



Telford & Wrekin
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

Date **Tuesday 20 September 2016** Time **6.00pm**
Venue **Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford TF3 4NT**

Enquiries Regarding this Agenda:

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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 28 June 2016 **Page No:3**
- 4. Verbal presentation from the Council's Treasury Advisors on the implications for the Council of the UK's exit from the EU**
To receive the verbal update from Arlingclose.
- 5. External Audit Report 2015/16** **Appendix B**
To receive the report of the External Auditors: KPMG **Page No:12**
- 6. 2015/16 Statement of Accounts** **Appendix C**
To receive the report of the Assistant Director: Finance & Human Resources and Chief Financial Officer **Page No:39**

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| 7. | Publication of Information on Councillors who Traded with the Council during 2015/16
To receive the joint report of the Monitoring Officer and the Chief Financial Officer | Appendix D
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| 8. | Strategic Risk Register
To receive the report of the Managing Director and Statutory Head of Paid Services [To Follow] | Appendix E
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| 9. | Audit Committee Annual Report 2015/16
To receive the joint report of the Section 151 & Monitoring Officers | Appendix F
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| 10. | 2016/17 Internal Audit Quarter 1 Update Report and Information Governance Report to End July 2016
To receive the report of the Service Delivery Manager: Audit, Information Governance, Insurance & Investigation Services | Appendix G
Page No:172 |
| 11. | Appointment of External Auditors by 31/12/17 for April 2018 Onwards
To receive the report of the Assistant Director: Finance & Human Resources and Chief Financial Officer | Appendix H
Page No:193 |
| 12. | Exclusion of Press and Public
It is recommended that the press and public be excluded from the meeting for the following item of business on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 | |
| 13. | Capital receipts update
To receive the update of the Assistant Director: Business, Development & Employment | |

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 28 June 2016 at 6.00pm in Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford

Present: Councillors R J Sloan (Chair), C F Smith (Vice Chair), A Lawrence, K S Sahota (until 6.58pm), W L Tomlinson and D G Wright

In Attendance: A Bunting (Manager KPMG), K Clarke (Assistant Director Finance and Human Resources), P Harris (Finance Manager: Corporate & Capital) (until 6.58pm), J Marriott (Service Delivery Manager: Internal Audit, Information Governance & Insurance), R Montgomery (Information Governance & Insurance Team Leader), B Morris (Finance Team Leader) (until 6.58pm), I Pennington (Director KPMG),

AUC 01 Apologies for Absence

Councillors I T W Fletcher and K R Guy.

AUC 02 Declarations of Interest

None.

AUC 03 Minutes

It was noted that the Chair and Vice Chair of the committee had met with the Assistant Director: Early Help & Support and the Service Delivery Manager: Service Improvement & Efficiency (AUC 34) to discuss progress with the changes to adult social care systems and financial controls. The Chair reported that progress continued and a comprehensive written report would be prepared for the September Audit Committee meeting to provide committee members with an update and opportunity to question Officers.

Resolved – that the minutes of the meeting of the Audit Committee held on 26 January 2016 be confirmed and signed by the Chairman.

AUC 04 REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE

The Committee received the updated Terms of Reference outlining the responsibility of the Committee on behalf of the Council to oversee the Council's audit, governance and financial processes. The Internal Audit, Information Governance and Insurance Services Manager highlighted a key change at point five of the Terms of Reference, which was acknowledged by the Committee. The change reflected the future requirements of the Council under the Local Audit & Accountability Act 2014 in respect of the appointment of external auditors.

It was noted that a sector-led audit service would most likely be recommended for the future appointment of the external auditors to ensure legal obligations were met as cost-effectively as possible. Questions were raised about the tendering process and the frequency of appointment, which would be addressed in the report to be prepared for the Audit Committee meeting in September. It was acknowledged that the external auditors would need to be in place at the start of 2018 for audit of the municipal year 2018/19.

Recommended – that the changes to the Terms of Reference attached to the report at Appendix 1 be adopted by Council at its meeting on 14 July 2016.

AUC 05 KPMG REPORTS: AUDIT PLAN 2015-16

The Committee received the Audit Plan reporting on the Council's financial statements and the arrangements in place for securing economy, efficiency and effectiveness in use of resources. The Audit plan was one of the key deliverables of the audit. It was noted that there had been no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provided stability in the accounting standards that the Council was required to comply with.

The report covered materiality, significant risks, value for money arrangements work and other areas of audit focus including Better Care Fund accounting and Group accounting. Group accounting had added a level of complexity to the accounting and audit due to the inclusion of Nuplace for 2015/16 and it was therefore necessary to look at processes being developed by the Council to consolidate the accounts.

New guidance had been issued on value for money arrangements (VFM) by the National Audit Office which applied from 2015/16. It was reported that the approach was broadly similar in concept to the previous VFM audit regime, but some notable changes were highlighted. The risk assessment regarding the Council's arrangements to secure value for money identified a significant risk in terms of Better Care Fund governance and Budget Delivery. The members discussed the following points in relation to the audit approach which enabled a full and comprehensive picture for the audit:

- 'other inspectorates and review agencies' included information from external reviews including Ofsted reports, any reports that provided insight into risks, expert information and advice;
- responses from the Council to inspectorate reports.

It was noted that the auditing planning process and risk assessment would be an on-going assessment and the assessment and fees in the plan would be kept under review and updated where necessary.

AUC 06 KPMG REPORTS: INTERIM REPORT 2015-16

A letter had been provided by KPMG on audit progress. It was acknowledged that the planning and interim audit work had been completed in line with the timetable set out in the detailed External Audit Plan, dated January 2016. The Committee noted

that KPMG had not identified any significant issues and therefore did not consider it necessary to make a formal report to the Audit Committee at this stage.

AUC 07 KPMG REPORTS: FEE LETTER 2016-17

The Fee Letter outlined KPMGs proposals based on a risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd.'s published work programme and fee scales. The planned audit and certification fees for 2016/17 had been presented in comparison with the prior year's fee. It was noted that additional fees for 2015/16 and 2016/17 were expected in relation to the audit of consolidated financial statements; this being the first year that such accounts had been produced.

AUC 08 TREASURY MANAGEMENT 2015/16 ANNUAL REPORT AND 2016/17 UPDATE

The Committee received the Annual Report that provided an update on the outcome of Treasury Management activities for 2015-16 and detailed the 2016-17 position.

A good outturn position was reported; the treasury portfolio ended the year with net indebtedness of £158.9m. Overall the treasury had delivered a net over-achievement of £7.095m against the budget set for 2015/16. The majority of savings related 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 Private Finance Initiative. It also included £0.089m generated as a one-off saving in 2015/16 as a result of capitalisation of interest on capital projects pending their completion.

An update was provided on the strategy for 2016/17, which remained consistent with that of the previous year. Every effort would be made to gain maximum benefit from investment opportunities and they would be reviewed as they arose. It was reported that there were no long-term investments which reduced the counter-party risk and the net interest costs; longer term borrowing costs were normally greater than the Council was able to earn on new investments. Borrowing would be required during the year and consideration would be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which primarily expected to be the Public Work Loans Board. Temporary borrowing was £75.6m at 31 March 2016 and had reduced slightly to £71.5m as at 31 May 2016. Investments were £8.5m at 31 May 2016.

The Council had agreed its required indicators at Council on 3rd March 2016. There had not been any breaches of or amendments to the indicators. An Operational limit had been set for external debt of £370m for 2016/17 and an Authorised limit of £392m. Total borrowing outstanding at 31 May 2016 was £217, noted as within both limits.

An update was provided on the potential impact of the result of the EU referendum on security. It was noted that a strategy was in place to ensure the Council was

working with low risk institutions; a cautious line had been taken following guidance from the Council's Treasury Advisors. It was suggested that the Treasury Advisors would be invited to the next Audit Committee meeting in September.

Resolved that –

- a) the content of the Treasury Management Annual Report 2015-16 and 2016-17 Update be noted.**
- b) the performance against Prudential Indicators be noted.**

AUC 09 UNAUDITED STATEMENT OF ACCOUNTS 2015/16

The Committee received the Unaudited Statement of Accounts 2015/16 for approval, certified by the Chief Finance Officer as complying with the requirements of the Accounts and Audit Regulations 2015. This was consistent with the delegated responsibility of the Committee. The Unaudited Statement of Accounts showed:

- the movement in reserves
- the comprehensive income and expenditure account with a deficit of £30.955m compared with the outturn report which showed an underspend of £0.121m. The reason for the difference related to technical transactions for the purposes of IFRS;
- the balance sheet – a 'snapshot' of the Council's financial position as on 31 March 2016, showing net assets of £99.217m, a decrease from £106.457m for the previous year
- the cash flow statement – a net increase in Cash and Cash equivalents of £2.6m
- notes to the core Financial Statement
- the collection fund showing an increase on the council tax fund balance of £0.128m for the year and the Council's £3.7m share of the surplus at 31 March 2016, and the business rates, which showed an increase in the balance on the account for the year of £1.9m and the Council's £1.7m share of the surplus as at 31 March 2016;
- Group accounts which consolidated the Council's account with those of NuPlace Ltd providing an overall picture of the Council's activities.

A query was raised in relation to the detail included for Nuplace in the Council's Accounts. It was explained that the Group Accounts show the combined financial position of Nuplace and the Council, as required by Accounting Regulation and the Directors of Nuplace would have responsibility for signing off their separate Statement of Accounts. It was also noted that the financial position of Nuplace was taken into account as part of the Council's budget setting process.

It was noted that for 2016/17 the funding settlement had been significantly reduced with a requirement for further savings of over £16m. 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 was outlined:

- 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 and £1.9m for Children's Safeguarding;
- a commitment to work with partner organisations to seek new solutions to deliver service;
- to continue to deliver jobs and investment and provide additional income business rates, council tax and New Homes Bonus.

The Committee acknowledged the significant financial challenge of the financial climate ahead with inevitable further cuts to local government finance and a high degree of uncertainty in projections beyond 2016/17. It was anticipated that the Council would need to identify a further £20m savings by the end of 2019/20 in addition to the £23m savings required in 2016/17 and 2017/18.

Resolved to note the unaudited Statement of Account and questions to be raised during the period with the Audited Accounts to be presented for approval in September 2016.

Cllr K S Sahota, P Harris and B Morris left the meeting at 6.58pm.

AUC 10 ANNUAL GOVERNANCE STATEMENT 2015-16

As required under the Accounts and Audit Regulations 2015 the Annual Governance Statement for 2015/16 had been produced. The statement included an action plan to ensure improvements to existing governance arrangements continued. Additionally, the updated action plan attached to the 2014/15 Annual Governance Statement had been provided for information, to reflect the position as at 31/03/16.

Resolved that –

- a) **the Annual Governance Statement 2015/16, attached at Appendix 1 to the report be approved;**
- b) **the information in the report be noted.**

AUC 11 INTERNAL AUDIT QUARTER 4 UPDATE REPORT 2015-16; INTERNAL AUDIT PLAN 2016-17; AND INFORMATION GOVERNANCE WORK PROGRAMME 2016-17

The Internal Audit Quarter 4 report was received by the Committee. It provided an update on the progress against the Internal Audit Charter and Plan, which included an update on the progress of the previous audit reports issued April 2013 to December 2015. The key focus during the quarter had been the completion of the fundamental audits for 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 Committee noted that management actions and time scales had been agreed in order to implement the recommendations for the two Red and six Amber reports issued and that follow ups had been scheduled. However, the Chair raised a concern

about issues highlighted by Internal Audit previously, as far back as 2011, for Town Park and The Place, which had not been addressed and safeguards had not been put in place. It was suggested that a letter would be drafted from the Chair of the Committee to raise the concern with the relevant Assistant Director, the Managing Director and the Leader.

The Committee received the Internal Audit Plan 2016/17 attached at Appendix E to the report, which had been informed by internal and external sources. The plan had been based on the internal and external resources available for 2016/17. It also included the work identified by the external auditor for Internal Audit to meet external audit requirements.

The Information Governance work programme attached at Appendix F of the report was provided for the Committee to consider the effectiveness of the Council's information governance processes and compliance with legislation and best practice including the Council's information security framework. The Members noted that updates on progress would be provided to the September Audit Committee and in the 2016/17 Annual Report.

Resolved that –

- a) the Internal Audit update information for quarter four 2015/16 be noted.**
- b) the Internal Audit Plan attached at Appendix E of the report be approved**
- c) the Information Governance work programme attached at Appendix F of the report be noted.**

**AUC 12 INTERNAL AUDIT, INFORMATION GOVERNANCE & CALDICOTT
GUARDIAN ANNUAL REPORT 2015/16**

The Committee received the report which provided an annual internal audit opinion and report informing the governance statement and the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The annual report incorporated

- 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.

Despite limited resources and adhoc requests for work the Internal Audit & IG Team had performed well and a positive contribution had been made to the governance arrangements within the Council.

It was acknowledged that the statutory responsibilities of the Council's Chief Financial Officer (section 151 officer) in respect to internal audit and internal control had been met and Internal Audit had provided reasonable assurance to the Council on the Council's internal controls, governance and risk management processes for the areas reviewed in 2015/16.

The report also included annual information in respect to Information Rights legislation (Freedom of information and data protection requests) and security incidents including data breaches.

The report also included annual information from the Caldicott Guardian in respect to the activities of the Council and progress against the action plan.

It was noted that the Internal Audit & IG Team had also continued to provide advice and guidance on governance, procedures, controls, information security and risk management. However, it was reported that major changes occurring both within and outside the Council during 2016/17 could affect the team's activities, such as:

- The continued pressure on the Council's budget strategy for 2016/17 and beyond which could result in further changes to the service and resources
- Additional service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;
- The continued development of relationships with revised service delivery areas to ensure support continued for the authority in achieving its objectives.
- Consideration of future changes to the external audit and inspection regime;
- Changes in information rights legislation and guidance particularly the preparations for the General Data Protection Regulations (GDPR) which would come fully into force in 2018 (replacing the 1998 Data protection Act);
- Additional support required by the new Caldicott Guardian until they are more familiar with their role;
- The transfer of key Council projects including Adult Social Services, Children's Safeguarding to other providers, introduction of a new HR/Payroll system from 1st April 2017 and development of further commercial activities.

Resolved that the Internal Audit, Information Governance & Caldicott Guardian Annual Report for 2015/16 be noted.

AUC 13 CORPORATE ANTI-FRAUD & CORRUPTION 2015-16 ANNUAL REPORT AND POLICY UPDATE

The Committee received the report which included annual information in respect of the Corporate Anti-Fraud and Corruption activity for 2015/16 to enable monitoring of the policies operation. The report provided information for 2015/16 on counter fraud and investigation activities within the Investigation Team (Revenues), Internal Audit and Public Protection. The report also included the requirements of the Local Government Transparency Code on publication of data regarding fraud arrangements. The following points were noted in the report:

- proposed improvements to the benefits investigations process would be taking place in 2016/17 to facilitate an on-line intent to claim form. The Committee was assured that telephone services would still be accessible even though there was a drive towards educating and supporting people to use electronic services.

- the Department for Work & Pensions (DWP) “securing the gateway” initiative had been adopted by the Benefits team. The aim of the scheme was about ensuring only those properly entitled were granted and paid benefit. As part of its targeted review exercise 4,996 review forms had been issued in 2015/16. The projected results showed an annual saving of £271,952 and benefit reductions would produce 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) - a financial reward based on reductions in Housing Benefit. Overpaid Housing Benefit totalling £443,114 was identified during the exercise. The Committee requested a written response as to how the Housing Benefit subsidy was calculated.

The Committee noted that the Anti-Fraud and Corruption Policy supports the Council’s high standards of good Corporate Governance. It was agreed that the policy was fit for purpose at the present time in continuing to ensure the Council maintained its vigilance of Council services and the Community.

Resolved that –

- a) the 2015/16 Annual Report on Corporate Anti-Fraud and Corruption activity be noted; and**
- b) the updated Corporate Anti-Fraud & Corruption policy be agreed and to RECOMMEND its adoption by Council.**

AUC 14 RESULTS OF THE SURVEY OF EFFECIVENESS OF THE AUDIT COMMITTEE

The Committee received the report on the results of the survey which had been completed to review the effectiveness of the activities of the Audit Committee. It was noted that the survey had been undertaken to demonstrate good governance, best practice and to inform any training requirements of the committee. The report set out the results of the 2016 survey in comparison with the 2013 survey for members to review and consider any action to be taken.

Areas highlighted for improvement were acknowledged, which included:

- information about anti-fraud and corruption and speak up procedures- identified as a possible area of training;
- focus on the right questions, not getting involved in minutia and the quality of debate/depth (probing) of discussions.

The response rate of 41% was noted and it was suggested that the list of participants should be reviewed to address the lack of engagement. The next survey would be 2018.

Resolved –the results of the effectiveness survey be noted

AUC 15 OUTLINE OF BUSINESS FOR FUTURE MEETINGS 2016-17

The Committee noted the outline of business for future meetings..

The meeting ended at 7.40pm

Chairman:

Date:



External Audit Report 2015/16

Telford and Wrekin Council

—

September 2016

Contents

The contacts at KPMG in connection with this report are:

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

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Ian Pennington, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to 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, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.



Section one: Introduction



This document summarises:

- The key issues identified during our audit of the financial statements for the year ended 31 March 2016 for the Authority; and
- Our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- Our audit work at Telford and Wrekin Council ('the Authority') in relation to the Authority's 2015/16 financial statements; and
- The work to support our 2015/16 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2015/16*, presented to you in April 2016, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our Interim Audit Letter 2015/16 issued in June 2016.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July 2016.

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

VFM Conclusion

Our External Audit Plan 2015/16 explained our risk-based approach to VFM work. We have now completed the work to support our 2015/16 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- Considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas (including the Ofsted report published 26 August 2016); and
- Carrying out additional risk-based work.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2015/16 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

We have also reviewed your progress in implementing prior recommendations. This is included in Appendix 1.

Acknowledgements

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



Section two: Headlines



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

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority’s financial statements by 30 September 2016. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	We are pleased to report that we did not identify any material misstatements to the Authority’s accounts. We have also agreed a number of minor presentational and disclosure changes to supporting notes to the accounts to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (‘the Code’).
Key financial statements audit risks and other areas of audit focus	We review risks to the financial statements on an ongoing basis. We identified no significant financial statement risks specific to the Authority during 2015/16. Our observations on the presumed risks of revenue recognition and management override of controls are on page 10. We identified the following other areas of audit focus in our 15/16 External audit plan issued in April 2016: — Group accounting; and — Better Care Fund accounting. We have worked with officers throughout the year to discuss these areas and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these areas.
Accounts production and audit process	We received complete draft accounts in accordance with the DCLG deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code. The Authority is continuing implementation of the fixed asset module in Agresso, in line with our recommendation in our <i>ISA 260 Report 2014/15</i> relating to the financial statements. The Authority has good processes in place for the production of the accounts and continues to provide good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. As in previous years, we will debrief with the finance team to share views on the final accounts audit. Hopefully this will lead to further efficiencies in the 2016/17 audit process. In particular we would like to thank Authority Officers who were available throughout the audit visit to answer our queries.



<p>This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.</p>	<p>VFM conclusion and risk areas</p>	<p>We identified the following VFM risks in our External audit plan 2015/16.</p> <ul style="list-style-type: none"> — Better Care Fund Governance; and — Budget Delivery <p>We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section 4 of this report. There are no matters of significance arising as result of our audit work in these VFM risk areas.</p> <p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2016.</p>
	<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> — Work over related party disclosures, where we have not yet seen all the declarations made by members; — Completion of review of the prior period adjustment disclosure; and — Final review of the revised statement of accounts. <p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Assistant Director: Finance and HR. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
	<p>Certificate of closing the audit</p>	<p>We have received questions from an elector about an item in the accounts. The Authority is attempting to resolve the issue before we carry out any additional work. At this stage we do not believe the matter has any impact on our accounts audit opinion, but we will not be able to certify all our work closed for the year until we are satisfied that the issue has been resolved.</p> <p>We also need to finish our work on the Authority's Whole of Government Accounts return, which has a deadline of 21 October 2016.</p>



Section three: Financial Statements

Proposed opinion and audit differences



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

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

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

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 20 September 2016.

Audit differences

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

The final materiality level for this year's audit was unchanged from that stated in our *External Audit Plan 2015/16* and was set at £5.0 million. Audit differences below £250,000 are considered trivial. See Appendix Two for more information on materiality.

We are pleased to report that we did not identify any material misstatements to the Authority's accounts. We identified a small number of presentational adjustments. The Authority has addressed these where significant.

Annual governance statement

We have reviewed the Annual Governance Statement and confirmed that:

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

Narrative Statement

We have reviewed the Authority's Narrative Statement and can confirm it is not inconsistent with the financial information contained in the audited financial statements.

Significant audit risks



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

This section sets out our detailed findings on those risks.

In our *External Audit Plan 2015/16* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were the Fraud risk of revenue recognition and Management override of controls:

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our External Audit Plan 2015/16 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work, and we have identified no issues in the course of our testing.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

Other areas of focus



In our External Audit Plan 2015/16, issued to you in April 2016, we identified two areas of audit focus. These are not considered as significant risks but areas of importance where we would carry out some substantive audit procedures to ensure there is no risk of material misstatement.

We have now completed our testing. The table sets out our detailed findings for each such area of audit focus.

Group Accounting

Risk

The Authority were required to produce group accounts for the first time in 2015/16, following the investment in NuPlace Limited, a wholly owned subsidiary company. This required additional disclosures and revised presentational requirements in the financial statements, which were not required in previous years.

Findings

We have reviewed the methodology used by the authority to consolidate NuPlace Limited and prepare group accounting disclosures in the financial statements. We have identified no issues. We are also completing the audit of the standalone NuPlace financial statements, which gives us additional assurance over the consolidated figures.

Better Care Fund Accounting

Risk

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 an additional accounting risk for the Authority. This is, in part, due to the need to ensure that any under or overspends are 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.

In addition, the Code of Practice on Local Authority Accounting in 2015/16 sets out disclosure requirements in relation to the Better Care Fund that must be complied with in the preparation of the Council's financial statements. The Authority will need to ensure that appropriate records and documents are in place to facilitate and support the preparation of these disclosures.

Findings

We have reviewed the Better Care Fund disclosures made in the financial statements to confirm that these agree to supporting documentation, and that disclosures have been made in line with the CIPFA Code of Practice on Local Authority Accounting in 2015/16. No issues were noted.



We always consider the level of prudence within key judgements in your financial statements. We have summarised our view below using the following range of judgement:



Assessment of subjective areas			
Asset/liability class	15/16	Balance (£m)	KPMG comment
Provisions	2	£20.1 million <i>(PY: £19.1 million)</i>	The Authority hold a number of provisions on their balance sheet, the most significant of which relate to the Single Status Provision for schools (£4.5m) and non-schools (£11.9m), and business rates appeals (£2.7m). The Authority has continued to hold the existing provision for Single Status until an agreement for settlement of the liability is formally concluded. The Authority is continuing to make progress towards the implementation of single status. We consider the provision disclosures to be proportionate.
Minimum Revenue Provision	5	£0.4 million <i>(PY: £1.7 million)</i>	The Authority's minimum revenue provision, as required to finance the repayment of external loans, has decreased significantly from prior year. This is a result of the Authority reviewing its basis for calculating its minimum revenue provision in relation to both PFI assets and historic borrowing. This has resulted in the Authority taking an "MRP Holiday" in order for total provisions already made to fall in-line with the cumulative requirements under the new calculation approach. We determined that this was acceptable.
Property, Plant and Equipment (valuations / asset lives)	3	£485.0 million <i>(PY: £483.9 million)</i>	The Authority's property, plant and equipment balance largely consists of other land and buildings (67%), with infrastructure assets (25%), vehicles, plant, furniture and equipment (3%) and assets under construction (5%). The Authority has followed <i>Code of Practice on Local Authority Accounting in the United Kingdom 2015/16</i> ('the Code') during the year and asset lives for these categories have not changed from the prior year. The Authority also continues to obtain valuations outside of the rolling five year programme where appropriate. We consider this disclosure to be proportionate.
Pensions	3	£212.6 million <i>(PY: £222.2 million)</i>	The pension liability as at 31 March 2016 has decreased from prior year mainly due to the actuarial assumptions applied, in particular an increase in discount rate of 0.3%. The Authority have taken actuarial advice in order to calculate their pension liability. We have reviewed the assumptions applied by the actuary and consider these to be within our expected range. We consider the overall accounting basis to be consistent with other local government bodies.

Accounts production and audit process



The good quality of the accounts and the supporting working papers has been maintained from previous years.

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

The Authority is continuing to implement the recommendation in our ISA 260 Report 2014/15.

Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to maintain a good financial reporting process and produce the statement of accounts to a high standard. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 28 June 2016.
Quality of supporting working papers	Our <i>Accounts Audit Protocol</i> , which we issued on 3 June 2016 and agreed with the Finance Manager and Finance Team Leader, set out our working paper requirements for the audit. The quality of working papers provided was good, and fully met the standards specified in our <i>Accounts Audit Protocol</i> .
Response to audit queries	Officers resolved all audit queries in a reasonable time.
Group audit	We were appointed auditors to the Authority's subsidiary, NuPlace Limited, and are continuing our audit of the financial statements. There are no specific matters to report pertaining to the group audit.

Prior year recommendations

We have specifically followed up the Authority's progress in addressing the recommendations in last year's ISA 260 report.

The Authority is continuing to implement our recommendation on the implementation of the fixed asset module in Agresso, made in our *ISA 260 Report 2014/15*. As part of this, officers have reviewed the fixed asset register to ensure that data is consistent with the requirements of the module. This has resulted in a prior period adjustment being made in the financial statements, in relation to the treatment of impairment in unusable reserves.



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

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Telford and Wrekin Council for the year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and Telford and Wrekin Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

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

Management representations

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

Other matters

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

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

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2015/16 financial statements.



Section four: Value for Money

VFM Conclusion



Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We follow a risk based approach to target audit effort on the areas of greatest audit risk.

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Background

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.'

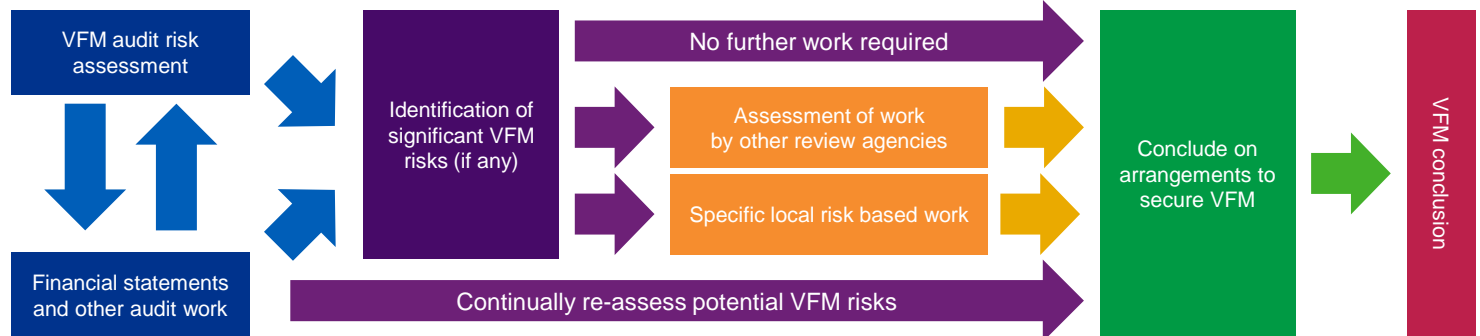
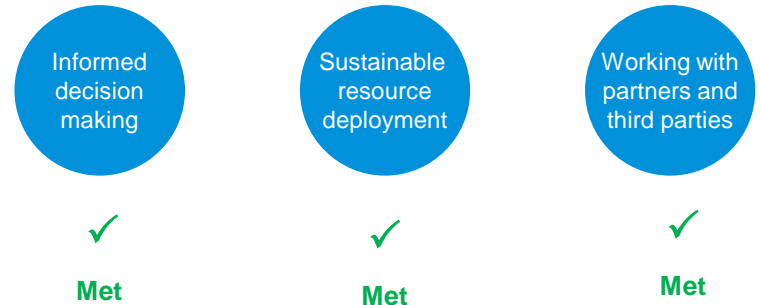
The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria.

These sub-criteria provide a focus to our VFM work at the Authority.

Conclusion

We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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.



Specific VFM Risks



We have identified a number of specific VFM risks.

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

Work completed

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


- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- Considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas; and

- Completed specific local risk based work.

Key findings

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

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


Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>As set out on page 11, 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 ("CCG").</p> <p>This is relevant to the informed decision making, sustainable resource deployment, and working with partners and third parties sub-criteria of the VFM conclusion.</p>	<p>Specific risk based work required: Yes</p> <p>We have met with officers from both the Authority and the partner CCG in order to ascertain the effectiveness of the governance structures that have been put in place in relation to the Better Care Fund. This confirmed that the Authority is working well with the CCG in order to develop detailed plans and monitor performance against objectives. We also reviewed the minutes of the Health & Wellbeing Board and confirmed that appropriate oversight is being maintained.</p> <p>Whilst the Authority and CCG are carrying out further work to develop more detailed objectives and performance-based reporting processes in a number of areas, we are satisfied that appropriate progress is being made.</p>

Specific VFM Risks (cont.)



We have identified a number of specific VFM risks.

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

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<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>This is relevant to the sustainable resource deployment sub-criteria of the VFM conclusion.</p>	<p>Specific risk based work required: Yes</p> <p>The Authority has identified related risks in the Strategic Risk Register and manages and monitors this risk accordingly. Progress in delivery of budgets (including delivery of savings plans) is regularly reported to Senior Officers and Cabinet. The Authority has a strong track record of delivering against budget and a Medium Term Financial Plan is in place for 2015-18.</p> <p>We have reviewed the Medium Term Financial Plan, supporting documentation, and the plan's approval process.</p> <p>In considering the Authority's arrangements for securing financial resilience, we reviewed the outturn position against budget, as well as identifying specific one off transactions to identify the normalised position for 2015/16. We also reviewed service outturn reports for individual services and where there have been significant over or under spends in year, we have looked into the reasons and steps taken to manage these budget variances. We have also looked at how management propose to manage savings going forward so as to ensure relevant budget pressures are directly addressed.</p> <p style="text-align: right;"><i>Continued on next page</i></p>

Specific VFM Risks (cont.)



We have identified a number of specific VFM risks.

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

Key VFM risk	Risk description and link to VFM conclusion	Assessment
		<p style="text-align: right;"><i>Continued from previous page</i></p> <p>The Authority continues to set itself challenging cost savings during the year in order to support its financial position, identifying savings of £10m to be made in 2015/16. The outturn position identified an small underspend of £121k against the approved budget, which took into account the savings identified at the start of the year.</p> <p>A key element of the Authority's approach to delivering balanced budgets has been the identification of additional income streams through commercial activities. This has included the construction of a solar farm which is now delivering income to the Authority to support the delivery of services; and the private housing subsidiary received its first rents at the end of the financial year.</p>



Appendices

Appendix 1: Follow up of prior year recommendations

Appendix 2: Audit differences and materiality

Appendix 3: Independence and objectivity

Follow up of prior year recommendations

The Authority is continuing to implement the recommendation made in our ISA 260 Report 2014/15.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2014/15 and re-iterates any recommendations still outstanding.

No.	Risk	Issue and recommendation	Officer responsible	Status as at September 2016
1	2	<p>Manual Work-Arounds for Fixed Asset Register</p> <p>The Authority's Asset Register is currently held within an Excel file. This creates a large and unwieldy document, that staff have then manually adjusted to meet their requirements. One manual work-around resulted in some assets being included on the list of assets requiring valuation when this was not the case. Another work-around incorrectly showed assets as having an infinite Useful Economic Life, but this was done to ensure no depreciation was charged in the assets' first year as per the depreciation policy.</p> <p>Manual adjustments done on a bespoke basis to suit individual users increase risk of error and (in this example) the commissioning of unnecessary valuation work.</p> <p>Recommendation</p> <p>The Authority should proceed with the planned introduction in 2015/16 of an Agresso Asset Module. This specialist software should reduce need for manual work-arounds and control adjustments that users can make to operation of the register.</p>	Bernie Morris (Finance Team Leader)	<p>The Authority are in the process of implementing the new fixed asset module for 2016/17.</p> <p>In preparation for this, they have reviewed the current asset register and revised it in order to align more fully with the Agresso module.</p>

Appendix two

Audit differences

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

We are pleased to report that there are no corrected audit differences.

A number of minor amendments focused on presentational improvements have been made to the draft financial statements of the Authority.

Materiality and reporting of audit differences

For 2015/16 our materiality is £5.0 million for the Authority's accounts.

We have reported all audit differences over £0.25 million for the Authority's accounts.

Materiality

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

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

We used the same planning materiality reported in our External Audit Plan 2015/16, issued to you in April 2016.

Materiality for the Authority's accounts was set at £5.0 million which equates to around 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 misstatements of lesser amounts to the extent that these are identified by our audit work.

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.25 million for the Authority.

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

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice.

Requirements

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

"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."

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

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

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

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

Declaration of independence and objectivity (cont.)

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

General procedures to safeguard independence and objectivity

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of Telford and Wrekin Council for the financial year ending 31 March 2016, we confirm that there were no relationships between KPMG LLP and Telford and Wrekin Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix three

Audit Independence

Fees

Our scale fee for the audit was £117,119 plus VAT (£156,158 in 2014/15). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in April 2016. Our scale fee for the certification of the Authority's Housing Benefit Subsidy return is £9,239 plus VAT whilst our fee for the certification of the Teacher's Pensions Agency return is £3,000 plus VAT.

Our fee for the separate audit of the Nuplace Limited financial statements is £9,850 plus VAT. We have also agreed an additional fee of £815 plus VAT with the Authority for the additional work required around the consolidation of Nuplace into the Authority's accounts. In relation to Nuplace Limited we have also been engaged to provide tax computations with a resulting fee of £2,500.

Non-audit services

We have summarised below the non-audit services that we have been engaged to provide, the estimated fee, the potential threats to auditor independence and the associated safeguards we have put in place to manage these.

Description of non-audit service	Estimated fee	Potential threat to auditor independence and associated safeguards in place
Grants Certification (Housing Benefits Subsidy & Teacher's Pensions Agency)	£12,239	The audit of the Housing Benefits Subsidy return forms part of our contractual responsibilities as the Authority's appointed auditor. The Teacher's Pensions Agency return also formed part of these responsibilities until it was removed from the PSAA certification regime in 2013/14. The nature of the work is such that we do not consider it to create any independence threats.
Tax computations for Nuplace Limited	£2,500	The primary threat to independence would be Self review – The nature of this non-audit work is to review the draft tax computations provided by the company and to help with the submission of computations to HMRC. As auditors, we consider whether the tax charge and balances calculated for the accounts have been correctly calculated. The non-audit work is carried out by a independent team with no involvement in the audit, including a separate manager and engagement lead. Consequently, we consider we have appropriately managed this threat.
Total estimated fees	£14,739k	
Total estimated fees as a percentage of the Authority external audit fees	13%	



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TELFORD & WREKIN COUNCIL**AUDIT COMMITTEE – 20 SEPTEMBER 2016****2015/16 STATEMENT OF ACCOUNTS****REPORT OF THE ASSISTANT DIRECTOR: FINANCE & HR (CHIEF FINANCIAL OFFICER)****LEAD CABINET MEMBER – CLLR LEE CARTER****PART A) SUMMARY REPORT**

- 1.1 This report informs Members of the outcome of the audit of the Council's accounts for 2015/16 and presents the Statement of Accounts for approval.
- 1.2 The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice which continues to add a level of complexity.
- 1.3 In accordance with the Accounts and Audit (England) Regulations 2015, the Chief Financial Officer certified the draft statement of accounts prior to the 30 June. These were then presented to Audit Committee on the 28 June, made available for public inspection and provided to the external auditors to undertake the audit of accounts. As required by regulation, the final statement of accounts is now presented to members for approval, prior to publication. This Committee has delegated authority to approve the council's final audited Statement of Accounts.
- 1.4 KPMG, the Council's external auditors have given the accounts an unqualified audit opinion and their Auditor's Report is included in the Statement of Accounts.
- 1.5 There are no financial adjustments required as a result of the audit and the outturn position remains as reported to Cabinet on 16 June 2016. The only changes identified are presentational which have been agreed and included in this final version. A comment in relation to the result of the European Referendum has been added to the note in relation to post balance sheet events.
- 1.6 As part of the statement of accounts process local electors may inspect the accounts and raise questions with the external auditor. There is currently one outstanding elector question relating to 2015/16.
- 1.7 Following approval the Statement of Accounts will be published on the Council's web site.

2.0 RECOMMENDATIONS

- 2.1 That Members approve the 2015/16 Statement of Accounts attached at Appendix I.**
- 2.2 That delegated authority be granted to the Assistant Director: Finance & HR to make any presentational changes required to the Statement of Accounts prior to publication.**
- 2.3 That members approve the updated action plan appended to the Annual Governance Statement.**

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Cooperative Council priorities?	
	Yes	Delivery of all cooperative council priorities depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan.
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	To publish audited accounts by the end of September 2016	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The financial impacts are detailed throughout the report.
LEGAL ISSUES	No	The Statement of Accounts have been prepared in accordance with the 2015/16 Code of Practice on Local Authority Accounting and the 2015 Accounts and Audit Regulations.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	Borough Wide

PART B) ADDITIONAL INFORMATION

4.0 INFORMATION

- 4.1 The 2015/16 outturn position was reported to Full Council on the 14 July 2016. In accordance with the Accounts and Audit (England) Regulations 2015, the Council is required to prepare a formal Statement of Accounts in a prescribed format, following International Financial Reporting Standards. The Chief Financial Officer certified the draft statement of accounts at the end of June. These were then made available for public inspection and provided to the external auditors to undertake the audit of accounts.
- 4.2 The final overall underspend of £0.121m (-0.1% of net budget) is the same as previously reported to members in June.
- 4.3 A number of presentational changes have been made to the accounts during the course of the audit after discussion with KPMG. None of these has impacted on the General Fund Balance position previously reported.
- 4.4 The final statement of accounts including all agreed amendments is attached at Appendix 1.
- 4.5 An unqualified audit report has been given by KPMG.
- 4.6 To comply with International Auditing Standards, the external auditor will also present the Annual Governance report to the Audit Committee which comments on the final accounts audit.

5.0 IMPACT ASSESSMENT

There is no further information to add.

6.0 PREVIOUS MINUTES

Cabinet – Service & Financial Planning Report – 16 June 2016
Audit Committee – Draft Statement of Accounts – 28 June 2016
Council – Service & Financial Planning Report – 14 July 2016

7.0 BACKGROUND PAPERS

2015/16 Draft Statement of Accounts
2015/16 Outturn Report
General Ledger Reports
2015/16 Code of Practice on Local Authority Accounting
Accounts and Audit (England) Regulations 2015

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Telford & Wrekin Council

Statement of Accounts

2015/16

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Telford & Wrekin Council

Statement of Accounts

2015/16

Financial Statements

Chief Financial Officer's Narrative Statement

1. INTRODUCTION

Telford & Wrekin Council is a Unitary Authority created in 1998. Situated in Shropshire, the Borough is a mix of urban and rural areas combining historic towns with modern retail centres. The Council delivers a vast range of services to its community, of around 170,000 people, including Education, Waste Collection and Disposal, Care for Vulnerable Adults and Children, Libraries, Leisure Centres and Play Facilities.

The Council is committed to openness and transparency and publishes details of all spending over £100 every month (www.telford.gov.uk/info/20110/budgets_and_spending/55/expenditure_over_100). The Statement of Accounts are a public record of the Council's financial position for 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 plus Group Accounts:

- the Movement in Reserves Statement;
- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Cash Flow Statement plus;
- 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 31st 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 31st 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 31st 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 31st 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.

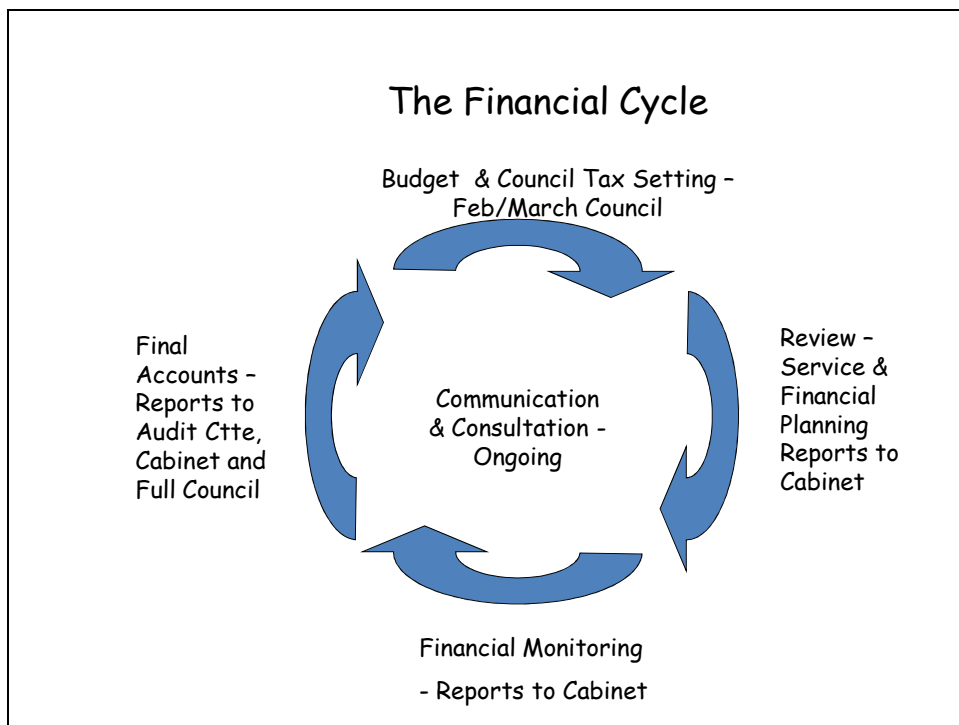
2. **FINANCIAL CONTEXT**

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.

2015/16 Budgeted Net Revenue Spend - £m	
2015/16 Total Net Revenue Spend	123.661
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
Total Funding	123.661

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
Total before transfers to balances	(979,407)
Transfer to general balances	858,000
Total after transfers to balances	(121,407)

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
Children's Safeguarding & Specialist Services	
<p>Children in Care Placements (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.</p>	+1.711
<p>Internal Foster Carer Costs – payments to Foster Carers including transport costs and foster carer training.</p>	+0.127
<p>Staffing (Safeguarding) – 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.</p>	+0.446
<p>Care Leavers Accommodation Costs – the final position reflected a significant reduction in both activity and placement costs.</p>	-0.228
<p>Joint Adoption Service – pressures arising from the cessation of the Adoption Reform Grant that part-funded this service and savings targets not delivered.</p>	+0.210
<p>One off Funds – use of specific contingency set aside as part of the budget strategy.</p>	-0.750
<p>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.</p>	

<p><u>Education & Corporate Parenting</u></p> <p>There are no variances over £0.100m to report at year end.</p>	
<p><u>Family, Cohesion Services & Commissioning</u></p> <p>Transport Contracting & Commissioning – costs relating to Supporting People. The service is currently under review to deliver savings and is looking at innovative ways of providing support.</p> <p>Cohesion including homelessness and housing needs – higher than anticipated housing income received and lower occupancy levels within temporary accommodation resulted in an underspend at year end.</p>	<p>+0.208</p> <p>-0.211</p>
<p><u>Adult Social Services</u></p> <p>Purchasing budgets – 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.</p> <p>Income – shortfall relating to client contributions.</p> <p>Transport – a review group has been set up to look at ways to reduce expenditure and identify a more robust transport policy.</p> <p>One off Contingency – use of specific contingency set aside as part of the budget strategy.</p> <p>One off Funds – use of one off reserves.</p> <p>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.</p>	<p>+3.503</p> <p>+0.716</p> <p>+0.123</p> <p>-2.500</p> <p>-0.475</p>
<p><u>Public Health, Wellbeing & Public Protection</u></p> <p>Smoking Cessation Contract – saving arising from reduced demand and use of service.</p> <p>Working Age – Healthy Lifestyles & Health Trainers – in year vacancies has resulted in an underspend.</p> <p>Public Health Grant – in year cut to the Public Health Grant funding announced by the Chancellor in June.</p> <p>Public Health Grant – underspend at year end carried forward to 2016/17.</p>	<p>-0.193</p> <p>-0.207</p> <p>+0.773</p> <p>+0.122</p>

<u>Leisure, Culture & Facilities Management</u>	
Income - 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
Primary School Meals – additional income relating to an increase in take-up.	-0.148
Oakengates Theatre – additional income due to the success of the Pantomime and other productions.	-0.105
<u>Development, Business & Employment</u>	
Regeneration & Investments – 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
Property & Design – Admin Buildings – one off saving as a result of buildings rationalisation.	-0.210
<u>Neighbourhood & Customer Services</u>	
ICT – 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
Transport & Highways Development – one off savings from vacant posts during the year.	-0.268
Concessionary Travel – saving as a result of reduced passenger numbers.	-0.228
Grounds Maintenance – contribution to reserves to fund data collection required for tender process.	+0.150
Environmental Maintenance – contribution to reserves to fund drainage schemes.	+0.125
Waste – contribution to reserves to fund CRC changes.	+0.348
Public Transport – 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
Housing Benefits – grant income higher than budgeted.	-0.123
My Options – reduced staffing costs partly offset by income shortfalls.	-0.184

<u>Finance, Audit & Information Governance</u>	
Treasury – 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
<u>Law, Democracy & People Services</u>	
Single Status - 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
<u>Co-operative Council Delivery Unit</u>	
Delivery & Planning – underspend from vacant posts during the year.	-0.109
<u>Transfers to Reserves</u>	
Severance fund	3.000
Invest to Save / Capacity Fund	3.000
Budget Strategy Reserve	2.100
Environmental Maintenance	1.500
Waste Reserve	1.200
Insurance Reserve	0.179
Invest to Save Fund	0.100

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
Total Service Outturn (see table on page 10)	417.715	294.175	123.540

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
Total	90.5	74.5
Funded by:		
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
Total	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 31st 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 is being 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 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 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’ safety perception questions. Areas for improvement include enablement (helping adults relearn or regain skills lost because of poor health, disability or a period in hospital).

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 of 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. This will secure 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 (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 8th 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.

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

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

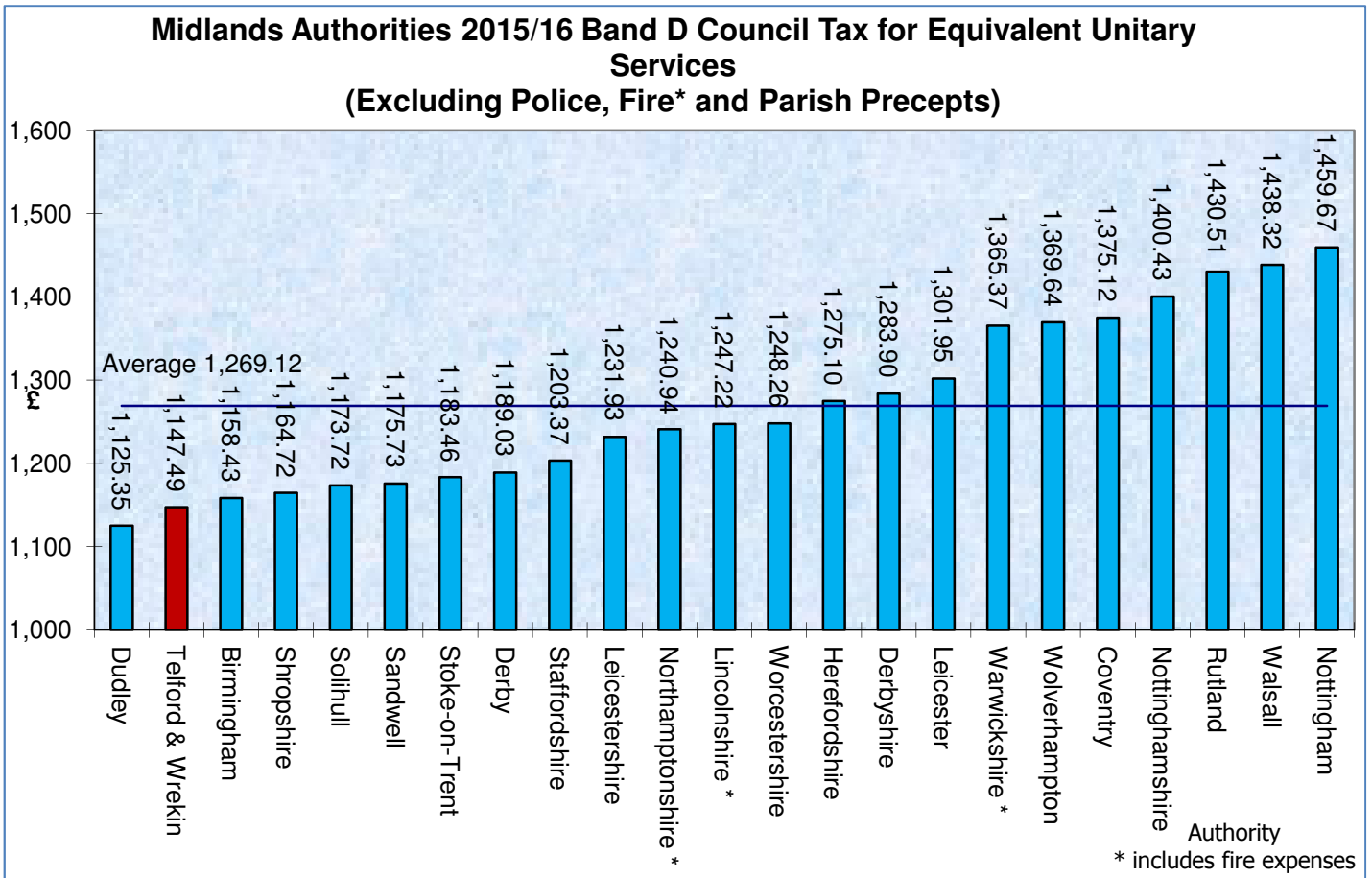


Chart 2

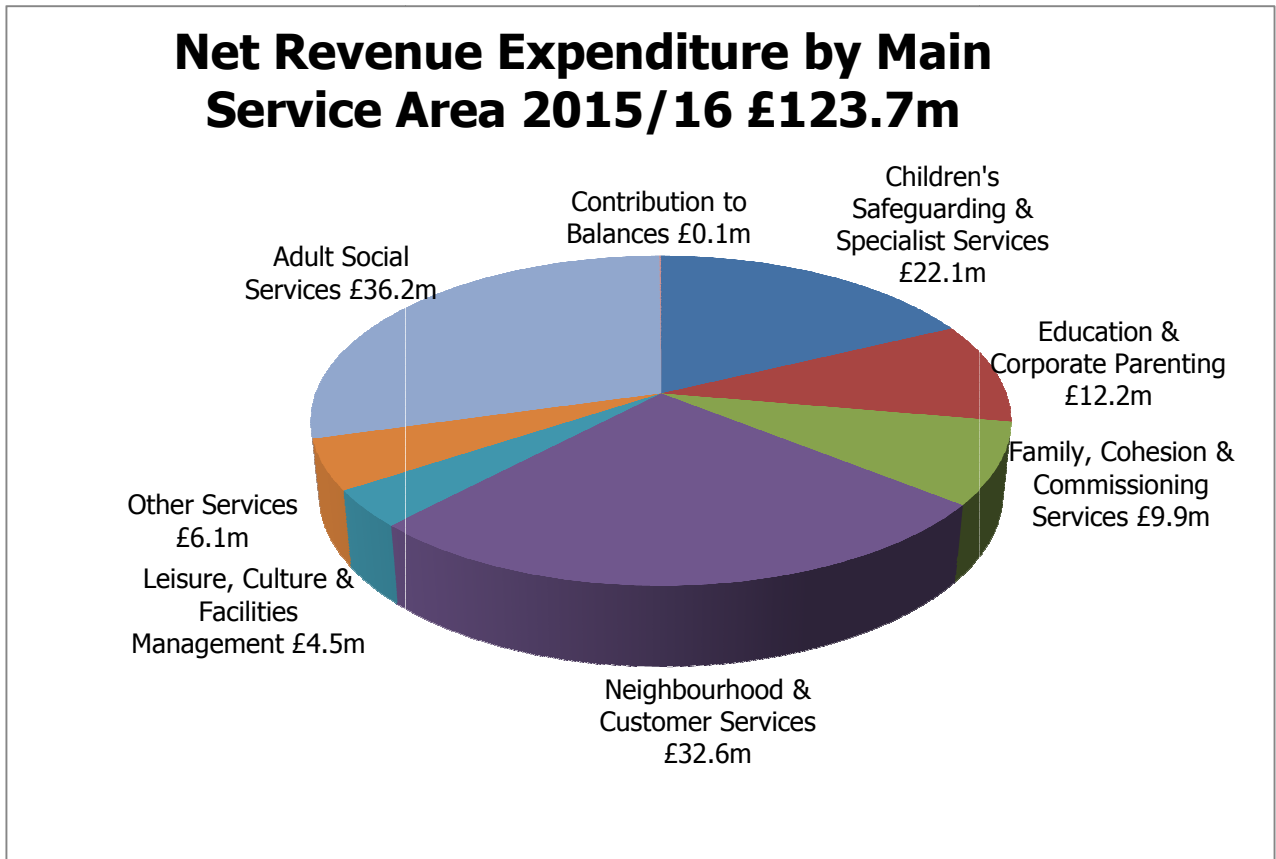


Chart 3

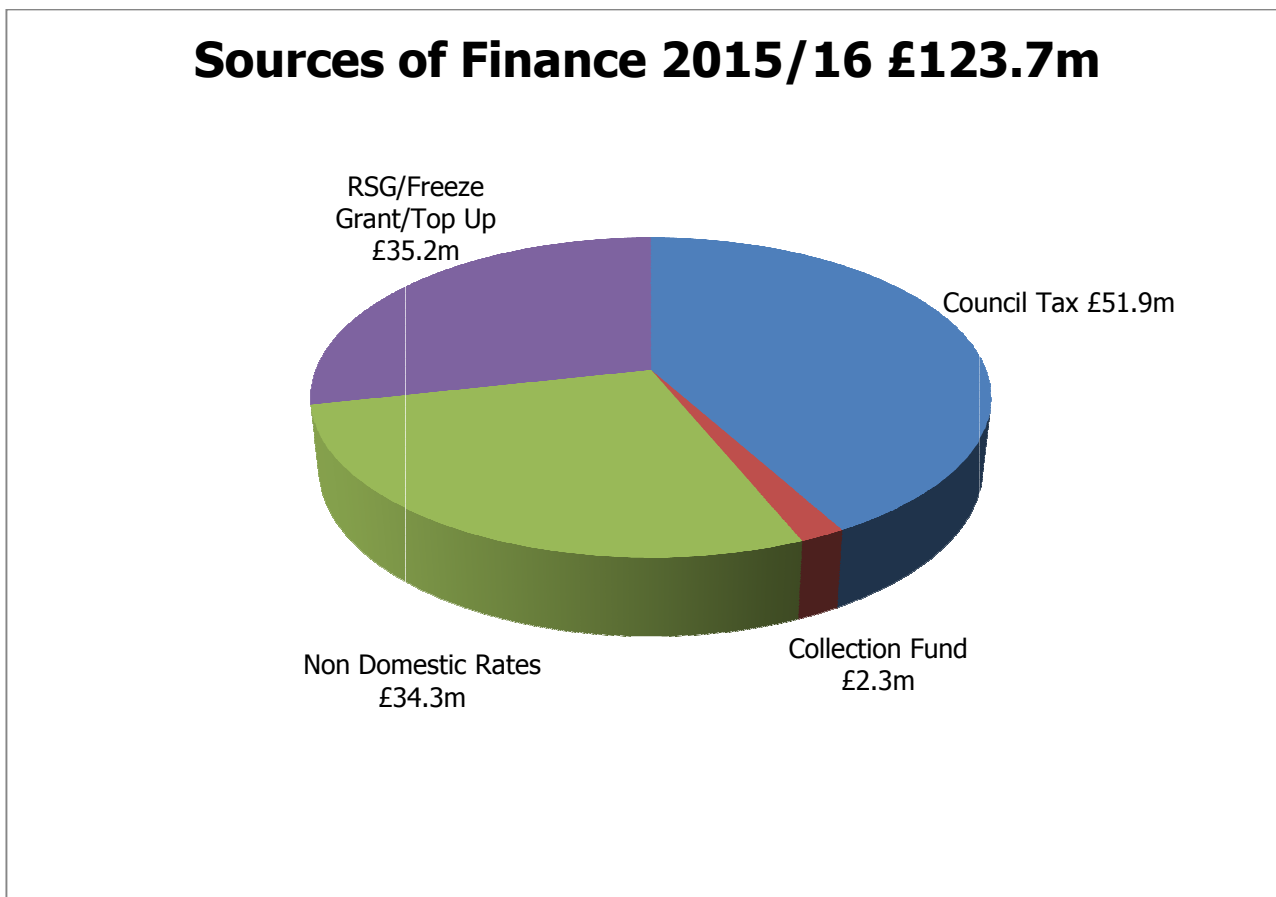


Chart 4

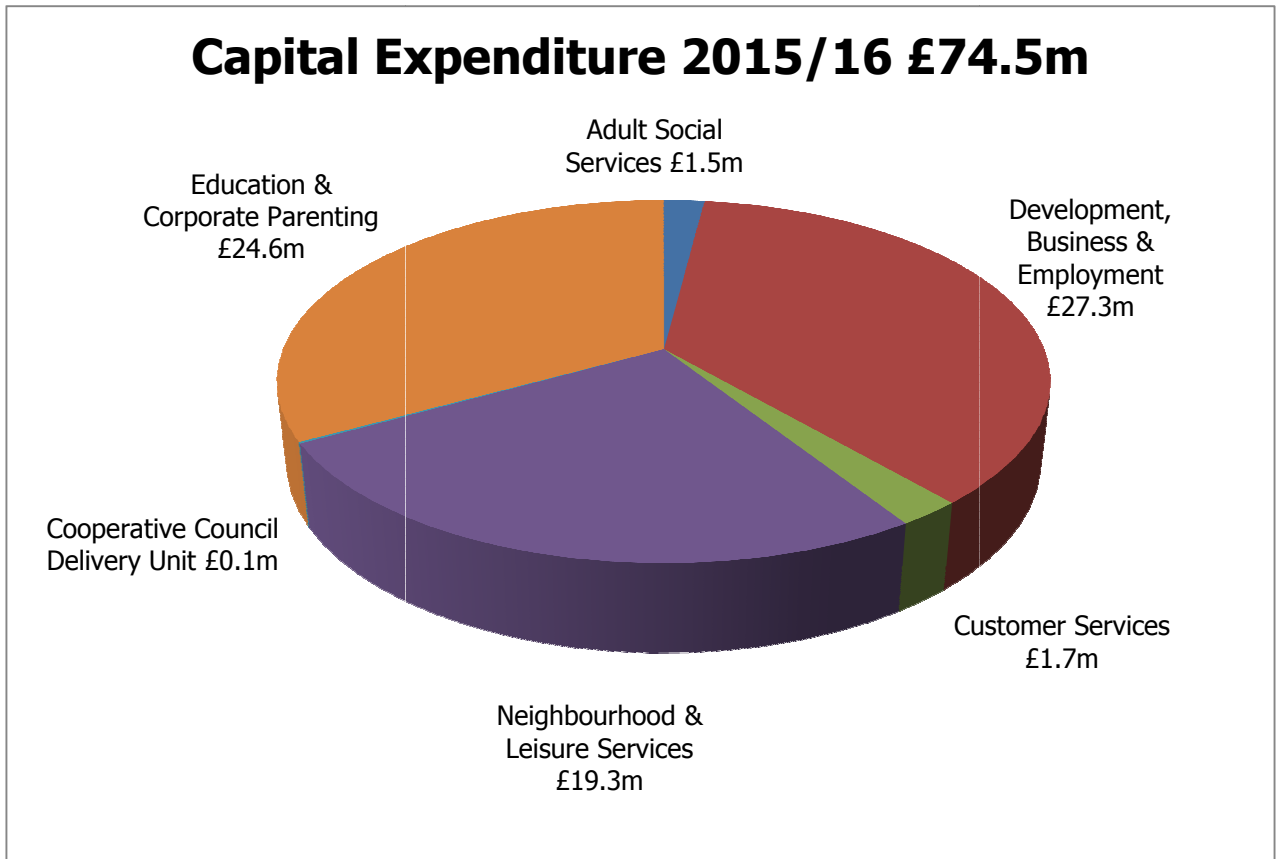
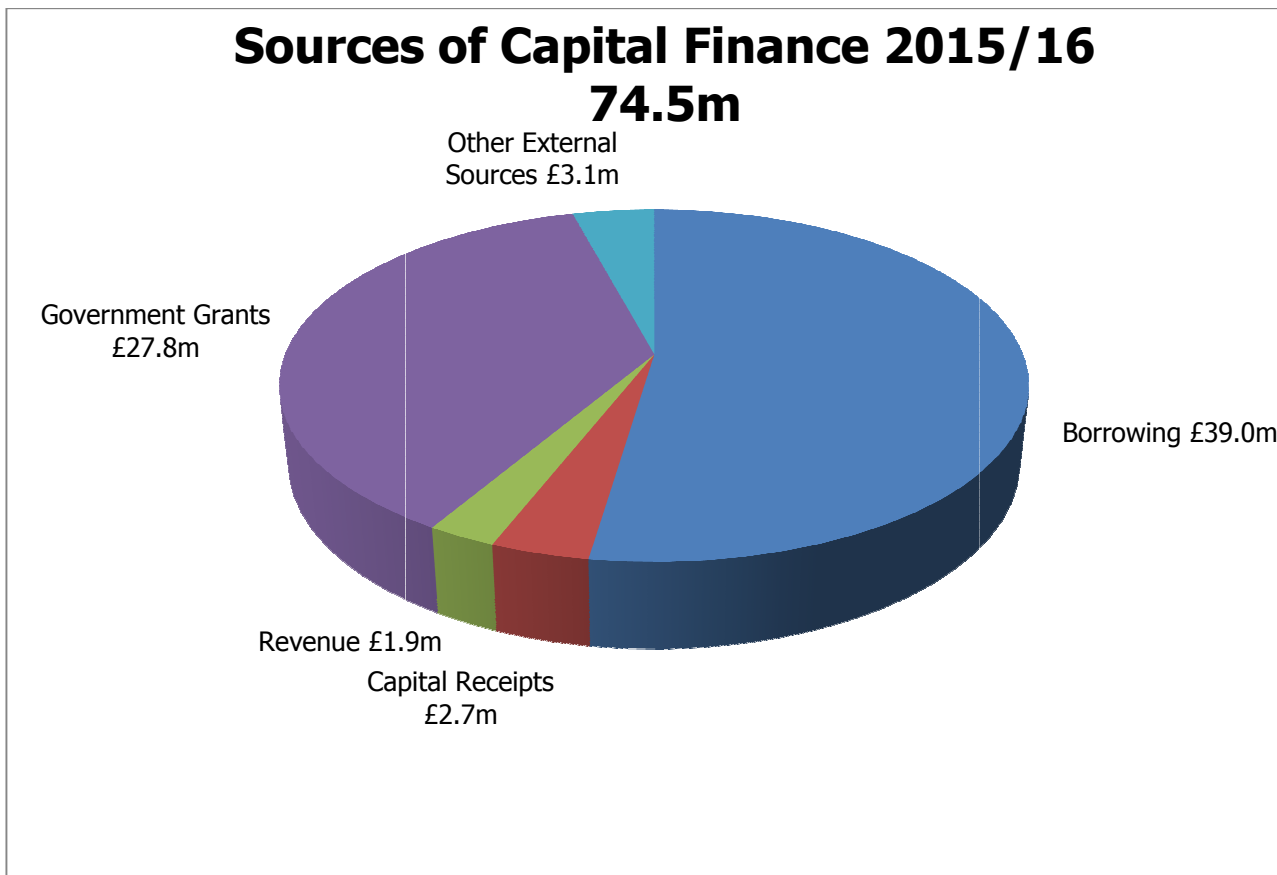


Chart 5



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, & Human Resources (Chief Finance Officer);
- to manage its affairs to secure economic, efficient and effective use of resources, safeguard its assets and to approve the Statement Of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 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 119 complies with the requirements of the Accounts and Audit Regulations 2015.

Ken Clarke MBA CPFA,
Assistant Director

Dated: 20 September 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: 20 September 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 regulations¹ and ensuring the effective exercise of its functions.
- 3.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5. 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.

¹ 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 values²) 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 SMT³, Cabinet and Scrutiny;
- A Legal Services team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- The Adults and Children's Safeguarding Boards and their associated accountability with an independent Chair;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group 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 procedures⁴ 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 Officer⁵ Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;

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

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

⁴ Further development work 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.

⁵ 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 to the Audit Committee, including a formal annual report. 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 16th – 18th March 2015 and the report was issued on 13th 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:

Clr Shaun Davies
Leader of the Council
Dated:

Clr Rob Sloan
Chair of Audit Committee
Dated:

ANNUAL GOVERNANCE STATEMENT 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", continued reduced budgets, revised structures, uncertainties around NNDR reform 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 including the impacts of future reductions in budgets and changes to the local government finance system. 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 31st May (instead of 30th June) and audited accounts by 31st July instead of 30th 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.	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 & AD – Finance & Human Resources	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. Human Resources policies have been prioritised and are being revised and renegotiated in line with these priorities.	Recommendations from external On-going as agreed with SMT (31/03/17).
5.	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.	Interim AD: Early Help & Support/ AD Governance, Procurement & Commissioning	New target operating model effective from November 2015 and links to Cost Improvement Plan. Monitoring of the latter continuing with Senior Management and Members. Further governance in respect to the Better Care Fund will be implemented during 2016/17.	On-going 31/03/17 and beyond
6.	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 and Director – Customer, Neighbourhood & Well-Being Services	This action plan is particularly focussed on any recommendations from external reviews that improve the governance arrangements in these areas.	Various dates throughout 2016/17
7.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	Continued support and review of the separate company arrangements and associated governance issues. Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval.	On-going during 2016/17

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
Balance at 31 March 2014 carried forward restated (see note 2)	3,224	43,707	0	7,116	54,047	51,263	105,310
Movement in reserves during 2014/15							
Surplus or (deficit) on the provision of services	61,206	0	0	0	61,206	0	61,206
Other Comprehensive Income and Expenditure restated	0	0	0	0	0	(60,059)	(60,059)
Total Comprehensive Income and Expenditure restated	61,206	0	0	0	61,206	(60,059)	1,147
Adjustments between accounting basis & funding basis under regulations (Note 7)	(53,723)	0	0	1,813	(51,910)	51,910	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves restated	7,483	0	0	1,813	9,296	(8,149)	1,147
Transfers to/(from) Earmarked Reserves	(6,338)	6,338	0	0	0	0	0
Increase/ (Decrease) in 2014/15 restated	1,145	6,338	0	1,813	9,296	(8,149)	1,147
Balance at 31 March 2015 carried forward restated	4,369	50,045	0	8,929	63,343	43,114	106,457

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Movement in reserves during 2015/16							
Surplus or (deficit) on the provision of services	(30,955)	0	0	0	(30,955)	0	(30,955)
Other Comprehensive Income and Expenditure	0	0	0	0	0	23,715	23,715
Total Comprehensive Income and Expenditure	(30,955)	0	0	0	(30,955)	23,715	(7,240)
Adjustments between accounting basis & funding basis under regulations (Note 7)	35,842	0	0	(6,069)	29,773	(29,773)	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	4,887	0	0	(6,069)	(1,182)	(6,058)	(7,240)
Transfers to/(from) Earmarked Reserves	(4,766)	4,766	0	0	0	0	0
Increase/ (Decrease) in 2015/16	121	4,766	0	(6,069)	(1,182)	(6,058)	(7,240)
Balance at 31 March 2016 carried forward	4,490	54,811	0	2,860	62,161	37,056	99,217

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
Net Cost of Services (Note 42)	437,470	376,516	60,954	438,033	313,052	124,981
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)
(Surplus) or deficit on provision of services			(61,206)			30,955
(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)
Other Comprehensive Income & Expenditure (restated for 2014/15 Note 2)			60,059			(23,715)
Total Comprehensive Income and Expenditure (restated for 2014/15)			(1,147)			7,240

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 2014 restated £000	31 March 2015 restated £000		31 March 2016 £000	31 March 2016 £000
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	
470,262	545,896	Total Long Term Assets		570,711
		Current Assets		
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	
		Current Liabilities		
(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)	
(67,900)	(73,184)	Total Net Current Assets/(Liabilities)		(114,526)
(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)
105,310	106,457	Net Assets		99,217
54,047	63,343	Usable Reserves (Note 29)		62,161
51,263	43,114	Unusable Reserves (Note 31)		37,056
105,310	106,457	Net Reserves		99,217

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.

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

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 2015/16 (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. Under the going concern concept, although the Council has net current liabilities of £115m, it is a going concern as the Council has access to Public Works Loan Board borrowing and future Council Tax revenues.

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 Teachers' Pension Scheme administered by the Teachers' Pension Authority.

The pension costs that are initially 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. See Note 12.

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) 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 2015/16 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 31st 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

The Council is 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 Comprehensive 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

Revaluation Reserve

	Original Figure £000	Adjustment £000	Revised Figure £000
Balance brought forward	48,493	-6,200	42,293
Upwards revaluation of assets	8,314	-854	7,460
Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	(4,759)	+546	(4,213)
Difference between fair value depreciation and historical cost depreciation	(1,120)	+127	(993)
Accumulated gains and losses on assets sold or scrapped	157	+226	383
Balance carried forward	51,085	-6,155	44,930

Capital Adjustment Account

	Original Figure £000	Adjustment £000	Revised Figure £000
Balance Brought Forward	154,854	+6,244	161,098
Charges for depreciation and impairment of non-current assets	(23,640)	+36	(23,604)
Adjusting amounts written out of the Revaluation Reserve	1,402	-127	1,275
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(705)	+5	(700)
Balance Carried Forward	213,094	+6,158	219,252

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

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:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £2.2m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £11.9m. However, the assumptions interact in complex ways.
Arrears	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.
Single Status	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2015/16 accounts, as was the case last year.	The costs in relation to the scheme could be lower or higher than the sum provided. If the costs are lower then any excess in the provision would be transferred into the General Fund Balance. If the costs are higher than the provision then there will be an impact on general fund balances and future Council Tax increases.

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

5. Material Items of Income and 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.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

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.

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	17,573	0	0	(17,573)
Movement in the market value of Investment Properties	(6,550)	0	0	6,550
Revenue expenditure funded from capital under statute	15,713	0	0	(15,713)
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	38,930	0	0	(38,930)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(416)	0	0	416

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustment primarily involving the Capital Grants Unapplied Account:				
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
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,674)	2,674	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,674)	0	2,674
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
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
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	403	0	0	(403)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	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
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	(1,085)	0	0	1,085
Adjustments primarily involving the Accumulated Absences Account:				

2015/16	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
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	(463)	0	0	463
Total Adjustments	35,842	0	(6,069)	(29,773)

2014/15 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	24,529	0	0	(24,529)
Movement in the market value of Investment Properties	705	0	0	(705)
Revenue expenditure funded from capital under statute	8,665	0	0	(8,665)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	907	0	0	(907)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(4,403)	0	0	4,403
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(85,955)	0	85,955	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(84,142)	84,142
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,099)	3,099	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,099)	0	3,099
Adjustment primarily involving the Financial Instruments Adjustment Account:				

2014/15 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	370	0	0	(370)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	20,570	0	0	(20,570)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,518)	0	0	12,518
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,651)	0	0	3,651
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	157	0	0	(157)
Total Adjustments	(53,723)	0	1,813	51,910

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:

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

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

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

10. Financing and Investment Income and Expenditure

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

11. Taxation and Non Specific Grant Income and Expenditure

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

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 Teachers' Scheme. The Council is not required to record information related to the Teachers' 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:

2014/15 £000		2015/16 £000
(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.

2014/15 £000		2015/16 £000
(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.

2014/15 £000		2015/16 £000
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 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take maximum cash and 50% will take 3/80ths cash.

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

Sensitivity Analysis as at 31/3/2016

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

2014/15 £000		2015/16 £000
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 Teachers' 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 Teachers' pensionable pay into the Teachers Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31st March 2013. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £6,530,895 (£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 31st March 2012. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £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
Cost or Valuation						
At 1 April 2015	378,532	31,152	114,690	55,556	579,930	60,943
Additions	8,015	2,624	18,394	26,077	55,110	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,680)	0	0	0	(2,680)	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,221)	0	0	0	(2,221)	0
Derecognition – disposals	(1,873)	0	0	(36,902)	(38,775)	0
Assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	0	0
Assets reclassified (to)/from Held for Sale	710	0	0	0	710	0
Assets reclassified (to) /from Investment Properties	(1,098)	0	0	0	(1,098)	0
At 31 March 2016	397,832	35,307	134,432	23,405	590,976	61,852
Accumulated Depreciation and Impairment						
At 1 April 2015	66,434	19,474	9,495	672	96,075	5,621
Depreciation charge	8,612	2,040	2,900	0	13,552	1,407
Depreciation written out to the Revaluation Reserve	(3,534)	0	0	0	(3,534)	(583)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	686	0	0	0	686	0
Derecognition – disposals	(810)	0	0	0	(810)	0
At 31 March 2016	71,388	21,514	12,395	672	105,969	6,445
Net Book Value						
at 31 March 2016	326,444	13,793	122,037	22,733	485,007	55,407
at 31 March 2015	312,098	11,678	105,195	54,884	483,855	55,322
Information on Assets Held at 31/3/16						
Nature of Holding						
Owned	271,037	12,504	122,037	22,733	428,311	
Leased	0	1,289	0	0	1,289	
PFI	55,407	0	0	0	55,407	
Total	326,444	13,793	122,037	22,733	485,007	

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	342,289	22,879	87,639	37,787	490,594	60,617
Additions	20,778	5,604	27,051	51,541	104,974	326
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,493)	0	0	0	(1,493)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,868)	0	0	0	(1,868)	0
Derecognition – disposals	(150)	0	0	0	(150)	0
Assets reclassified (to) /from Assets Under Construction	31,103	2,669	0	(33,772)	0	0
Assets reclassified (to)/from Held for Sale	(7,400)	0	0	0	(7,400)	0
Assets reclassified (to) /from Investment Properties	(4,727)	0	0	0	(4,727)	0
At 31 March 2015	378,532	31,152	114,690	55,556	579,930	60,943
Accumulated Depreciation and Impairment						
At 1 April 2014	52,189	16,650	7,329	672	76,840	4,228
Depreciation charge	8,081	2,824	2,166	0	13,071	1,393
Depreciation written out to the Revaluation Reserve	(1,744)	0	0	0	(1,744)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	7,908	0	0	0	7,908	0
Derecognition – disposals	0	0	0	0	0	0
At 31 March 2015	66,434	19,474	9,495	672	96,075	5,621

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.

- There are no groups of properties that should not be valued as a group.
- We will value units within industrial estates, office complexes and local shopping centres within the Property Investment Portfolio 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 arm's-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.

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:

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

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:

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

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:

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

17. Assets Held for Sale

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

18. Heritage Assets

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

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

19. Impairment Losses

During 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 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	Amounts due from Subsidiaries	7
23,180	Other Entities and Individuals	25,472
27,220	Gross Debtors	31,527
(7,514)	Provision for doubtful debts	(8,010)
19,706	Total	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
Investments				
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
Total investments	33	3,533	0	0
Debtors				
Financial assets carried at contract amounts	614	557	19,706	23,510
Debtors with Subsidiary	0	7,787	0	7
Total Debtors	614	8,344	19,706	23,517
Borrowings				
Financial liabilities at amortised cost	87,520	88,519	29,093	75,579
Total borrowings	87,520	88,519	29,093	75,579
Other Liabilities				
PFI and finance lease liabilities	56,488	55,321	2,476	2,567
Other Creditors	0	0	61,690	60,305
Total Other Liabilities	56,488	55,321	64,166	62,872

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
Total expense in Surplus or Deficit on the Provision of Services	8,935	0	8,935	8,764	0	8,764
Interest income	0	(176)	(176)	0	(22)	(22)
Total income in Surplus or Deficit on the Provision of Services	0	(176)	(176)	0	(22)	(22)
Net gain/(loss) for the year	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	220,232
Long-term creditors	56,488	56,488	55,321	55,321

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 Treasury Related 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
Financial Assets		
Fixed Term Deposits	0	0
Other	3,533	3,533
	3,533	3,533
Financial Liabilities		
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 the same as the nominal value as they are non tradeable shares.. Whereas, the fair value of our liabilities is more than the amount held on the balance sheet due mainly to the penalties we would incur if we wanted to redeem our liabilities early.

Methodology and Assumptions

The fair value of an instrument is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an

instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

Complexities of the NPV calculation

It is unlikely that the future cash instalments of an instrument will fall in equal time periods from the date of valuation, and there is likely to be a "broken" period from the valuation date to the next instalment. This means that an adjustment needs to be made to each discount factor, in order to take account of the timing inequality.

Evaluation of PWLB debt

We have used the new borrowing rate, as opposed to the premature repayment rate as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

Inclusion of accrued interest

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, we have also included accrued interest in the fair value calculation. This figure will be calculated up to and including the valuation date.

Discount rates used in NPV calculation

The rates quoted in this valuation were obtained by Sector from the market on 31st March, using bid prices where applicable.

Assumptions:

It is noted that the following assumptions do not have a material effect on the fair value of the instrument:

- Interest is calculated using the most common market convention, ACT/365.
- Where interest is paid/received every 6 months on a day basis, the value of interest is rounded to 2 equal instalments.
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year.
- We have not adjusted the interest value and date where a relevant date occurs on a non working day.

Exposure to Risk

The Authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management on investments is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they

are rated independently with a minimum short term rating of A+, a minimum long term rating of F1+, a minimum support rating of 3, a minimum individual rating of C and a minimum sovereign rating of AA-. In conjunction with our treasury advisors these are overlaid with credit default swaps to produce a lending list governing both value and length of investment. The Authority has a policy of not lending more than 20% of its surplus balances to one institution.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2016	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2016 (rounded to 3 decimal place)	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	A	B	C	A * C
Deposits with banks and financial institutions	0	0.0	0.000	0
Other	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 long term financial liabilities is as follows:

2014/15 £000		2015/16 £000
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
87,520		88,519

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. We do however hold shares in NuPlace. These are non traded stocks and therefore there is no price risk.

Foreign exchange risk

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

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

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

Sensitivity Analysis

At the 31st March 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.

	Investments	Borrowing	Net Total	1% Movement
	£000	£000	£000	£000
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 31st March 2016 we had more variable borrowing than variable investments. The most likely next move in interest rates at 31 March 2016 was upwards, although not expected before mid 2018, this would lead to a net increase in borrowing costs based on the position at 31st March 2016. Other considerations are that the Council is managing ongoing maturity profiles for both investments and borrowing. Following the EU referendum, interest rates were reduced by 0.25% and this has a net benefit of £171,058 based on the above figures.

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
				87,520	88,519

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
			87,520		88,519

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

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
	Long Term Investments	
0	Fixed Term Deposits	0
33	Other	3,533
33	Total Long Term	3,533
	Short Term Investments	
0	Fixed Term Deposits	0
0	Total Short Term	0
3,745	Cash & Cash Equivalent Investments	7,156
3,778	Total Investments	10,689

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
163	Cash held by the Authority	130
749	Bank current accounts	3,121
3,745	Call Accounts	4,035
4,657	Total Cash and Cash Equivalents	7,286
0	Bank Account Overdrawn	0
4,657	Net Cash Position for Cash Flow Purposes	7,286

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
Total	19,053	3,907	(2,887)	20,073
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 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 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	Amounts due to Subsidiaries	592
53,894	Other Entities and Individuals	48,979
2,476	PFI and Leases	2,567
64,166	Total	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 31st March 2016 (£58.047m as at 31st 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	24,200

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

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
6,961	Total School Balances	6,551

31. Unusable Reserves

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

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

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.

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

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.

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

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.

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

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.

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

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.

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

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.

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

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

2014/15 £000		2015/16 £000
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)
0		0

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

34. Capital Expenditure and Capital Financing

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

2014/15 £000		2015/16 £000
271,106	Opening Capital Financing Requirement	295,535
	Capital Investment	
104,975	Property, Plant & Equipment	55,110
2,891	Investment Properties	4,829
16	Assets Held for Sale	23
1,328	Intangible Assets	1,457
8,665	Revenue Expenditure funded from Capital under Statute	15,713
528	Leased Vehicles	491
	Sources of Finance	
(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)
295,535	Closing Capital Finance Requirement	335,586
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

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

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

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

38. Cash Flow Statement – Investing Activities

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

39. Cash Flow Statement – Financing Activities

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

40. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

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

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
	Credited to Taxation and Non Specific Grant Income	
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
46,398	Total	35,640
	Credited to Services	
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
204,453	Total	208,339

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
	Capital Grants Receipts in Advance	
0	Park for People 10 year Maintenance Programme	481
0	Total	481

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

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

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

Items within "Less items in above table but not shown under provision of services in statement of accounts" include 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:

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

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

2014/15 £000		2015/16 £000
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)
2,478	(Deficit)/Surplus taken to General Fund	10,060

2,440	Total Trading Accounts	10,020
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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.

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

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.

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

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 £
Managing Director			137,000	0	137,000	16,619	153,619
Director: Customer, Neighbourhood & Wellbeing			109,600	0	109,600	13,810	123,410
Director: Children's & Adult Services	1	109,600	24,454	0	24,454	3,081	27,535
Assistant Director: Finance & Human Resources			83,950	0	83,950	10,578	94,528
Assistant Director: Development, Business & Employment	2	75,704	63,087	0	63,087	7,949	71,036
Assistant Director: Education & Corporate Parenting			83,950	0	83,950	10,578	94,528
Assistant Director: Legal, Procurement & Commissioning			83,950	0	83,950	10,578	94,528
Assistant Director: Customer & Neighbourhood Services			83,950	0	83,950	10,578	94,528
Assistant Director: Health & Wellbeing			83,950	0	83,950	12,005	95,955
Interim Assistant Director: Early Help & Support			79,000	0	79,000	0	79,000
Assistant Director: Children's Safeguarding	3	75,704	44,161	0	44,161	5,564	49,725
Interim Assistant Director: Commercial Services	4	75,704	14,042	0	14,042	1,769	15,811
Service Delivery Manager: Delivery & Planning	5		59,640	0	59,640	7,515	67,155
Service Delivery Manager: Community Participation	3		59,640	0	59,640	7,515	67,155
Director of Children & Family Services	6	109,600	91,333	0	91,333	11,508	102,841
Interim Director of Care, Health & Wellbeing	6	109,600	91,333	0	91,333	11,508	102,841
Assistant Director: Development, Business & Employment	7	79,000	35,146	0	35,146	9,044	44,190
Assistant Director: Planning Specialist	6	81,681	68,068	70,496	138,564	8,577	147,141
Assistant Director: Family, Cohesion & Commissioning	8	83,950	65,219	0	65,219	8,218	73,437

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

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

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

Notes:

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

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
Total	1,114,811	1,335,393	2,450,204

* 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:

2014/15 £000		2015/16 £000
156	Fees payable to KPMG with regard to external audit services	117
(13)	Fees payable to Audit Commission in respect of statutory inspection	0
16	Fees payable to KPMG for the certification of grant claims and returns	13
4	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. Includes dealing with elector questions under statutory responsibilities.	12

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 £69,579 (excluding VAT), to AFC Telford during 2015/16 in relation to grant funding in respect of the Arleston project, payment for Community football coaching schemes and room hire, together with a loan to the club of £45,000 to install a new fire alarm system and related works.

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
	EXPENDITURE ON SERVICES			
(106)	Cemeteries	147	226	(79)
640	Highways – footway lighting	645	20	625
534	Total expenditure on services	792	246	546
	INCOME			
(644)	Council Tax			(644)
(110)	(Surplus) or deficit for year			(98)
	Special Fund			
476	Balance at beginning of the year			586
110	Surplus or (deficit) for year			98
586	Balance at end of year			684

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 31st 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.

During 2015/16 the Council advanced a loan for 40 years to AFC Telford of £45,000 at an interest rate of 4.66%, which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. The fair value of this loan is calculated as £21,819. The Council owns the freehold of the ground and the loan was provided to fund a new fire alarm system at the ground.

58. Building Control Account 2015/16

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

Note the Building Control Account is not covered by the Audit Opinion.

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
Balance c/f	2,070	2,473	945	945

The charges relate to additional premium costs and excesses and the contributions to interest. There are two general fund insurance provisions as follows:

	General Provision		Self Insurance	
	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
Balance c/f	470	651	1,600	1,822

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.

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

Collection Fund Account

	NDR 2014/15 £000	Council Tax 2014/15 £000	Total 2014/15 £000	NDR 2015/16 £000	Council Tax 2015/16 £000	Total 2015/16 £000
Income						
Income from Council Tax (Note 1)		68,658	68,658		70,675	70,675
Transfers from the Council's General Fund – Transitional Relief	(333)	0	(333)	73	(1)	72
Income collectable from business ratepayers (Note 2)	70,521		70,521	73,271		73,271
Contributions						
Adjustment of previous years' community charges		0	0		0	0
Total Income	70,188	68,658	138,846	73,344	70,674	144,018
Expenditure						
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
Contributions						
Adjustment of previous years' community charge		0	0		0	0
Total Expenditure	66,784	66,227	133,011	71,444	70,546	141,990
Movement on fund balance (Increase)/Decrease	(3,404)	(2,431)	(5,835)	(1,900)	(128)	(2,028)

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
45,205	TOTAL	72,572	(17,951)	54,621	47,441
(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
2014/15 £000					2015/16 £000
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
68,658					70,675

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)
	70,521		73,271

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)
	(4,430)	(4,558)

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)
	(1,497)	(3,396)

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
Balance at 31 March 2015 carried forward restated	4,369	50,045	0	8,929	63,343	43,114	106,457
Movement in reserves during 2015/16							
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
Total Comprehensive Income and Expenditure	(31,177)	0	0	0	(31,177)	23,715	(7,462)
Adjustments between accounting basis & funding basis under regulations (Note 7)	35,842	0	0	(6,069)	29,773	(29,773)	0
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	4,665	0	0	(6,069)	(1,404)	(6,058)	(7,462)
Transfers to/(from) Earmarked Reserves	(4,766)	4,766	0	0	0	0	0
Increase/ (Decrease) in 2015/16	(101)	4,766	0	(6,069)	(1,404)	(6,058)	(7,462)
Balance at 31 March 2016 carried forward	4,268	54,811	0	2,860	61,939	37,056	98,995

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
Net Cost of Services	426,780	313,054	113,726

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

	2015/16 £000
Deficit from the Single Entity Accounts (Page 37)	30,955
Deficit contained within Subsidiary Accounts	32
Removal of Trading Surpluses from Single Entity Accounts	190
Deficit in Group Accounts (Page 110)	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		570,695
Current Assets		
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>	
Current Liabilities		
Provisions	(20,073)	
Short term Borrowing	(75,579)	
Creditors (Note 6)	(63,133)	
	<u>(158,785)</u>	
Total Net Current Assets/(Liabilities)		(114,468)
Less Long Term Borrowing		(88,519)
Less Long Term Creditors		(55,585)
Less Pensions Liability		(212,647)
Capital Grants Receipts in Advance		(481)
Net Assets		98,995
Usable Reserves (Note 7)		61,939
Unusable Reserves (Note 8 & 9)		37,056
Net Reserves		98,995

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
Net cash flows from Operating Activities	(5,920)
Investing Activities (Note 13)	50,357
Financing Activities (Note 14)	(47,391)
Net (increase) or decrease in cash and cash equivalents	(2,954)
Cash and cash equivalents at the beginning of the reporting period	4,657
Cash and cash equivalents at the end of the reporting period (Note 5)	7,611

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
Total	39,565

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
Total	5,983

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

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

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
Gross Debtors	31,521
Provision for doubtful debts	(8,010)
Total	23,511

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
Total Cash and Cash Equivalents	7,611
Bank Account Overdrawn	0
Net Cash Position for Cash Flow Purposes	7,611

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
Total	63,133

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

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

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

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.

	2015/16 £000
Opening Capital Financing Requirement	295,535
Capital Investment	
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
Sources of Finance	
Capital Receipts	(2,674)
Finance Leases & Deminimis Capital Expenditure	(1,692)
Government Grants and Other Contributions	(32,790)
Revenue Provision (NB: includes MRP)	(416)
Closing Capital Finance Requirement	335,570
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

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

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

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

Group Note 13. Cash Flow Statement – Investing Activities

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

Group Note 14. Cash Flow Statement – Financing Activities

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

Glossary

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

(DSG) Discounts International Accounting Standard 19 (IAS19)	Education for the funding of schools. The benefit obtained from re-scheduling debt. Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Damping	A method that is intended to provide stability in Local Authority funding. A “floor” guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
LOBO	A LOBO is a market loan to the Authority. LOBO stands for Lenders Option Borrowers Option. What this means is that the loan has a fixed interest rate but the lender has the option to increase that rate at specified intervals. If they exercise that option then the Authority has to option to either accept the new rate or repay the loan.
Local Services Support Grant (LSSG)	Local Services Support Grant is a general grant that is not allocated to the cost of services but is shown with other grants such as RSG.
MRP	Minimum Revenue Provision – This is the amount charged against the Income and Expenditure Account for the year in relation to the repayment of debt on borrowing in order to fund capital expenditure.
Non Domestic Rates (NDR)	This is the income collected from business premises in respect of National Non Domestic Rates (NNDR). Also known as Non Domestic Rates (NDR), Business Rates and Retained Business Rates.
Outturn Pension Fund	Actual Expenditure and Income within a particular year. An employee’s pension fund is maintained in order to make pension payments on retirement to participants. It is financed from contributions from the employing authority (The Council), the employee and investment returns.
Premia	A penalty payment that may be incurred when debt is repaid early.
Private Finance Initiative (PFI)	A central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance.
Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.

Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure funded from Capital under Statute	This is expenditure that is classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of stock issues, expenditure on properties not owned by the authority and amounts directed by the Government.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Settlement Funding Assessment, also determined by Government.
Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs (The Chief Financial Officer). For Telford & Wrekin this is the Assistant Director Finance 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 – 20 SEPTEMBER 2016

PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2015/16

JOINT REPORT OF THE MONITORING OFFICER AND THE CHIEF FINANCIAL OFFICER

1 PURPOSE

- 1.1 To present to the Audit Committee the information to be published in respect to Councillors who traded with the Council during 2015/16.

2 RECOMMENDATIONS

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

3 SUMMARY

- 3.1 To improve transparency it was agreed in autumn 2012 that details of Councillors who have an interest in companies that receive a payment from the Council, for example a directorship, should be separately reported to the Council through the Audit Committee.
- 3.2 This information is collected as part of the final accounts process and this report represents information for 2015/16.
- 3.3 This information will be published on the Council's website following presentation to the Audit Committee.

4 PREVIOUS MINUTES

- 4.1 Council's Constitution Committee 4th September 2012
Council 19th September 2012 (2011/12)
Audit Committee 28th January 2014 (2012/13)
Audit Committee 16th September 2014 (2013/14)
Audit Committee 15th September 2015 (2014/15)

5 BACKGROUND AND INFORMATION

- 5.1 As part of the annual account process councillors disclose where they have an interest in a company/companies that receive payment from the Council. These are shown annually in the Final Accounts which go to the Audit Committee. This makes the information available to anyone who may wish to access the information.

5.2 However, the Council through the Constitution Committee and full Council agreed that in order to provide better transparency additional details of any Councillors who have an interest in companies that benefit from trading with the Council will be taken to Full Council via the Audit Committee as a separate report each year and published on the Council's website.

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

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

5.4 Only two Councillors received these sorts of payments from the Council in 2015/16. These were Councillor Stephen Burrell - £191,019 in respect to the company Peace of Mind Homecare and Councillor Lee Carter in respect to the company AFC Telford, the value of the payments, was £69,579 (excluding VAT), and included grant funding in respect of the Our Arlestone Community Development project (£25,510), payment by schools for the provision of Community football coaching schemes (£24,890), advertising (£1,055) and room hire (£18,124), together with a loan to the club of £45,000 to install a new fire alarm system and related works.

6 OTHER CONSIDERATIONS

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

7 BACKGROUND PAPERS

Localism Act 2011, Co-operative Council Commissions Report 2012
 Report prepared by Jonathan Eatough – Monitoring Officer and Ken Clarke, Chief Financial Officer

TELFORD & WREKIN COUNCIL**AUDIT COMMITTEE 20 SEPTEMBER 2016****REVIEW OF STRATEGIC RISK REGISTER****REPORT OF THE MANAGING DIRECTOR – LEAD OFFICER FOR GOVERNANCE****PART A) – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

1.1. For the Audit Committee to note the latest Strategic Risk Register. The strategic risk register enables the Council to meet its statutory requirements under the Accounts and Audit Regulations 2015 Part 2 paragraph 3. “A relevant authority must ensure that it has a sound system of internal control which – (c) includes effective arrangements for the management of risk”.

1.2. The strategic risk register is a means for the Council to identify and manage the substantive issues which could impact negatively on delivery of the Council’s priorities. As part of the Council’s governance arrangements the risk register is presented twice a year to Cabinet to demonstrate that the Council understands its key risks and how they are being mitigated. Appendix A sets out the key ongoing risks which have been identified for 2016/17 and the mitigating actions in place to manage these risks. The register is reviewed and updated as necessary on a regular basis to ensure appropriate management of these risks and mitigations and to make sure they are always current.

1.3. The Register was last presented to Cabinet in July 2016.

2. RECOMMENDATIONS

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

3. SUMMARY IMPACT ASSESSMENT

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

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

PART B) – ADDITIONAL INFORMATION

4. PREVIOUS MINUTES

4.1. N/A

5. BACKGROUND PAPERS

5.1. "End of Year Performance Report" – presented to Cabinet on 21 July 2016.

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

Appendix A

Strategic Risk Register
Updated July 2016

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
1.	Death or serious harm of a vulnerable child or vulnerable adult (Breach of duty of care)	<ul style="list-style-type: none"> • Safeguarding Children and Adult Boards (SABs became a statutory requirement of the Care Act from April 2015), Community Safety Partnership and Youth Offending Service Management Board scrutinise performance, call partners to account and drive practice improvement in the light of learning (e.g. from Serious Case, Safeguarding Adult & Domestic Homicide Reviews) • Created draw down budgets of £0.75m for children and £2.5m for adults for 2015-16. £1.975m invested in children’s safeguarding in 2016/17. • Work to national inspection standards (Ofsted and Care Quality Commission) and respond to actions required from inspections. OFSTED inspection of Children’s Safeguarding June/July 2016 with report recommendations published late August 2016. • Children & Young People Scrutiny Board review of children at risk of sexual exploitation and report recommendations <p>Children:</p> <ul style="list-style-type: none"> • Workforce development strategy – recruitment and retention, learning and development including Systemic Practice across the council’s children’s workforce • Children’s Services - Systematic quality assurance role for all managers from frontline team manager through to MD and DCS • No staff savings target for Children’s Social Workers <p>Adults:</p> <ul style="list-style-type: none"> • Review of Safeguarding Adult Board arrangements took place prior to April 2015 to ensure compliance with Care Act requirements and new Adult Safeguarding Guidance & Regulations. As a result a new T&W specific Board has been put in place with an Independent Chair Adult Safeguarding – following review, new multi-agency strategy agreed, regional procedures are now operational and additional adult safeguarding capacity put in place within Council. Quality Surveillance Group chaired by Chief Officer of NHS England Area Team ensures coordination of quality & safeguarding issues across health & social care. 	CJ

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
2.	Not managing the impact of organisational and culture change in the Council and partner organisations within the constraints of the public sector economy	<ul style="list-style-type: none"> • “Being the Change” sets out organisational focus to manage on-going funding cuts. AD service plans driving delivery of this strategy • Engagement and communication with all staff through structured sessions and interactive sessions with Cabinet to support Co-operative working • Regular meetings with Trade Union representatives • Loss of service delivery performance and risk exposure monitored through SMT • New Organisational Development Strategy (see 8 below) • Constitution – assurance by AD’s, Finance, Legal, Internal Audit and external reviews (i.e. External audit and government bodies) • Transparency • Codes of conduct • Maintaining communication channels with appropriate senior executives • LSP Executive • Health & Wellbeing Board and Community Safety Partnership • Commissioning and Transformation Partnerships 	RP
3.	Failure to match available resources (both financial , people and assets) with statutory obligations, agreed priorities and service standards	<ul style="list-style-type: none"> • Rigorous service and financial planning and regular monitoring and active management through S&FPG, SMT and Policy Review Group • Development of Efficiency Plan to secure 4 year funding from Government to enable more informed medium-term financial planning • Savings programme, service reviews and restructuring • In-year savings exercise as necessary • Rationalisation of Council assets and accommodation • Delivery of capital receipts/rigorous monitoring of capital receipts realisation and impact on the budget • A large proportion of future funding for Adult Social Care will come via the STP (Sustainable Transformation Partnership) this is a Shropshire-wide partnership and the financial pressures facing Shropshire CCG present a risk, mitigating factors are that we are represented at all levels 	RP

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
4.	Failure to deliver financial strategy: <ul style="list-style-type: none"> ○ Capital receipts ○ Delivery of council savings 	and an agreed governance structure in place <ul style="list-style-type: none"> • Understanding the impact of the potential loss of any European Union funding. • If necessary contingency plans reviewing phasing of planned capital expenditure, schemes included in capital programme, alternative potential disposals and further revenue budget cuts would be prepared • Review of reserves and balances against risk exposure and available contingency • Review of financial policies • Safeguarding Cost Improvement Plan • Adult Social Care Cost Improvement Plan • Commercial Strategy • “Culture Change” to budget management by managers • Specialist legal advice as required • Cabinet Members regularly briefed 	RP
5.	Failure to manage the impact of poverty and deprivation on future wellbeing of our residents	<ul style="list-style-type: none"> • Council has adopted a “Business Supporting, Business Winning” approach that will provide a joined up, business facing service that provides the conditions to enable businesses to start up, expand and to attract new investors • Working through/with the LEP/WMCA to drive economic growth • “Work ready, life ready” programme to ensure young people are work ready • Community Loans • Telford Crisis Network/Food Bank • “Pride In Your Community” Project • “Target Intervention Area” programme and development of models of working which focus on creating resilient communities, for example “Strengthening Families” and “My Support Broker” • Public Health Grant to drive improvements in health of population/address health inequalities (Public Health outcomes) • Health & Wellbeing Board and Commissioning & Transformation Partnerships 	RP

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
6.	Major emergency affecting the community and/or ability to provide priority services	<ul style="list-style-type: none"> • Maintaining appropriate, risk based contingency plans (Civil Resilience Team) which are exercised and reviewed on regular basis • Individual Service Delivery Managers are responsible for maintaining and exercising their Business Continuity Plan. These plans would be coordinated corporately and the emergency plan activated if necessary • Maintain appropriate levels of trained staff to be able to respond to an emergency. • Work collaboratively with other LRF partner agencies, maintaining effective working relationships with the relevant bodies • Gorge – Phase II at Jackfield complete. Need to acquire further funding for other at risk areas within the Gorge. • Operation ‘Tangent’ – multi agency plan to respond to landslide in the Gorge is in place and is reviewed and exercised regularly 	JR
7.	Significant business interruption affecting ability to provide priority services	<ul style="list-style-type: none"> • ICT controls – Disaster Recovery facilities in place based on Priority Services in line with Business Continuity Plans • Investment in ICT infrastructure. Data centre investment complete. • Each Service Delivery Team has Business Continuity Plans to enable them to respond appropriately, these are reviewed annually and updated following team changes and or incidents. • Improvement/upgrade/replacement of key ICT systems 	JR
8.	Key skills shortages (retention & recruitment)	<ul style="list-style-type: none"> • Organisational Development Plan e.g.: <ul style="list-style-type: none"> - skills gap analysis and needs - improving well-being of employees - use of market factor weighting for key groups (ICT software developers) - “Grow your own” scheme for social workers. - flexible working policy - staff benefit scheme • Council values, ethos, rewards and recognition 	RP

Ref	Risk	What are we doing to manage the risk? (Controls)	Lead Director
9.	Failure to manage the health & safety risks in delivering the council's functions	<ul style="list-style-type: none"> • Reviewing, writing and monitoring of health and safety policies through SMT and Health and Safety Committee • Risk based health and safety audit process of service areas and local authority managed schools, which not only audit implementation of health and safety policies but also proactively identifies short comings, actions and controls that need to be in place to manage those risks. Significant findings of the audits are reported back through SMT and Health and Safety Committee. • Internal Health and Safety work to Health and Safety Executive (HSE) guidance and revise Policies and Procedures to ensure compliance with legal standards. Revisions reported back through SMT and Health and Safety Committee • There is a system in place for reporting all accidents, incidents and near misses. Non reportable accidents investigated by service area • All reportable accidents are investigated by Internal Health and Safety Team and significant findings reported to Health and Safety Committee. Other findings reported back to relevant Service area management • Training provided on Health and Safety through a mixture of OLLIE and face to face. • Regular meetings with Trade Unions • Coordination and management of Personal Safety Precautions Risk Register to ensure safety of employees. 	JR
10.	Information Governance	<ul style="list-style-type: none"> • The Council has an Information Governance Framework which includes the Corporate Information Security Policy (CISP) and other policies (Data protection, Information Sharing policies) • Small dedicated team promoting sound Information Governance within the Council and ensuring that good practise is shared across the Council • Training and awareness programme put in place annually and Information Governance module on OLLIE forms part of induction • Plans are being developed to assist the Council and its services in the implementation of the relevant aspects of the General Data Protection Requirements 2018 (due by May 2018). 	RP

Existing Strategic Risks Being Managed Through Appropriate Significant Projects

- Single Status
- Commercial project(s) for additional income generation
- Housing Investment Programme

TELFORD & WREKIN COUNCIL

**AUDIT COMMITTEE 20 SEPTEMBER 2016
COUNCIL 24 NOVEMBER 2016**

AUDIT COMMITTEE ANNUAL REPORT 2015/16

JOINT REPORT OF THE SECTION 151 & THE MONITORING OFFICERS

1 PURPOSE

- 1.1 To present to the Council an Annual Report on the 2015/16 operations of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That Members note the contents of the annual report 2015/16.

3 SUMMARY

- 3.1 The Audit Committee is part of the Council's governance and assurance arrangements. The key benefits of the Audit Committee are:
- ✓ raising awareness on the need for and benefits arising from good governance (including risk management) and internal control including the implementation of both internal and external audit recommendations.
 - ✓ demonstrating the objectivity and fairness of financial and other reporting.
 - ✓ reinforcing the importance and independence of internal and external audit.
 - ✓ providing additional assurance through a process of independent and objective review by a cross party group of elected Members who can, and do, challenge Cabinet Members and Senior Officers.
- 3.2 As the key assurance Committee of the Council it is best practice that an Annual Report is presented to the Council on the operations of the Committee during the municipal year (May 2015 – April 2016). The structure of the report is based on the terms of reference and includes a summary of the business conducted by the Committee during the period (attached as Appendix A).
- 3.3 There were 3 meetings of the Audit Committee in 2015/16 each with comprehensive agendas. In addition to the scheduled meetings, there is also the opportunity to call additional meetings whenever required by Members between the scheduled meetings in June, September and January.

4 PREVIOUS MINUTES

- 4.1 Audit Committee - 17th September 2013; 16th September 2014; 15th September 2015
Council - 21st November 2013; 27th November 2014; 1st October 2015

5 INFORMATION – AUDIT COMMITTEE 2015/16

5.1 Internal Audit

- 5.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the Public Sector Internal Audit Standards (PSIAS - effective from April 2013) and Constitution, highlighting any areas requiring attention by Members. Members were also updated on the procurement process for the 5 yearly External Quality Assessment of Internal audit which will take place during 2016/17.
- 5.1.2 The Internal Audit Plan for 2015/16 was approved by the Committee at the June 2015 meeting and the Internal Audit Charter for 2015/16 was approved by the Committee at the January 2015 meeting.
- 5.1.3 In addition updates and assurances have been provided by appropriate Senior Managers in respect to:
- a) Adult Social Services financial controls;
 - b) Significant projects risks – Better Care Fund;
 - c) Significant project risks – Single Status; and
 - d) Significant project risks - Housing Investment Programme

5.2 External Audit

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

5.3 Governance

- 5.3.1 The Annual Governance Statement 2014/15 was approved at the June meeting after consideration of the supporting information.
- 5.3.2 The September meeting reviewed the Council's Strategic risk register and members requested and received assurances at the January meeting on the management of the risks associated with the Better Care Fund, Single Status and Housing Investment programme significant projects.
- 5.3.3 The 2014/15 Information Governance annual report was presented to the Committee in June 2015. An Information Governance update report was provided for April – July 2015 at the September meeting.

5.3.4 The 2014/15 annual report from the Caldicott Guardian (new report) was presented to the September meeting to outline activities undertaken and to be undertaken. In future this report will be combined with the Internal Audit & Information Governance Annual report.

5.4 Treasury Management

5.4.1 The Committee received the annual report 2014/15, in year updates for 2015/16 and reviewed the 2016/17 strategy prior to approval by Cabinet.

5.5 Statement of Accounts 2014/15

5.5.1 The Statement of Accounts was approved by the Committee following external audit at the September 2015 meeting. As in previous years the approval meeting was preceded by a training session with key Finance staff who explained the statements and the changes that had occurred during 2014/15.

5.5.2 There was an update to the September 2015 meeting in respect to the Council's capital receipts position.

5.6 Anti-Fraud & Corruption

5.6.1 The annual report on the Anti-Fraud & Corruption Policy and Policy update was received in June 2015.

5.7 Complaints

5.7.1 The Committee reviewed the 2014/15 Customer Performance Feedback Report at their September meeting.

5.8 General

5.8.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution. Changes were made in respect to adding that the Caldicott Guardian would report to the Committee and changing that oversight would be of "Commercial Projects" rather than the Commercial Board.

5.8.2 In January 2016 the Committee agreed to undertake a survey to measure their effectiveness and the results were presented to the June 2016 meeting.

5.9 Conclusions for 2015/16 and the future 2016/17

5.9.1 The Committee has considered comprehensive agendas in order to provide assurance for Members and the community on the audit, governance (including information governance), risk management, financial statements, treasury management, complaints and anti-fraud and corruption arrangements of the Council. Many challenging questions

have been asked by Members who have required senior officers to attend and give account for decisions taken and progress in implementing both internal and external audit recommendations.

5.9.2 The Committee recognises that the Council is continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2016/17. Most notable are the organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	Internal reports to the Committee consider any appropriate equalities/diversity issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Environmental Impact	Internal reports to the Committee consider any appropriate sustainability issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Legal Implications	The work undertaken by the Audit Committee during the year 2015/16 assists in ensuring that the Council complies with the statutory requirements set out in the Accounts and Audit Regulations 2015.
Links with Corporate Priorities	The Audit Committee contributes to good governance and the assurance framework. The work of the Committee links to all Council priorities.
Risks and Opportunities	The Audit Committee has an assurance role in the management of the Council's risks and opportunities. The Chairman of the Committee is responsible for the management of the risks and opportunities associated with the committee but supported by appropriate officers.
Financial Implications	The Section 151 officer has a responsibility to ensure that the council has effective internal audit arrangements in place. This report helps to demonstrate that this is the case. There are no financial implications arising from this report. The Audit Committee and support arrangements are fully funded from within existing budgets.
Ward Implications	The operations of the Audit Committee encompass all Council activities and all Council locations. Therefore all Council Wards are affected by its operations.

7 BACKGROUND PAPERS

Audit Committee Papers 2015/16 (including minutes)

Constitution

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

AUDIT COMMITTEE ACTIVITY 2015/16

APPENDIX A

Area	Activity
Internal Audit	<p>Internal Audit Annual Report 2014/15 Quarter 4 2014/15 Update report Internal Audit Plan 2015/16 Adult Social Services Update on financial control Quarter 1 2015/16 Update report Quarter 2 2015/16 Update report Quarter 3 2015/16 Update report Changes to Internal Audit Charter 2016/17 Agreement to the procurement process in respect to the External Quality Assessment of Internal Audit in respect to Public Sector Internal Audit Standards</p>
External Audit	<p>External Audit Fee Letter 2015/16 KPMG Interim Report 2014/15 Annual Governance Report 2014/15 Annual External Audit Letter 2014/15 External Audit Plan Letter 2014/15 Grant Report 2014/15</p>
Governance	<p>Annual Governance Statement (AGS) 2014/15 Half yearly progress on the 2014/15 AGS Action Plan</p> <p>Review of the Strategic Risk Register July 2015 Update from appropriate senior managers in respect to the risks within the following significant projects:</p> <ul style="list-style-type: none"> a) Better care Fund b) Single Status c) Housing Investment Programme <p>Information Governance Annual Report 2014/15 Information Governance Update Report April to July 2015 Information Governance Work programme 2015/16 Caldicott Guardian Annual Report 2014/15</p> <p>Publication of Information on Councillors who Traded with the Council during 2014/15</p> <p>Audit Committee Annual Report 2014/15</p>
Treasury Management	<p>Treasury Management Outturn report 2014/15 & 2015/16 update report Draft 2016/17 Treasury Management Strategy and update 2015/16</p>
Statement of Accounts	<p>Draft Statement of Accounts 2014/15 Approval of the audited Statement of Accounts 2014/15 Capital receipts update September 2015</p>

Fraud & Corruption	2014/15 Annual Report on Corporate Anti-Fraud & Corruption Policy and Policy update
Complaints	Customer Feedback Performance Report – 1 st April 2014 – 31 st March 2015
General	Terms of Reference reviewed June 2015 Outline Audit Committee Business 2015/16

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 20th SEPTEMBER 2016

2016/17 INTERNAL AUDIT QUARTER 1 UPDATE REPORT AND INFORMATION GOVERNANCE UPDATE REPORT TO END JULY 2016

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

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter one - April – June 2016 and the appointment of CIPFA Business Ltd to undertake the External Assessment of Internal Audit against the Public Sector Internal Audit Standards (PSIAS).
- 1.2 To update members on the work of the Information Governance team from April – July 2016.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information contained in this report in respect to the work of Internal Audit and Information Governance for the first part of 2016/17 and the external assessment of Internal Audit against the PSIAS.

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:
“The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan”. The Audit Committee receives regular updates on the work of Internal Audit. This report provides the first update for 2016/17 in respect to quarter one – April – June 2016.
- 3.2 The Councils Information Governance (IG) function forms part of the Council’s Information Security framework and good governance. The terms of reference of the Audit Committee include information governance which consists of several aspects:
 - Data Protection & Privacy
 - Freedom of Information
 - Information Security
 - Information Sharing & Confidentiality
 - Information & Records Management
 - Information Quality & Assurance

- 3.3 This report provides an update to members on the activities of the Information Governance Team during April – end July 2016.
- 3.4 There is also a requirement for the Council 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. However also as part of these Standards there is a requirement for an External Assessment against the Standards to be carried out every 5 years. The Standards were effective from 1st April 2013 so an assessment must be completed by 31st March 2018.
- 3.5 At the January 2016 Audit Committee meeting it was agreed that the collaborative procurement route with Staffordshire County Council managing the procurement would be followed. The process and contract was awarded on 1st July 2016 – 30th June 2018 to CIPFA Business Ltd at a cost to T&W of £6,900 (due to emphasis on quality rather than price). This cost will be met from within the existing budget. The Council's assessment will take place in January 2017 and the results (including an action plan) will be reported to the June 2017 Audit Committee. Undertaking the assessment in January 2017 will ensure that the assessment is completed by 31st March 2018.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 30th 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 15th September 2015 – 2015/16 Internal Audit Quarter 1 Update report and Information Governance Update April to August 2015.
Audit Committee 26th January 2016 – 2015/16 Internal Audit Quarters 2 & 3 Update Report and External Assessment in respect to the Public Sector Internal Audit Standards
Audit Committee 30th June 2016 – 2015/16 Internal Audit Quarter 4 Update Report and Internal Audit Plan 2016/17 and Information Governance Work Programme 2016/17

5 QUARTER 1- INTERNAL AUDIT UPDATE INFORMATION

- 5.1 This report provides information on the work of Internal Audit from 1st April – 30th June 2016 and provides an update on the progress of previous audit reports issued (April 2013 to March 2016).
- 5.2 The key focus for the team during quarter one has been the commencement of the 2016/17 plan and completion of the few audits outstanding from 2015/16 (including a few IT audits). Unfortunately during the quarter we have had a long term absence which has affected the work plan but we were able to readjust before the financial year started. We have also started to plan and undertake some of the key financial systems audits. The specification for the 2016/17 IT audits was developed with responses due mid-July for work to commence in quarter 2.

- 5.3 The following internal audit update report appendices are attached:
- i) **Appendix A** – List of final reports issued in quarter one with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.
 - ii) **Appendix B** – List of all work undertaken for quarter one for a period of 1 day or more.
 - iii) **Appendix C** - Previous graded reports from April 2013 to March 2016 with their current status. (Members should note that once reports have reached a green status and have been reported to members they are excluded from future reports).
 - iv) **Appendix D** – Summary of the 1 red and 3 amber reports issued in quarter one
 - v) **Appendix E** – Abacus update
- 5.4 Appendix A shows 22 reports were issued in quarter one. For the final reports issued the time taken for the areas shown in the table below varied from the allocated time by more than +/- 10%.

Area	Variance (> +/- 10%)	Reason
PIP – Review of bad debts	+20%	Testing took longer than time included in estimate
Public Health SLA's & Memorandum of Understanding	+34.3%	More diverse SLA's and MOU's than original scope had suggested
Letting Agency/Telford Home Finder	+60%	Additional work done in respect to computer systems and also looked as some processes in respect to Nuplace
Wombridge Primary	+13%	Additional testing undertaken on Community Pride Grant.
General ledger	-13%	Undertook work quicker than had estimated.
Bank contract PIR	-15%	Work required was less than estimate
Wrekin View Primary	-14.3%	Very good documents and preparation by the school
Catering Commercial Services - Nursery	-26.6%	Testing reduced once issues had been identified
Mental Health Home from Hospital Process review	-29%	Good processes so reduced testing required
Community Pride Grants	-21.9%	Service area waiting for documents so less to test.

The reasons for the variances are as explained above and the scopes and time allocations for future 2016/17 audits have been informed by this information and will be closely monitored.

- 5.5 From Appendix A there was 1 Red and 3 Amber reports issued during quarter one. A summary of each report is provided in Appendix D. The Red report was produced as a

result of a follow up of the previous direct payments audit (amber) but just the financial aspects were examined. Responsibility for this area has changed and part of the process is now provided externally but the review found that the internal financial monitoring processes still require major improvements. For the other Amber reports management actions and time scales have been agreed to implement the recommendations. Internal Audit is confident that management will implement the recommendations to provide appropriate assurance and improved controls.

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

Audit Area	Days	Explanation
Advice & Consultancy	25	Continued advice and guidance sought due to more commercial approach and staff new to roles and responsibilities due to restructures
Abraham Darby Leisure Centre	15	Additional time due to queries on TLC users and "free" staff TLC cards.
Follow ups	12	Various follow ups and due to re-organisations often new staff are now responsible which increases the time taken to follow up.

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 verbal update by the Chair to June 2016 committee and a further report has been presented - See Appendix E.
2.	Setting up Home grant	Amber	Amber	Follow up sent November 2015 but no response despite a number of reminders. Met service area in April 2016 but were investigating a complaint which has changed processes. Visit due August 2016 to review new processes and to complete follow up.
3.	Transport Adults	Amber	Amber	Follow up completed March 2016 and second follow up commenced June 2016 and chasing responses from service area. Will report to next Committee.
4.	The Place	Red	Amber (see comment)	Second follow up took place August 2016 and outcome has been finalised as Green .
5.	Haughton School	Amber		Follow up visit due September 2016
6.	Newdale School	Amber		Work has been on-going with the school including the provision of training. Follow up delayed until September 2016 at the request of the school as a new School

				Business Manager is starting in September.
7.	ICT 3 rd Party Access	Amber	Yellow	Follow up completed and moved to yellow. Next follow up due October 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 INFORMATION GOVERNANCE UPDATE APRIL – JULY 2016

- 6.1 The IG work programme for 2016/17 was presented and approved at the June 2016 Audit Committee. Appendix F of this report details each task on the programme and a summary of the progress to date on completing each of these. IG has made good progress in respect to completing agreed tasks to date. The majority of tasks that were due for completion have either been completed on time or are within acceptable extended timescales. IG is confident that the remaining tasks on the work programme will be completed in full by the end of 16/17.
- 6.2 The Council has received 379 FOI requests in this period. Out of 356 requests responded to (the remaining 23 requests were not due to be responded to in this period), 338 (95%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 9 days to respond to each request we receive.
- 6.3 The Council has also received 20 EIR requests in the same period. Out of 20 requests responded to, 19 (95%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 80%. It takes on average 11 days to respond to each request we receive
- 6.3 For the same period we had received 21 Subject Access Requests (SARs) under the Data Protection Act 1998. All 10 requests (100%) responded to (the remaining 11 were not due to be responded to in this period) were completed within the 40 calendar day statutory period (compared to the Information Commissioners benchmark of 80%).
- 6.4 Also in this period we have received and responded to 1 appeal from a requestor who was not satisfied with the response they received to their information request – this appeal was partly upheld. In our responses to information requests we provide requestors with details on how they can make an appeal in compliance with relevant information rights legislation. The Audit, Information Governance, Insurance & Investigations Services Delivery Manager/Information Governance & Insurance Team Leader hears all appeals received.
- 6.5 During this period we have received 2 complaints that were made to the ICO by requesters who were unhappy with responses given to their information requests.

The ICO partially upheld the first complaint in that it agreed with the council's application of relevant exemptions under the Data Protection Act 1998 but did confirm that the council were late in responding to the request (we had already apologised to the requester for our late response). The second complaint is still being dealt with by the ICO and an update on this will be presented to the Audit Committee as part of the next IG update report.

- 6.6 The Council takes its responsibility for protecting personal and sensitive information very seriously and therefore encourages an open culture where employees are encouraged to report all actual and potential data breaches in order that we can put measures in place to reduce potential issues in future. In this period we identified 9 data breaches. None of these met the Information Commissioners rationale for reporting serious breaches to them. IG is continuing to work with all service areas where breaches have occurred to ensure they improve procedures and that disciplinary action is taken where appropriate. The table below shows a summary by type of the confirmed data breaches and the number of subsequent formal complaints received. Lessons learnt from security incidents during the first half of the year will be shared across the Council in early October.

Category/Type	Number of cases (%)	Number of Formal Complaints received from Data Subjects
Information accidentally sent/made available to the incorrect recipient	8 (89 %)	8
Inappropriate access of an information system	1	0
TOTAL	9	8

7 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of the Audit & IG Team have attended equal opportunities/diversity training. If any such issues arose during any work the appropriate manager would be notified.
Environmental Impact	All members of the Audit & IG Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	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. 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. 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.
Links with Corporate Priorities	All aspects of the Audit & IG teams work support good governance which underpins the achievement of the Council's objectives and priorities.
Risks and Opportunities	All aspects of the Audit & IG teams work supports managers and the Council to identify and manage their risks and opportunities. 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. 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.
Financial Implications	Financial monitoring is currently showing that Audit, IG, Insurance & Investigations are operating within budget for 2016/17. Audit & IG team members will identify cost implications arising from reviews wherever possible. It should be noted that if the ICO found that the Council was not complying with the information rights legal requirements and a fine was imposed there is no budget identified to fund this. The cost of the External assessment will be met from existing budgets.
Ward Implications	The work of the Audit & IG team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

8 BACKGROUND PAPERS

Annual Audit Plan 2016/17 and Charter

Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013

CIPFA Local Government Application Note – April 2013

Accounts and Audit Regulations – 2015

Information Governance Work Programme 2016/17

Corporate Information Security Policy

Corporate Information Security Breach Procedure

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

APPENDIX A

FINAL REPORTS ISSUED QUARTER ONE – APRIL TO JUNE 2016

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
General Ledger	Yellow	2016-17 audit	38	33	-13%
Contract Waivers	Yellow	October 2016	7.75	7.80	0
Property Investment Portfolio – Review of bad debts	Yellow	October 2016	10	12	+20%
Data Sharing Audit	Yellow	October 2016	TIAA *		n/a
Captain Webb Primary	Yellow	October 2016	7.75	7.71	0
Review of PCI Arrangements	Yellow	October 2016	TIAA *		n/a
Cloud Computing	Yellow	November 2016	TIAA *		n/a
Protocol Application Review	Yellow	November 2016	TIAA *		n/a
Public Health SLA's & MOUs	Yellow	November 2016	5	6.71	+34.3%
Early Intervention	Green	N/A	10	10.3	+3%
M3 Application Review	Yellow	November 2016	TIAA *		n/a
Information Security	Yellow	November 2016	TIAA *		n/a
Lettings Agency/ Telford Home Finder	Yellow	November 2016	5	8	+60%
Wombridge Primary	Amber	September 2016	7.75	8.76	+13%
Millbrook Primary	Yellow	November 2015	7.75	7.36	-5%
Bank Contract PIR	Yellow	N/A	8	6.8	-15%
Wrekin View Primary	Amber	September 2016	7.75	6.64	-14.3 %
Deferred Payments	Yellow	November 2016	8	7.7	-8.8%
Direct payments follow up (Personal budgets)	Red	August 2016	n/a	2.6	n/a
Catering Commercial Services	Amber	November 2016	10	7.34	-26.6%
Mental Health Home From Hospital Process Review	Green	N/A	7	5	-29%
Community Pride Grants	Yellow	December 2016	7	5.47	-21.9%

* Work undertaken by specialist third party contractor under framework contract

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

Audit Area	Days
Abraham Darby Leisure Centre	15
Adult Social Care	1
Advice & Consultancy	25
Annual Governance Statement Certification	6
Aqueduct School	7
Bank contract review	1
Captain Webb Primary School	1
Catering - Commercial Nurseries	7
Children's Brokerage	3
Children's arrangement orders	4
Community Support Finance	9
Contract Waiver Review	1
Core Groups Process review	7
Corporate Leases review	3
Council Tax / NNDR	4
Early Intervention	1
IT Audit contract management	3
Follow ups	12
Fraud & Compliance	3
GPC & Procurement	5
Health & Safety processes review	9
Home Education process review	1
Home from Hospital audit review	5
Madeley Town Council audit	1
Making Safeguarding personal	7
Newdale School Training	1
Oakengates Town Council audit	1
Payment Card Industry Compliance	1
Pride in the Community process review	5
PIP – review of bad debts	1
PSE (Payroll/HR) Upgrade	1
Section 17 payments follow up	1
Sickness Monitoring - Early Help & Support	7
Social Media policy compliance	2
St Lawrence Primary School	1
St Matthews Primary Follow up	6
St Peters & Paul's School	1
St Peters Edgmond	5
Support Planning - Early Help & Support	8
Temporary Accommodation	5
The Bridge School	3

The Place - Follow up	6
Treasury Audit 2016-17	2
Wombridge Primary School	1
Wrekin View Primary School	1

STATUS ON FINAL REPORTS ISSUED APRIL 2013 TO MARCH 2016

APPENDIX C

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 31.07.16
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 (see Appendix E).
Digitisation report	Yellow		Follow up due September 2015	Further follow up meeting with ICT SDM due May 2016.
Charlton School	Amber	Green	Follow up due September 2015	2 nd follow up complete moved to Green
Section 17	Amber	Yellow	Follow up due November 2015 Second Follow up due May 2016	2nd Follow up complete and moved to Yellow, new processes are being put into place therefore this will be reviewed again.in December once they have had chance to embed
ICT Incident and Capacity Management	Yellow		Follow up due September 2015	Further follow up meeting with ICT SDM due May 2016.
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. Visit due August 2016
Financial Assessment review	Amber	Yellow	Follow up due January 2016	Follow up sent March 2016 and completed and moved to Yellow.
Transport (adults)	Amber	Amber	Follow up completed March	Next follow up in progress; follow up sent and returned but further evidence required. Will report to next Committee.
Leaving care – review of process	Amber	Yellow	Follow up completed July 2016	Response received but new officer in post and further discussions taking place. Therefore will report to next Committee. Next follow up due October 2016
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

STATUS ON FINAL REPORTS ISSUED APRIL 2013 TO MARCH 2016

APPENDIX C

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 31.07.16
Windmill Primary School	Yellow	Green	Follow up due March 2016	Follow up complete
Wrockwardine Wood Junior	Yellow	Green	Follow up due March 2016	Follow up complete
Horsehay	Yellow		Follow up due April 2016	Follow up in progress
Car Parking & Enforcement (Excluding Multi-Storey)	Yellow	Yellow	Follow up due June 2016	1st follow up complete remains yellow, 2 nd follow up due December 2016
Adult Social Care Payments	Yellow	Yellow	Follow up due April 2016	1st follow up complete remains yellow 2 nd follow up due December 2016
Donnington Wood Junior School	Yellow	Green	Follow up due May 2016	Follow up complete
Multi Storey Car park - Southwater	Amber	Yellow	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. The school converted to Academy status from 1 st April 2016 so no follow up will be carried out.
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	Green	Follow up June 2016	Follow up complete
Woodlands Primary	Yellow		Follow up due July 2016	In progress
The Place	Red	Amber	Follow up completed April 2016	Next follow up August 2016 – completed and finalised and has moved to Green.

STATUS ON FINAL REPORTS ISSUED APRIL 2013 TO MARCH 2016

APPENDIX C

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 31.07.16
ICT Risk Management	Yellow		Follow up due August 2016	
ICT Help Desk	Yellow		Follow up due August 2016	
Haughton School	Amber		Follow up due May 2016	Visit September 2016 – to be arranged with the school
GIS Application Review	Yellow		Follow up due December 2016	
Pre & Post 16 Transport for Education and Training	Amber	Yellow	Follow up due June 2016	1 st Follow up completed moved to yellow, 2 nd follow up due December 2016
ICT Third Party Access	Amber	Yellow	Follow up complete	Next follow up due October 2016
St Peters School, Bratton	Amber	Yellow	Follow up due June 2016	2 nd follow up due October 2016
Newdale Primary	Amber		Follow up due June 2016	Work has been on-going with the school. Follow up delayed until September '16 at request of school who have a new School Business Manager starting in September.
Lightmoor Village Primary	Yellow		Follow up due Sept 2016	
ICT programme & Project management	Yellow		Follow up due Sept 2016	
Town Park (including Visitor Centre)	Red	Yellow	Follow up completed June 2016	Next follow up due September 2016
P2.net – Concerto Application Review	Yellow		Follow up due Sept 2016	
ICT Contract Management Arrangements	Yellow		Follow up due Sept 2016	
Business continuity	n/a		Follow up due Sept 2016	

RED AND AMBER SUMMARY REPORTS QUARTER ONE 2016/17

RED REPORT - HIGH VALUE DIRECT PAYMENTS

1. Introduction and Scope

- 1.1 During October 2015 an investigation was undertaken into the suspected abuse by a client of their direct payment. As a result of this the Community Casework SDM requested that as a follow up to this that some spot checks into high value direct payments should be undertaken.
- 1.2 An audit review commenced in January 2016 to carry out these checks and to provide feedback on the direct payments records, process and monitoring.

2. Management Summary and Overall Opinion

- 2.1 It is noted that the service area have gone out to tender for direct payment support services, this has not been reviewed as part of this audit and will be followed up as part of a separate contract monitoring audit.
- 2.2 T&W Council will continue to be responsible for the monitoring of client's finances and therefore this has been reviewed as part of this audit. Although there are 349 direct payment client's only a sample of 10 were checked as part of this audit due to the lack of financial monitoring and supporting documentation.
- 2.3 The level of assurance for the spot checks undertaken by this review is **Poor** (red) – of the cases reviewed *controls are weak and there is evidence of non-compliance with the controls that do exist*. 5 recommendations were made 60% were high risk financial regulation and 40% were medium risk.
- 2.4 The key issues identified by this audit are shown below:
 - Bank statements are not being checked regularly. This would identify unspent money which could be reclaimed by the Authority. .
 - Large bank balances suggests that the client is not using the entire personal budget allocated to meet their support plan. It has been confirmed that at the time of the audit that direct payments were not reviewed when care plans are reviewed.
 - Abacus is not currently working for direct payments and therefore payments have to be manually entered into Agresso by the payments team which is time consuming but also increases the risk of errors occurring due to manual intervention.
 - The support planning team do not receive death lists and therefore could continue to make payments when no longer required.
 - There does not appear to be consistency in filing/saving of information in respect to care plans and financial information and therefore evidence/supporting information is difficult to find.
 - There is a lack of financial monitoring being undertaken of DP client's finances

AMBER REPORTS

CATERING - COMMERCIAL NURSERIES

1. Introduction and Scope

- 1.1 An audit review commenced in April 2016, to provide an opinion on the control environment and a level of assurance for Catering – Commercial Nurseries. The scope of the audit was agreed by the Group Catering Manager. We would like to thank the following for their help during the audit:
- ❖ Group Catering Manager
 - ❖ Business Support Officer Education & Commercial Catering
 - ❖ Catering Team Leader

2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out, our opinion based on the level of assurance provided by the controls for this audit area is Limited. Whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 2.2 Recommendations have been made to strengthen the controls found to require improvement with risk ratings of High, Medium, and Low to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High	1	11%
Medium	7	78%
Low	1	11%
Total	9	100%

- 2.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in relation to Catering - Commercial Nurseries.

WOMBRIDGE PRIMARY SCHOOL

1. Introduction and Scope

- 1.1 An audit review was commenced on 9th February 2016, to provide an opinion on the control environment and a level of assurance for Wombridge Primary School. We would like to thank the Headteacher, the Assistant Heads and Office Manager for their help during the audit.

2. Good Practice Areas

- 2.1 During the audit an area of good practice within the processes for Wombridge Primary School was identified as there is a comprehensive staff handbook which includes financial procedures.

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 with risk ratings of High, Medium, and Low for each recommendation to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High		
Medium	23	88%
Low	3	12%
Total	26	100%

- 3.3 As part of the audit process we also identified a minor item that did not require a recorded recommendation but was discussed at the closure/draft discussion meeting with the Head and the Assistant Head.
- 3.4 As part of this audit we 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	Not Implemented
Legal Requirement	2	
Financial Regulation	2	2
Policy/Procedure	3	
Best Practice	1	
Total	8	2

- 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 at Wombidge Primary school.
- 3.6 It was identified during the audit that the office manager was unaware of some of the financial and general procedures that are part of this role. To assist, the school could consider support/training from an experienced School Business Manager (SBM). If you would like details of an appropriate SBM then please contact the Audit team for contact details.

WREKIN VIEW PRIMARY SCHOOL

1. Introduction and Scope

- 1.1 An audit review was commenced on 19th April 2016, to provide an opinion on the control environment and a level of assurance for Wrekin View Primary School. We would like to thank the Headteacher, Schools Business Manager, Administrators and Wrap Around Care Officer (Breakfast Club) 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 Wrekin View Primary were identified. These included:

- ✳ The school website is very informative and easy to navigate.
- ✳ Records of Governors meetings filed clearly by term and include all supporting documentation.
- ✳ There is a comprehensive staff handbook in place
- ✳ Each imprest claim has a reimbursement form and the cheque is photocopied and attached to the form.
- ✳ When an invoice is paid through school fund or imprest it is attached to an authorisation slip and a copy of the cheque is attached.

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.

3.2 Recommendations have been made to strengthen the controls found to require improvement and these are set out with risk ratings of High, Medium, and Low to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High	1	4%
Medium	16	73%
Low	5	23%
Total	22	100%

3.3 As part of the audit process we also identified a couple of minor items that did not require recorded recommendations but were discussed at the closure/draft discussion meeting with the Headteacher and School Business Manager.

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

Recommendation Category		Implemented	Not Implemented
Legal Requirement			
Financial Regulation	10	10	
Policy/Procedure	8	5	3*
Best Practice			
Total	18	15	3*

*These recommendations have been reiterated in this report.

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 Wrekin View Primary School. However it was pleasing to see that the majority of recommendations made in the report had already been actioned by the time the audit report was agreed and issued.

Subject:	Early Help & Support Abacus System Update for Audit Committee September 2016
Author:	Service Improvement & Efficiency Team
Date:	09/09/16

Context

Previous systems updates presented to the Audit Committee on 26/1/16 and the Chair and Vice Chair on 27/4/16 to demonstrate progress on the delivery of the following requirements:

- Care Act 2014 compliant
- Improved financial controls
- Accurate recording of client expenditure and income
- Improved process efficiency (via an interface between CareFirst and Abacus)
- Statutory reporting requirements (SALT (Short & Long Term Care return) and ASC-FR (Adult Social Care Finance Return))

September 2016 Progress Update

1. Upgrade Abacus to B170R1

Upgrade necessary in order for all future work to progress.

Update:

Completed 1/12/15.

2. Deferred Payments Module (Care Act)

Deferred Payments already exist within Abacus via the A4W property module. However this latest module has been created in response to the Care Act. Deferred Payments functionality introduces system workflows, alerting users to action required, it automates the calculation of how long it will take a client to reach their equity limit and provides automatic calculation of interest and administration charges. This will reduce margin for error, make the process more efficient and allow for close monitoring/tracking.

Update:

Go Live completed as planned January 2016.

3. CareFirst Client Interface with Abacus

This will ensure that when the Brokerage Team set up a service for a client in CareFirst, the client information (demographics) will be pushed through to Abacus. This will make the process more efficient by avoiding double inputting of information and ensure that all appropriate clients do have an Abacus record, which has not been the case to date.

Update:

CareFirst Client Interface with Abacus completed 28/7/16.

4. Residential Payments Extranet

This will allow payment to providers two weeks in arrears but remove the requirement to pay two weeks in advance. This should reduce the need to amend and claw back any over-payments to providers when residents have moved out or passed away, giving a more accurate and up-to-date position on budget projections. This will also save time spent sending remittance advice, by the Payments Team.

Update:

System work has been completed in the Test environment and is ready to Go Live in October. The new method of sending remittances has been introduced at the Provider Forum and training will be rolled out to all Providers by the Commissioning Team between October and December.

5. Service Order/Contract Shape Changes/Data Cleansing

This is a key piece of work which will streamline and simplify setting up of Service Orders on Abacus and allow the full interface from Service Agreements in CareFirst. There are currently 622 contract shapes, i.e. types of care, in Abacus and these will be reduced to just 6. This will give a robust flow of contract information from CareFirst to Abacus, avoiding duplication of contract set up and, crucially, accurate closure of CareFirst Service Agreements, which will automatically end payments as appropriate via Abacus.

Update:

Final stage of planning/preparing the testing schedule has now been completed. There has been a technical delay to implementation into the TEST system which is with the supplier to resolve. When resolved, testing will commence with transfer of recording and GO LIVE to follow thereafter.

6. Direct Payments Module

Direct Payments are currently recorded on a spreadsheet and payment made via Agresso. The new Abacus module will be consistent with Service Orders, i.e. payments for all non-residential services will be managed in Abacus in the same way and will all be driven by Service Orders. Service Orders within Abacus will mirror Service Agreements recorded in CareFirst, simplifying the import of data onto Abacus and improving integration. Direct Payment functionality will be fully managed within Intranet, streamlining the day to day administration of Direct Payments. Greater clarity of information relating to Direct Payments will be provided, minimising errors occurring when generating payments and reducing the number of queries likely to be raised by clients.

Update:

A planned upgrade to Abacus is required before implementation can be completed. Systems set up and GO LIVE is planned for October.

7. Statutory Reporting Requirements

Update:

Work has been carried out to ensure we are able to meet our statutory responsibilities in terms of reporting of SALT (Short and Long Term reporting) and ASC-FR (Adult Social Care Finance Reporting).

8. Care Act 2014 Compliance

Update:

In addition to the work listed above, the Business Systems Support Team have completed the following:

- CarePath upgrade
- Implementation of the NHS England Accessible Information Standard to CareFirst and CarePath
- Benefits and Residential Fee uplift into Abacus
- Development of a robust training plan to ensure all workers are competent in all aspects of CareFirst/CarePath/Abacus recording
- CareFirst upgrade
- CareSupport end of year processes

Information Governance (IG) Work Programme 2016/17

No	Task	Completion date	Progress as at end July 16
1	Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO.	Ongoing	On-going
2	Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income.	Ongoing	On-going
3	Keep the T&W commercial website up to date to support the above.	Ongoing	On-going
4	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing	On-going
5	Support service areas to address any information security risks that arise.	Ongoing	On-going
6	Support information sharing and the production of information sharing agreements.	Ongoing	On-going
7	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications.	Ongoing	On-going
8	Review and promote the CISP	End of April 16	Review completed and CISP will be promoted by end of Sept.
9	Finalise and promote Information Asset Owner guidance	End of June 15	Complete
10	Agree and deliver an IG training and awareness programme.	Agree programme (with SIRO) – End May 16 Deliver programme throughout 16-17	Agreed On-going
11	Update compliance work programme and undertake activities	Agree programme (with SIRO) – End May 16 Deliver programme throughout 16-17	Agreed On-going

No	Task	Completion date	Progress as at end July 16
12	Review the Councils privacy notice and update where necessary.	End of June 2016	Notice has been updated and will be published on website by end of Sept.
13	Complete Ollie module for classification scheme and promote scheme and policy.	End of July 2016	Module completed. Policy completed Module and policy due for soft launch by end of Sept.
14	Report to the Audit Committee on progress against the work programme and any issues arising.	September 2016 June 2017	Complete
15	Produce gap analysis for the General Data Protection Regulations.	November 2016	On-going
16	Investigate channel shift options including use of disclosure log, open data, publication scheme and other communications from IG	September 2016	On-going
17	Review the IG strategy, update and get approved.	End of October 2016	Not started
18	Review the need for public task statement. Example : https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=6&ved=0ahUKEwiElejE-abLAhVCTBQKH2MArYQFgg5MAU&url=https%3A%2F%2Fwww.leicester.gov.uk%2Fmedia%2F180379%2Fpublic-task-statement-2015.pdf&usg=AFQjCNEURU1rVbH_f2bmY_kYyUbjDDZSw	End of December 2016	Not started
19	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	Not started
20	Create outstanding policies from the IG security framework and disseminate changes across the Council.	End of March 2017	Not started
21	Complete N3 connection assessment for central government.	End of March 2017	Not started
22	Implement findings of the IG related audits	As required in each audit report	Ongoing

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 20TH SEPTEMBER 2016

APPOINTMENT OF EXTERNAL AUDITORS BY 31/12/17 FOR APRIL 2018 ONWARDS

REPORT OF THE CHIEF FINANCIAL OFFICER

1. Purpose of Report

- 1.1. This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 1.2. The Audit Committee changed their terms of reference at the June 2016 meeting and these changes were ratified by Council in July 2016. The changes included that the “Committee recommend the appointment of the External Auditors to the Council”.
- 1.3. This report:
 - a) sets out the options available for the future appointment of external auditors under the relevant legislation;
 - b) seeks the agreement of the Audit Committee for the Council to opt into the Sector Led Body (Public Sector Audit Appointment Ltd - PSAA) procurement route and recommends that the Council approves opting into the PSAA for the procurement of the External Auditors;
 - c) a further report will be presented to the September 2017 Audit Committee so that the Audit Committee can recommend to full Council the appointment of External Auditors by 31 December 2017 ready for 1st April 2018.

2. Recommendations

2.1 Members are required to:

- a) Note the information and options available as set out in section 4 of the report;**
- b) That the Audit Committee agrees that the Council uses option 3, the national Sector Led Body (SLB) appointed by the Government – Public Sector Audit Appointments Ltd to undertake the procurement;**
- c) That the Audit Committee recommends that full Council approves opting into the PSAA for the purpose of appointing External Auditors for 2018/19 onwards;**

- d) Agree that the CFO (or their delegated officer) takes appropriate actions following the Council decision to opt into the PSAA procurement process and engages with the PSAA to inform their specifications and proposed supplier in order to ensure appropriate independence; and**
- e) Note that a further report will be presented to the Audit Committee in September 2017 so that the Committee can agree and recommend the appointment of the External Auditor to full Council by 31 December 2017.**

3. Background

- 3.1. The Local Audit and Accountability Act 2014 (“the Act”) brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of external audit fees for all local government and NHS bodies in England.
- 3.2 On 5 October the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18
- 3.3 The Council’s current external auditor is KPMG, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently being managed by Public Sector Audit Appointments Limited (PSAA Ltd), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years we have benefited from reductions in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council’s current external audit fees are just over £117,000 per annum (excluding grant certification fees).
- 3.4 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the external auditor. There are three options by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share.

When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.

- 3.5 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council’s external audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

3.6 In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, a principal authority will need to make the decision to opt in at full Council.

4. Options for local appointment of External Auditors

4.1. There are three broad options open to the Council under the Act:

Option 1 To make a stand-alone appointment

4.2. In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This option means that the current Audit Committee/elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting/recommending the auditor appointment to the Council. This is because we do not have an existing independent committee suitably constituted to do this.

Advantages/benefit

4.3. Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

4.4. Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost at least £15,000 plus on going expenses and allowances

4.5. The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

4.6. The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

4.7. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

4.8. The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

4.9. There is an opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- 4.10. The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- 4.11. The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 Opt-in to a sector led body

- 4.12. In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. The Secretary of State has concluded the process of appointing the sector led body and this is Public Sector Audit Appointments Ltd (an independent company limited by guarantee incorporated by the Local Government Association). The PSAA will be able to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. The benefits to members of joining the PSAA are set out in their prospectus (July/August 2016) to develop the national scheme and are listed in Appendix A.
- 4.13. In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, a principal authority will need to make the decision to opt into the PSAA at a full council meeting. The Audit Committee would therefore need to recommend this option for the decision to be made by full council.

Advantages/benefits

- 4.14. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities
- 4.15. By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local packages and negotiation
- 4.16. Any conflicts at individual authorities would be managed by the PSAA who would have a number of contracted firms to call upon.
- 4.17. The Council will not need to set up an Auditor Panel and so the process of appointing local independent members would not be required. Instead the PSAA will act in the collective interests of the 'opt-in' authorities.

Disadvantages/risks

4.18. Individual elected members will have less opportunity for direct involvement in the appointment process other than through the PSAA and/or stakeholder representative groups.

4.19. In order for PSAA to be placed in the strongest possible negotiating position they may need Councils to indicate their intention to opt-in before final contract prices are known.

4.20. All options comply with the Councils contract regulations.

5. OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	Any procurement and ensuing external audit work will comply with equalities and diversity legislation.
Environmental Impact	Any procurement and contracts established will encompass appropriate sustainability issues.
Legal Implications	<p>Section 7 of the Local Audit and Accountability Act 2014 (“the Act”) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.</p> <p>Section 12 of the Act makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.</p> <p>Regarding option 3 in the report above, section 17 of the Act gives the Secretary of State the power to make regulations in relation to an ‘appointing person’ specified by the Secretary of State. This power was exercised in the Local Audit (Appointing Person) Regulations 2015/192 (“the Regulations”) and this gave the Secretary of State the ability to enable a Sector Led Body to become the appointing person.</p> <p>. Effectively this means that the Council will ask the ‘appointed person’ (sector led body) to undertake the local auditor selection process on its behalf and make recommendations back to the council for approval. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, sets out that a principal authority will need to make the decision to opt into the PSAA at a full council meeting.</p>
Links with Corporate Priorities	Independent External Auditors contribute to the good governance arrangements of the Council and serving the community in the most cost effective way.
Risks and Opportunities	There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to manage the risks and achieve successful transition to the new arrangement in a timely and efficient manner.
Financial Implications	It is anticipated that the Sector Led Body option will result in a lower fee than could be negotiated by an individual authority locally, through economies of scale from the large scale contracts negotiated by PSAA Ltd. In addition PSAA Ltd have indicated that:

	<ul style="list-style-type: none"> • there will not be a fee to join the sector led arrangements; • the greater number of authorities who opt in will result in greater economies of scale; therefore PSAA have requested that authorities indicate their intention early in 2017, prior to the actual audit fees being known; • The actual audit fees will not be known until later in the process and will reflect the size of the authority, the audit risk and complexity of work required; • PSAA Ltd is a not-for-profit organisation and will return any surpluses to participating authorities. <p>Following this option the Council will also avoid the costs of running a separate procurement process and the costs associated with having an independent Auditor Panel.</p> <p>It is hoped that the audit fee will be accommodated within the current revenue budget available; however as the external audit function is a statutory requirement any additional cost incurred will be built into the budget strategy as appropriate. PH 30/8/2016</p>
Ward Implications	The work of the external auditor encompasses all Council activities and all Council locations. Therefore all Council Wards could be affected by its operations.

6. BACKGROUND PAPERS

Local Audit and Accountability Act 2014

Local Audit (Appointing Person) Regulations 2015 (SI 192)

PSAA Ltd – Developing the option of a national scheme for local auditor appointments

Report by Jenny Marriott, Audit, Information Governance, Insurance & Investigation services SDM 383101; Matthew Cumberbatch – Democratic & Legal Services Manager; Pauline Harris – Finance Manager – Corporate Finance & Customer Services.

PSAA - Developing the National Scheme for Local Auditor Appointments

Benefits for participating bodies include:

- assured appointment of a qualified, registered, independent auditor
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/ joint working initiatives or combined authorities, if the parties believe that it will enhance efficiency and value for money
- on-going management of independence issues
- securing highly competitive prices from audit firms
- minimising scheme overhead costs
- savings from one major procurement as opposed to a multiplicity of small procurements
- distribution of surpluses to participating bodies
- a scale of fees which reflects size, complexity and audit risk
- a strong focus on audit quality to help develop and maintain the market for the sector
- avoiding the necessity for individual bodies to establish an auditor panel and to undertake an auditor procurement
- enabling time and resources to be deployed on other pressing priorities
- setting the benchmark standard for audit arrangements for the whole of the sector