactive work.
- Impact of the economic climate on the potential incidence of fraud
- The transfer of the Investigations Team from Revenues into Internal Audit and the establishment of a Corporate Investigation provision.

## **11. ANTI-FRAUD & CORRUPTION POLICY UPDATE**

- 11.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 30<sup>th</sup> June 2015 and was approved by Council on 9<sup>th</sup> July 2015. It was agreed at the June 2013 meeting that the Anti-Fraud & Corruption Policy would be reviewed annually to coincide with the annual report (unless urgent changes are required in between).
- 11.2 The updated Policy is attached as Appendix 2 for comment and agreement. There have been minor changes to the policy to reflect the new Single Fraud Investigation Service, the extension of the Everyday App to include fraud reporting, organisational changes and to ensure consistency with the Constitution.

## 12. OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council's associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met.
Environmental Impact	None
Legal Implications	Regulatory and enforcement teams throughout the Council (including internal audit) have powers and responsibilities set out in statute and regulation to detect, investigate and take enforcement action in relation to fraud and corruption. Such roles and responsibilities also include information sharing which is referred to in this report. When undertaking these actions all relevant statutory requirements need to be adhered to.
Links with Corporate Priorities	The policy supports all Corporate Priorities and good Corporate Governance demonstrating the Council's desire to ensure sound conduct and ethical procedures for all those associated with the Council and service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity.
Financial Implications	Costs associated with the anti-fraud and corruption work outlined in this report are met from the Council's base budget. This includes staffing costs, training, marketing and promotion costs, stationery and any postage. MLB 03.06.16
Opportunities and Risks	Having a policy which sets out the Council's anti-fraud and corruption culture and associated procedures assists in the management of the risk of fraud and corruption against the Council.
Ward Implications	Borough wide implications.

### **13. BACKGROUND PAPERS**

Corporate Anti-Fraud and Corruption Policy 2015

Speak Up Policy 2016

Benefits Counter Fraud and Sanctions Policy 2010

Cabinet Office requirements for the National Fraud Initiative

Trading Standards & Licensing Legislation

**Report prepared by Jenny Marriott – Audit, IG & Insurance SDM - 01952 383101; Rob Montgomery Information Governance & Insurance Team Leader – 01952 383103; Jo Morton – Billing and Collections Group Manager – 01952 383905; Nicky Minshall – Health, Wellbeing & Public Protection SDM; Anita Hunt – Public Protection Manager – 01952 381998; Suzanne Fisher – Principal Licensing Officer.**

**APPENDIX 1****INTERNAL AUDIT WORK UNDERTAKEN FOR FRAUD & CORRUPTION RISK AREAS,  
PROACTIVE WORK AND REQUESTS IN RESEPT TO IRREGULAR ACTIVITIES  
2015/16**

<b>Work Area</b>	<b>Work undertaken</b>
Cash collection	Annual cash collection audit Review of cash collection arrangements at Registrars, Transport & Highways Development, Development, Business & Employment (Wellington) and Neighbourhood Services Business Development
Procurement	Work commenced and continues into 2015/16 in respect to contract compliance for various contracts across the Council.
GPC	Review of GPC expenditure
Direct Payments	1 case of possible irregularity investigated
Leisure	1 case investigated
106 Monies	Investigation into alleged misuse of 106 monies relating to a single project
Social Care	Investigation into minor amount of missing monies
Council Tax	Investigation into possible avoidance of paying Council Tax
Misuse of ICT Equipment	Investigation into misuse of ICT equipment by an officer

**TELFORD & WREKIN COUNCIL - ANTI-FRAUD AND CORRUPTION POLICY 2016**

**1. INTRODUCTION**

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

**2. CULTURE**

- 2.1 The Council's co-operative values include openness and honesty which supports the Council's commitment to zero tolerance in respect to fraud, bribery and corruption.
- 2.2 The prevention and detection of fraud, bribery or corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. The anti-fraud, bribery and corruption culture and associated procedures assist the Council in its management of the risk of fraud, bribery and corruption against the Council and are an integral part of its governance framework.
- 2.3 The Council's members, employees, partners, volunteers and governors play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud, bribery and corruption, regardless of seniority, rank or status, in the knowledge that such concerns will be investigated and wherever possible be treated in confidence<sup>3</sup>. Suppliers/contractors to the Council and the public also have roles to play in this process and should inform the Council if they feel that fraud, bribery or corruption may have occurred. Examples of types of concerns are listed in Annex 1.
- 2.4 The Council will deal firmly and take appropriate action against those who defraud the Council or who are corrupt. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as

---

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

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

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



employees/members raising malicious allegations) will also be dealt with appropriately.

- 2.5 When fraud, bribery or corruption has occurred due to a breakdown in the Council's systems or procedures, senior managers will ensure that appropriate improvements in systems of control are implemented within a reasonable timeframe to prevent a re-occurrence.

### **3. PREVENTION & DETERRENCE**

#### **3.1 MEMBERS**

3.1.1 All members of the Council have a duty to the citizens of the Borough to protect the Council and public money from any acts of fraud, bribery or corruption. This is achieved through the Anti-Fraud and Corruption Policy, compliance with the Code of Conduct for Members, the Council's Constitution<sup>4</sup>, relevant legislation and any other protocols and procedures adopted by the Council.

#### **3.2 EMPLOYEES**

3.2.1 The Role of the Chief Financial Officer – one of the Assistant Directors<sup>5</sup> has been designated the statutory responsibilities of the Chief Financial Officer as defined by s151 of the Local Government Act 1972. These responsibilities are set out in Annex 2.

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

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

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

#### **3.3 MEMBERS & EMPLOYEES**

---

<sup>4</sup> Including Financial Regulations and Standing Orders

<sup>5</sup> Assistant Director Finance & Human Resources

- 3.3.1 Both members and employees must ensure that they avoid situations where there is a potential for a conflict of interest<sup>6</sup>. Such situations can arise particularly with planning and land issues, procurement (especially tendering), recruitment etc. Effective role separation is essential to ensure decisions made are based upon impartial advice to maintain public confidence in the Council's decision-making processes and avoid questions about improper disclosure of confidential information.
- 3.3.2 All members and officers are expected to fully co-operate with whoever is conducting fraud, bribery and corruption investigations, proactive checks or data matching exercises.

### **3.4 INTERNAL AUDIT**

- 3.4.1 Internal Audit plays a vital preventative role in ensuring that systems and procedures are in place to prevent and deter fraud, bribery and corruption and has specific rights within the constitution (see Annex 2). Internal Audit investigates all employee cases of suspected financial irregularity, fraud, bribery or corruption<sup>7</sup>, except Benefit fraud investigations (see below), in accordance with agreed procedures. Internal Audit liaises with management to recommend changes in procedures to improve controls, reduce risks and prevent losses to the Authority.

### **3.5 INVESTIGATION TEAM (REVENUES)**

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

### **3.6 DATA MATCHING**

- 3.6.1 The Council participates in all mandatory Data Matching exercises. In respect to Benefits there are also regular external exercises with HBMS (Housing Benefits Matching Service), DWP and most recently the introduction of PAYE Real

---

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

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

Time Information (RTI) matches from HMRC. In addition internal data matching exercises are undertaken. All exercises adhere to Data Protection requirements.

### **3.7 EXTERNAL AUDIT**

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

### **3.8 OTHER AGENCIES**

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

### **3.9 CONTRACTORS/SUPPLIERS AND THE PUBLIC**

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

### **3.10 PROSECUTION AND RECOMPENSE**

3.10.1 To support this policy the Council has a Corporate Prosecution Policy and the Revenues and Benefits Sanction and Penalty Policy. The corporate policy is designed to clarify and ensure consistency in the Council's action in specific cases and to deter others from committing offences against the Authority. The Revenues and Benefits Sanction Policy ensure that any Revenues and Benefits prosecutions are undertaken within the requirements of the relevant legislation.

3.10.2 In addition or instead of prosecution, the Council will seek to recover any money or assets fraudulently/corruptly obtained from the Council.

### **3.11 DISCIPLINARY OR OTHER ACTION**

3.11.1 Theft, fraud, bribery and corruption are serious offences against the Authority and employees will face disciplinary action if there is evidence that they have been involved in these activities, including Benefit fraud. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case but in a consistent manner.

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

### **3.12 PUBLICITY**

3.12.1 The Council's Communications & Marketing Team will optimise the publicity opportunities associated with anti-fraud, anti bribery and anti corruption activity within the Council. Information will be publicised in respect to prosecutions and other appropriate cases as a deterrent.

3.12.2 In addition the Council's Everyday App has been extended to include fraud reporting to make it easier for the public to report suspected cases.

3.12.3 Internally where the Council can learn from incidents the relevant points will be communicated to members and employees.

3.12.4 Any notifications received by the Council of possible regional/national frauds, scams or alerts will be communicated to employees and members, as appropriate.

3.13.5 All anti-fraud, anti-bribery and anti-corruption activities, including the update of this policy<sup>8</sup>, will be publicised in order to make employees, members and the public aware of the Council's commitment to taking action on fraud, bribery and corruption, when it occurs.

## **4. DETECTION AND INVESTIGATION**

4.1 Internal Audit plays an important role in the detection of fraud. Included in their audit plan (informed by a fraud risk register) are specific fraud tests, spot checks and unannounced visits. However it is often the vigilance of employees, partners, volunteers, members, governors, suppliers/contractors and the public that aids detection.

4.2 All suspected fraud, bribery and corruption irregularities (except benefit fraud) are required to be reported (verbally or in writing) to the Audit, IG & Insurance Services Delivery Manager either by the person with whom the initial concern is raised or through the Council's Speak Up policy. (See paragraph 3.4.1).

## **5. AWARENESS AND TRAINING**

5.1 The Council recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of training and awareness for Members, employees and affected external parties. The principles of this policy are integrated into the officer and member's induction programme and incorporated in the Member Development programme. Specialist training for certain employees is provided by their service area due to their specific roles.

---

<sup>8</sup> This policy will be reviewed annually and updated where necessary.

- 5.2 Regular awareness through corporate communication, staff news and Ollie will support the successful application of this policy. Full copies of the Anti-Fraud and Corruption and Speak Up policies are available on the intranet.

## DEFINITIONS OF FRAUD, BRIBERY & CORRUPTION

**Fraud** is defined by the Audit Commission as:-

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

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

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

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

It also created new offences:

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

**Corruption** is defined by the Audit Commission as:-

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

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

**Bribery** is defined under the Act as:-

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

## EXAMPLES OF THE TYPES CONCERNS that should be raised:

- \* A criminal offence
- \* A failure to comply with a statutory or legal obligation
- \* Improper or unauthorised use of public or other official funds
- \* A miscarriage of justice
- \* Maladministration, misconduct or malpractice
- \* Discriminatory behaviour
- \* Endangering an individuals health and/or safety

- \* Damage to the environment
- \* Benefit Fraud
- \* That offers or requests have been made in respect to a promise, gift, financial or other advantage to or from a person that results in improper performance of a decision or action
- \* Deliberate concealment of any of the above

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

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

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

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

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

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

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

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

**KEY COUNCIL DOCUMENTS THAT SUPPORT THIS POLICY**

(This list contains examples but is not exhaustive)



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

## **CONSTITUTION POWERS FOR REPRESENTATIVES OF INTERNAL AUDIT**

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

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

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

## **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE 28th JUNE 2016**

### **RESULTS OF THE SURVEY ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE**

#### **REPORT OF THE AUDIT, INFORMATION GOVERNANCE & INSURANCE SDM**

## **1 PURPOSE**

- 1.1 To provide members of the Audit Committee with the results of the survey completed to review the effectiveness of the Audit Committee.

## **2 RECOMMENDATIONS**

- 2.1 That members:  
a) note the results of the effectiveness survey and agree any action to be taken.

## **3 SUMMARY**

- 3.1 Good governance in local government has supported the introduction of Audit Committees. Surveys on the effectiveness of the activities of the Audit Committee have been undertaken in order to demonstrate good governance, best practice and to inform any training requirements of the committee.
- 3.2 This report sets out the results of the survey for members (compared to the last one taken in 2013) to review and consider any actions to be taken.

## **4 PREVIOUS MINUTES**

- 4.1 Audit Committee 27<sup>th</sup> March 2012  
Audit Committee 29<sup>th</sup> January 2013  
Audit Committee 26<sup>th</sup> March 2013

## **5 BACKGROUND**

- 5.1 The 2015/16 survey included the same questions as in 2013. Out of the 22 surveys sent out 9 were returned providing a response rate of nearly 41% (compared to 60% in 2013 and 35% in 2012).
- 5.2 The results have been analysed and the table in Appendix 1 shows the questions and the average scores for 2016 and the previous 2 years (2011/12 and 2012/13 ). The survey scores were graded:  
1 = hardly ever/poor  
2 = occasionally/inadequate  
3 = most of the time/satisfactory  
4 = all of the time/good

Out of the 22 questions asked all had an average response score of 3.2 or more which is an improvement from 2013 where the lowest average score was 3. Members should note that the results show that overall the Audit Committee is at least “most of the time/satisfactory” in all areas and is performing “all the time/good” in one area (same as for 2013).

- 5.3 As there is comparative information available, Appendix 1 also shows the percentage increase or decrease from 2013 to 2016 in responses. For 2016 there have been increases of 10% or more (up to 26%) in 8 areas, decreases of between 3% and 8% for 4 questions and no change for 2 questions.
- 5.4 The full information is shown below for the 4 questions where scores have decreased from 2013 to 2016. (Scores for 2012 are shown for information).

Question	Av. Score Feb 12	Av. Score Feb 13	Av. Score Feb 16
10. The Committee is informed of the Anti-Fraud and Speak Up procedures in place within the Authority	4.0	3.8	3.7
12. The Committee focuses on the right questions and is effective in avoiding minutia	3.5	3.6	3.3
17. Committee meetings encourage a high quality of debate with robust and probing discussions	3.3	3.4	3.2
19. Committee members have a frank and open relationship with senior officers.	4	3.9	3.8

- 5.5 Questions 12 and 19 continue to show a decrease when compared over the 3 years – 2012, 2013 and 2016.
- 5.6 Listed at the end of Appendix 1 for your information is the additional comment made at the end of the surveys submitted.
- 5.7 Although overall the survey results are good and demonstrate improvement the following areas are a starting point for discussion arising from the results and could inform any actions to be taken.
- a) Information about the Anti-Fraud & Corruption and Speak Up procedures – possible area of awareness/training (Q10).
  - b) Questions 12 and 17 in respect to focussing on the right questions, not getting involved in minutia and the quality of the debate/depth (probing) of discussions.

## **6 OTHER CONSIDERATIONS**

AREA	COMMENTS
Equal Opportunities	All reviews should ensure that Equality of Opportunity is adhered to.
Environmental Impact	During audit work reported to the Committee any environmental issues identified are reported to the appropriate level of management.
Legal	There is no legal requirement for a survey to review the effectiveness of

Implications	the Audit Committee. However, the results of the survey will assist in improving the performance of the Committee and accordingly contributes to the annual “review of the effectiveness of the system of internal control” as required by the Accounts and Audit Regulations 2015 (Regulation 6). Consequently this helps to ensure that the Council has can “undertake an effective internal audit” function (Regulation 5).
Links with Corporate Priorities	An effective Audit Committee supports the Council’s good governance arrangements and a modern effective Council.
Opportunities and Risks	Reviewing the effectiveness of the Audit Committee supports the management of risks and the operation of controls.
Financial Implications	There are no direct financial implications arising from this report as any costs arising from the actions agreed will be met from within existing budgets.
Ward Implications	None.

## **7 BACKGROUND PAPERS**

Accounts and Audit Regulations 2015

CIPFA Guidance on Audit Committees 2005

IPF a Toolkit for Local Authority Audit Committees 2006

Previous reports to Audit Committee

Report by Jenny Marriott, Audit, IG & Insurance SDM 383101

## ANALYSIS OF RESULTS SHOWING AVERAGE SCORE FOR EACH QUESTION

## PROCESSES

No.	Question	Average Score Feb 12	Average Score Feb 13	Average Score Feb 2016	Change 13 - 16	%age change 13 - 16
1	The Committee members have an appropriate mix of skills and experience.	3.5	3.6	3.6	None	None
2	There are clear, up to date terms of reference for the audit activities of the Committee	3.8	4.0	4.0	None	None
3	The Committee is clear about its role in relation to governance and risk management	3.5	3.7	3.8	+0.1	+3%
4	The number and length of meetings and access to resources is sufficient to allow the audit activities of the Committee to be fully discharged	3.8	3.0	3.6	+0.6	+20%
5	Committee papers are concise, relevant and timely.	3.7	3.5	3.9	+0.4	+11%
6	Committee meetings receiving relevant reports are held sufficiently far in advance of Council meetings to permit resolution of the issues raised	3.5	3.1	3.9	+0.8	+26%
7	All Committee members attend and actively contribute at meetings	2.7	3.0	3.3	+0.3	+10%
8	All Committee members have sufficient time and commitment to fulfil their responsibilities	2.8	3.1	3.6	+0.5	+16%
9	Committee members have access to on-going development activities to update their skills and knowledge	3.6	3.4	3.6	+0.2	+6%
10	The Committee is informed of the Anti-Fraud and Speak Up procedures in place within the Authority	4	3.8	3.7	-0.1	-3%

APPENDIX 1 (continued)

ACTIVITIES

No.	Question	Average Score Feb 12	Average Score Feb 13	Average Score Feb 16	Change 13 to 16	%age change 13 - 16
11	All Committee members have a good understanding of the different risks inherent in the Authority's business activities	3.2	3.0	3.2	+0.2	+7%
12	The Committee focuses on the right questions and is effective in avoiding minutia	3.5	3.6	3.3	-0.3	-8%
13	The Committee actively engages with the external auditors regarding the scope of their work and audit findings	3.8	3.8	3.9	+0.1	+3%
14	The Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings	3.7	3.8	3.9	+0.1	+3%
15	The Committee has a good understanding of the key financial issues and key accounting policies.	3.3	3.0	3.6	+0.6	+20%
16	The Committee understands the interaction between the various sources of assurance available to it	3.2	3.0	3.7	+0.7	+23%
17	Committee meetings encourage a high quality of debate with robust and probing discussions	3.3	3.4	3.2	-0.2	-6%
18	The Chair promotes effective and efficient meetings, with an appropriate level of involvement outside the formal meetings	3.7	3.7	3.8	+0.1	+3%
19	Committee members have a frank and open relationship with senior officers.	4	3.9	3.8	-0.1	-3%
20	The Committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues	3.5	3.6	3.7	+0.1	+3%

**APPENDIX 1 (continued)**

<b>No.</b>	<b>Question</b>	<b>Average Score Feb 12</b>	<b>Average Score Feb 13</b>	<b>Average Score Feb 16</b>	<b>Change 13 – 16</b>	<b>%age change 13 - 16</b>
21	There is an appropriate balance between the monitoring role and the Committee acting as an “influencer for good”	3.2	3.3	3.4	+0.1	+3%
22	The Committee is effective in achieving its terms of reference for the audit activities and adding value to the corporate governance of the Authority.	3.3	3.4	3.8	+0.4	+12%

**Additional Comments made:**

- I strongly believe that the Audit Committee should have more meetings – regular updates are important within Audit. The help from the internal audit team is very good and I have no problems talking openly to them. The leader of the team puts on excellent training for the committee and I thank her and her team for the effort they put in.



**TELFORD & WREKIN AUDIT COMMITTEE**  
**OUTLINE OF BUSINESS FOR FUTURE MEETINGS 16/17 as at 31/05/16**

<b>DATE OF MEETING</b>	<b>ITEM</b>	<b>RESPONSIBLE OFFICER</b>
Tuesday 28 <sup>th</sup> June 2016	<ol style="list-style-type: none"><li>1. Minutes (including a verbal update from the Chair on progress in respect Adult Social Services)</li><li>2. Review of TOR for the Committee</li><li>3. KPMG Audit Plan 2015/16</li><li>4. KPMG Interim Report 2015/16</li><li>5. KPMG Fee letter 16/17</li><li>6. Treasury Management Outturn 2015/16 and Update 2016/17</li><li>7. Draft Statement of Accounts 2015/16</li><li>8. 2015/16 Annual Governance Statement</li><li>9. 2015/16 Internal Audit Quarter 4 Update Report, Internal Audit Plan 2016/17 &amp; 2016/17 IG Work Programme</li><li>10. 2015/16 Annual Internal Audit, Information Governance Report and Caldicott Guardian Report</li><li>11. 2015/16 Anti-Fraud &amp; Corruption Annual report and updated Policy 2016/17</li><li>12. Results of the Review of the Effectiveness of the Audit Committee</li><li>13. Outline of Business 2016/17</li></ol>	Chair  JM KPMG KPMG KPMG KC  KC JM JM  JM/RM/RS  RM  JM  JM
Tuesday 20 <sup>th</sup> Sept 2016	<ol style="list-style-type: none"><li>1. Report to those Charged with Governance 2015/16</li><li>2. Audited Annual Statement of Accounts 2015/16</li><li>3. Annual Customer Feedback Report and assurance on lessons learnt 2015/16</li><li>4. Adult Social Services update</li><li>5. Capital receipts update</li><li>6. Strategic Risk Register</li><li>7. Publication of Information on Councillors who Traded with the Council during 2015/16</li><li>8. Audit Committee Annual Report 2015/16</li><li>9. 2016/17 Internal Audit Activity Update Report April – June and IG Update report April – August</li><li>10. External Auditor Procurement update?</li></ol>	KPMG KC AA/LH  RS/CHS KK/JD RP/JP KC  JM JM/RM  KC/JM/MC
Tuesday 31 <sup>st</sup> January 2017	<ol style="list-style-type: none"><li>1. KPMG Annual Audit Letter 2015/16</li><li>2. Grants Report 2015/16</li><li>3. External Audit Plan 16/17</li><li>4. Draft Treasury Management Strategy 2017/18 and update 16/17</li><li>5. Internal Audit Activity Report July – December 16/17 and update to Internal Audit Charter 2017/18</li><li>6. Updated position of the AGS Action Plan 2015/16</li></ol>	KPMG KPMG KPMG KC  JM/TD  JM/MC
May/June 2017?	<ol style="list-style-type: none"><li>1. Review of TOR for the Committee</li><li>2. KPMG Interim Report 2016/17</li><li>3. KPMG Fee letter 17/18</li></ol>	JE KPMG KPMG



	4. Annual Customer Feedback Report and assurance on lessons learnt 2016/17 (or July 2017)	AA/LH
	5. 2016/17 Treasury Management Outturn and Update 2017/18	KC
	6. 2016/17 Draft Statement of Accounts	KC
	7. 2016/17 Internal Audit Quarter 4 16/17 Update Report and Internal Audit Plan 2017/18	RM/TD
	8. 2016/17 Annual Report - Internal Audit, Information Governance & Caldicott Guardian and IG Work Programme 2017/18	RM
	9. 2016/17 Annual Governance Statement	MC
	10. 2016/17 Anti-Fraud & Corruption Annual report and updated Policy 2017/18	RM
	11. Outline of Business 2017/18	RM

## Training

Final accounts – prior to September 2016 meeting as audited accounts approved at September 2016 meeting.

Treasury Management – prior to January 2017 meeting as strategy presented to January 2017 meeting for comments prior to approval by Cabinet

Other to be confirmed