



Telford & Wrekin  
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

## AUDIT COMMITTEE

Date **Tuesday 27 June 2017** Time **6.00pm**  
Venue **Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford TF3 4NT**

### Enquiries Regarding this Agenda:

Democratic Services	Stacey Worthington	01952 382067
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Committee Membership: Councillors **R J Sloan (Chair)**, **C F Smith (Vice Chair)**,  
I T W Fletcher, R Mehta, 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 31 January 2017  
Page No:
- 4. Review of Audit Committee Terms of Reference** **Appendix B**  
To note the Terms of Reference  
Page No:
- 5. KPMG Reports**
  - Interim Visit Letter 2016/17** **Appendix C**  
To receive the letter from KPMG  
Page No:
  - External Audit Plan 2016 / 17** **Appendix D**  
To receive the report from KPMG  
Page No:
  - Fee letter 17/18** **Appendix E**  
To receive the letter from KPMG  
Page No:
- 6. Update on Amber Reports**  
To receive the update report of the Managing Director.

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|-----|---|-------------------------------|
| 7.  | <b>Treasury Management – 2016/17 Annual Report and 2017/18 Update</b><br>To receive the report of the Assistant Director: Finance & Human Resources and Chief Financial Officer   | <b>Appendix F</b><br>Page No: |
| 8.  | <b>Draft Statement of Accounts 2016/17</b><br>To receive the report of the Assistant Director: Finance & Human Resources and Chief Financial Officer  | <b>Appendix G</b><br>Page No: |
| 9.  | <b>The Annual Governance Statement 2016/17 and Updated Local Code of Good Governance</b><br>To receive the joint report of the Chief Financial Officer and the Monitoring Officer   | <b>Appendix H</b><br>Page No: |
| 10. | <b>2016/17 Internal Audit Quarter 4 Update Report including results of the External Assessment and Internal Audit Plan 2017/18</b><br>To receive the report of the Audit & Governance Team Leader   | <b>Appendix I</b><br>Page No: |
| 11. | <b>2016/17 Annual Internal Audit, Information Governance and Caldicott Guardian Report &amp; 2017/18 Information Governance Work Programme</b><br>To receive the joint report of the Audit & Governance Team Leader, the Assistant Director: Early Help & Support, and the Family Connect SDM | <b>Appendix J</b><br>Page No: |
| 12. | <b>2016/17 Anti-Fraud &amp; Corruption Annual report and updated Policy 2017/18</b><br>To receive the report of the Assistant Director: Governance, Commissioning & Procurement   | <b>Appendix K</b><br>Page No: |
| 13. | <b>Outline of Business 2017/18</b><br>To receive the report of the Governance & Legal Services Manager  | <b>Appendix L</b><br>Page No: |

## AUDIT COMMITTEE



### Minutes of a meeting of the Audit Committee held on Tuesday, 31 January 2017 at 6.00pm in Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford

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

**In Attendance:** M Breese (Manager, KPMG) K Clarke (Assistant Director Finance and Human Resources) (until 6.43pm), T Drummond (Principal Auditor), P Harris (Finance Manager: Corporate & Capital) (Until 6.43pm), J Eatough (Assistant Director: Governance, Procurement & Commissioning), J Marriott (Service Delivery Manager: Internal Audit, Information Governance & Insurance), R Montgomery (Information Governance & Insurance Team Leader), B Morris (Finance Team Leader) (Until 6.43pm), I Pennington (Director KPMG), S Worthington (Democratic and Scrutiny Services Officer).

#### **AUC 29      Apologies for Absence**

Councillor A Lawrence.

#### **AUC 30      Declarations of Interest**

Councillor D G Wright declared an interest in minute number 34 due to being a member of the Local Government Pension scheme.

#### **AUC 31      Minutes**

The Chair noted his thanks to Adam Bunting, KPMG for his contribution and support to the committee.

**Resolved – that the minutes of the meeting of the Audit Committee held on 20 September 2016 be confirmed and signed by the Chairman.**

#### **AUC 32      KPMG ANNUAL AUDIT LETTER 2015/16**

The Committee received the annual audit letter from KPMG, who advised that this was a report which was required to be issued to Local Authorities on an annual basis. No new information had been included in the report; it was a summary on information previously provided.

#### **AUC 33      GRANTS REPORT 2015/16**

The Committee received the Grants report, presented by KPMG, who advised that this report looked at two arrangements; the housing benefit return and the teachers' pension. There were no findings, which was described as positive.

In respect of the housing benefit arrangements, this was a complex area, and easy to get wrong. The Committee asked what percentage of cases were audited; 20 to 40 cases were

initially looked at under each category, with additional cases being covered if any issues were found. This methodology was supported by PSAA.

Members recommended that a commendation be passed to Angie Astley, Assistant Director: Neighbourhood & Customer Service, in respect of the positive findings in respect of the Revenues and Benefits service.

#### **AUC 34      EXTERNAL AUDIT PLAN 2016 / 17**

The Committee received the report of the external auditors, presented by KPMG, who advised that the report was broadly similar to the previous years and noted the materiality figure of £4.5 million. Errors smaller than £250,000 were noted to be 'trivial', however, if issues of fraud were discovered, then the levels are dropped to consider these smaller amounts.

In regards to the significant risks, two standard risks were noted in respect of management override of controls and fraudulent revenue recognition. An additional risk was also identified in respect of the significant changes in the pension liability due to LGPS Triennial Valuation.

KMPG advised the Committee that the approach was broadly similar to previous years. In regards to the presentation of financial statements and accounts preparation, the main changes were that new formats and reporting requirements were to be introduced. There was one significant risk identified in regards to the Value for Money Arrangements (VFM) in respect of budget delivery, but the approach was similar to the previous year.

One elector question remained outstanding; clarification was awaited from the Information Commissioner's Office in regards to what information could be released to the elector. The Information Governance & Insurance Team Leader was requested to chase the ICO and update the Committee on progress.

KPMG advised that the annual fee had been set out in the annual fee letter. There was an additional fee charged in relation to the audit of the NuPlace accounts. In response to a question, KPMG advised that although NuPlace was a separate company, it was wholly owned by the Authority.

#### **AUC 35      2017 / 18 TREASURY STRATEGY AND TREASURY UPDATE REPORT**

The Committee received the Treasury strategy and update report. The Committee were advised that the approach the Council had been taking in recent years had been to limit investments in third parties, to reduce exposure to counterparty risk. At some point, the Council would need to lock into fixed term interest rates and the budget had been prepared to enable this to happen at any point. This decision would be taken after consultation with the Arlingclose, a firm of specialist treasury management advisors for local authorities. The Council had some commercial borrowing, including investments in NuPlace, which was

intended to bring in revenue over and above all associated costs to help reduce the amount of cuts to front line services that would otherwise be required.

In response to a question, the members were informed that the current rate of service debt repayment for the Council was 6.9%, which is well below the average rate for a unitary authority which was 10%.

Members questioned how quickly decisions were made in respect of short term borrowing and were advised that these decisions were taken by the Assistant Director: Finance and Human Resources, under delegated authority. These decisions could be made within a few hours, to ensure that the best rates could be achieved. Members were advised that short term loans were considered to be loans that were under 12 months, although some were two to three months and some only overnight.

In respect of the Treasury Management Update, the Council had taken out three new loans, totalling £15m and three LOBOs had been converted to maturity loans, which were a reduced risk.

In respect of the Treasury Strategy, the Council was expected to be required to borrow up to £39.8m in 2017 / 18. A limit of £15m had been put on any one counterparty for investments to ensure prudent diversification.

It was noted there may be some changes to the Treasury Strategy before it was presented to Cabinet as further information was available. Members of the Audit Committee would be provided with updated information.

In response to a question, KPMG advised that the external auditors would inform the Council if they considered that the Council were over borrowing or if the investments were too risky, this formed part of the VFM arrangements. KPMG advised that they had previously had to inform other Authorities of their concerns regarding their borrowing; they would also have to inform the Authority if they believed there were plans to do something unlawful but had never had to do so at Telford & Wrekin.

**Resolved unanimously that**

- (a) The treasury management activities for the first half year be noted; and**
- (b) The treasury management policy statement (Appendix A) be noted; and**
- (c) To RECOMMEND TO COUNCIL that the Treasury Strategy, including the Annual Investment Strategy for 2017/18 together with the associated treasury Prudential Indicators and the Minimum Revenue Provision Statement, which will apply from 2016/ 17 onwards, be approved.**

The Committee received the report of the Service Deliver Manager: Audit, Information Governance, Insurance & Investigation Team in respect of the work of Internal Audit for quarters 2 and 3. 30 reports were issued in quarters two and three, of which, 9 were amber. Follow ups on some of these reports had already been completed; Community Support Finance had moved to green, Abraham Darby Leisure Centre to yellow and Treasury Management to green. Core Groups, Brokerage and Foster Care payments remained amber.

The SDM continued to undertake quarterly Quality Assurance and Improvement Programme spot checks and had not identified any issues in quarters one or two. The External Assessment was undertaken during the week commencing 9<sup>th</sup> January. There were several recommendations from this assessment, which would be reported to the Committee at the June meeting.

Some members raised their concerns regarding the amber reports, that there was evidence that staff were not complying with key controls, members were advised that this was standard wording but the audits covered a wide variety of services, some of which had been audited for the first time. Recommendations were given following each audit, and then follow ups took place to ensure these recommendations were implemented.

Members requested that the Managing Director be invited to the next Audit Committee to discuss the members concern regarding Amber and Red Audits.

Local Authorities were required to have an Internal Audit Charter and an updated Charter had been included in the agenda. The updated Charter now included:

- Further updates to the Public Sector Internal Audit Standards;
- Formalisation to ensure transparency of how potential conflicts in respect to the audit of non-audit functions that the Audit SDM (CAE) is responsible for were managed;
- The resources available for 2017 / 18;
- Other minor changes to reflect the changing organisation.

#### **Resolved that**

- (a) The information contained in the report be noted; and**
- (b) The Internal Audit Charter 2017 / 18 attached as Appendix E be approved.**

#### **AUC 37      UPDATE ON THE ANNUAL GOVERNANCE STATEMENT 2015 / 16** **ACTION PLAN**

The Service Delivery Manager: Audit, Information Governance, Insurance & Investigation advised the Committee that the Action Plan was part of the 2015/16 Annual Governance Statement.

**Resolved that the progress made against the actions in the AGS Action Plan in Appendix 1 be noted.**

The meeting ended at 7.05pm

**Chairman:** .....

**Date:** .....

**1 SUMMARY OF MAIN PROPOSALS**

1.1 For the Audit Committee to note and recommend to Council the Audit Committee's terms of reference included in the papers to the Council's Constitution Committee that are proposed to be adopted by the Council in July 2017

**2 RECOMMENDATION**

2.1 That members of the Audit Committee note and recommend the terms of reference attached as Appendix A to be adopted (through the Council's Constitution Committee) by the Council in July 2017

**3 SUMMARY IMPACT ASSESSMENT**

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

**4 INFORMATION**

4.1 There is a requirement in the Constitution for all Committees to annually review their terms of reference at their first meeting following Annual Council.

4.2 The Audit Committee terms of reference reflect the requirements of the Council under the Local Audit & Accountability Act 2014 in respect to the appointment of external auditors.

**5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

N/A

**6**    **PREVIOUS MINUTES**

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

**7**    **BACKGROUND PAPERS**

Constitution

The Accounts & Audit Regulations 2015

Local Audit & Accountability Act 2014

Report by Tracey Drummond – Principal Auditor 383105

## Audit Committee

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

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

1. The approval (but not direction) of, and monitoring of progress against, the internal audit Charter and plan.
2. Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
3. To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee – governance (including information governance), internal audit, risk management, statement of accounts and external audit.
4. The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.
5. External Auditors:
  - a) Recommend the appointment of the External Auditors to the Council
  - b) Review and agree the External Auditors annual plan, including the annual audit fee
  - c) Receive regular update reports on progress and other reports of external auditor.
  - d) Meet privately with the external auditor as required.
  - e) Ensure that there are effective relationships between external and internal audit so that the value of the combined internal and external audit process is maximised.
6. Consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:
  - a) the Council's Code of Corporate Governance;
  - b) the Council's information security framework;
  - c) receipt of the Caldicott Guardian's Annual report;
  - d) oversight of Commercial projects;
  - e) the management of opportunities and risks; and
  - f) other corporate governance arrangements.
7. Be responsible for the review and approval of the authority's Annual Governance Statement ensuring that it properly reflects the governance, control and risk environment and any actions required to improve it. Following approval, it should accompany the Accounts.
8. To review and monitor the Council's Treasury Management arrangements including Treasury policies, procedures and the management of the associated risks and make recommendations to the Cabinet as

appropriate.

9. Review and approve the Statement of Accounts, external auditor's opinion and reports on them to members and monitor management action in response to the issues raised by external audit.
10. To approve the Anti-Fraud and Corruption Policy and to recommend its adoption by the Council, and to monitor its operation. The policy will be reviewed it at least once every two years.
11. To approve the Speak Up Policy ('whistle blowing') and to recommend its adoption by the Council, and to monitor its operation. This policy will be reviewed at least once every two years. Recognising that Complaints/Compliments are a Cabinet function, the Committee should:-
12. Review the Annual Complaints Report and seek assurances that the Council is improving in response to complaints raised.
13. The meetings will follow the principles of scrutiny, i.e. no party whip will be applied and a constructive, evidence based approach will be used.
14. To ensure that adequate training is received by the members of the committee on the areas covered by these terms of reference.
15. To ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as confidential.
16. Annually review their effectiveness and their terms of reference.



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Our ref TWC/1617/INT

25 May 2017

Dear Ken

**Telford and Wrekin Council – Audit progress**

We have now completed our planning and interim audit work in line with the timetable set out in our detailed External Audit Plan, dated January 2017. In that plan we indicated that we were planning to present an Interim Audit Report to the Council's Audit Committee to report on the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

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

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

- **Benefits:** Officers should ensure that exception reports are produced on a regular and timely basis, and any exceptions identified are investigated.
- **Journals:** Officers should ensure that supporting documentation is attached or clearly referenced for all journal transactions posted.

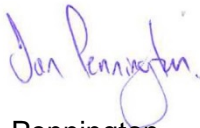
Each of these recommendations have been agreed with relevant Council officers, and a quarterly summary of reports separately reported to the Audit Committee.

There are a small number of other matters that we have discussed with your team. We will review these matters as part of our final audit work and, if considered relevant, we

will include these in the ISA260 report which we will produce at the conclusion of the audit and present to the Audit Committee in September 2017.

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

Yours sincerely



Ian Pennington  
Director



# External Audit Plan 2016/2017

Telford & Wrekin Council

January 2017

# The Local Government Landscape



## Financial Statement Audit



In 2016/17 there are noteworthy changes to the Code of Practice on Local Authority Accounting in 2016/17. These are primarily in relation to presentational changes affecting the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, and the introduction of new Expenditure and Funding Analysis.

### Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£4.5 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£0.225 million**.

### Significant risks

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

- Management override of controls; and
- Fraudulent revenue recognition.

In addition, we have identified the following risk as requiring specific audit attention and procedures to address the likelihood of a material financial statement error:

- Significant changes in the pension liability due to LGPS Triennial Valuation.

See pages 4 to 5 for more details.

## Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money is ongoing, and we will report VFM significant risks during our audit. At our planning stage we have identified the following VFM significant risk:

- Budget Delivery.

See pages 8 to 12 for more details.

## Logistics



Our team is:

- Ian Pennington – Director
- Mark Breese – Manager
- James Keen – Assistant manager

More details are on **page 15**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 14**.

Our fee for the audit is **£127,784** (£127,784 2015/2016) see **page 13**.

# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

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

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

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

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

## Acknowledgements

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

## Financial Statements Audit

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



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 and the findings of our VFM risk assessment.





## Financial Statements Audit Planning

Our planning work takes place during January 2017 to February 2017. This involves the following key aspects:

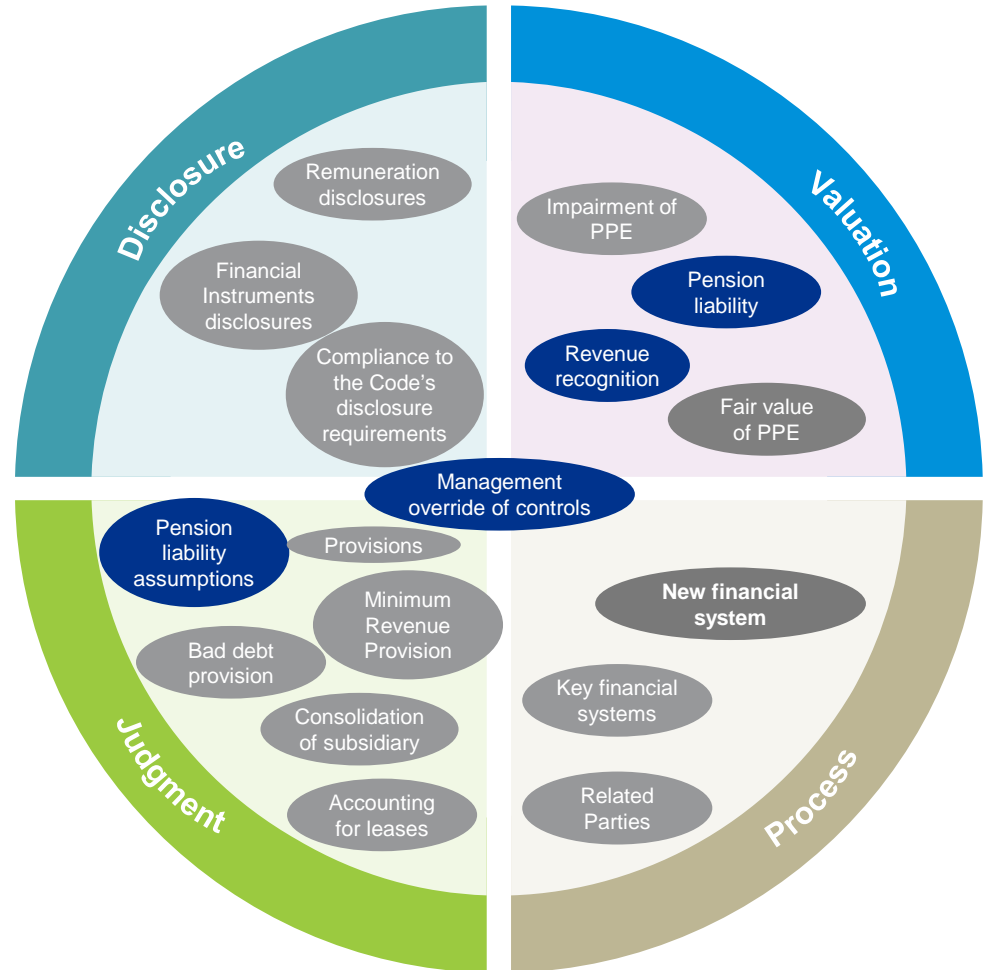
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

### Risk assessment

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

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

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



Keys: ● Significant risk ● Other areas considered by our approach



## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### **Risk : Significant changes in the pension liability due to LGPS Triennial Valuation**

#### *Issue*

During the year, the Local Government Pension Scheme for Shropshire County Pension Fund (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pension assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts – principally those relating to the calculation of the liability. Most of the data is provided to the actuary by Shropshire Council, who administer the Pension Fund.

#### *Approach*

As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with Grant Thornton LLP, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.



## Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

### Other area of audit focus 1 - CIPFA Code Changes for 2016/17 regarding Presentation of Financial Statements and Accounts preparation

#### *Issue*

New formats and reporting requirements have been introduced for the Comprehensive Income and Expenditure Statement and the Movement of Reserves Statement. There has also been the introduction of a new Telling the Story review of the presentation of local authority financial statements.

Whilst the accounts deadlines for 2016/17 remain unchanged, the earlier deadline for 2017/18 will require next year's accounts to be signed and certified by the Section 151 officer by 31 May 2018, available for public inspection in the first 10 working days of June, and approved and published by 31 July. The Authority should ensure that sufficient arrangements are in place to meet these deadlines for 2017/18.

#### *Approach*

We will seek at an early stage to understand how the Authority is approaching the new requirements in the CIPFA Code and ensure there is a clear understanding of the audit requirements. As part of our audit we will conduct a detailed review of the presentation of these statements against the requirements of the Code.



## Materiality

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

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

Materiality for planning purposes has been set at £4.5 million which equates to 1% of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

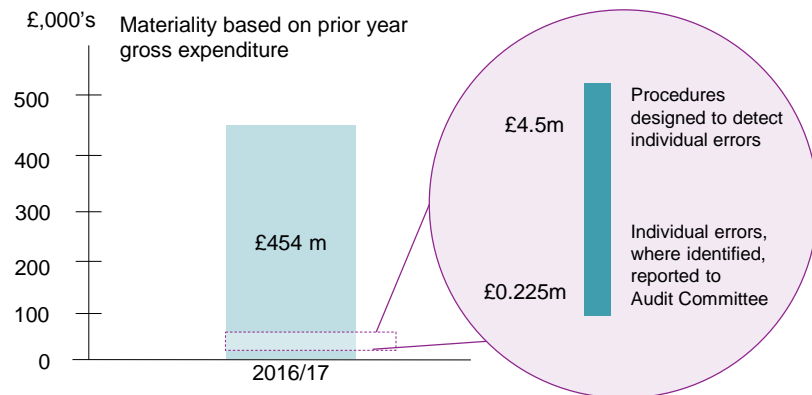
## Reporting to the Audit Committee

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.225 million.

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



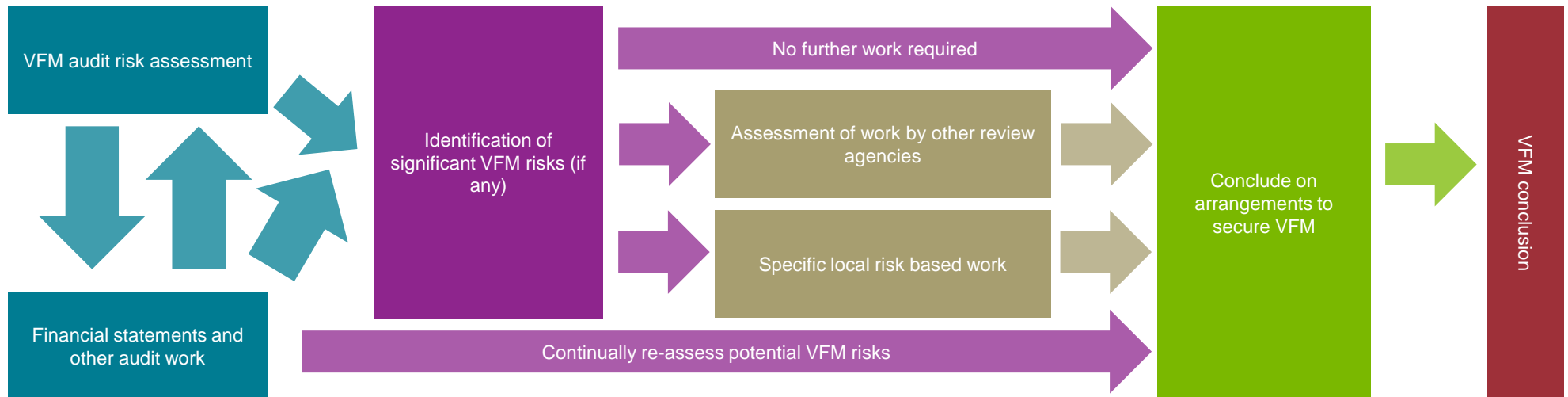


## Background to approach to VFM work

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

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

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





## Overall criterion

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

### Informed decision making

#### Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Sustainable resource deployment

#### Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Working with partners and third parties

#### Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



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

# Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior managers across the Authority;</li> <li>■ Review of minutes and internal reports;</li> <li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We have completed our initial VFM risk assessment and have not identified any significant VFM risks. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260. On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



## Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

### VFM Risk 1

#### ■ Risk

The Authority's budget for 2017/18 will be presented to the Council in March 2017, to include individual proposals for the delivery of the overall savings requirement. In addition, we anticipate the budget papers will identify further savings required over the period 2018/19 and 2019/20 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.

As part of its response to reductions in central government funding, the Authority has demonstrated a commitment to identifying new income streams. This has included the establishment of commercial projects such as the construction and operation of a solar farm and the delivery of housing for private rental.

#### ■ Approach

As part of our additional risk based work, we will review the controls the Authority has in place to identify the need for financial savings and to deliver these. This will include considering whether the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.

We will also review the way in which the Authority monitors the delivery of income from commercial projects, in particular those that have been recently implemented and the extent to which these have met expectations and contributed towards the budget.

## Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

## Elector challenge

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

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

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

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

We have one question in progress for 2015/16. As discussed with the audit committee previously, the Authority is awaiting a response from the Information Commissioner about information requested by the elector.

## Our audit team

Our audit team will be led by Ian Pennington, supported by Mark Breese, which will ensure both an element of continuity and fresh perspective. Appendix 2 provides more details on specific roles and contact details of the team.

## Reporting and communication

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

## Independence and Objectivity

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

## Audit fee

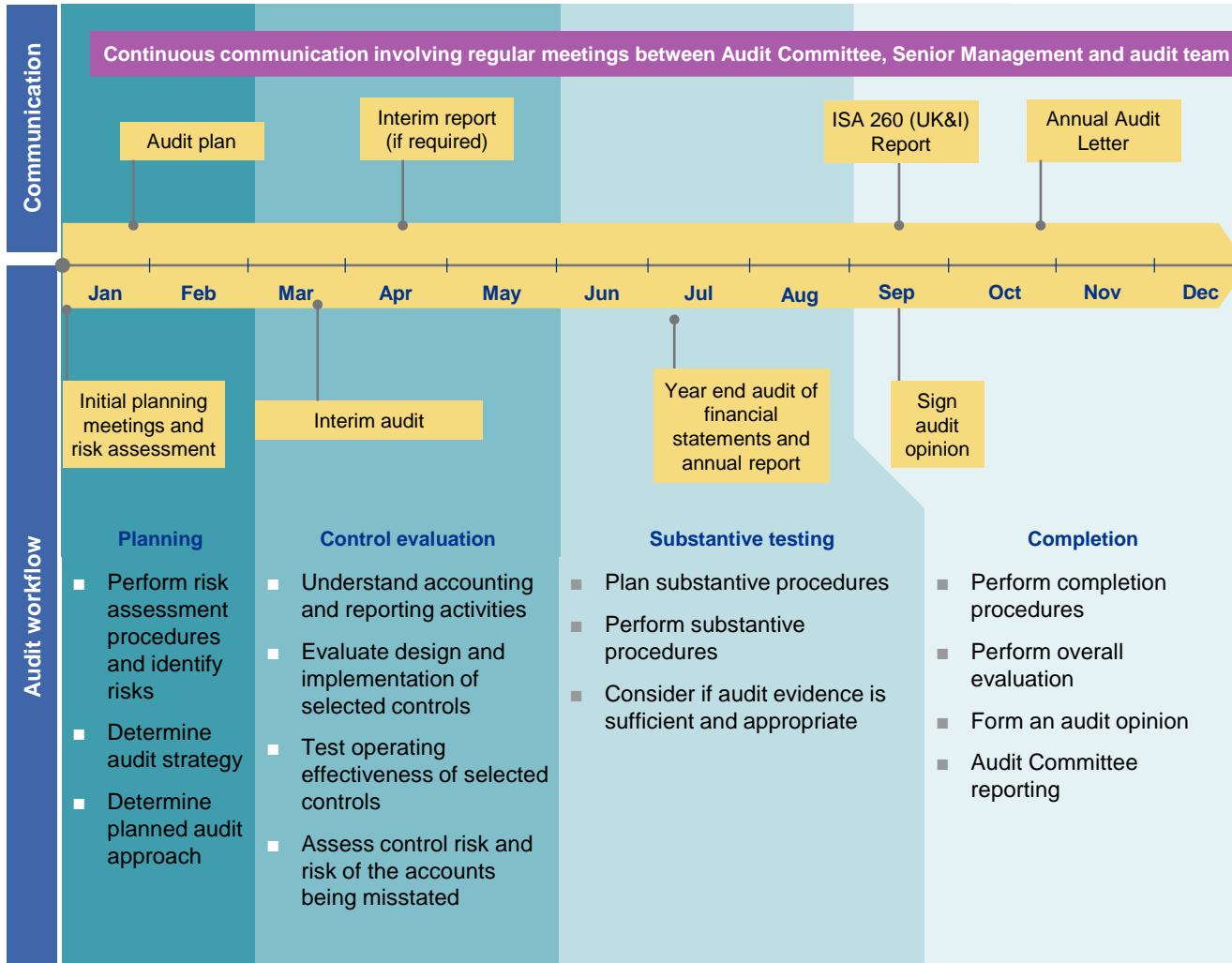
*Our Audit Fee Letter 2016/2017* presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions.

The planned audit fee communicated in this letter for 2016/17 was £117,119. This fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

There will be a small additional fee charged as a result of the preparation of consolidated financial statements and the additional audit work required in relation to this. In 2015/16 this was £815. The fee communicated also did not include the audit of the Authority's wholly owned subsidiary (NuPlaceLtd). In 2015/16 this was £9,850. We expect the 2016/17 fee for both the additional consolidation work, and audit of NuPlaceLtd to be consistent with the prior year. We will agree any additional fee in relation to costs associated with this extra work with management, and with the PSAA. Any changes in fee will be communicated to the Audit Committee. This results in a total planned fee for the audit of £127,784 (2015/16 actual fee £127,784).

The planned certification fee for the Housing Benefit Grant Claim is 2016/17 is £7,155 (2015/16 £9,239).

# Appendix 1: Key elements of our financial statements audit approach



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

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

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

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

# Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Ian and James were both part of the Telford & Wrekin Council audit last year, Mark joins the team as manager.



<b>Name</b>	<b>Ian Pennington</b>
<b>Position</b>	Director
<b>Role</b>	<p>Ian's role is to lead our team and ensure the delivery of a high quality, value added external audit opinion.</p> <p>Ian will be the main point of contact for the Audit Committee and Corporate Directors.</p>
<b>Phone</b>	0292 046 8087
<b>Email</b>	<a href="mailto:ian.pennington@kpmg.co.uk">ian.pennington@kpmg.co.uk</a>



<b>Name</b>	<b>Mark Breese</b>
<b>Position</b>	Manager
<b>Role</b>	<p>Mark will provide quality assurance for the audit work and lead on any technical accounting and risk areas.</p> <p>Mark will work closely with Ian to ensure we add value and will liaise with the Assistant Director: Finance, Audit and Information Governance, and other Directors.</p>
<b>Phone</b>	0121 232 3250
<b>Email</b>	<a href="mailto:mark.breese@kpmg.co.uk">mark.breese@kpmg.co.uk</a>



<b>Name</b>	<b>James Keen</b>
<b>Position</b>	Assistant Manager
<b>Role</b>	<p>James will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.</p>
<b>Phone</b>	0121 232 3268
<b>Email</b>	<a href="mailto:james.keen@kpmg.co.uk">james.keen@kpmg.co.uk</a>

# Appendix 3: Independence and objectivity requirements

## Independence and objectivity

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

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

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

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

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

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

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

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

## Confirmation statement

We confirm that as of 19 January 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website ([www.psa.co.uk](http://www.psa.co.uk)).

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

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



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Mr R Partington  
Managing Director  
Borough of Telford and Wrekin  
Addenbrooke House,  
Ironmasters Way,  
Telford,  
TF3 4NT

Our ref TWC/1718/Fee Letter  
Contact Mark Breese  
0121 2323250

25 April 2017

Dear Richard

### Annual audit fee 2017/18

I am writing to confirm the audit work and fee that we propose for the 2017/18 financial year at Borough of Telford and Wrekin. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

### Planned audit fee

The planned audit and certification fees for 2017/18 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2017/18	Planned fee 2016/17
Audit fee – Borough of Telford and Wrekin	£117,119	£117,119
Certification of housing benefit grant claim	* £7,155	£7,155

*\* The 2017/18 planned fee for the certification of housing benefit grant claim has not yet been confirmed by PSAA, but is expected to be consistent with 2016/17.*

PSAA has set the 2017/18 scale fees at the same level as for 2015/16 and 2016/17, thereby preserving the 25 per cent reductions in cash terms that were applied to those years which in turn were in addition to the savings of up to 40 per cent in scale audit fees in 2012/13. This equates to a real terms saving of 61 per cent over this period. The 2017/18 planned fee is in line with the scale fee.

We expect there to be a small additional fee charged as a result of the preparation of consolidated financial statements and the additional audit work required in relation to this. In 2015/16 this was £815.

We also expect there to be an additional fee charged for the audit of the Authority's wholly owned subsidiary (NuPlaceLtd). In 2015/16 this was £9,850.

We expect the 2016/17 fee for both the additional consolidation work, and audit of NuPlaceLtd to be consistent with the prior year. We will agree any additional fee in relation to costs associated with this extra work with management, and with the PSAA.

As we have not yet completed our audit for 2016/17 the audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

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

PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.

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

### **Factors affecting audit work for 2017/18**

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

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2017/18 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

### **Certification work**

As well as our work under the Code, we will certify the 2017/18 claim for housing benefit subsidy to the Department for Work & Pensions (DWP).

The 2017/18 subsidy claim will be the final year for which PSAA will make arrangements for auditors to undertake housing benefit subsidy certification work. After the end of the transitional arrangements and the current audit contracts, PSAA has no legal power or remit in relation to assurance on claims or returns. The DWP is developing its own assurance arrangements from 2018/19 and has issued further guidance directly to local authorities. We will liaise with the Council over the future approach to this work as details emerge.

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

### **Assumptions**

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

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

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

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

### **Beyond 2017/18**

The 2017/18 audit will be the last under the current transitional arrangements whereby PSAA is responsible for managing the audit contracts novated to it from the Audit Commission upon its closure in March 2015.

For audits of the accounts from 2018/19, the provisions of the Local Audit & Accountability Act 2014 in relation to local appointment of auditors take effect. The Secretary of State for Communities and Local Government has specified PSAA as the appointing person for principal local government and police bodies. PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

### **Our team**

The key members of our audit team for the 2017/18 audit are:

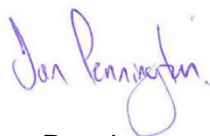
<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Ian Pennington	Director	<a href="mailto:Ian.Pennington@kpmg.co.uk">Ian.Pennington@kpmg.co.uk</a> 02920 468087
Mark Breese	Manager	<a href="mailto:Mark.Breese@KPMG.co.uk">Mark.Breese@KPMG.co.uk</a> 0121 2323250
James Keen	Assistant Manager	<a href="mailto:James.Keen@kpmg.co.uk">James.Keen@kpmg.co.uk</a> 0121 2323268

### **Quality of service**

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

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

Yours sincerely



Ian Pennington  
Director, KPMG LLP

## Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2016/17;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Authority Accounting within your 2017/18 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you (note that 2017/18 is the first year in which the ‘faster close’ timetable applies whereby the deadline for draft accounts moves to the end of May and the deadline for publishing audited accounts moves to the end of July);
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit will be re-visited when we issue the detailed audit plan.

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

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

## Appendix 2: Planned outputs

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

<b>Planned output</b>	<b>Indicative date</b>
External audit plan	January 2018
Report to those charged with governance (ISA260 report)	July 2018
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2018
Opinion on Whole of Government Accounts return	TBC
Annual audit letter	TBC
Certification of grant claims summary report	TBC

### **Appendix 3 – Independence & objectivity requirements**

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

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

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

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

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

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

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within a local authority area.

- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

### **Confirmation statement**

We confirm that as of April 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

**TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE – 27 JUNE 2017**

**TREASURY MANAGEMENT - 2016/17 ANNUAL REPORT AND 2017/18 UPDATE**

**REPORT OF THE ASSISTANT DIRECTOR: FINANCE & HR (CHIEF FINANCIAL OFFICER)**

**F**

## **PART A) – SUMMARY REPORT**

### **1. SUMMARY OF MAIN PROPOSALS**

The report updates members on the outcome of Treasury Management activities for 2016/17 and details the position for 2017/18 to date.

#### **2016/17 Treasury Outturn**

The treasury portfolio ended the year with net indebtedness of £200.1m (borrowing: £220.0m less investments: £19.9m (excluding NuPlace Share capital). Base rate was 0.25% for the whole year and is predicted to stay at 0.25% until 2020.

The borrowing strategy for 2016/17 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate. Borrowing was £55.9m higher at 31 March 2017 compared to 31 March 2016, however investments were also £12.7m higher (excluding NuPlace share capital). The net increase in net indebtedness was due to capital expenditure, including on income generating schemes such as NuPlace and the Property Investment Portfolio as well as various highways schemes which have increased the value of Council assets. Short term borrowing was used during the year at favourable interest rates generating a significant benefit for the Council's budget.

The investment strategy for 2016/17 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 0.26% against a benchmark of 0.23%.

Overall, treasury delivered a net over-achievement of £4.011m against the budget set for 2016/17. The majority of the saving relates to the benefit of low interest rates on the levels of temporary borrowing we held during the year. It also includes £0.174m generated as a one-off saving in 2016/17 as a result of capitalisation of interest on capital projects pending their completion.

## **2017/18 Update**

The strategy for 2017/18 remains consistent with that of the previous year. Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters. There are currently no long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

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

Total borrowing was £220.0m at 31/3/17 and has reduced to £200.1m as at 31 May 2017. Investments were £5.8m at 31 May 2017.

## **2. RECOMMENDATIONS**

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

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

## **3. *SUMMARY IMPACT ASSESSMENT***

<b><i>COMMUNITY IMPACT</i></b>	Do these proposals contribute to specific priority plan objectives? Yes/ <del>No</del> Efficient Community Focussed Council Will the proposals impact on specific groups of people? Yes/ <del>No</del>
<b><i>TARGET COMPLETION / DELIVERY DATE</i></b>	Part of ongoing Treasury Management Activities within the Treasury Management Strategy and Policy approved by Council.
<b><i>FINANCIAL/VALUE FOR MONEY IMPACT</i></b>	Yes/ <del>No</del> Where appropriate these are detailed in the body of the report.
<b><i>LEGAL ISSUES</i></b>	Yes/ <del>No</del> The AD: Finance & HR (Section 151 Officer), has responsibility for the administration of the financial affairs of the Council. In providing this report the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Article 12, paragraph 12.04(f) which states "The Chief financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the

approval of the statement of accounts through provision of support to the Audit Committee.”

**OTHER IMPACTS,  
RISKS AND  
OPPORTUNITIES**

Yes/No

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

**IMPACT ON  
SPECIFIC WARDS**

Yes/No

4. **PREVIOUS MINUTES**

Council 3 March 2016

Audit Committee 28 June 2016

Audit Committee 24 January 2017

Council 2 March 2017

**PART B – ADDITIONAL INFORMATION**

5. **BACKGROUND**

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

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

6. **2016/17**

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

- 2016/17 Portfolio position;
- the borrowing strategy for 2016/17;
- the borrowing outturn for 2016/17;
- compliance with treasury limits;
- investments strategy for 2016/17;
- investments outturn for 2016/17;
- debt rescheduling;
- Shropshire Council debt
- overall outturn position
- leasing

## 7. 2016/17 PORTFOLIO POSITION

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

	31 March 2016		31 March 2017	
	Principal £m	Rate %	Principal £m	Rate %
Borrowing	164.098	2.82	220.048	2.36
Investments (excluding NuPlace share capital)	7.189	0.42	19.943	0.26
<b>Net Indebtedness (ex NuPlace)</b>	<b>(156.909)</b>		<b>(200.105)</b>	
Investment in NuPlace	3.500		6.450	
<b>Net Indebtedness</b>	<b>(153.409)</b>		<b>(193.655)</b>	

There was new temporary borrowing and repayment of £1.5m PWLB during 2016/17 as well as new PWLB borrowing of £15m; temporary borrowing was £119.2m at 31 March 2017 (including £2.1m PWLB maturing in 2017/18). The capital programme was funded from a combination of borrowing, capital receipts, grants and other external contributions; this has resulted in an increase in net indebtedness during the year. Prudential borrowing increased in 2016/17 due to planned capital expenditure approved as part of the capital programme. Investments at 31/3/17 included £6.5m share capital in NuPlace.

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

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

## 9. COUNCILS RESPONSE TO ECONOMIC CLIMATE

9.1 **Economic background:** Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which,

together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

**Financial markets:** Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

**Credit background:** Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

- 9.2 The Council has continued to maintain short duration and relatively low level of investments during 2016/17. This reduces exposure to investment risk.
- 9.3 We have closely followed investment guidance issued by our Treasury Advisors in relation to credit ratings, financial standing and duration and take advice on borrowing strategies and options.

## 10. **BORROWING 2016/17**

### 10.1 **Original Economic Projections**

The Expectation for Interest Rates – When the budget was set for 2016/17 the “average” City view anticipated that Bank Rate would remain at 0.5% until 2018 before starting to rise gradually back towards more normal levels, though Bank Rate would take a long time to return to a normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%.

### 10.2 **Outturn 2016/17**

During 2016/17 the Monetary Policy Committee (MPC) was initially focused on helping the economy to recover, but with inflation rising. Then as a result of the vote to exit from the European Union, the MPC ended up cutting base rate and increasing the level of quantitative easing.

Base rate was cut to 0.25% and is expected to stay there for some time. Inflation is continuing to rise. Gilt yields fell considerably after the EU referendum result. This led to cheaper borrowing which the Council was able to take advantage from due to the level of temporary borrowing being held.

### **Borrowing and Investment Rates in 2016/17**

The overnight investment rate fell after the cut in base rate and has remained low since.

## Treasury Borrowing and Rescheduling

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

During the year we borrowed three new PWLB loans for £15.0m at the certainty rate and we had maturities totalling £1.5m.

## PWLB Repayments & Discounts

No loans were repaid early or rescheduled during the year.

An analysis of the maturity structure of our debt is shown below. The maturing in less than 1 year includes £2.098m of PWLB loans.

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

	2016 £'000	%	2017 £'000	%
Maturing in less than 1 year	75,579	29.5	119,175	54.2
Maturing in 1-2 years	1,001	0.8	2,097	0.9
Maturing in 2-5 years	2,503	2.4	4,793	2.2
Maturing in 5-10 years	7	1.2	5,241	2.4
Maturing in more than 10 years*	<u>85,008</u>	66.1	<u>88,742</u>	40.3
	<b><u>164,098</u></b>	100.0	<b><u>220,048</u></b>	100.0

\* this includes £45m LOBO (Lenders Option Borrowers Option) loans that are potentially callable at certain points before the maturity date. There is therefore the potential that these loans would have to be replaced sooner exposing the council to the prevailing market at that time. To-date, none of our LOBOs have been called before maturity and current expectations are that calls in the foreseeable future are unlikely. This is less than we had at 31<sup>st</sup> March 2016 as £15m were converted, at no cost to the Council, into maturity loans.

## Debt Performance

As highlighted in section 7 the average debt portfolio rate has fallen over the course of the year from 2.82% to 2.36%. This is due to the increase in temporary borrowing being undertaken in 2016/17 at low interest rates as compared to 2015/16.

## 11. COMPLIANCE WITH TREASURY LIMITS

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

## 12. INVESTMENTS 2016/17

### 12.1 Strategy

Internally Managed Investments - The authority currently manages all of its investments in-house and invests within the institutions complying with its counterparty limits and credit rating requirements. All investments are

short term related to cash flows in order to minimise counterparty risk and to minimise overall treasury management costs.

Investment Strategy - The agreed short term investment strategy for 2016/17 was to achieve optimum return on investments commensurate with proper levels of security and liquidity.

## 12.2 Outturn 2016/17

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

	<b>Average Investment</b>	<b>Rate of Return (gross of fees)</b>	<b>Rate of Return (net of fees)</b>	<b>Benchmark Return *</b>
Internally Managed				
Investments	£15.773m	0.26%	0.26%	0.23%

\*overnight rate

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

## 13. SHROPSHIRE COUNCIL DEBT

The Council makes an annual contribution (£1.386m in 2016/17) towards Shropshire Council costs on pre disaggregation debt (i.e. pre unitary inception) - interest paid averaged 5.35% last year. The rate of interest paid on this is managed by Shropshire and is considerably higher than the rate payable by Telford & Wrekin Council on its borrowing. This has fallen since 2015/16 due mainly to a change in relation to minimum revenue provision made by Shropshire.

## 14. OVERALL OUTTURN FOR 2016/17

The net overall position is summarised in the table below. The sound overall position has resulted from a mix of cash flow benefits plus proactive treasury management activities. The budget reflected the position when the budget was set, the underspend has been achieved through active management of borrowing and the low interest rates prevailing for the year. Overall a net saving of £4.0m was made against budget for the year which is summarised below:

### Summary of Outturn Position

	Estimate £m	Outturn £m	Variance £m
Interest Received	(0.15)	(0.05)	0.10
Principal Repayments	0.00	0.00	0.00
MRP saving from change of policy re PFI	(2.21)	(2.21)	0.00
Capitalisation of Interest	(0.0)	(0.17)	(0.17)
Shropshire County Council	1.69	1.39	(0.30)
Interest Paid	<u>7.26</u>	<u>3.62</u>	<u>(3.64)</u>
<b>Net Position</b>	<b>6.59</b>	<b>2.58</b>	<b>(4.01)</b>

## 15 **LEASING**

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

The final drawdown for 2016/17 was completed in March. The drawdown consisted of a finance lease from JCB Finance totalling £0.186m and funded the purchase of ICT equipment over three years at an interest rate of 0.98%.

## 16. **2017/18 UPDATE**

The remainder of this report deals with the current financial year based largely on information to 31 May 2017.

### 16.1 **Strategy**

The strategy for 2017/18 is to continue to keep investments as short term, where possible, to reduce the need to borrow thus reducing investment exposure and maximising overall returns to the revenue account. We will review investment opportunities if they arise and also review borrowing opportunities as we progress through the year and look to take advantage of advantageous interest rates where appropriate. 2017/18 and 2018/19 will see the Council continue to invest in significant regeneration projects including highways and building homes and commercial property for rent as part of the approved Housing Investment Programme

### 16.2 **Interest Rates**

Base rate began the year at 0.25% and has remained there. The current expectation is that there will be no increase before mid 2020.

### 16.3 **Prudential Regime**

This Council agreed its required indicators at Council on 2 March 2017. There have been no breaches of the indicators and none have been amended. The Council set itself an Operational limit for external debt of £390m for 2017/18 and an Authorised limit of £411m. Our total borrowing outstanding as at 31/05/17 (including PFI) is £200m which is within both limits.

### 16.4 **Borrowing**

We have taken two New PWLB loans during in 2017/18 both are 10 year Equal Instalments of Principal and £10m at rates of 1.22% and 1.20% and have had no maturities to-date. In total we have £3.1m maturing during 2017/18.

### 16.5 **Internally Managed Investments**

The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the overnight deposit rate. For the period to 31 May 2017 some £512m worth of investments have been made in our overnight call accounts. Rates have ranged from 0.15% to 0.20%. As at 31 May 2017 internal investments stood at £5.77m.

Potentially the Council can place up to £15.0m with any Counterparty. At the end of May the greatest exposure with a single counterparty was £2.21m with Lloyds Bank (38.4% of the portfolio). £2.1m was invested with a non UK sovereign institution. A detailed breakdown is shown in Appendix 2.

The Council is currently working with its Treasury Advisors to select a money market fund investment portal to give increased diversification of counter-party risk and slightly higher yield whilst retaining a high degree of liquidity.

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

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

#### **17 Background Papers**

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

Report prepared by:  
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## PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2015/16	2016/17	2016/17
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	£m	£m	£m
	Actual Outturn	Original Estimate	Actual Outturn
<b>Capital Expenditure</b>			
TOTAL	74.5	98.9	73.7
<b>Ratio of financing costs to net revenue stream</b>			
General fund	2.88%	4.96%	3.67%
<b>Net borrowing requirement</b>			
brought forward 1 April	116.6	163.9	164.1
carried forward 31 March	164.1	216.2	220.0
in year borrowing requirement	+47.5	+52.3	+55.9
<b>Capital Financing Requirement as at 31 March</b>			
TOTAL	335.6	403.2	367.8
<b>Annual change in Cap. Financing Requirement</b>			
TOTAL	+40.1	+54.5	+32.2
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in council tax (band D) per annum (not cumulative)	22.08	27.01	27.01

PRUDENTIAL INDICATOR	2015/16	2016/17	2016/17
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£m	£m	£m
	final	original	final
<b>Authorised limit for external debt - borrowing</b>	327	330	330
other long term liabilities	63	62	62
TOTAL	390	392	392
<b>Operational boundary for external debt - Borrowing</b>	309	310	310
other long term liabilities	61	60	60
TOTAL	370	390	390
<b>Upper limit for fixed interest rate exposure</b> Net principal re fixed rate borrowing / investments	100	100	100
<b>Upper limit for variable rate exposure</b> Net principal re variable rate borrowing / investments:-	30%	30%	30%
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	95%	95%	95%

<b>Maturity structure of fixed rate borrowing during 2016/17</b>	lower limit	upper limit
under 12 months	0%	70%
12 months and within 24 months	0%	30%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

## Summary of Investments at 31 May 2017

	<b>Sovereign Credit Rating</b>	<b>Individual credit Rating</b>	<b>Total £m</b>	<b>%</b>
<b>Call Accounts</b>				
Lloyds Svenska	UK AA	F1 A+ support 5 viability a	2.213	38.4
Handelsbanken	SWE AAA	F1+AA support 5 viability aa	2.132	37.0
Santander	UK AA	F1 A support 2 viability a	1.422	24.6
			<b>5.767</b>	<b>100.0</b>
<b>Fixed Deposits</b>				
			0	
			<b>0.000</b>	<b>0.0</b>
<b>Variable Deposit</b>				
			0	
<b>Total</b>			<b>5.767</b>	<b>100.0</b>
Non UK holding £2.1m (Limit £15m)				

**Unaudited Statement of Accounts**

**2016/17**

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# **Telford & Wrekin Council**

## **Unaudited Statement of Accounts**

**2016/17**

### **Financial Statements**

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

### **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](http://www.telford.gov.uk/info/20110/budgets_and_spending/55/expenditure_over_100)). The Statement of Accounts are a public record of the Council's financial position for 2016/17; 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 five main statements reporting on the Council's core activities plus Group Accounts:

- the Expenditure and Funding Analysis;
- 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, the Government, Shropshire Combined Fire Authority and the West Mercia Police & Crime Commissioner as appropriate.

The Council's accounts for the year 2016/17 are set out in the remainder of the report. They consist of:

- ... **The Expenditure and Funding Analysis** - shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This shows an adjustment of £8.196m to move from an underspend of £0.167m to a deficit of £8.029m in the Comprehensive Income and Expenditure Statement.
- ... **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 £8.029m compared with the outturn report which shows an underspend of £0.167m. 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 Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £4.657m at 31<sup>st</sup> March 2017). This statement represents the authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable.
- ... **The Balance Sheet** - This is a "snapshot" of the Authority's financial position which sets out the financial position of the Council on 31<sup>st</sup> March 2017 and shows net assets for the Council of £41.865m, a decrease from £99.159m 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 £12.747m.
- ... **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 a decrease on the council tax fund balance of £0.909m for the year and the Council's share of the surplus was £2.981m at 31<sup>st</sup> March 2017. The localisation of business rates means that we also show similar information in respect of this. The business rates show an decrease in the balance on the account for the year of £0.023m and the Council's share of the surplus was £1.653m at 31<sup>st</sup> March 2017.
- ... **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.

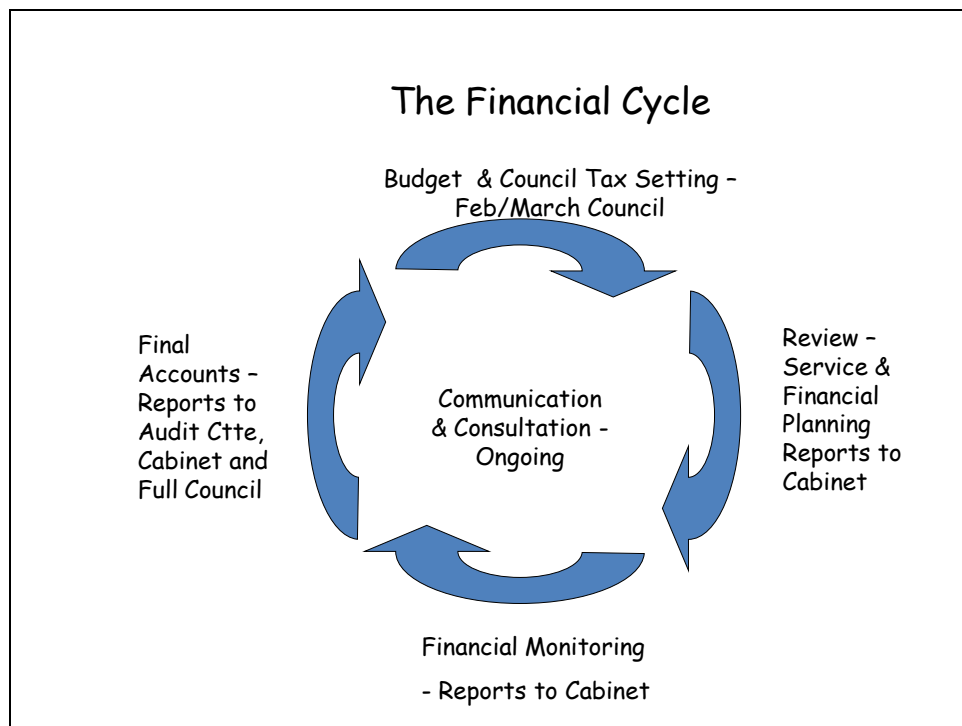
These accounts are supported by the Statement of Responsibilities, which follows this narrative statement.

## 2. **Financial Context**

This section of the Statement of Accounts summarises the background to the Council's accounts for 2016/17. In particular it sets out:

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2016/17
- Issues highlighted during 2016/17
- The final outturn for 2016/17
- Achievements and Performance During 2016/17
- Strategic Risks
- A commentary on 2017/18

### 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 2016/17**

The Council's 2016/17 budget was set in the context of a two year service and financial planning strategy which covered the period 2016/17 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 third lowest council tax for Unitary Services in the Midlands in 2016/17 and is the third lowest in 2017/18).

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 2016/17 £16m of budget savings were delivered, which was on top of £80m made in the previous 7 years. A further £13m of savings needed to be made in 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 2016/17 to 2017/18 in January 2016 and extensive public consultation was undertaken on the proposals. The final budget strategy was approved at Council in March 2016 taking account of consultation responses.

Council tax was increased by 3.2% in 2016/17 which was a combination of the Government's 2% Adult Social Care Precept and 1.2% general increase. The average charge (Band B) for the Council's services was £921 per year. The table below shows how Net Revenue Spend was funded.

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

The medium term planning period was one of continuing uncertainty with the start of a review of the business rates system and a business rates revaluation due in April 2017.

### **2.3 Issues Highlighted During 2016/17**

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

<b>Service Area</b>	<b>Service Budget</b>	<b>Service Outturn</b>	<b>Service Variation</b>
Development Business & Employment	(163,536)	(535,686)	(372,150)
Finance & Human Resources	8,411,791	3,416,150	(4,995,641)
Cooperative Council Team	1,446,541	1,255,998	(190,543)
Children's safeguarding	22,052,836	26,143,713	4,090,877
Education & Corporate Parenting	5,100,637	5,157,485	56,848
Early Help & Support	42,592,082	46,488,265	3,896,183
Legal, Procurement & Commissioning	3,578,679	3,049,172	(529,507)
Health & Wellbeing	1,839,839	1,720,723	(119,116)
Customer & Neighbourhood Services	29,048,816	28,339,363	(709,453)
Commercial Services	49,241	44,890	(4,351)
Council Wide	8,321,684	205,070	(8,116,614)
Transfers to Reserve	0	6,827,000	6,827,000
<b>Total</b>	<b>122,278,610</b>	<b>122,112,143</b>	<b>(166,467)</b>

Variances exclude IAS 19 Pension entries and asset 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)

<b>Service Area</b>	<b>Variance £m</b>
<b><u>Business, Development &amp; Employment</u></b>	
<b>Skills</b> – National Careers Contract; benefit from contract changes resulting in additional one off income and more effective service delivery.	-0.144
<b>Development Management</b> – Planning Determination; cost of planning appeals	+0.152
<b>Development Management</b> – employee cost saving due to vacant posts.	-0.116
<b><u>Finance &amp; HR</u></b>	
<b>Treasury</b> – this includes the benefit arising from current low interest rates and lower borrowing than anticipated in the earlier part of the year.	-4.011
<b>PFI Sinking Fund</b> – Updated sinking fund assumptions to reflect current projections.	-0.700
<b><u>Children’s Safeguarding &amp; Independent Review</u></b>	
<b>Children in Care Placements (CiC)</b> – £3.489m overspend in 2016/17 which compared to £1.7m reported at 2015/16 year end. The total number of Looked After Children at the end of the year was 381 which is an increase of 82 within the financial year. Considerable investment has been made in this area as part of the 2017/18 budget strategy and the service has a 4 year placement model in place to manage costs.	+3.489
<b>Internal Foster Carer Costs</b> – payments to Foster Carers including transport costs and foster carer training.	+0.158
<b>Staffing (Safeguarding)</b> – includes the cost of agency social workers.	+0.512
<b>One off Service Balances</b> – use of one off service balances to support Safeguarding pressures.	-0.500
<b>Assessment</b> – the overspend reflects a significant increase in the volume of activity i.e. Children in Need and Child Protection Plans	+0.271
<b>Legal</b> – the overspend reflects an increase in the volume of activity and an increase in the use of external barristers.	+0.152
<b><u>Education &amp; Corporate Parenting</u></b>	
<b>Specialist Services</b> – savings target not fully met.	+0.104

<p><b>Advisory Management/School Improvement traded Advisory Service</b> – shortfall against additional income target; the position will be kept under review as the impact of new arrangements following restructure becomes clearer.</p>	+0.221
<p><b>School Transport</b> – the overspend relates to 2016/17 savings targets not achieved together with an increase in the number of high needs students requiring transport.</p>	+0.111
<p><b>Education Services Grant</b> – fewer academy conversions than forecast resulting in less grant being lost.</p>	-0.212
<p><b>Contribution from Reserves</b> – one off balances</p>	-0.200
<p><b><u>Early Help &amp; Support</u></b></p>	
<p><b>Purchasing budgets</b> – the pressure experienced during 2015/16 is continued in 2016/17. A cost improvement plan is in place which includes a number of strategies to reduce demand and deliver care differently which should result in lower costs.</p>	+6.121
<p><b>Contingency</b> – included in the budget strategy for 2016/17 and 2017/18 to allow time for the service delivery changes to embed.</p>	-2.500
<p><b>Income</b> – higher numbers in residential and nursing care than anticipated has resulted in higher client contributions during 2016/17.</p>	-0.579
<p><b>Other Income</b> – largely relates to a shortfall of income generated from the CCG arising from an agreement to Joint Fund Packages of Care.</p>	+1.335
<p><b>Employee Costs</b> – savings from vacancies held in year pending the service restructure.</p>	-0.467
<p><b>Transfer to Reserves</b> in relation to Better Care Fund Pooled budget and other CCG arrangements.</p>	+0.816
<p><b>Use of One off Resources identified</b></p>	-0.200
<p><b><u>Governance, Procurement &amp; Commissioning</u></b></p>	
<p><b>Employee and Team Budgets</b> – linked to vacancies in the Procurement and Contracts team.</p>	-0.332
<p><b><u>Health &amp; Wellbeing</u></b></p>	
<p><b>Living Well Support Services</b> – vacancies have been carried within the provider services for Healthy Trainer and Healthy Lifestyle Hub.</p>	-0.109
<p><b>Public Health Commissioned</b> – grant income applied to Public Health Devolved Services.</p>	+0.313
<p><b>Contribution from Public Health Reserve.</b></p>	-0.129
	+0.210

<b>Transfer to Reserves</b> – required for the re-commissioning of Drugs and Alcohol Recovery Service and to support Social Prescribing Neighbourhood working.	
<b><u>Customer &amp; Neighbourhood Services</u></b>	
<b>Structures &amp; Geotechnics</b> – shortfall against income target due a number of fee earning posts being vacant restricting fee earning opportunities.	+0.185
<b>Structures &amp; Geotechnics</b> – employee savings due to vacant posts.	-0.102
<b>Transfer to Reserves</b> – to cover shortfall in the above income target pending the outcome of a service review.	+0.150
<b>Highways Footway Lighting</b> – reduction in spend against planned maintenance due to planned upgrade of street lights in 2017/18.	-0.185
<b>Concessionary Travel</b> – reduction in the number of concessionary passes being issued.	-0.125
<b>Benefits Service</b> – additional government grant received in respect of Welfare Reforms.	-0.188
<b>Housing Benefit Subsidy</b> – reduced costs arising from proactive review work leading to recovery of overpayments and reduced ongoing benefit costs.	-0.107
<b><u>Commercial Services</u></b>	
<b>ICT</b> – pressure arising from a combination of factors including: the increased number of Microsoft licenses required across the council; storage and back-up costs and purchase of equipment all required as the use of technology grows.	+0.316
<b>Employee Costs</b> – one off capitalisation of salary costs relating to ICT projects.	-0.124
<b>Facilities Management</b> – one off saving due to vacancies and part year impact of restructure.	-0.112
<b>Property &amp; Design</b> – benefit from early closure of properties together with reduced spend on repairs and maintenance and utilities.	-0.139
<b>Transfer to Reserves</b> – to fund a replacement schools cashless catering system.	+0.175

## 2.4 **Final Outturn for 2016/17**

### **Revenue**

Final net service expenditure was £122.112m, after transfers to reserves, compared to a budget of £122.279m, an underspend of £0.167m (or -0.1%). Given the context of the Council having to make £16m of budget savings in 2016/17, on top of £80m 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)	122.279	122.112	-0.167
Funding Variance	0.000	0.167	0.167
Contribution to (+)/from (-) balances	0.000	0.000	0.000
Service Outturn (see page 10)	122.279	122.279	0.000
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances	-122.279	-122.446	-0.167
Net General Fund position	0.000	-0.167	-0.167

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 37)	434.563	319.385	115.178
Trading Services	11.134	7.384	3.750
Pensions Adjustments under IAS 19	(3.619)	0.000	(3.619)
Interest Payable and Similar Charges	8.656	0.000	8.656
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(0.393)	0.000	(0.393)
Interest and Investment Income	0.000	0.020	(0.020)
Capital Grants and Revenue Grants Unapplied	0.000	(35.500)	35.500
General Grants (LSSG, Section 31)	0.000	0.026	(0.026)
Remove Depreciation & Impairments, REFCUS etc. from Net Operating Cost	(45.013)	0.000	(45.013)
Accumulated Absences	(0.771)	0.000	(0.771)
Minimum Revenue Provision	0.395	0.000	0.395
Net Movement on Reserves	8.642	0.000	8.642
<b>Total Service Outturn</b> (see table on page 10)	<b>413.594</b>	<b>291.315</b>	<b>122.279</b>

See also Charts 1, 2 and 3 at the end of this section. Total expenditure is £122.279 from the above table plus the contribution to balances of £0.167m giving a total of £122.446m.

The outturn position has resulted in a general fund balance of £3.683m and a special fund balance of £0.974m, giving a consolidated balance of £4.657m. The total for all reserves and

usable revenue balances held by the Authority is £71.2m, although almost all of this is held to meet known or likely commitments.

### **Workforce Analysis**

As at 31 March 2017 Telford & Wrekin Council employed 2,674 people [2,045 FTEs]. At 31 March 2016 the comparative figures were 2,842 people [2,238 FTEs]:

	31 March 2016		31 March 2017	
	Head Count	FTEs	Head Count	FTEs
Male	750	675.12	690	609.15
Female	2,092	1,562.81	1,984	1,435.90
Total	2,842	2,237.93	2,674	2,045.05

### **International Accounting Standard Note No 19 – Retirement Benefits**

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council's share of the pension fund has increased by £62.9m; this has been as a result of a change to actuarial assumptions to calculate the future value of scheme liabilities. The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £16.869m (comprising contributions of £13.280m plus a lump sum payment of £3.589m). Following the valuation at 31/3/16 the contribution rate was increased to 14.1% for 2017/18 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2017/18 is estimated at 18.9%, higher than 2016/17.

### **Capital Accounting**

#### **Capital**

The Council spent £73.67m on capital projects during the year, an underspend of £13.41m against budget within the year, although this will be re-phased into future years. Detail is shown in the table below:

<b>Policy Area</b>	<b>2016/17 Approved Budget £m</b>	<b>2016/17 Expenditure £m</b>
Education and Corporate Parenting	15.39	10.32
Development Business and Employment	28.77	24.11
Customer & Neighbourhood Services	28.03	29.14
Early Help & Support	0.97	0.05
Governance, Procurement & Commissioning	0.13	0.14

Commercial Services	6.75	4.17
Co-Operative Council	0.30	0.15
Health & Well-being	0.76	0.34
Finance & Human Resources	5.98	5.25
<b>Total</b>	<b>87.08</b>	<b>73.67</b>
<b>Funded by:</b>		
Supported Borrowing	1.28	1.27
Prudential Borrowing	37.73	28.48
Capital Receipts	7.40	8.70
Government Grants	33.83	30.14
Revenue	0.79	0.90
Other External Sources	6.05	4.18
<b>Total</b>	<b>87.08</b>	<b>73.67</b>

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 £73.67m on capital projects during 2016/17.

Overall the Council's net indebtedness is £193.7m at 31<sup>st</sup> March 2017 which is an increase of £40.3m 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 2016/17 the Authority made payments of £10,019,382 (£10,000,492 in 2015/16) 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 27)**

**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 2017 was £0.5m.

**Single Status** – Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2016/17 accounts, as was the case last year and previous years. The amount in the provision at 31 March 2017 was £16.0m (£3.6m relates to schools).

**NDR Appeals** – under the current 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, £6.7m is estimated as the amount

required to set aside for this purpose at the end of 2016/17. Telford & Wrekin Council's proportion of this is £3.3m (49%).

**Litigation Costs** – A provision has been created for 2016/17 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.

### **Commentary on the Accounts for 2016/17**

**Expenditure & Funding Analysis** – This is a new statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

**Group Accounts** – The Council's wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015. The Statement of Accounts for 2015/16 included Group Accounts for the first time. These consolidate the Council and NuPlace's financial statements for both 2015/16 and 2016/17. The accounts for 2016/17 include an increased number of transactions as NuPlace's trading continues to grow. The Council has examined the relationship with other partners including West Mercia Energy (see note 59 to the accounts) and have concluded that group accounts only need to be prepared in respect of NuPlace.

**Highways Network Asset** – Following a review by Chartered Institute of Public Finance and Accountancy Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) they decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities.

## **2.5 Achievements & Performance During 2016/17**

Throughout 2016/17 Telford & Wrekin Council continued to drive the efficiency and effectiveness of its services:

### **People**

#### **Children and Adults**

- Demand for children's services through Family Connect continues to grow – reflecting an ongoing trend seen over a number of years. This pressure has seen the number of looked after children by the authority increase from 300 to around 370 in 2016/17. An OFSTED inspection of Children's Safeguarding in June 2016 found that the service keeps young people safe and that thresholds for the service were correct. Importantly, this inspection found that "work with children & young people at risk of sexual exploitation is very strong [...] a champion for tackling this issue" a core priority for the Council and its partners.

- Educational attainment:
  - 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.
  - A key challenge remains ensuring that all pupils whatever their background maximise their attainment.
  
- 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 380 families worked with was achieved in 2016/17. Importantly, this model of working has been embedded into the new Early Help & Support Service (see below).
  
- Our Adult Social Care Outcomes Framework (ASCOF) performance saw improvements from 2015/16 in general sustained. In particular, early indications show quality of life, remains comparable to the national position. There was significant improvement around enablement (helping adults relearn or regain skills lost because of poor health, disability or a period in hospital) to the best levels of performance recorded by the service – however, more work needs to be done to improve to the national average.

## **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 continues to increase with the overall rate rising to 47% from 46% in 2015/16. Following the establishment of a “waste transfer station” in October and the closure of the Borough’s remaining landfill site, the diversion from landfill rate has risen from 50% (2015/16) to 78.3% in 2016/17 (part year). Part of this increase can be attributed to the development of new approaches to Household Recycling Centres. For example, Veolia (the Council’s contractor) have entered into partnership with Revive – an “upcycling” organisation who focus on furniture and household goods.
  
- The Council continues to invest and seek funding to improve the infrastructure of the Borough and its communities. Key examples in 2016/17 include
  - Investment in new footways in Ironbridge – an important part of “Destination Telford” working to attract leisure and commercial visitors into the Borough.

- In the Town Centre, the dualling of Rampart Way to link the Eastern Primary with the M54 and as part of this the gateway into the Town Centre will be enhanced through a new iconic footbridge from Telford railway station. The town centre bus station renewal project is also underway.
- As well as direct investment the Council continues to work ever more closely with partners, particularly at the community level, to develop different service delivery models to sustain services such as Town & Parish Councils, community groups and organisations:
  - Libraries
  - Community centres
  - Markets
  - Children centres
  - Youth provision
- Pride in your High Street Fund grants were awarded to 21 projects to revitalise the high streets and help businesses grow. These include:
  - Social Enterprise Wavelength Pop Up Shops – this first round bid proposed to create pop up shops in four high streets with a focus on supporting disabled and disadvantaged people.
  - Madeley Town Council Russell Green and War Memorial Project. The project involved the enhancement of a civic square on the edge of Russell Green and the redesign of this space.
  - Good2Great Business support programme – this programme addresses the lack of business support focussed on retailers aiming to deliver across 7 High Streets.
  - Newport Italian Food Festival and Newport Food Frenzy – held in summer 2016 was a great success, with both events creating a foundation and legacy for building a much bigger annual event.
  - The Oakengates Carnival in July 2016 attracted almost 10,000 people to celebrate life in the town.
- In 2015/16, a £5.6m Super-Fast Broadband roll out programme was commenced. This is now ahead of schedule and has been rephrased to increase the number of households and businesses that can benefit. Take up of this new service has doubled over this period from 10% to 20% and continues to grow.

## **Economy**

- In May 2016, the Council launched its strategy for economic development 'Enterprise Telford: Driving Growth and Prosperity' setting out how we will support existing businesses to grow and how we will compete nationally and internationally to attract inward investment delivering jobs, supporting local communities and generating income for the Council to invest into frontline services. Building on this, the Council established a £50 million Growth Fund which is being used to invest directly into land, property and strategic infrastructure enabling local businesses to expand and

drawing in new investors and delivering a revenue return to the authority to invest into front line services. To date over £29m has been invested which is supporting the generation of c.1000 new jobs and set to safeguard a further 400.

- In 2015/16, the Council 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. The Deal has now delivered gross land sales of c. £7.2m, 277 new homes and over 400 new jobs – many highly skilled – with construction work benefitting local companies and new investors set to stimulate further growth in the supply chain.

As a result of our "Business Supporting, Business Winning approach", the Borough continues to secure significant inward investment. In January 2017, inward investment from Polytec, an automotive parts supplier was announced to build an additional manufacturing site at the T54 technology park. Constructed over three phases, the first phase will create as many as 100 jobs.

## **Organisation**

- In December 2015, the Managing Director launched an organisational strategy 'Being the Change' to ensure the organisation was ready to meet the ongoing service and financial pressures it faces. The four themes of this strategy have informed the development of the Council's efficiency strategy. Implementation of Being the Change through 2016/17 included:
  - senior management team restructured and reduced.
  - new service called Early Help & Support established to reduce demand on Children's Safeguarding Service and Adult Social Care through a new community focussed approach.
  - the majority of services reviewed and restructured to deliver new ways of working and to deliver savings.
- In 2016/17, the Council delivered £16m of budget savings on top of the £80m made in the previous 7 years. Savings are now equivalent to £1,300pa for every home in the borough.
- Council Tax, Business rates and accounts receivable income collection rates were all ahead of target for 2016/17 with over £8m more cash collected than the previous year.
- Our commercial activities continued to grow income to help protect front-line services. 2016/17 was the second year of operation for NuPlace, the Council's wholly owned housing investment company. NuPlace generated an operating profit before

interest and after taxation of £0.274m in 2016/17. The Council also received income from NuPlace totalling £0.529m during 2016/17. As well as continuing to profit from the Solar Farm Energy and NuPlace, the Council launched a price comparison website (£7k pa) which included targeted advice and support about fuel poverty. Also, importantly, the Council continued to increase trading through BiT (property management), schools, leisure centres & Oakengates theatre all increasing their income.

## **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 2017/18 Commentary**

The Council has a rolling service and financial planning process. This was updated for 2017/18 formally by reports to the Council's Cabinet in January and February 2017. The decisions on the medium term budget strategy at 2 March 2017 Council reflect the outcome of consultation following publication of the draft strategy on the 5 January 2017.

The provisional funding settlement for 2017/18 was announced very late on the 15th December 2016, followed by the final settlement on the 20 February 2017; as anticipated the Council faced a very significant reduction in funding. After delivering £96m of savings over the previous 8 years, further savings of over £13m were required in 2017/18.

The agreed strategy for 2017/18 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 £13.6m for general fund budgets;
- funding for unavoidable service pressures totalling £9.2m, comprising £4.4m for Early Help & Support (Adult Social Services) and £4.8m 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 second year of the new 2% Adult Social Care precept introduced by the Government in 2016/17. As a result, the Council Tax for Council Services in 2017/18 (Band B) is £950 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,222). The medium term strategy assumes increases of 3.2% for 2018/19 and 2019/20 to match the period of the Government’s Spending Review and commitment of 4 year settlements.

<b>2017/18 Net Revenue Budget - £m</b>	
<b>2017/18 Total Net Revenue Spend</b>	<b>121.194</b>
Funded From:	
Government Grant (incl. RSG and Top Up)	22.636
Retained Business Rates (incl. S31 grant)	36.673
Council Tax	59.410
Collection Fund	2.475
<b>Total Funding</b>	<b>121.194</b>

### **Looking Ahead**

Full Council approved the medium term financial strategy on the 2 March 2017 (available on the Council’s web site).

Despite the Government’s Four Year Grant Settlement, the funding outlook for the medium term is still very uncertain due to the current review of the Business Rates Retention Scheme which is underway. This is the most significant and fundamental change to local government financing in recent times and encompasses reviewing the Relative Needs formulae and moving to 100% Business Rates Retention combined with the transfer of extra responsibilities and Functions to local authorities. Currently the design of the new system is subject to consultation and no detailed information for individual authorities is likely to be known until 2018 at the earliest. The outcome of the General Election may also impact on local government financing. It is therefore not possible to have any real certainty on the further cuts that we will face, however it is anticipated that we will need to identify an additional £30m over the period 2017/18 to 2019/20. This would bring the total savings to around £130m by the end of this period. However, as stated earlier, there are so many changes proposed to the local government finance system that the position for future years is very difficult to assess at the current time. It is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance being likely.

### **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.

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Ken Clarke MBA CPFA  
Chief Financial Officer

Chart 1

**Midlands Authorities 2016/17 Band D Council Tax for Equivalent  
Unitary Services  
(Excluding Police, Fire\* and Parish Precepts)**

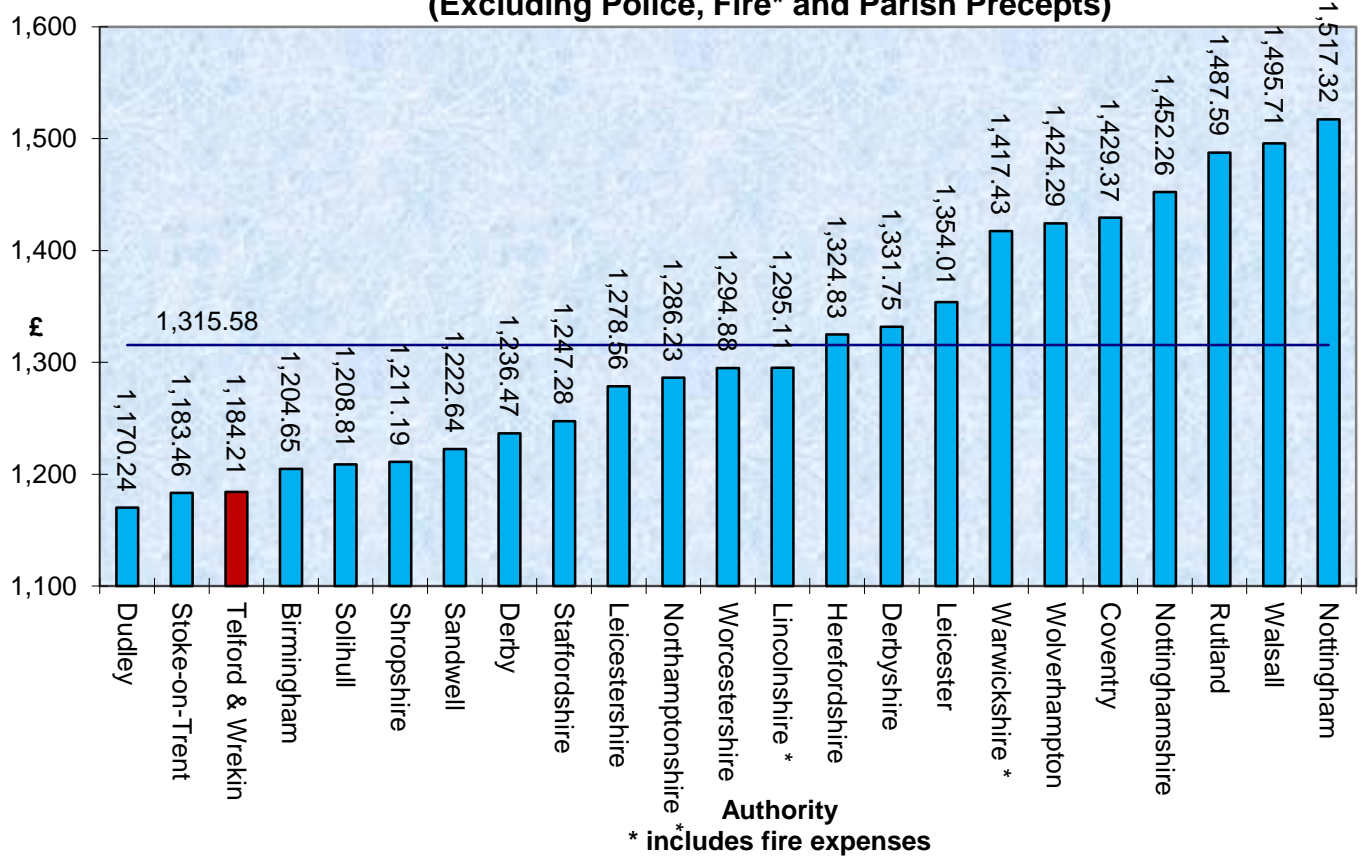


Chart 2

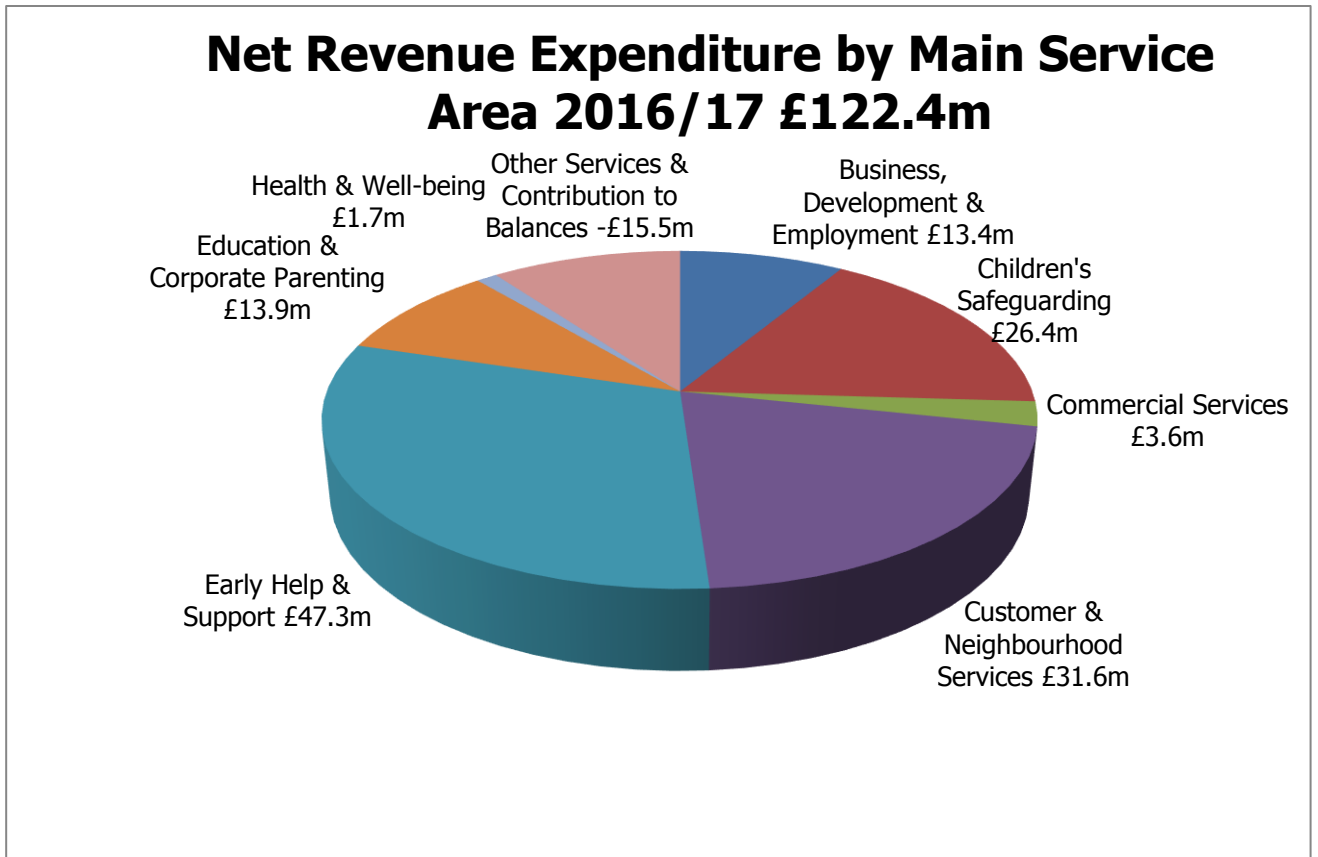


Chart 3

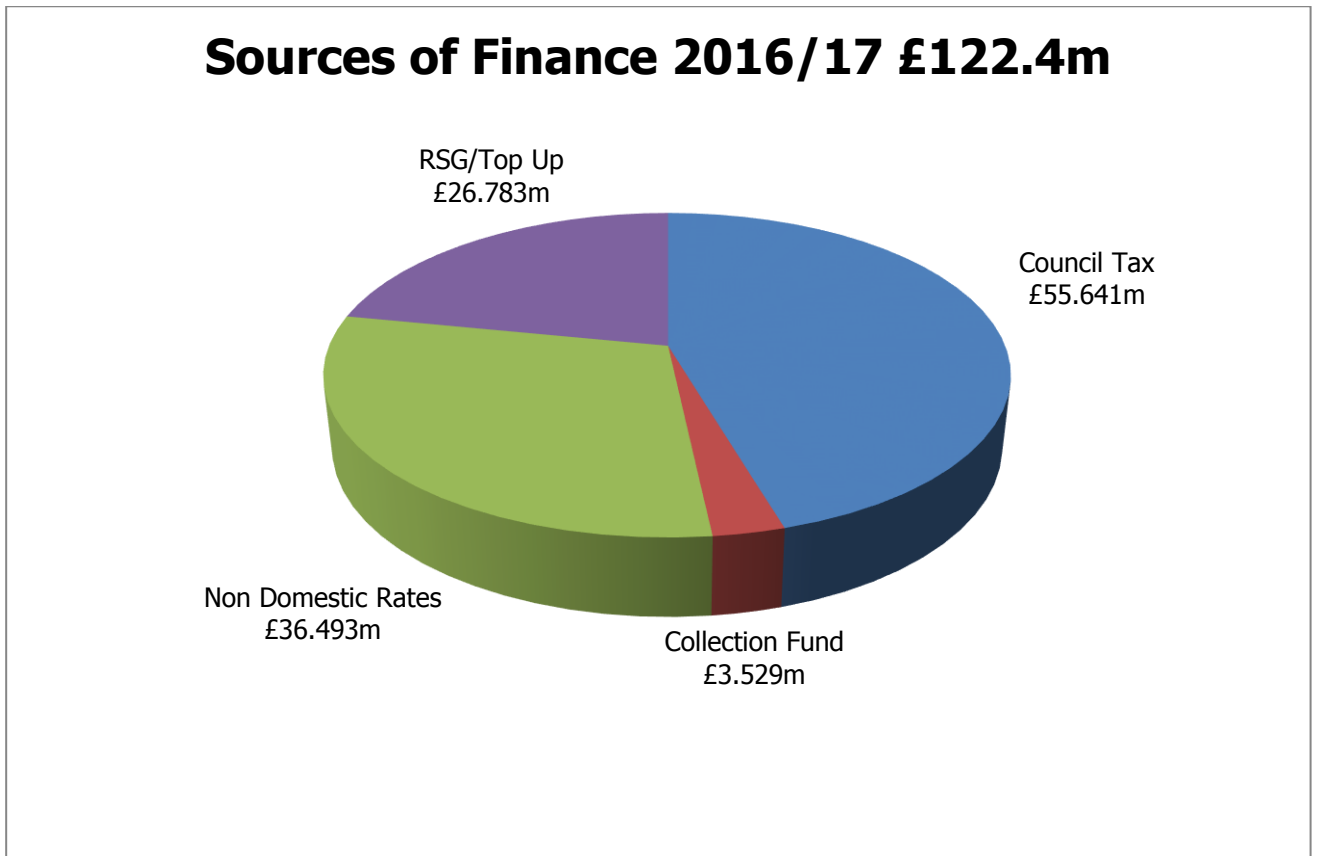


Chart 4

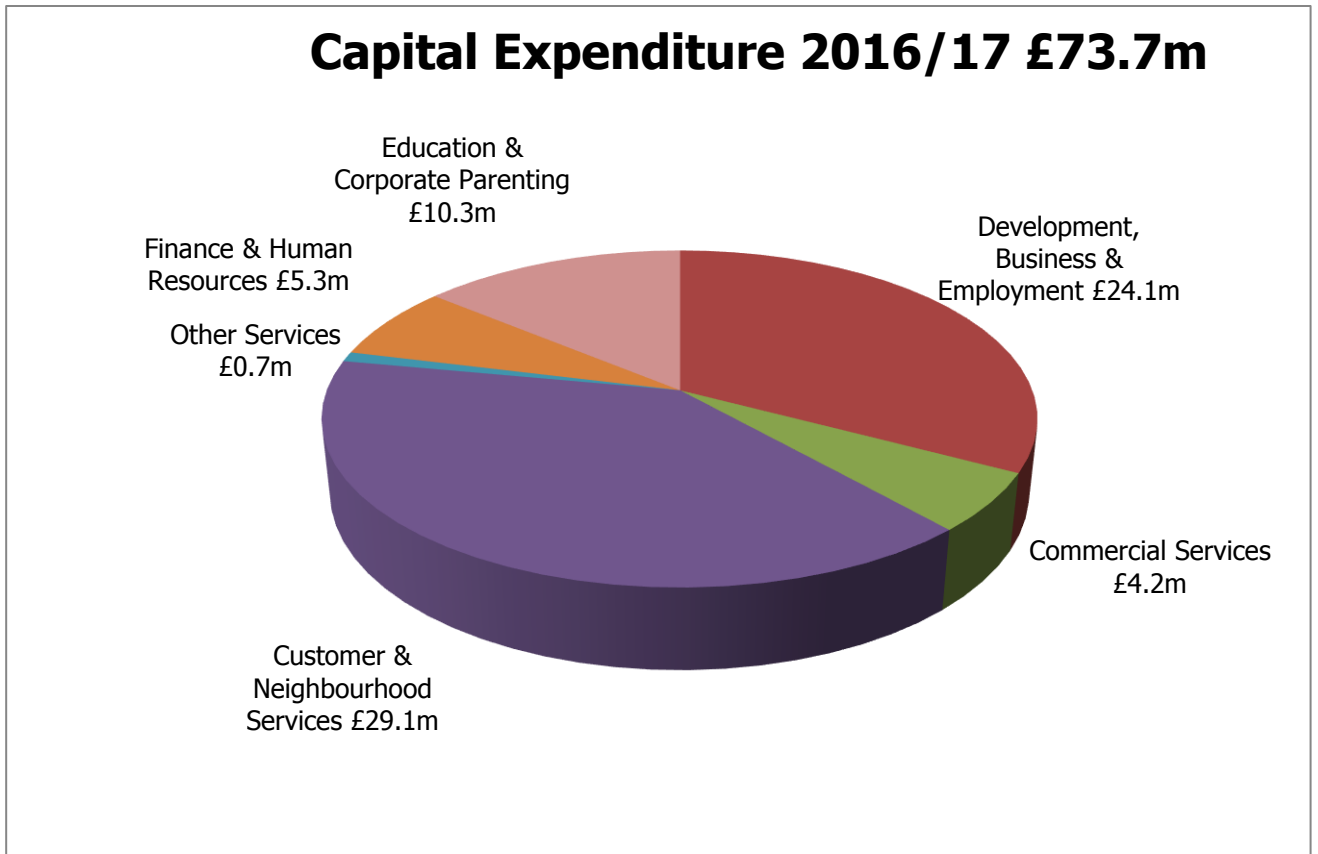
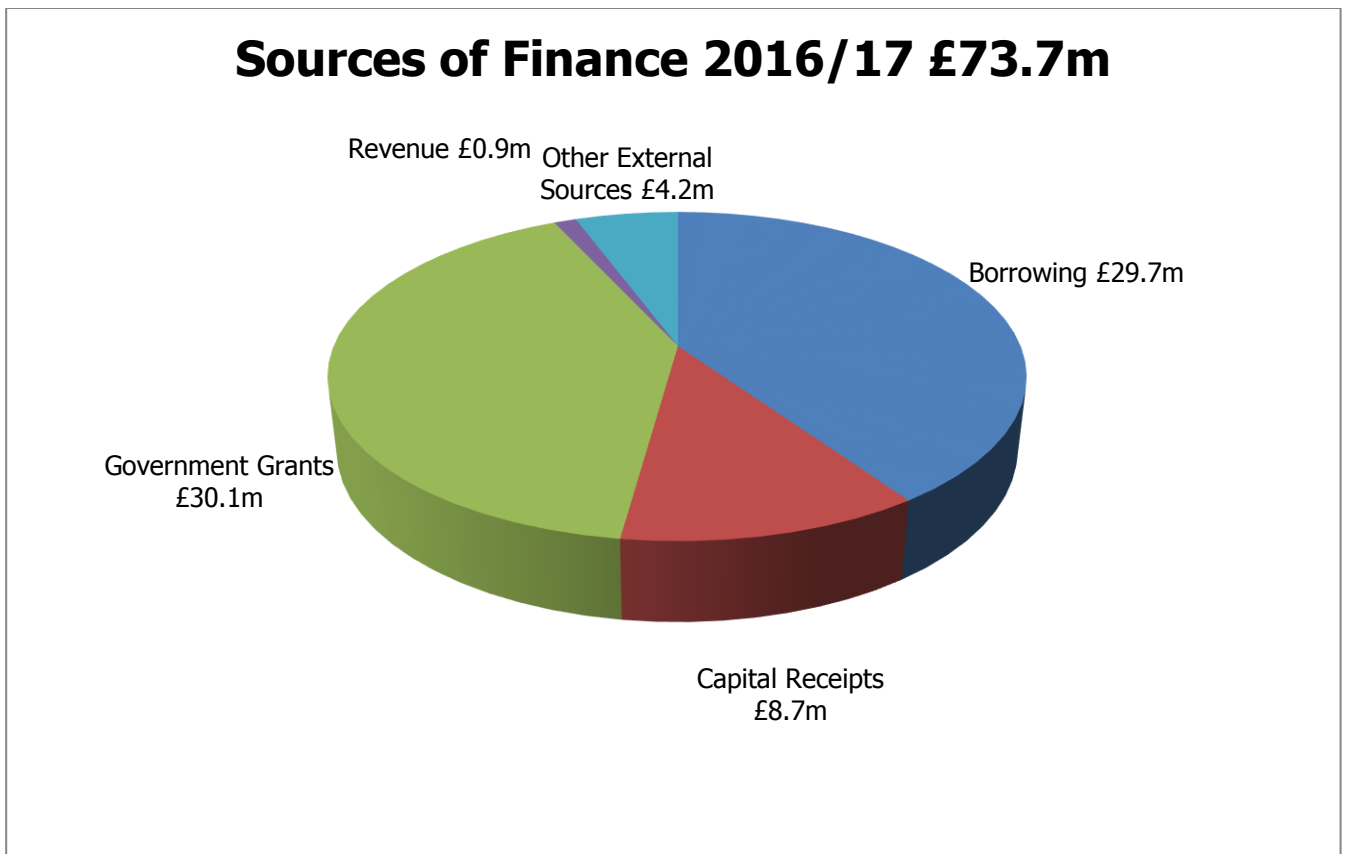


Chart 5



## **Statement Of Responsibilities**

### **The Council's Responsibilities**

#### **The Council is required:**

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Director: 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 31<sup>st</sup> March 2017.

#### **In preparing this statement of accounts, the Chief Finance Officer has:**

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

#### **The Chief Finance Officer has also:**

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- signed the letter of representation for the External Auditor.

### **CERTIFICATE OF THE CHIEF FINANCE OFFICER**

I hereby certify that the Statement of Accounts on pages 3 to 121 complies with the requirements of the Accounts and Audit Regulations 2015.

Ken Clarke MBA CPFA,  
Assistant Director

**Dated: 7 June 2017**

### **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: 27 June 2017**

## **ANNUAL GOVERNANCE STATEMENT 2016/17**

### **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 Delivering Good Governance in Local Government: Framework (2016 Edition). Within this code and to meet its responsibilities, the Council (members and officers) is responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations<sup>1</sup> and ensuring the effective exercise of its functions.
- 3.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control). During 2016 a new local Code of Good Governance was approved to meet the updated CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition) and this has been further updated for 2017 to reflect the updated principles.

### **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. The detail is included in the Local Code. The framework 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-

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

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 2017 and up to the date of approval of the statement of accounts. It is on-going into 2017/18 but there will be appropriate reviews and updates during the year and beyond to support good governance, organisational change/revised service delivery and changes to legislation/regulations and good practice.

## **5. Review of Effectiveness**

- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
  - b) the work of internal audit; and also
  - c) comments made by the external auditors and other external review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet Members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 5.3 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, direct feedback to members from within the community, the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.
- 5.4 The Internal Audit plan is informed by the Council's service and financial planning processes, 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 2016/17 the Internal Audit team achieved just over 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework.
- 5.5 Internal Audit report on a quarterly basis and also annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Directors/Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.
- 5.6 In January 2017 the Internal Audit Function were assessed externally by CIPFA against the Public Sector Internal Audit Standards (required once every 5 years) and the assessor wrote in her report:

"I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity"

The assessor made recommendations and suggestions which the team are in the process of implementing.

- 5.6 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 (including a new Assistant Director from mid-February 2017) and the implementation of further restructures (including the business support function).
- 5.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up Policy encouraging internal referrals. 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 internally. The Benefits Investigations Team transferred to Governance, Procurement & Commissioning in June 2016 and their remit was widened to include Council wide fraud (not just Benefits – Housing and Council tax Support). Internal Audit along with the Investigations Team undertakes proactive fraud work based on a fraud risk register. Other specific anti-fraud and corruption activities are undertaken by Trading Standards. An annual report on these activities is presented to the Audit Committee.
- 5.8 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy and during the year were provided with an update on the possible implications of Brexit by Arlingclose, the Council's Treasury Management advisors.
- 5.9 The Council's performance management framework is monitored by SMT and has procedures in place which drive continuous improvement in performance.
- 5.10 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements.
- 5.11 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 2016/17 no enforcement action has been taken by the ICO against the Council in respect to data breaches.

- 5.12 Implementation of the ICT Strategy 2014-17 has continued in 16/17 including infrastructure upgrades, the commencement of the roll-out of Office 365 and further security improvements particularly in response to spam, phishing/ whaling and ransomware threats.
- 5.13 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.14 The 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 2016/17 sets out the internal audit opinion and that the External Auditor has reviewed and relied upon the work of Internal Audit (and their contractor) in respect to the key financial systems for the 2016/17 final accounts audit.
- 5.15 The External Auditor's Annual Audit Letter 2015/16 (October 2016) 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 2015/16 on 28 September 2016. 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 the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.
  - Audit opinion - we issued an unqualified opinion on your financial statements on 28 September 2016. 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. The financial statements also include for the first time those of the Authority's Group, which consists of the Authority itself and Nuplace Limited.

The External Auditors received an elector question relating to the 2015/16 financial statements which continues to be investigated. This means that they have not yet been able to issue the External Audit certificate which will confirm that they have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit practice. The Audit Committee will be updated once this has been resolved.

- 5.16 Lakewood Court care home was inspected by CQC in March 2016 and the report was published on 27<sup>th</sup> April 2016. The overall rating for the facility was "Good" with the answers to the 5 questions asked as part of the assessment being:

<b>Question</b>	<b>Rating</b>
Is the service safe?	Good
Is the service effective?	Good
Is the service caring?	Good
Is the service responsive?	Good
Is the service well-led?	Good

The full report can be accessed through the link below:

<http://www.cqc.org.uk/location/1-123010802>

- 5.17 There was an Ofsted single inspection of services for children in need of help and protection, children looked after and care leavers and a review of the effectiveness of the Local Safeguarding Children Board (SIF) which took place between 13 June and 7 July 2016, with the report published on 26 August 2016.

The key judgement was that - children's services in Telford and Wrekin require improvement to be good. However this result is detailed as shown below:

1. Children who need help and protection	Requires improvement
2. Children looked after and achieving permanence	Requires improvement
2.1 Adoption performance	Good
2.2 Experiences and progress of care leavers	Good
3. Leadership, management and governance	Requires improvement

The Council was pleased that the inspection recognised the improvements that had been made in the quality of services, the outcomes that children are achieving and the important contribution made by having effective political backing and the hands on support of our Managing Director.

The full report can be accessed through the link below:

<https://reports.ofsted.gov.uk/local-authorities/telford-and-wrekin>

As required by Ofsted the Council has an improvement/action plan which is being monitored internally by Senior Officers and Members and externally by Ofsted.

- 5.18 Adult Social Care took part in a Peer Challenge and case audit during May 2016. The review focussed on:

- How well we are progressing with the implementation of our plans, in order to achieve our outcomes, as detailed in our Commitment Statement.
- Consideration of the sustainability of our target operating model given the future opportunities and challenges presented by demographic and funding pressures, legislative change and the 'integration' agenda.

The summarised feedback received said "The Peer Team recognised the significant progress the council has made in recent years to focus on accelerating personalisation, and to deliver high quality interventions that are affordable. The level of enthusiasm, commitment and support from front line staff, carers, service users and other stakeholders was clearly evident. The team was also very impressed by the commitment demonstrated by the council leadership team and politicians, evident in the budget setting process."

The outcomes and action plan developed were presented to SMT and the July 2016 meeting of the Adult & Social Care Scrutiny Committee. This action plan has since been included within the Early Help and Support Service Plan.

- 5.19 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, senior managers, Internal Audit and external review, and in our opinion conclude that the review of the governance arrangements provides a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Attached as Annex 1 is an agreed action plan to address any key governance issues and ensure continuous improvement.
- 5.20 Issues from the previous action plan that have been addressed or mainstreamed have been deleted and those that continue to be addressed are included in Annex 1.
- 5.21 The Senior Management Team will monitor implementation of these actions and will report back to the Audit Committee in January 2018 and within next year's statement.

Richard Partington  
Managing Director  
**Dated**

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

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

**ANNUAL GOVERNANCE STATEMENT ACTION PLAN FOR 2016/17 TO BE IMPLEMENTED  
2017/18**

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	<p>"Being the Change: One Year On – Seeing the Change and Being the best we can" - document produced March 2017 and further actions to be taken during 2017/18.</p> <p>As part of the above service and work force planning on target for completion by Spring 2017.</p> <p>Consultation on savings for 2018/19 and 2019/20 proposals will commence during 2017/18.</p>	
2.	Implementation the Workforce Development plan, succession planning and priorities following restructure in Organisational Delivery & Development. Continue to update the management competencies, skills and associated training to meet revised organisational requirements. Review of Human Resources policies and procedures to support the priorities and organisational change.	Managing Director	<p>Learning &amp; Development Manager now in post and leading on this to support the organisation to embed workforce development plans, succession planning/single points of failure (an issue highlighted by several SDM's in their AGS certificates) and training to support management competencies and skills.</p> <p>Human Resources policies have been prioritised and are being revised and renegotiated in line with these priorities.</p>	
3.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources/ AD Governance, Procurement & Commissioning	<p>Council has elected into the Sector led body – PSAA – to undertake the procurement on our behalf.</p> <p>A report will be presented to the Audit Committee in September 2017 in respect to the outcome of the procurement process and they will make a recommendation for appointment by full Council by 31/12/17.</p>	

			<p>Planning for revised final accounts deadlines for 2017/18 commenced 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.</p> <p>Continuing to work towards an updated final accounts timetable for 2016/17 onwards.</p>	
4.	<p>Continue to deliver the improved processes and associated governance to deliver savings and service improvements across Early Help &amp; Support (includes adult social services).</p>	<p>AD: Early Help &amp; Support/ AD Governance, Procurement &amp; Commissioning</p>	<p>Adult Social Services are now included with Early Help &amp; Support Services. New structures are now in place with further revisions to the operating model coming into effect in 2017. Associated policies and procedures will also be launched in 2017. Service teams are now based in localities alongside other public and voluntary sector services.</p> <p>Teams have been assigned targets linked to the cost improvement plan. These targets will be used to determine sufficiency plans for placements over a four year period.</p> <p>The Brokerage and Contract teams will focus upon driving out further efficiencies through effective procurement.</p> <p>The Council will continue to develop the usage and governance of the Better Care Fund.</p> <p>A project structure including governance and resources has been agreed by SMT for the implementation of one ICT system for children's and adults services over the next 2 years. Procurement costs have been minimised by joint working with Shropshire Council.</p>	
5.	<p>Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges.</p>	<p>Director: Children's &amp; Adult Services and Director – Customer, Neighbourhood &amp; Well-Being Services</p>	<p>The Ofsted action plan from the 2016 review will continue to be implemented and monitored during 2017/18.</p> <p>Internal Audit work in Children's safeguarding will be aligned to support and confirm implementation of these recommendations.</p>	

			Any governance issues arising from other external reviews during 2017/18 will be monitored by senior management.	
6.	Ensure that senior management (including SDM's) engage and supports the implementation of the GDPR information governance requirements within their service areas.	SIRO/SMT & SDM's	Information on requirements has been provided to SMT and has been updated. SMT have agreed a GDPR implementation plan which will be discussed at all management teams over the next few months.  An intranet page has been developed and Learning & Development are supporting Ollie modules based on guidance produced. May 2018	
7.	Ensure that the website contains relevant current information and is kept up to date.	AD Customer & Neighbourhood Services	This year's certification process has identified that several teams are not keeping their web pages up to date and one reason is a lack of knowledge of how to do this. Appropriate support will be provided to ensure that Teams have the skills to keep them up to date going forward. On-going during 2017/18.	
8.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	Governance processes in place and robust business cases and funding approvals are required for all activities. On-going during 2017/18.	On-going during 2017/18

# 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

## Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See Note 7.

2015/16			SERVICE	2016/17		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
532	5,790	6,322	Business, Development & Employment	13,430	4,269	17,699
22,515	168	22,683	Children's Safeguarding	26,428	464	26,892
1,294	484	1,778	Co-Operative Council	1,260	(1,492)	(232)
653	16,906	17,559	Commercial Services	3,573	(1,434)	2,139
12,299	(1,851)	10,448	Council Wide	7,009	3,643	10,652
29,011	(10,702)	18,309	Customer & Neighbourhood Services	31,631	(27,958)	3,673
41,012	4,240	45,252	Early Help & Support	47,267	(464)	46,803
5,763	(15,793)	(10,030)	Education & Corporate Parenting	13,941	(15,338)	(1,397)
3,896	1,364	5,260	Finance & Human Resources	(27,050)	32,195	5,145
4,013	835	4,848	Governance, Procurement & Commissioning	3,059	(59)	3,000
2,552	(1,196)	1,356	Health & Well-being	1,731	(927)	804
123,540	245	123,785	Net Cost Of Services	122,279	(7,101)	115,178
(123,661)	29,672	(93,989)	Other Income & Expenditure	(122,446)	15,297	(107,149)
(121)	29,917	29,796	(Surplus) or Deficit	(167)	8,196	8,029
4,369			Opening General Fund Balance	4,490		
121			Surplus of (Deficit) for year	167		
4,490			Closing General Fund Balance	4,657		

## 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 Expenditure & Funding Analysis.

SERVICE	2015/16 Gross Expenditure £000	2015/16 Income £000	2015/16 Net Expenditure £000	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000
Business, Development & Employment	15,810	9,488	6,322	25,526	7,827	17,699
Children's Safeguarding	24,304	1,621	22,683	27,537	645	26,892
Co-Operative Council	3,916	2,138	1,778	1,766	1,998	(232)
Commercial Services	32,410	14,851	17,559	18,534	16,395	2,139
Council Wide	16,690	6,242	10,448	21,050	10,398	10,652
Customer & Neighbourhood Services	118,651	100,342	18,309	116,249	112,576	3,673
Early Help & Support	62,555	17,303	45,252	62,218	15,415	46,803
Education & Corporate Parenting (Note 8)	117,378	127,408	(10,030)	118,747	120,144	(1,397)
Finance & Human Resources	13,115	7,855	5,260	12,377	7,232	5,145
Governance, Procurement & Commissioning	12,755	7,907	4,848	10,019	7,019	3,000
Health & Well-being	23,686	22,330	1,356	20,540	19,736	804
<b>Net Cost of Services</b>	<b>441,270</b>	<b>317,485</b>	<b>123,785</b>	<b>434,563</b>	<b>319,385</b>	<b>115,178</b>
Other Operating Expenditure (Note 9)			28,278			(1,348)
Financing and Investment Income and Expenditure (Note 10)			5,830			19,714
Taxation & Non Specific Grant Income and Expenditure (Note 11)			(128,097)			(125,515)
<b>(Surplus) or deficit on provision of services</b>			<b>29,796</b>			<b>8,029</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(479)			(2,641)
Remeasurements of the net defined benefit pension liability (Note 12)			(22,019)			51,906
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(22,498)</b>			<b>49,265</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>7,298</b>			<b>57,294</b>

## 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 & Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 carried forward restated</b>	<b>54,414</b>	<b>8,929</b>	<b>63,343</b>	<b>43,114</b>	<b>106,457</b>
<b>Total Comprehensive Income and Expenditure restated</b>	<b>(29,796)</b>	<b>0</b>	<b>(29,796)</b>	<b>22,498</b>	<b>(7,298)</b>
Adjustments between accounting basis & funding basis under regulations (Note 14)	34,683	(6,069)	<b>28,614</b>	(28,614)	<b>0</b>
<b>Increase/ (Decrease) in 2015/16 restated</b>	<b>4,887</b>	<b>(6,069)</b>	<b>(1,182)</b>	<b>(6,116)</b>	<b>(7,298)</b>
<b>Balance at 31 March 2016 carried forward restated</b>	<b>59,301</b>	<b>2,860</b>	<b>62,161</b>	<b>36,998</b>	<b>99,159</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,029)</b>	<b>0</b>	<b>(8,029)</b>	<b>(49,265)</b>	<b>(57,294)</b>
Adjustments between accounting basis & funding basis under regulations (Note 14)	16,657	460	<b>17,117</b>	(17,117)	<b>0</b>
<b>Increase/ (Decrease) in 2016/17</b>	<b>8,628</b>	<b>460</b>	<b>9,088</b>	<b>(66,382)</b>	<b>(57,294)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>67,929</b>	<b>3,320</b>	<b>71,249</b>	<b>(29,384)</b>	<b>41,865</b>

It should be noted that of the total £41.9m reserves, only £4.7m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances. See note 30, 31 and 32.

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31 March 2016 Restated £000</b>		<b>31 March 2017 £000</b>	<b>31 March 2017 £000</b>
485,094	Property, Plant & Equipment (Note 15)	511,037	
71,368	Investment Properties (Note 16)	71,617	
2,437	Intangible Assets (Note 17)	2,346	
3,533	Long Term Investments (Notes 23,24,25)	6,483	
8,344	Long Term Debtors (Note 23)	15,087	
<b>570,776</b>	<b>Total Long Term Assets</b>		<b>606,570</b>
	<b>Current Assets</b>		
351	Inventories (Note 21)	321	
23,517	Debtors (Notes 22,23)	37,647	
0	Investments - (short term) (Notes 23,24,25)	0	
12,721	Assets Held for Sale (Note 18)	7,474	
7,286	Cash and Cash Equivalents (Note 26)	20,033	
<u>43,875</u>		<u>65,475</u>	
	<b>Current Liabilities</b>		
(20,073)	Provisions (Note 27)	(19,808)	
(75,579)	Short term Borrowing (Notes 23,24)	(119,175)	
(62,872)	Creditors (Notes 23,28)	(58,670)	
<u>(158,524)</u>		<u>(197,653)</u>	
<b>(114,649)</b>	<b>Total Net Current Assets/(Liabilities)</b>		<b>(132,178)</b>
(88,519)	Less Long Term Borrowing (Notes 23,24)		(100,873)
(55,321)	Less Long Term Creditors (PFI & Finance Leases) (Note 23,29)		(55,405)
(212,647)	Less Pensions Liability (Note 12)		(275,500)
(481)	Capital Grants Receipts in Advance (Note 42)		(749)
<b>99,159</b>	<b>Net Assets</b>		<b>41,865</b>
62,161	Usable Reserves (Note 30)		71,249
36,998	Unusable Reserves (Note 32)		(29,384)
<b>99,159</b>	<b>Net Reserves</b>		<b>41,865</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
<b>29,796</b>	Net (surplus) or deficit on the provision of services	<b>8,029</b>
<b>(65,066)</b>	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 37)	<b>(31,462)</b>
<b>40,682</b>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 38)	<b>54,056</b>
<b>5,412</b>	<b>Net cash flows from Operating Activities (Note 41)</b>	<b>30,623</b>
<b>39,086</b>	Investing Activities (Note 39)	<b>10,176</b>
<b>(47,127)</b>	Financing Activities (Note 40)	<b>(53,546)</b>
<b>(2,629)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(12,747)</b>
<b>4,657</b>	Cash and cash equivalents at the beginning of the reporting period	<b>7,286</b>
<b>7,286</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 26)</b>	<b>20,033</b>

# Notes to the Accounts

## 1. Accounting Policies

### a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 £132m, 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 2017/18 COP. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any Authority's share of the assets and liabilities under the Teachers' scheme or the National Health Service scheme.

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

### **Termination Benefits**

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

### **i) Events After the Balance Sheet Date**

Where a material post balance sheet event occurs which

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

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

### **j) Exceptional Items and Prior Period Adjustments**

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

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

### **k) Financial Instruments**

Investments are disclosed in the Balance Sheet at amortised cost.

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

### **l) Government Grants and Other Contributions**

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

### **m) Intangible Assets**

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

### **n) Inventories and long term contracts**

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

### **o) Investment Properties**

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

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

### **p) Leases**

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

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

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

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

### **q) Non-current Assets Held for Sale**

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

- management is committed to a plan to sell,
- the asset is available for immediate sale,
- an active programme to locate a buyer is initiated,

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

**r) Overheads**

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

**s) Private Finance Initiative**

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

**t) Property, Plant & Equipment**

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

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

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

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

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

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

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

As at 31<sup>st</sup> March 2017 there were 3 significant capital contracts in place. These total £6.9m and are detailed in note 15.

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 over 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 30, 31 & 32 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.

**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. During 2016/17, the Council funded £5.182m of expenditure in its Comprehensive Income and Expenditure Account from capital receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review.

**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 19.

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 2016/17 a total of £0.174m (£0.089m for 2015/16) 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 2016/17 the following new standards have been issued, but not yet adopted:

- Amendment to the reporting of pension fund scheme transactions costs. This is not expected to have a material effect on the Council's Statement of Accounts.
- Amendment to the reporting of investment concentration. This is not expected to have a material effect on the Council's Statement of Accounts.

### **Prior Period Adjustments**

There were no significant prior period adjustments in the accounts for 2016/17.

## **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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £2.1m for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £13.6m. However, the assumptions interact in complex ways.
<b>Arrears</b>	At 31 March 2017, the Authority had a balance of £44.378m for sundry debtors. The Council has set aside a bad debts provision of 15.2% (£6.731m) 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 £2.2m to be set aside as an allowance.
<b>Single Status</b>	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 <sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2016/17 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 7 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. Expenditure & Funding Analysis Note

A. Adjustments between funding and accounting basis.

**2016/17**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Business, Development & Employment	9,866	0	(5,597)	4,269
Children's Safeguarding	0	0	464	464
Commercial Services	(116)	0	(1,318)	(1,434)
Co-Operative Council	0	0	(1,492)	(1,492)
Council Wide	5,094	3,619	(5,070)	3,643
Customer & Neighbourhood Services	(28,506)	0	548	(27,958)
Early Help & Support	0	0	(464)	(464)
Education & Corporate Parenting (Note 8)	(7,695)	0	(7,643)	(15,338)
Finance & Human Resources	30,892	0	1,303	32,195
Governance, Procurement & Commissioning	(70)	0	11	(59)
Health & Well-being	(133)	0	(794)	(927)
<b>Net Cost of Services</b>	<b>9,332</b>	<b>3,619</b>	<b>(20,052)</b>	<b>(7,101)</b>
Other Income & Expenditure	(5,087)	7,328	13,056	15,297
<b>(Surplus) or deficit on provision of services</b>	<b>4,245</b>	<b>10,947</b>	<b>(6,996)</b>	<b>8,196</b>

**2015/16**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Business, Development & Employment	(4,076)	0	9,866	5,790
Children's Safeguarding	320	0	(152)	168
Co-Operative Council	0	0	484	484
Commercial Services	16,257	0	649	16,906
Council Wide	374	0	(2,225)	(1,851)
Customer & Neighbourhood Services	(5,519)	0	(5,183)	(10,702)
Early Help & Support	200	0	4,040	4,240
Education & Corporate Parenting (Note 8)	(7,429)	0	(8,364)	(15,793)
Finance & Human Resources	0	5,348	(3,984)	1,364
Governance, Procurement & Commissioning	69	0	766	835
Health & Well-being	(556)	0	(640)	(1,196)
<b>Net Cost of Services</b>	<b>(360)</b>	<b>5,348</b>	<b>(4,743)</b>	<b>245</b>
Other Income & Expenditure	23,884	7,071	(1,283)	29,672
<b>(Surplus) or deficit on provision of services</b>	<b>23,524</b>	<b>12,419</b>	<b>(6,026)</b>	<b>29,917</b>

**B. Segmental Income**

	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Business, Development & Employment	19,800	19,352
Children's Safeguarding	1,812	758
Commercial Services	39,986	45,272
Co-Operative Council	2,246	1,998
Council Wide	7,369	9,728
Customer & Neighbourhood Services	90,879	88,400
Early Help & Support	18,006	15,598
Education & Corporate Parenting (Note 8)	113,404	118,796
Finance & Human Resources	24,580	41,727
Governance, Procurement & Commissioning	8,905	6,953
Health & Well-being	16,945	18,968
<b>Net Cost of Services</b>	<b>343,932</b>	<b>367,550</b>

## 8. Disclosure of deployment of Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2016/17 are as follows:

<b>Schools Budget Funded By Dedicated Schools Grant</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2016/17			<b>132,517</b>
Brought forward from 2015/16			<b>351</b>
Academy Figure recouped for 16/17			<b>(29,001)</b>
<b>Agreed budgeted distribution in 2016/17</b>	<b>13,715</b>	<b>90,152</b>	<b>103,867</b>
In Year Adjustments	<b>0</b>	<b>(17)</b>	<b>(17)</b>
<b>Final Budget Distribution for 2016/17</b>	<b>13,715</b>	<b>90,135</b>	<b>103,850</b>
Actual Central Expenditure	(13,570)		<b>(13,570)</b>
Actual ISB deployed to Schools		(90,072)	<b>(90,072)</b>
<b>Carry Forward to 2017/18</b>	<b>208</b>	<b>63</b>	<b>271</b>

The in-year adjustment of £17,000 is derived from adjustments to early years funding made after the year end.

## 9. Other Operating Expenditure

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
<b>2,993</b>	Parish Council precepts	<b>3,489</b>
<b>316</b>	Payment of RSG to Parishes	<b>250</b>
<b>35,867</b>	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	<b>4,601</b>
<b>(10,898)</b>	(Gains)/losses on the disposal of non-current assets – Other Assets	<b>(9,688)</b>
<b>28,278</b>	<b>Total</b>	<b>(1,348)</b>

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>8,764</b>	Interest payable and similar charges	<b>8,656</b>
<b>7,071</b>	Pensions interest cost and expected return on pensions assets	<b>7,328</b>
<b>(22)</b>	Interest receivable and similar income	<b>(20)</b>
<b>(10,023)</b>	Income and expenditure in relation to investment properties and changes in their fair value	<b>3,710</b>
<b>40</b>	Other investment income and expenditure	<b>40</b>
<b>5,830</b>	<b>Total</b>	<b>19,714</b>

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(54,947)</b>	Council tax income	<b>(58,402)</b>
<b>(2,262)</b>	Collection Fund Surplus/Deficit	<b>(3,529)</b>
<b>(35,258)</b>	Non domestic rates	<b>(35,100)</b>
<b>(2,116)</b>	Non domestic rates Top Up Grant	<b>(2,134)</b>
<b>(42)</b>	Local Services Support Grant	<b>(26)</b>
<b>(31,444)</b>	Revenue Support Grant	<b>(24,899)</b>
<b>(1,416)</b>	Section 31 Grant	<b>(1,425)</b>
<b>(612)</b>	Council Tax Freeze Grant	<b>0</b>
<b>(128,097)</b>	<b>Total</b>	<b>(125,515)</b>

## **12. Defined Benefit Pension Schemes Participation in Pension Schemes**

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 1(h) of the Accounting Policies, the Council participates in three formal schemes, the Local Government Pension Scheme, National Health Service Scheme and the 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 increased by £62.9m; this has been as a result of remeasurements on liabilities (due to changes in assumptions).

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 18 years. (19 years 2015/16).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £16.869m (comprising contributions of £13.280m plus a lump sum payment of £3.589m). The contribution rate was set for 2017/18 at 14.1% (2016/17 12.6%), plus a lump sum. The combined rate for 2017/18 is estimated at 18.9%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/17 the cumulative amount of actuarial losses recognised in the statements is £170.913m.

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
(623,175)	Present Value of Funded Benefit Obligations	(769,972)
(10,206)	Present Value of Unfunded Benefit Obligations	(10,421)
(633,381)	Total Present Value of Benefit Obligations	(780,393)
420,734	Fair Value of Pension Fund Assets	504,893
(212,647)	Surplus/(Deficit)	(275,500)

Change in Benefit Obligation during year.

<b>2015/16 £000</b>		<b>2016/17 £000</b>
(644,054)	Benefit Obligation at Beginning of Year	(633,381)
(17,488)	Current Service Cost	(15,149)
(21,042)	Interest on Pension Liabilities	(22,506)
(4,423)	Member Contributions	(4,298)
36,986	Remeasurements (Liabilities)	(122,795)
(670)	Curtailement Cost	(3,017)
17,310	Benefits / Transfers Paid	20,723
(633,381)	Surplus / (Deficit) at End of Year	(780,393)

Change in Plan Assets during year.

<b>2015/16 £000</b>		<b>2016/17 £000</b>
421,807	Fair Value of Plan Assets at Beginning of Year	420,734
13,971	Expected Return on Plan Assets	15,178
(14,967)	Remeasurements (Assets)	70,859
13,160	Employer Contributions	14,959
4,423	Member Contributions	4,298
(350)	Administration Expenses	(412)
(17,310)	Benefits / Transfers Paid	(20,723)
420,734	Surplus / (Deficit) at End of Year	504,893

## Statement of Gains and Losses

	2015/16 £000	%	2016/17 £000	%
Actuarial Gain/(Loss)	22,019	3.5% of liabilities	(51,906)	6.7% of liabilities
Actual Return on Plan Assets	(997)		88,982	
Experience Gains/(Losses) On Assets	(14,967)	3.6% of assets	70,859	14% of assets
Experience Gains/(Losses) On Liabilities	0	0% of liabilities	(26,525)	3.4% of liabilities

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

2015/16			2016/17	
£000	%		£000	%
214,826	51.1%	Equity Investments	276,075	54.7%
46,744	11.1%	Government Bonds	30,496	6.0%
61,512	14.6%	Other Bonds	74,775	14.8%
22,509	5.4%	Property	22,468	4.5%
7,237	1.7%	Cash/Liquidity	11,310	2.2%
67,906	16.1%	Other	89,769	17.8%
420,734	100.0%	Total	504,893	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 2016 and updated for the following 12 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31 March 2019. The main assumptions used in the calculations are:

2015/16		2016/17
2.0%	- rate of inflation (CPI)	2.3%
3.5%	- rate of increase in salaries	3.8%
2.0%	- rate of increase in pensions	2.3%
50%	- proportion of employees opting to take a commuted lump sum	50%
3.6%	- rate for discounting scheme liabilities	2.5%
	- longevity at 65 for current pensioners	
23.9	Male	23.0
26.4	Female	26.2
	- longevity at 65 for future pensioners	
26.2	Male	25.2
29.2	Female	28.5

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

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

#### Sensitivity Analysis as at 31/3/2017

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	780,393	766,752	794,278	783,333	795,477
Assets	(504,893)	(504,893)	(504,893)	(504,893)	(504,893)
Deficit/(Surplus)	275,500	261,859	289,385	278,440	290,584
Projected Net Interest Cost for next year	6,714	6,627	7,069	6,795	7,099

#### Scheme History

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Present Value of Liabilities	(539,135)	(529,543)	(644,054)	(633,381)	(780,393)
Fair Value of Assets	343,129	379,360	421,807	420,734	504,893
Surplus/(Deficit) on scheme	(196,006)	(150,183)	(222,247)	(212,647)	(275,500)
(Gains) and Losses on Assets	(7.7%)	(7.2%)	(10.5%)	(0.2%)	(6.7%)
Gains and (Losses) on Liabilities	0.0%	0.9%	0.0%	0.0%	3.4%

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

2015/16 £000		2016/17 £000
(222,247)	Opening Balance	(212,647)
(670)	Past Service Cost - Added Years	(3,017)
(17,488)	Current Service Cost	(15,149)
(21,042)	Interest Cost	(22,506)
13,971	Return On Assets	15,178
13,160	Payments to Pension Fund	14,959
(350)	Administration Expenses	(412)
22,019	Actuarial Gain or (Loss)	(51,906)
(212,647)	Closing Balance	(275,500)

## **Pensions Reserve**

<b>2015/16 £000</b>		<b>2016/17 £000</b>
222,247	Opening Balance	212,647
670	Past Service Cost - Added Years	3,017
(13,160)	Charging Pensions Costs Payable	(14,959)
24,909	Reversing Out IAS 19 Items	22,889
(22,019)	Actuarial (Gain) or Loss	51,906
212,647	Closing Balance	275,500

### **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 2016/17 the Council paid an employer's contribution of £6,446,073 (£6,144,244 in 2015/16) representing 16.48% 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 31<sup>st</sup> March 2013. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £6,144,244 (£6,530,895 in 2015/16) representing 16.48% of pensionable pay.

National Health Service Pension Scheme:

In 2016/17 the Council paid an employer's contribution of £46,213 (£46,590 in 2015/16) representing 14% (14.3% in 2015/16) of pensionable pay into the NHS Pension Scheme. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quadrennial actuarial valuations, the last review being at 31<sup>st</sup> March 2012. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £46,213 representing 14% of pensionable pay.

#### 14. **Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

<b>2016/17</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	<b>39,119</b>			<b>(39,119)</b>
Movement in the market value of Investment Properties	<b>(8,227)</b>			<b>8,227</b>
Revenue expenditure funded from capital under statute	<b>21,444</b>			<b>(21,444)</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>5,965</b>			<b>(5,965)</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	<b>(395)</b>			<b>395</b>
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	<b>(35,681)</b>	<b>0</b>	<b>35,681</b>	<b>0</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	<b>0</b>	<b>0</b>	<b>(35,221)</b>	<b>35,221</b>
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(8,703)</b>	<b>8,703</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure		<b>(8,703)</b>		<b>8,703</b>
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(9,672)</b>			<b>9,672</b>
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				

<b>2016/17</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	393			(393)
<b>Adjustments primarily involving the Pensions Reserve:</b>				0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	25,906			(25,906)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,959)			14,959
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				0
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	696			(696)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				0
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	771	0	0	(771)
<b>Total Adjustments</b>	<b>16,657</b>	<b>0</b>	<b>460</b>	<b>(17,117)</b>

<b>2015/16 Comparative Figures</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	16,383	0	0	(16,383)
Movement in the market value of Investment Properties	(6,519)	0	0	6,519
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)

<b>2015/16 Comparative Figures</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movements in Unusable Reserves £000</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(416)	0	0	416
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(26,721)	0	26,721	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(32,790)	32,790
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,674)	2,674	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,674)	0	2,674
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,287)	0	0	11,287
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	403	0	0	(403)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	25,579	0	0	(25,579)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,160)	0	0	13,160
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	(1,085)	0	0	1,085

2015/16 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(463)	0	0	463
<b>Total Adjustments</b>	<b>34,683</b>	<b>0</b>	<b>(6,069)</b>	<b>(28,614)</b>

## 15. Property, Plant and Equipment

Movements in 2016/17:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2016</b>	<b>356,521</b>	<b>35,307</b>	<b>134,089</b>	<b>22,733</b>	<b>548,650</b>	<b>61,852</b>
Additions	15,175	1,119	26,837	11,076	54,207	3,890
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(7,930)	0	0	0	(7,930)	349
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,765)	0	(972)	0	(8,737)	0
Derecognition – disposals	0	0	0	(4,801)	(4,801)	0
Assets reclassified (to) /from Assets Under Construction	17,900	0	0	(17,900)	0	0
Assets reclassified (to)/from Held for Sale	(5,708)	0	0	200	(5,508)	0
Assets reclassified (to) /from Investment Properties	(1,848)	0	0	10	(1,838)	0
<b>At 31 March 2017</b>	<b>366,345</b>	<b>36,426</b>	<b>159,954</b>	<b>11,318</b>	<b>574,043</b>	<b>66,091</b>
At 1 April 2016	30,024	21,548	11,984	0	63,556	6,445
Depreciation charge	8,657	2,624	3,333	0	14,614	1,517
Depreciation written out to the Revaluation Reserve	(8,540)	0	(77)	0	(8,617)	0
Depreciation written out recognised in the	(5,445)	0	(1,102)	0	(6,547)	0

Surplus/Deficit on the Provision of Services						
Derecognition – disposals	0	0	0	0	0	0
<b>At 31 March 2017</b>	<b>24,696</b>	<b>24,172</b>	<b>14,138</b>	<b>0</b>	<b>63,006</b>	<b>7,962</b>
<b>Net Book Value</b>						
<b>at 31 March 2017</b>	<b>341,649</b>	<b>12,254</b>	<b>145,816</b>	<b>11,318</b>	<b>511,037</b>	<b>58,129</b>
<b>at 31 March 2016</b>	<b>326,497</b>	<b>13,759</b>	<b>122,105</b>	<b>22,733</b>	<b>485,094</b>	<b>55,407</b>
Nature of Holding						
Owned	283,520	11,181	145,816	11,318	451,835	
Leased	0	1,703	0	0	1,073	
PFI	58,129	0	0	0	58,129	
<b>Total</b>	<b>341,649</b>	<b>12,254</b>	<b>145,816</b>	<b>11,318</b>	<b>511,037</b>	

#### Comparative 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	<b>338,022</b>	<b>31,152</b>	<b>114,347</b>	<b>54,884</b>	<b>538,405</b>	<b>60,943</b>
Additions	8,015	2,624	18,394	26,077	<b>55,110</b>	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,265)	0	0	0	<b>(1,265)</b>	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,501)	0	0	0	<b>(4,501)</b>	0
Derecognition – disposals	(1,882)	0	0	(36,902)	<b>(38,784)</b>	0
Assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	<b>0</b>	0
Assets reclassified (to)/from Held for Sale	792	0	0	0	<b>792</b>	0
Assets reclassified (to) /from Investment Properties	(1,107)	0	0	0	<b>(1,107)</b>	0
At 31 March 2016	<b>356,521</b>	<b>35,307</b>	<b>134,089</b>	<b>22,733</b>	<b>548,650</b>	<b>61,852</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2015	<b>25,924</b>	<b>19,474</b>	<b>9,152</b>	<b>0</b>	<b>54,550</b>	<b>5,621</b>
Depreciation charge	8,835	2,074	2,832	0	<b>13,741</b>	1,407
Depreciation written out to the Revaluation Reserve	(2,596)	0	0	0	<b>(2,596)</b>	(583)

Depreciation written out recognised in the Surplus/Deficit on the Provision of Services	(1,916)	0	0	0	(1,916)	0
Derecognition – disposals	(223)	0	0	0	(223)	0
<b>At 31 March 2016</b>	<b>30,024</b>	<b>21,548</b>	<b>11,984</b>	<b>0</b>	<b>63,556</b>	<b>6,445</b>

#### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings – 30 to 60 years
- Vehicles, Plant, Furniture & Equipment – 3 to 25 years
- Infrastructure – 25 to 40 years

#### Capital Commitments

At 31 March 2017, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £6.9m. Similar commitments at 31 March 2016 were £13.3m. The major commitments are:

- Hortonwood West Unit 9 - £2.6m
- ICT Infrastructure - £1.5m
- Telford Eastern Gateway - £2.8m

#### **15a. Fixed Asset Valuation**

The Council's property was valued on 1 April 2016 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 £71.617m, 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
2012/13	85,058
2013/14	27,555
2014/15	37,504
2015/16	45,747
2016/17	119,094
Total	314,958

Infrastructure and Vehicles, Plant & Equipment are valued at depreciated historical cost and Community Assets are valued at historical cost.

## 16. Investment Properties

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(6,996)</b>	Rental income from investment property	<b>(7,373)</b>
<b>3,492</b>	Direct operating expenses arising from investment property	<b>2,856</b>
<b>(3,504)</b>	Net Operational (gain)/loss	<b>(4,517)</b>
<b>(6,519)</b>	Net (gain)/loss on revaluation of properties	<b>8,227</b>
<b>(10,023)</b>	Total Net (gain)/loss	<b>3,710</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>59,329</b>	Balance at start of the year	<b>71,368</b>
<b>4,829</b>	Additions	<b>7,164</b>
<b>(416)</b>	Disposals	<b>(526)</b>
<b>6,519</b>	Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services	<b>(8,227)</b>
	Transfers:	
<b>1,107</b>	- (to)/from Property, Plant and Equipment	<b>1,838</b>
<b>71,368</b>	Balance at end of the year	<b>71,617</b>

## 17. Intangible Assets

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

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

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
	Balance at start of the year	
<b>4,993</b>	- Gross Carrying Amount	<b>6,450</b>
<b>(2,928)</b>	- Accumulated Amortisation	<b>(4,013)</b>
<b>2,065</b>	Net Carrying Amount at Start of Year	<b>2,437</b>
	Additions	
<b>1,457</b>	- Purchases	<b>933</b>
<b>(1,085)</b>	Amortisation for the Period	<b>(1,024)</b>
<b>2,437</b>	Net Carrying Amount at Year End	<b>2,346</b>
	Comprising	
<b>6,450</b>	- Gross Carrying Amount	<b>7,383</b>
<b>(4,013)</b>	- Accumulated Amortisation	<b>(5,037)</b>
<b>2,437</b>	Total	<b>2,346</b>

## 18. Assets Held for Sale

<b>Current 2015/16 £000</b>		<b>Current 2016/17 £000</b>
<b>14,468</b>	<b>Balance outstanding at start of year</b>	<b>12,721</b>
<b>(792)</b>	Reclassified from - Property, Plant and Equipment	<b>5,508</b>
<b>(36)</b>	Revaluation gains	<b>0</b>
<b>0</b>	Impairment losses met from the revaluation reserve	<b>0</b>
<b>0</b>	Impairment losses met from income and expenditure	<b>(2,885)</b>
<b>(942)</b>	Assets sold	<b>(7,960)</b>
<b>23</b>	Acquisitions	<b>90</b>
<b>12,721</b>	<b>Balance outstanding at year end</b>	<b>7,474</b>

## **19. Heritage Assets**

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

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

## **20. Impairment Losses**

During 2016/17, the Authority has recognised revaluation losses of £15.255m (2015/16 revaluation gain £3.613m) 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.

## **21. Inventories**

The Council had inventories that totalled £0.321m at 31/3/17 and £0.351m at 31/3/16. These mainly consist of Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

## 22. Debtors

2015/16 £000		2016/17 £000
	Amounts falling due in one year:	
3,966	Central Government	7,232
331	Other Local Authorities	72
951	NHS Bodies	973
800	Public Corporations and Trading Funds	574
7	Amounts due from Subsidiaries	0
25,472	Other Entities and Individuals	35,527
31,527	<b>Gross Debtors</b>	44,378
(8,010)	Provision for doubtful debts	(6,731)
23,517	<b>Total</b>	37,647

## 23. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
<b>Investments</b>				
Loans and receivables	33	33	0	0
Shares in Subsidiary	3,500	6,450	0	0
Financial assets at fair value through profit and loss	0	0	0	0
<b>Total investments</b>	3,533	6,483	0	0
<b>Debtors</b>				
Financial assets carried at contract amounts	557	578	23,510	37,647
Debtors with Subsidiary	7,787	14,509	7	0
<b>Total Debtors</b>	8,344	15,087	23,517	37,647
<b>Borrowings</b>				
Financial liabilities at amortised cost	88,519	100,873	75,579	119,175
<b>Total borrowings</b>	88,519	100,873	75,579	119,175
<b>Other Liabilities</b>				
PFI and finance lease liabilities	55,321	55,405	2,567	2,721
Other Creditors	0	0	60,305	55,949
<b>Total Other Liabilities</b>	55,321	55,405	62,872	58,670

## Income, Expense, Gains and Losses

	2015/16			2016/17		
	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	8,764	0	8,764	8,656	0	8,656
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>8,764</b>	<b>0</b>	<b>8,764</b>	<b>8,656</b>	<b>0</b>	<b>8,656</b>
Interest income	0	(22)	(22)	0	(20)	(20)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(22)</b>	<b>(22)</b>	<b>0</b>	<b>(20)</b>	<b>(20)</b>
<b>Net gain/(loss) for the year</b>	<b>8,764</b>	<b>(22)</b>	<b>8,742</b>	<b>8,656</b>	<b>(20)</b>	<b>8,636</b>

### 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:

	2015/16		2016/17	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	164,098	220,232	220,048	294,446
Long-term creditors	55,321	55,321	55,405	55,405

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 2017) arising from a commitment to pay interest to lenders above current market rates.

	2015/16		2016/17	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	3,533	3,533	6,483	6,483
Long-term debtors	8,344	8,344	15,087	15,087

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.

## **24. 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 31/3/17 £000	Fair Value 31/3/17 £000
<b>Financial Assets</b>		
Fixed Term Deposits	0	0
Other	6,483	6,483
	6,483	6,483
<b>Financial Liabilities</b>		
Money Market Loans (LOBO's)	60,000	108,013
PWLB Loans	42,970	69,355
Temporary Loans	117,078	117,078
	220,048	294,446

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.

	<b>Amount at 31 March 2017</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions at 31 March 2017 (rounded to 3 decimal place)</b>	<b>Estimated maximum exposure to default and uncollectability</b>
	<b>£000s</b>	<b>%</b>	<b>%</b>	<b>£000s</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>A * C</b>
Deposits with banks and financial institutions	0	0.0	0.000	0
Other	6,483	0	0	0
Debtors	44,378	12	15.166	6,731
<b>Total</b>	<b>50,861</b>	<b>12</b>	<b>13.233</b>	<b>6,731</b>

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:

2015/16 £000		2016/17 £000
1,001	Maturing in 1-2 years	2,097
2,503	Maturing in 2-5 years	4,793
7	Maturing in 5-10 years	5,241
85,008	Maturing in more than 10 years	88,742
<b>88,519</b>		<b>100,873</b>

All trade and other payables are due to be paid in less than one year.

## Market risk

### Interest rate risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Account. The Authority has a number of strategies for managing interest rate risk. Policy is to have a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

### Price risk

The Authority does not generally invest in equity shares and has no shareholdings. The Authority is not consequently exposed to losses arising from movements in the prices of the shares. 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 31<sup>st</sup> March 2017 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

	<b>Investments</b>	<b>Borrowing</b>	<b>Net Total</b>	<b>1% Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Variable	(19,910)	119,175	99,265	992.7
Fixed	(6,483)	100,873	94,390	0.0
Total	(26,393)	220,048	193,655	992.7

A 1% change in interest rates would have an impact on the budget of £992,650, this is because at 31<sup>st</sup> March 2017 we had more variable borrowing than variable investments. The most likely next move in interest rates at 31 March 2017 was upwards, although not expected before the end of 2019, this would lead to a net increase in borrowing costs based on the position at 31<sup>st</sup> March 2017. Other considerations are that the Council is managing ongoing maturity profiles for both investments and borrowing.

## Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)			Total Outstanding	
				2015/16 £000	2016/17 £000
Public Works Loan Board	1.92	-	9.375	28,519	40,873
Money Market Loans (LOBOs)	3.98	-	4.50	60,000	60,000
				<b>88,519</b>	<b>100,873</b>

An analysis of loans by maturity is:					
			2015/16 £000	2016/17 £000	
Maturing in 1-2 years			1,001	2,097	
Maturing in 2-5 years			2,503	4,793	
Maturing in 5-10 years			7	5,241	
Maturing in more than 10 years			85,008	88,742	
			<b>88,519</b>	<b>100,873</b>	

			2015/16 £000	2016/17 £000	
Total Long Term Borrowing			88,519	100,873	
Temporary Borrowing			75,579	119,175	
Total Borrowing			<b>164,098</b>	<b>220,048</b>	

In total fixed and temporary borrowing increased by £55.95m, from £164.098m to £220.048m during the year. This was due to capital expenditure during 2016/17.

## 25. Investments

In total our investments have been increased by £15.7m as a result of the cash flow together with share capital in our wholly owned subsidiary.

The Council has long term investments, totalling £6.483m, including share capital in our wholly owned subsidiary. Investments are shown in the Balance Sheet at market value.

The Council has no short term deposits. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

### Summary of Investments

2015/16 £000	Category	2016/17 £000
	<b>Long Term Investments</b>	
0	Fixed Term Deposits	0
3,533	Other	6,483
<b>3,533</b>	<b>Total Long Term</b>	<b>6,483</b>
	<b>Short Term Investments</b>	
0	Fixed Term Deposits	0
<b>0</b>	<b>Total Short Term</b>	<b>0</b>
<b>7,156</b>	<b>Cash &amp; Cash Equivalent Investments</b>	<b>19,910</b>
<b>10,689</b>	<b>Total Investments</b>	<b>26,393</b>

Investments are valued as "loans and receivables". See also note 23 on fair value.

## 26. Cash and Cash Equivalents

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

2015/16 £000		2016/17 £000
<b>130</b>	Cash held by the Authority	<b>123</b>
<b>3,121</b>	Bank current accounts	<b>8,809</b>
<b>4,035</b>	Call Accounts	<b>11,101</b>
<b>7,286</b>	<b>Total Cash and Cash Equivalents</b>	<b>20,033</b>
<b>0</b>	<b>Bank Account Overdrawn</b>	<b>0</b>
<b>7,286</b>	<b>Net Cash Position for Cash Flow Purposes</b>	<b>20,033</b>

## 27. Provisions

	2016/17 Opening £000	Transfers/ Receipts in year £000	Transfers / Payments in year £000	2016/17 Closing £000
Restructure Provision	711	0	(250)	461
Single Status Provision – Schools	3,953	5	(365)	3,593
Single Status Provision – Non Schools	12,417	0	0	12,417
NDR Appeals Provision	2,732	3,293	(2,732)	3,293
Insurance	179	0	(179)	0
Litigation Costs	81	0	(37)	44
<b>Total</b>	<b>20,073</b>	<b>3,298</b>	<b>(3,563)</b>	<b>19,808</b>
2015/16	19,053	3,907	(2,887)	20,073

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 2017 was £0.461m. It is anticipated that this will be funded from Capital Receipts in 2017/18, but this is subject to generating the necessary capital receipts.

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2016/17 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2017 was £16.0m.

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, £6.7m is estimated as the amount required to set aside for this purpose in the 2016/17 accounts (£5.6m 2015/16). Telford & Wrekin Council's proportion of this is £3.3m (49%) (£2.7m 2015/16).

Litigation Costs - This was created for 2015/16 and is to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group. The total amount in the provision at 31 March 2017 was £0.04m (£0.08m 2015/16)

## 28. Creditors

2015/16 £000		2016/17 £000
8,861	Central Government	8,504
854	Other Local Authorities	2,007
239	NHS Bodies	10
780	Public Corporations and Trading Funds	840
592	Amounts due to Subsidiaries	0
48,979	Other Entities and Individuals	44,588
2,567	PFI and Leases	2,721
62,872	<b>Total</b>	58,670

## 29. 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 £58.1m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £57.343m as at 31<sup>st</sup> March 2017 (£56.896m as at 31<sup>st</sup> March 2016). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £4.8m to the interest paid for 2016/17 (£4.9m 2015/16). Amounts due are shown in the table below:

	2015/16				2016/17			
	Service £000	Lifecycle £000	Interest £000	Finance Lease £000	Service £000	Lifecycle £000	Interest £000	Finance Lease £000
Within 1 year	(73)	2,658	4,835	2,212	2,176	474	4,781	2,326
2 to 5 years	7,964	3,040	18,147	10,660	4,791	6,488	17,658	11,406
6 to 10 years	8,820	6,555	19,673	17,850	9,054	6,706	18,742	19,140
11 to 15 years	10,493	6,902	14,046	24,635	13,183	4,647	12,480	26,014
16 to 20 years	11,018	3,504	4,465	24,200	9,091	1,686	2,670	18,457

### 30. 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 2016/17.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 carried forward</b>	<b>4,369</b>	<b>39,496</b>	<b>6,961</b>	<b>3,588</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>
Movement / Use of reserves during 2015/16	121	5,960	(410)	(784)	0	(6,069)	(1,182)
<b>Balance at 31 March 2016 carried forward</b>	<b>4,490</b>	<b>45,456</b>	<b>6,551</b>	<b>2,804</b>	<b>0</b>	<b>2,860</b>	<b>62,161</b>
Movement / Use of reserves during 2016/17	167	10,073	(1,431)	(181)	0	460	9,088
<b>Balance at 31 March 2017 carried forward</b>	<b>4,657</b>	<b>55,529</b>	<b>5,120</b>	<b>2,623</b>	<b>0</b>	<b>3,320</b>	<b>71,249</b>

### 31. 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:

2015/16 £000		2016/17 £000
6,079	School Balances – Revenue	4,541
472	School Balances - Capital	579
<b>6,551</b>	<b>Total School Balances</b>	<b>5,120</b>

### 32. Unusable Reserves

2015/16 £000		2016/17 £000
44,823	Revaluation Reserve	40,016
191,211	Capital Adjustment Account	184,677
(775)	Financial Instruments Adjustment Account	(1,168)
(212,647)	Pensions Reserve	(275,500)
5,437	Collection Fund Adjustment Account	4,741
11,287	Deferred Capital Receipts	20,959
(2,338)	Accumulated Absences Account	(3,109)
36,998	<b>Total Unusable Reserves</b>	<b>(29,384)</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16 £000		2016/17 £000
44,930	<b>Balance brought forward</b>	44,823
4,931	Upwards revaluation of assets	2,641
(7,440)	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	0
(136)	Difference between fair value depreciation and historical cost depreciation	(1,059)
2,538	Accumulated gains and losses on assets sold or scrapped	(6,389)
44,823	<b>Balance carried forward</b>	<b>40,016</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 14 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>219,252</b>	<b>Balance Brought Forward</b>	<b>191,211</b>
<b>(15,292)</b>	Charges for depreciation and impairment of non-current assets	<b>(35,454)</b>
<b>(1,085)</b>	Amortisation of intangible assets	<b>(1,024)</b>
<b>(15,713)</b>	Revenue expenditure funded from capital under statute	<b>(21,444)</b>
<b>(37,896)</b>	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(5,965)</b>
<b>(447)</b>	Adjusting amounts written out of the Revaluation Reserve	<b>4,807</b>
<b>2,674</b>	Capital financing - Capital receipts	<b>8,703</b>
<b>32,790</b>	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>35,221</b>
<b>416</b>	Minimum Revenue Provision	<b>395</b>
<b>6,512</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>8,227</b>
<b>191,211</b>	<b>Balance Carried Forward</b>	<b>184,677</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2017 will be charged to the General Fund over the next 11 years.

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(372)</b>	<b>Balance at 1 April</b>	<b>(775)</b>
<b>(403)</b>	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	<b>(393)</b>
<b>(775)</b>	<b>Balance at 31 March</b>	<b>(1,168)</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>222,247</b>	<b>Balance at 1 April</b>	<b>212,647</b>
<b>(22,019)</b>	Actuarial (gains) or losses on pensions assets and liabilities	<b>51,906</b>
<b>670</b>	Added Years	<b>3,017</b>
<b>24,909</b>	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	<b>22,889</b>
<b>(13,160)</b>	Employer's pensions contributions and direct payments to pensioners payable in the year	<b>(14,959)</b>
<b>212,647</b>	<b>Balance at 31 March</b>	<b>275,500</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2015/16 £000		2016/17 £000
<b>4,352</b>	<b>Balance at 1 April</b>	<b>5,437</b>
<b>1,085</b>	Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	<b>(696)</b>
<b>5,437</b>	<b>Balance at 31 March</b>	<b>4,741</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current 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		2016/17 £000
<b>0</b>	<b>Balance at 1 April</b>	<b>11,287</b>
<b>11,287</b>	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>9,672</b>
<b>0</b>	Transfer to the Capital Receipts Reserve upon receipt of cash	<b>0</b>
<b>11,287</b>	<b>Balance at 31 March</b>	<b>20,959</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015/16 £000		2016/17 £000
<b>(2,801)</b>	<b>Balance at 1 April</b>	<b>(2,338)</b>
<b>2,801</b>	Settlement or cancellation of accrual made at the end of the preceding year	<b>2,338</b>
<b>(2,338)</b>	Amounts accrued at the end of the current year	<b>(3,109)</b>
<b>(2,338)</b>	<b>Balance at 31 March</b>	<b>(3,109)</b>
<b>463</b>	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(771)</b>

### **33. 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 2016/17 expenditure on this totalled £21.444m and grant receivable amounted to £8.951m. 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.

### **34. Usable Capital Receipts Reserve**

<b>2015/16 £000</b>		<b>2016/17 £000</b>
0	Opening balance	0
2,674	Capital receipts received during year	8,703
(2,674)	Less Capital receipts used for financing during year	(8,703)
<b>0</b>		<b>0</b>

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

### **35. 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.

<b>2015/16 £000</b>		<b>2016/17 £000</b>
295,535	<b>Opening Capital Financing Requirement</b>	335,586
	<b>Capital Investment</b>	
55,110	Property, Plant & Equipment	54,207
4,829	Investment Properties	7,164
23	Assets Held for Sale	90
1,457	Intangible Assets	933
15,713	Revenue Expenditure funded from Capital under Statute	21,444
491	Leased Vehicles	186
	<b>Sources of Finance</b>	
(2,674)	Capital Receipts	(8,703)
(1,692)	Finance Leases & Deminimis Capital Expenditure	(7,510)
(32,790)	Government Grants and Other Contributions	(35,221)
(416)	Revenue Provision (NB: includes MRP)	(395)

<b>335,586</b>	<b>Closing Capital Finance Requirement</b>	<b>367,781</b>
40,051	Movement for Year	32,195
	Explanation of movements in the year	
123	Increase in underlying need to borrow (supported by Government financial assistance)	1,268
39,928	Increase in underlying need to borrow (unsupported by Government financial assistance)	30,927
40,051	Increase/(decrease) in Capital Financing Requirement	32,195

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 2017 there were 3 significant contracts in place with outstanding commitments of £6.9m, 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 2016/17 the Authority made payments of £10,019,382 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.

### **36. 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 £2.768m, this was offset by an adjustment to prior years MRP of £2.768m, the principal repayment in respect of leases was £0.395m 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 £0.395m in 2016/17 (£0.416m in 2015/16).

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(16,600)</b>	Impairment and depreciation of property, plant and equipment and intangible assets	<b>(29,155)</b>
<b>(66)</b>	(Increase)/decrease in interest creditors	<b>(68)</b>
<b>(5,322)</b>	(Increase)/decrease in creditors	<b>2,950</b>
<b>0</b>	Increase/(decrease) in interest/dividend debtors	<b>(5)</b>
<b>1,691</b>	Increase/(decrease) in debtors	<b>10,589</b>
<b>54</b>	Increase/(decrease) in inventories	<b>(30)</b>
<b>(12,419)</b>	Pension Liability	<b>(10,947)</b>
<b>(1,020)</b>	Contribution (to)/from provisions	<b>265</b>
<b>(37,896)</b>	Carrying amount of non-current assets sold	<b>(13,288)</b>
<b>6,512</b>	Movement in Investment Property Values	<b>8,227</b>
<b>(65,066)</b>	<b>Total</b>	<b>(31,462)</b>

**38. 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		2016/17 £000
26,721	Capital grants credited to surplus or deficit on the provision of services	35,681
0	Proceeds from sale of short and long term investments	0
13,961	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	18,375
40,682	<b>Total</b>	<b>54,056</b>

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

2015/16 £000		2016/17 £000
67,825	Purchase of property, plant and equipment, investment property and intangible assets	61,922
3,500	Purchase of short-term and long-term investments	2,950
8,013	Other payments for investing activities	7,012
(11,841)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,829)
0	Proceeds from short-term and long-term investments	0
(28,411)	Other receipts from investing activities	(46,879)
39,086	<b>Net cash flows from investing activities</b>	<b>10,176</b>

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

2015/16 £000		2016/17 £000
(198,220)	Cash receipts of short and long term borrowing	(207,950)
(1,100)	Other receipts from financing activities	(899)
(1,085)	Appropriation to/from Collection Fund Adjustment Account	696
150,735	Repayments of short and long term borrowing	152,000
2,543	Cash payments in relation to finance leases and PFI agreements	2,607
(47,127)	<b>Net cash flows from financing activities</b>	<b>(53,546)</b>

#### 41. **Cash Flow Statement – Operating Activities**

The cash flow for operating activities includes the following items:

2015/16 £000		2016/17 £000
(22)	Interest received	(20)
8,698	Interest paid	8,656

#### 42. **Grant Income**

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

2015/16 £000		2016/17 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
31,444	Revenue Support Grant	24,899
2,116	Non Domestic Rates Top Up Grant	2,134
42	Local Services Support Grant	26
1,426	Section 31 Grant	1,425
612	Council Tax Freeze Grant	0
<b>35,640</b>	<b>Total</b>	<b>28,484</b>
	<b>Credited to Services</b>	
102,898	Dedicated Schools Grant	103,516
68,381	Mandatory Rent Allowances Subsidy	68,142
11,712	Public Health Grant	12,984
7,661	Pupil Premium Grant	7,347
2,256	Education Services Grant	2,042
4,652	New Homes Bonus	6,378
1,919	Universal Free School Meals	2,011
8,860	Other grants	6,456
<b>208,339</b>	<b>Total</b>	<b>208,876</b>

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

2015/16 £000		2016/17 £000
	<b>Capital Grants Receipts in Advance</b>	
0	Standards Fund	366
481	Park for People 10 year Maintenance Programme	383
<b>481</b>	<b>Total</b>	<b>749</b>

#### **43. Acquired and Discontinued Operations**

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

#### **44. Market Undertaking and Industrial Units**

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
26	Income from Stallholders' Rents and charges	10
(66)	Expenditure	(50)
<b>(40)</b>	<b>(Deficit)/Surplus taken to General Fund</b>	<b>(40)</b>

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
5,633	Income from rents	6,011
1,363	Other income	1,362
6,519	Net gains/(losses) on revaluation of property	(8,227)
(3,492)	Direct operating expenses	(2,856)
<b>10,023</b>	<b>(Deficit)/Surplus taken to General Fund</b>	<b>(3,710)</b>

<b>9,983</b>	<b>Total Trading Accounts</b>	<b>(3,750)</b>
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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 formerly existed under separate agreements. The disclosure below includes the Better Care Fund for 2016/17 and comparative figures for 2015/16.

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 was 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 2016/17.**

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.

The relevant funding contributions are reported below, and the underspend arising from expenditure incurred by the Council will be retained in the fund and carried forward by the Council into 2017/18. The BCF for 2016/17 included £446,549 for CCG funded grants. The actual expenditure against this budget was £119,850. This underspend was reported previously and the full funding for the grants will be included in the BCF for 2017/18.

<b>2015/16 £000</b>	<b>Better Care Fund Revenue Pooled Budget</b>	<b>2016/17 £000</b>
<b>0</b>	Surplus from 2016/17 brought forward	<b>9</b>
<b>367</b>	Funding from Telford & Wrekin Council	<b>686</b>
<b>10,907</b>	Funding from Telford & Wrekin Clinical Commissioning Group	<b>11,982</b>
<b>(7,814)</b>	Expenditure met from pooled budget Telford & Wrekin Council	<b>(5,913)</b>
<b>(3,451)</b>	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	<b>(6,604)</b>
<b>9</b>	Net Surplus/(Deficit) arising on Pooled budget	<b>160</b>

**Better Care Fund where Telford & Wrekin Council was the host in 2016/17.**

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 2016/17 will be retained in the fund and carried forward by the council into 2017/18.

<b>2015/16 £000</b>	<b>Better Care Fund Capital Pooled Budget</b>	<b>2016/17 £000</b>
<b>0</b>	Brought forward from 2016/17	<b>433</b>
<b>1,280</b>	Funding from Telford & Wrekin Council	<b>1,575</b>
<b>0</b>	Funding from Telford & Wrekin Clinical Commissioning Group	<b>0</b>
<b>(847)</b>	Expenditure met from pooled budget Telford & Wrekin Council	<b>(1,425)</b>
<b>0</b>	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	<b>0</b>
<b>433</b>	Net Surplus/(Deficit) arising on Pooled budget carried forward	<b>583</b>

## **Other Pooled Budgets where Telford & Wrekin Council was the host in 2016/17.**

### 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 have historically hosted this arrangement, which ended with the arrangement ceasing in February 2017.

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>198</b>	Funding	<b>170</b>
<b>(198)</b>	Expenditure	<b>(170)</b>
<b>0</b>	Net surplus/(deficit)	<b>0</b>

### **46. Members' Allowances**

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>617</b>	Allowances	<b>618</b>
<b>1</b>	Expenses	<b>1</b>
<b>618</b>	Total	<b>619</b>

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

This note shows the amounts paid to Senior Officers in 2016/17 and 2015/16. 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.

#### 2016/17

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 2016/17 £	Pension contributions £	Total Remuneration including pension contributions 2016/17 £
<b>Managing Director</b>			138,370	0	<b>138,370</b>	16,790	<b>155,160</b>
<b>Director: Customer, Neighbourhood &amp; Wellbeing Services</b>			110,696	0	<b>110,696</b>	13,948	<b>124,644</b>
<b>Director: Children's &amp; Adult Services</b>			110,696	0	<b>110,696</b>	3,487	<b>114,183</b>
<b>Assistant Director: Finance &amp; Human Resources</b>			84,789	0	<b>84,789</b>	10,683	<b>95,472</b>
<b>Assistant Director: Business, Development &amp; Employment</b>			83,123	0	<b>83,123</b>	10,474	<b>93,597</b>
<b>Assistant Director: Education &amp; Corporate Parenting</b>			84,789	0	<b>84,789</b>	10,683	<b>95,472</b>
<b>Assistant Director: Governance, Procurement &amp; Commissioning</b>			84,789	0	<b>84,789</b>	10,683	<b>95,472</b>
<b>Assistant Director: Customer &amp; Neighbourhood Services</b>			84,789	0	<b>84,789</b>	10,683	<b>95,472</b>
<b>Assistant Director: Health &amp; Wellbeing</b>			84,789	0	<b>84,789</b>	12,125	<b>96,914</b>
<b>Interim Assistant Director: Early Help &amp; Support</b>	1	76,461	6,827	0	<b>6,827</b>	860	<b>7,687</b>
<b>Assistant Director: Children's Safeguarding</b>			82,568	0	<b>82,568</b>	10,404	<b>92,972</b>
<b>Interim Assistant Director: Commercial Services</b>			77,602	0	<b>77,602</b>	9,778	<b>87,380</b>
<b>Service Delivery Manager: Organisational Delivery &amp; Development</b>			60,236	0	<b>60,236</b>	7,590	<b>67,826</b>
<b>Service Delivery Manager: Community Participation</b>			60,236	0	<b>60,236</b>	7,590	<b>67,826</b>
Assistant Director: Development, Business & Employment	2	81,460	8,764	0	<b>8,764</b>	3,466	<b>12,230</b>
Interim Assistant Director: Early Help & Support	3		31,657	72,731	<b>104,388</b>	0	<b>104,388</b>
Interim Assistant Director: Early Help & Support	4	76,461	30,311	0	<b>30,311</b>	3,819	<b>34,130</b>
			<b>1,225,031</b>	<b>72,731</b>	<b>1,297,762</b>	<b>143,063</b>	<b>1,440,825</b>

*Notes:*

Those roles shown in bold above represent the current posts.

- 1) This post holder was appointed on 27th February 2017
- 2) This post holder returned to their substantive post on 26th June 2016
- 3) This post holder left on 17th August 2016
- 4) This post holder was the Assistant Director from 1<sup>st</sup> September 2016 to 28<sup>th</sup> February 2017

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 £	Benefits in Kind £	Total Remuneration excluding Pension contributions 2015/16 £	Pension contributions £	Total Remuneration including pension contributions 2015/16 £
<b>Current Posts</b>								
<b>Managing Director</b>			137,000	0		<b>137,000</b>	16,619	<b>153,619</b>
<b>Director: Customer, Neighbourhood &amp; Wellbeing</b>			109,600	0		<b>109,600</b>	13,810	<b>123,410</b>
<b>Director: Children's &amp; Adult Services</b>	1	109,600	24,454	0		<b>24,454</b>	3,081	<b>27,535</b>
<b>Assistant Director: Finance &amp; Human Resources</b>		109,600	83,950	0		<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Development, Business &amp; Employment</b>	2		63,087	0		<b>63,087</b>	7,949	<b>71,036</b>
<b>Assistant Director: Education &amp; Corporate Parenting</b>			83,950	0		<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Legal, Procurement &amp; Commissioning</b>			83,950	0		<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Customer &amp; Neighbourhood Services</b>		83,950	83,950	0		<b>83,950</b>	10,578	<b>94,528</b>
<b>Assistant Director: Health &amp; Wellbeing</b>			83,950	0		<b>83,950</b>	12,005	<b>95,955</b>
<b>Interim Assistant Director: Early Help &amp; Support</b>			79,000	0		<b>79,000</b>	0	<b>79,000</b>
<b>Assistant Director: Children's Safeguarding</b>	3		44,161	0		<b>44,161</b>	5,564	<b>49,725</b>
<b>Interim Assistant Director: Commercial Services</b>	4		14,042	0		<b>14,042</b>	1,769	<b>15,811</b>
<b>Service Delivery Manager: Delivery &amp; Planning</b>	5	83,950	59,640	0		<b>59,640</b>	7,515	<b>67,155</b>
<b>Service Delivery Manager: Community Participation</b>	3		59,640	0		<b>59,640</b>	7,515	<b>67,155</b>
Director of Children & Family Services	6		91,333	0		<b>91,333</b>	11,508	<b>102,841</b>
Interim Director of Care, Health & Wellbeing	6		91,333	0		<b>91,333</b>	11,508	<b>102,841</b>
Assistant Director: Development, Business & Employment	7	75,704	35,146	0		<b>35,146</b>	9,044	<b>44,190</b>
Assistant Director: Planning Specialist	6		68,068	70,496		<b>138,564</b>	8,577	<b>147,141</b>
Assistant Director: Family, Cohesion & Commissioning	8	52,961	65,219	0		<b>65,219</b>	8,218	<b>73,437</b>

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

**Notes:**

Those roles shown in bold above represent the current posts.

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

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 2015/16	Salary Band	Number of Employees 2016/17
47	£50,000 - £54,999	54
31	£55,000 - £59,999	24
19	£60,000 - £64,999	21
24	£65,000 - £69,999	24
9	£70,000 - £74,999	7
7	£75,000 - £79,999	7
0	£80,000 - £84,999	5
1	£85,000 - £89,999	0
2	£90,000 - £94,999	1
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
1	£105,000 - £109,999	1

The 2016/17 figures include 89 school based employees (90 in 2015/16). The 2016/17 figures include 16 employees (10 in 2015/16) 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 2016/17 financial statements are set out in the table below.

Exit package cost	Number of Compulsory Redundancies		Number of other Departures		Total Number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£	£
£0 - £20,000	9	48	22	102	31	150	263,147	1,193,790
£20,001 - £40,000	3	9	10	24	13	33	370,365	930,145
£40,001 - £60,000	0	3	7	19	7	22	370,832	1,094,180
£60,001 - £80,000	0	0	3	15	3	15	211,178	1,036,738
£80,001 - £100,000	0	0	2	3	2	3	183,149	260,336
£100,000 - £150,000	1	2	2	4	3	6	336,682	761,769

£150,001 - £200,000	0	0	3	2	3	2	485,977	303,666
£200,001 - £250,000	0	0	1	0	1	0	228,874	0
<b>Total</b>	<b>13</b>	<b>62</b>	<b>50</b>	<b>169</b>	<b>63</b>	<b>231</b>	<b>2,450,204</b>	<b>5,580,624</b>

An analysis of the total cost of exit packages shows:	Redundancy etc. £	Pension Fund Charges* £	Total £
Exit Packages agreed and charged to the Income & Expenditure Account during 2016/17	2,734,357	2,384,497	5,118,854
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 2017 (i.e. employees who had received formal notice at 31 March 2017 and will leave during 2017/18)	224,031	237,739	461,770
<b>Total</b>	<b>2,958,388</b>	<b>2,622,236</b>	<b>5,580,624</b>

\* Charges made by Shropshire Pension Fund in respect of early payment of pensions  
Please note that that the exit packages charged to the Income & Expenditure Account during 2016/17 were funded from Capital Receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review.

#### **49. External Audit Costs**

The Council's accounts have been audited by KPMG in 2015/16 and 2016/17. The Council incurred the following fees relating to external audit and inspection:

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>117</b>	Fees payable to KPMG with regard to external audit services	<b>117</b>
<b>0</b>	Fees payable to Audit Commission in respect of statutory inspection	<b>0</b>
<b>13</b>	Fees payable to KPMG for the certification of grant claims and returns	<b>19</b>
<b>12</b>	Fees payable in respect of other services provided by the appointed auditor, for 2014/15 this includes £3,650 paid to the Audit Commission in relation to the National Fraud Initiative. Includes dealing with elector questions under statutory responsibilities.	<b>9</b>

## 50. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grant receipts are shown in Note 42.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 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 £290,130 in 2016/17 (£191,019 in 2015/16).

**Councillor Lee Carter** stepped down from his role as Managing Director at AFC Telford on 8<sup>th</sup> August 2016, but continues as an unpaid Director. The Council paid £7,257 to AFC Telford up to 8<sup>th</sup> August 2016 and £11,867 for the full year 2016/17 (£69,579 in 2015/16) in relation to payment for community football coaching schemes and room hire. A loan to the club of £45,000 to install a new fire alarm system and related works was made during 2015/16 and this is reported within Soft Loans (Note 56).

### 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 2016/17 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £186,049. Finance lease rentals of £441,862 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	363	420	0	783

The aggregate amount of finance charges in respect of finance leases was £33,635 for 2016/17 (£33,654 for 2015/16).

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 15 to the accounts the value of assets held financed by leasing is shown within Vehicles, Plant and Equipment.

### Operating Leases

During 2016/17 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £59,769 were paid during the year. Total outstanding obligations at the end of the year were as follows:

	<b>Within 1 Year £000</b>	<b>2 to 5 years £000</b>	<b>Over 5 years £000</b>	<b>Total £000</b>
Outstanding Obligations	60	7	0	67

### Hire Purchase Contracts

During 2016/17 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 2016/17 amounted to £7,373,000 (£6,996,000 for 2015/16). See also note 44 Market Undertaking and Industrial Units and note 16 in respect of the valuation of these assets as Investment Properties.

## **52. Contingent Liabilities**

At 31 March 2017, the Authority had no known material contingent liabilities.

## **53. Contingent Assets**

At 31 March 2017, 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 2015/16 was £0.042m, the value of LSSG for 2016/17 is £0.026m.

## 55. Special Fund Revenue Account

2015/16 Net Expenditure £000		2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000
	<b>EXPENDITURE ON SERVICES</b>			
(79)	Cemeteries	147	287	(140)
625	Highways – footway lighting	557	16	541
<b>546</b>	<b>Total expenditure on services</b>	<b>704</b>	<b>303</b>	<b>401</b>
	<b>INCOME</b>			
(644)	Council Tax			(691)
<b>(98)</b>	<b>(Surplus) or deficit for year</b>			<b>(290)</b>
	<b>Special Fund</b>			
586	Balance at beginning of the year			586
98	Surplus or (deficit) for year			290
<b>684</b>	<b>Balance at end of year</b>			<b>876</b>

The Special Fund covers the cost of providing footway lighting and cemetery services in the former unparished areas of the Borough (excluding the parishes of Lawley & Overdale, Oakengates, St Georges & Priorslee and Wrockwardine Wood & Trench which have taken over responsibility for the footway lighting in their parishes). The above costs for footway lighting relate to the remaining parishes of Great Dawley, Dawley Hamlets, Hollinswood & Randlay, Madeley, Stirchley & Brookside, The Gorge and Wellington.

## 56. 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, 2015/16 and 2016/17 the balance at 31<sup>st</sup> March is £280,376. This is shown as a debtor on the Balance sheet at a fair value of £260,517 and a notional £19,859 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. Part of this has been repaid during 2016/17 and the balance at 31<sup>st</sup> March is £45,007. This is also shown as a debtor in the Balance sheet at a fair value of £22,703 and a notional £22,304 has been charged to the I&E account to reflect the preferential rate given. The Council owns the freehold of the ground and the loan was provided to fund a new fire alarm system at the ground.

**57. Building Control Account 2016/17**

<b><u>Expenditure</u></b>	<b>Chargeable</b>	<b>Non- Chargeable</b>	<b>Total Building Control</b>
	<b>2015/16 £000</b>	<b>2015/16 £000</b>	<b>2015/16 £000</b>
Employee Expenses	87	123	210
Support Services	65	81	146
	152	204	356
<b><u>Income</u></b>			
Building Regulation Charges	(251)	(110)	(361)
	(251)	(110)	(361)
<b>(Surplus)/Deficit</b>	<b>(99)</b>	<b>94</b>	<b>(5)</b>
<b>(Surplus)/Deficit 2015/16</b>	<b>(67)</b>	<b>115</b>	<b>48</b>

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

## 58. 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 2016/17 indicates the following:

	General Fund		Education	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance b/f	2,070	2,473	945	945
Charges in the Year	(542)	(580)	0	0
Transfers to other reserves	0	0	0	0
Contributions	945	684	0	0
<b>Balance c/f</b>	<b>2,473</b>	<b>2,577</b>	<b>945</b>	<b>945</b>

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

	General Provision		Self Insurance	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Balance b/f	470	651	1,600	1,822
Charges In Year	(283)	(399)	(259)	(181)
Contributions	464	213	481	471
<b>Balance c/f</b>	<b>651</b>	<b>465</b>	<b>1,822</b>	<b>2,112</b>

For 2016/17 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 27 Provisions.

## 59. 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 2016/17 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 24.7%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

<b>Extract from WME Balance Sheet</b>	<b>2015/16</b>	<b>Telford &amp; Wrekin Share</b>
	<b>£000</b>	<b>£000</b>
<b>Long Term Assets</b>		
Property, Plant & Equipment	13	3
<b>Current Assets</b>		
Short Term Debtors	8,979	2,218
Cash and Cash Equivalents	3,674	908
<b>Current Liabilities</b>		
Short Term Creditors	(10,914)	(2,696)
<b>Long Term Liabilities</b>		
Other Long Term Liabilities	(6,811)	(1,683)
<b>Total Assets Less Liabilities</b>	<b>(5,059)</b>	<b>(1,250)</b>
<b>Financed By</b>		
Usable Reserves	(5,059)	(1,250)
	<b>(5,059)</b>	<b>(1,250)</b>
Turnover	56,757	3,380

## Collection Fund Account

	NDR 2015/16 £000	Council Tax 2015/16 £000	Total 2015/16 £000	NDR 2016/17 £000	Council Tax 2016/17 £000	Total 2016/17 £000
<b>Income</b>						
Income from Council Tax (Note 1)		70,675	70,675		75,139	75,139
Transfers from the Council's General Fund						
– Transitional Relief	73	(1)	72	(288)	0	(288)
Income collectable from business ratepayers (Note 2)	73,271		73,271	73,932		73,932
<b>Contributions</b>						
Adjustment of previous years' community charges		0	0		0	0
<b>Total Income</b>	<b>73,344</b>	<b>70,674</b>	<b>144,018</b>	<b>73,644</b>	<b>75,139</b>	<b>148,783</b>
<b>Expenditure</b>						
Precepts, demands and Shares						
Telford & Wrekin Council	34,270	54,119	88,389	35,052	59,170	94,222
West Mercia Police Authority		8,741	8,741		9,449	9,449
Shropshire & Wrekin Fire Authority	699	4,336	5,035	715	4,687	5,402
Parish Councils		2,993	2,993		3,489	3,489
Central Government	34,969		34,969	35,767		35,767
Cost of Collection	214		214	218		218
Bad and Doubtful Debts/Appeals						
– Write Offs	750	183	933	767	295	1,062
– Provisions	542	174	716	1,147	(1,043)	104
<b>Contributions</b>						
Adjustment of previous years' community charge		0	0		0	0
<b>Total Expenditure</b>	<b>71,444</b>	<b>70,546</b>	<b>141,990</b>	<b>73,666</b>	<b>76,047</b>	<b>149,713</b>
<b>Movement on fund balance (Increase)/Decrease</b>	<b>(1,900)</b>	<b>(128)</b>	<b>(2,028)</b>	<b>22</b>	<b>908</b>	<b>930</b>

## Notes To Collection Fund Accounts

### 1. Council Tax Base for 2016/17

2015/16 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
10,647	Band A	26,335	(10,232)	16,103	10,728
11,433	Band B	19,331	(4,581)	14,750	11,472
8,294	Band C	11,110	(1,771)	9,339	8,301
7,508	Band D	8,120	(606)	7,514	7,514
5,117	Band E	4,537	(349)	4,188	5,119
2,789	Band F	2,065	(133)	1,932	2,790
1,575	Band G	1,024	(79)	945	1,575
78	Band H	50	(11)	39	78
<b>47,441</b>	<b>TOTAL</b>	<b>72,572</b>	<b>(17,762)</b>	<b>54,810</b>	<b>47,577</b>
(945)	Adjustments for growth and losses				(592)
46,496	Taxbase for year				46,985
£1,491.84	Average Council Tax for year				£1,542.13

2015/16 £000		2016/17 £000
69,365	Gross Yield	72,457
1	Less Benefits and Transitional Relief	0
1,309	Add increase in debit net of exemptions and reliefs	2,682
<b>70,675</b>		<b>75,139</b>

2. <u>Income Collectable from Business Rate Payers</u>	2015/16 £000	2016/17 £000	2016/17 £000
Effective non-domestic rateable value for year	167,799	166,145	
Uniform Business Rate for year	49.3p	49.7p	
Gross Yield for year	82,725		82,574
Less Reductions & Transitional Rate Relief	(9,454)		(8,642)
	<b>73,271</b>		<b>73,932</b>

The rateable value was £182,023,161 at 31/3/2017

3. <u>Allocation of Fund Balance (Council Tax)</u>	2015/16 £000	2016/17 £000
Telford & Wrekin Council	(3,709)	(2,981)
West Mercia Police Authority	(567)	(447)
Shropshire & Wrekin Fire Authority	(282)	(222)
	<b>(4,558)</b>	<b>(3,650)</b>

4. <u>Allocation of Fund Balance (NDR)</u>	2015/16 £000	2016/17 £000
Telford & Wrekin Council	(1,664)	(1,653)
Shropshire & Wrekin Fire Authority	(34)	(34)
Central Government	(1,698)	(1,687)
	<b>(3,396)</b>	<b>(3,374)</b>

## Group Accounts

### Introduction

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

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

The following pages include:

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

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

## Group Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See Note 7 to the main accounts.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	SERVICE	Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
532	5,790	6,322	Business, Development & Employment	13,503	4,269	17,772
22,515	168	22,683	Children's Safeguarding	26,428	464	26,892
1,294	484	1,778	Co-Operative Council	1,260	(1,492)	(232)
869	5,429	6,298	Commercial Services	3,689	(11,005)	(7,316)
12,299	(1,851)	10,448	Council Wide	7,009	3,643	10,652
29,011	(10,702)	18,309	Customer & Neighbourhood Services	31,631	(27,958)	3,673
41,012	4,240	45,252	Early Help & Support	47,267	(464)	46,803
5,763	(15,793)	(10,030)	Education & Corporate Parenting	13,941	(15,338)	(1,397)
3,896	1,364	5,260	Finance & Human Resources	(27,021)	32,195	5,174
4,013	835	4,848	Governance, Procurement & Commissioning	3,060	(59)	3,001
2,552	(1,196)	1,356	Health & Well-being	1,731	(927)	804
<b>123,756</b>	<b>(11,232)</b>	<b>112,524</b>	<b>Net Cost Of Services</b>	<b>122,498</b>	<b>(16,672)</b>	<b>105,826</b>
(123,661)	41,149	(82,512)	Other Income & Expenditure	(122,446)	24,868	(97,578)
<b>95</b>	<b>29,917</b>	<b>30,012</b>	<b>(Surplus) or Deficit</b>	<b>52</b>	<b>8,196</b>	<b>8,248</b>
<b>4,369</b>			<b>Opening General Fund Balance</b>	<b>4,274</b>		
(95)			Surplus of (Deficit) for year	(52)		
<b>4,274</b>			<b>Closing General Fund Balance</b>	<b>4,222</b>		

## 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	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000
Business, Development & Employment	15,810	9,488	6,322	26,657	8,885	17,772
Children's Safeguarding	24,304	1,621	22,683	27,537	645	26,892
Co-Operative Council	3,916	2,138	1,778	1,766	1,998	(232)
Commercial Services	21,151	14,853	6,298	8,960	16,276	(7,316)
Council Wide	16,690	6,242	10,448	21,050	10,398	10,652
Customer & Neighbourhood Services	118,651	100,342	18,309	116,249	112,576	3,673
Early Help & Support	62,555	17,303	45,252	62,218	15,415	46,803
Education & Corporate Parenting	117,378	127,408	(10,030)	118,747	120,144	(1,397)
Finance & Human Resources	13,115	7,855	5,260	12,377	7,203	5,174
Governance, Procurement & Commissioning	12,755	7,907	4,848	10,019	7,018	3,001
Health & Well-being	23,686	22,330	1,356	20,540	19,736	804
<b>Net Cost of Services</b>	<b>430,011</b>	<b>317,487</b>	<b>112,524</b>	<b>426,120</b>	<b>320,294</b>	<b>105,826</b>
Other Operating Expenditure (Note 1)			39,565			8,324
Financing and Investment Income and Expenditure (Note			6,020			19,613
Taxation & Non Specific Grant Income and Expenditure			(128,097)			(125,515)
<b>(Surplus) or deficit on provision of services</b>			<b>30,012</b>			<b>8,248</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(479)			(2,641)
Remeasurements of the net defined benefit pension liability			(22,019)			51,906
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(22,498)</b>			<b>49,265</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>7,514</b>			<b>57,513</b>

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

2015/16 £000		2016/17 £000
29,796	Deficit from the Single Entity Accounts (Page 37)	8,029
26	Deficit/(Surplus) contained within Subsidiary Accounts	(222)
190	Removal of Trading Surpluses from Single Entity Accounts	441
30,012	Deficit in Group Accounts (Page 108)	8,248

## 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 & reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 carried forward restated</b>	<b>54,414</b>	<b>8,929</b>	<b>63,343</b>	<b>43,114</b>	<b>106,457</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(30,012)</b>	<b>0</b>	<b>(30,012)</b>	<b>22,498</b>	<b>(7,514)</b>
Adjustments between accounting basis & funding basis under regulations	34,683	(6,069)	<b>28,614</b>	(28,614)	<b>0</b>
<b>Increase/ (Decrease) in 2016/17</b>	<b>4,671</b>	<b>(6,069)</b>	<b>(1,398)</b>	<b>(6,116)</b>	<b>(7,514)</b>
<b>Balance at 31 March 2016 carried forward restated</b>	<b>59,085</b>	<b>2,860</b>	<b>61,945</b>	<b>36,998</b>	<b>98,943</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,248)</b>	<b>0</b>	<b>(8,248)</b>	<b>(49,265)</b>	<b>(57,513)</b>
Adjustments between accounting basis & funding basis under regulations	16,657	460	<b>17,117</b>	(17,117)	<b>0</b>
<b>Increase/ (Decrease) in 2016/17</b>	<b>8,409</b>	<b>460</b>	<b>8,869</b>	<b>(66,382)</b>	<b>(57,513)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>67,494</b>	<b>3,320</b>	<b>70,814</b>	<b>(29,384)</b>	<b>41,430</b>

It can be seen from this table that of the total £67.5m reserves, only £4.2m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances.

## 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'.

<b>31 March 2016</b>		<b>31 March 2017</b>	<b>31 March 2017</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
496,365	Property, Plant & Equipment (Note 3)	514,081	
71,368	Investment Properties (Note 4)	89,077	
2,437	Intangible Assets	2,346	
33	Long Term Investments	33	
557	Long Term Debtors	578	
<b>570,760</b>	<b>Total Long Term Assets</b>		<b>606,115</b>
	<b>Current Assets</b>		
351	Inventories	321	
23,511	Debtors (Note 5)	37,650	
6	Deferred Taxation	0	
0	Investments - (short term)	0	
12,721	Assets Held for Sale	7,474	
7,611	Cash and Cash Equivalents (Note 6)	20,600	
44,200		66,045	
	<b>Current Liabilities</b>		
(20,073)	Provisions (Note 7)	(19,952)	
(75,579)	Short term Borrowing	(119,175)	
(63,133)	Creditors (Notes 8)	(58,990)	
(158,785)		(198,117)	
<b>(114,585)</b>	<b>Total Net Current Assets/(Liabilities)</b>		<b>(132,072)</b>
(88,519)	Less Long Term Borrowing		(100,873)
(55,585)	Less Long Term Creditors		(55,491)
(212,647)	Less Pensions Liability		(275,500)
(481)	Capital Grants Receipts in Advance		(749)
<b>98,943</b>	<b>Net Assets</b>		<b>41,430</b>
61,945	Usable Reserves (Note 9)		70,814
36,998	Unusable Reserves (Note 10 & 11)		(29,384)
<b>98,943</b>	<b>Net Reserves</b>		<b>41,430</b>

## Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2015/16 £000		2016/17 £000
30,012	Net (surplus) or deficit on the provision of services	8,248
(65,327)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 13)	(31,662)
29,395	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 14)	44,384
(5,920)	<b>Net cash flows from Operating Activities</b>	20,970
50,357	Investing Activities (Note 15)	19,409
(47,391)	Financing Activities (Note 16)	(53,368)
(2,954)	<b>Net (increase) or decrease in cash and cash equivalents</b>	(12,989)
4,657	Cash and cash equivalents at the beginning of the reporting period	7,611
7,611	<b>Cash and cash equivalents at the end of the reporting period (Note 6)</b>	20,600

### Group Note 1. Other Operating Expenditure

2015/16 £000		2016/17 £000
2,993	Parish Council precepts	3,489
316	Payment of RSG to Parishes	250
35,867	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	4,601
389	(Gains)/losses on the disposal of non-current assets – Other Assets	(16)
39,565	<b>Total</b>	8,324

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

2015/16 £000		2016/17 £000
8,954	Interest payable and similar charges	9,103
7,071	Pensions interest cost and expected return on pensions assets	7,328
(22)	Interest receivable and similar income	(20)
(10,023)	Income and expenditure in relation to investment properties and changes in their fair value	3,162
40	Other investment income and expenditure	40
6,020	<b>Total</b>	19,613

## Group Note 3. Property, Plant and Equipment

Movements in 2016/17:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2016</b>	<b>356,521</b>	<b>35,307</b>	<b>134,089</b>	<b>34,004</b>	<b>559,921</b>	<b>61,852</b>
Additions	15,175	1,119	26,837	20,309	63,440	3,890
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(7,930)	0	0	0	(7,930)	349
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,765)	0	(972)	0	(8,737)	0
derecognition – disposals	0	0	0	(4,801)	(4,801)	0
assets reclassified (to) /from Assets Under Construction	17,900	0	0	(17,900)	0	0
assets reclassified (to)/from Held for Sale	(5,708)	0	0	200	(5,508)	0
assets reclassified (to) /from Investment Properties	(1,848)	0	0	(17,450)	(19,298)	0
<b>At 31 March 2017</b>	<b>366,345</b>	<b>36,426</b>	<b>159,954</b>	<b>14,362</b>	<b>577,087</b>	<b>66,091</b>
<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2016	30,024	21,548	11,984	0	63,556	6,445
depreciation charge	8,657	2,624	3,333	0	14,614	1,517
depreciation written out to the Revaluation Reserve	(8,540)	0	(77)	0	(8,617)	0
depreciation written out to the Surplus/Deficit on the Provision of Services	(5,445)	0	(1,102)	0	(6,547)	0
derecognition – disposals	0	0	0	0	0	0

<b>At 31 March 2017</b>	<b>24,696</b>	<b>24,172</b>	<b>14,138</b>	<b>0</b>	<b>63,006</b>	<b>7,962</b>
<b>Net Book Value</b>						
<b>at 31 March 2017</b>	<b>341,649</b>	<b>12,254</b>	<b>145,816</b>	<b>14,362</b>	<b>514,081</b>	<b>58,129</b>
<b>at 31 March 2016</b>	<b>326,497</b>	<b>13,759</b>	<b>122,105</b>	<b>34,004</b>	<b>496,365</b>	<b>55,407</b>
<b>Information on Assets Held at 31/3/17</b>						
Nature of Holding						
Owned	283,520	11,181	145,816	14,362	<b>454,879</b>	
Leased	0	1,073	0	0	<b>1,073</b>	
PFI	58,129	0	0	0	<b>58,129</b>	
<b>Total</b>	<b>341,649</b>	<b>12,254</b>	<b>145,816</b>	<b>14,362</b>	<b>514,081</b>	

#### Capital Commitments

At 31 March 2017, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £16m. Similar commitments at 31 March 2016 were £18.9m. The major commitments are:

- Hortonwood West Unit 9 - £2.6m
- ICT Infrastructure - £1.5m
- Telford Eastern Gateway - £2.8m
- NuPlace - £9.1m

Comparative Movements in 2015/16:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2015</b>	<b>338,022</b>	<b>31,152</b>	<b>114,347</b>	<b>54,884</b>	<b>538,405</b>	<b>60,943</b>
Additions	8,015	2,624	18,394	37,348	<b>66,381</b>	1,175
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,265)	0	0	0	<b>(1,265)</b>	(266)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,501)	0	0	0	<b>(4,501)</b>	0
derecognition – disposals	(1,882)	0	0	(36,902)	<b>(38,784)</b>	0
assets reclassified (to) /from Assets Under Construction	18,447	1,531	1,348	(21,326)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	792	0	0	0	<b>792</b>	0
assets reclassified (to) /from Investment Properties	(1,107)	0	0	0	<b>(1,107)</b>	0
<b>At 31 March 2016</b>	<b>356,521</b>	<b>35,307</b>	<b>134,089</b>	<b>34,004</b>	<b>559,921</b>	<b>61,852</b>
<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2015	<b>25,924</b>	<b>19,474</b>	<b>9,152</b>	<b>0</b>	<b>54,550</b>	<b>5,621</b>
depreciation charge	8,835	2,074	2,832	0	<b>13,741</b>	1,407
depreciation written out to the Revaluation Reserve	(2,596)	0	0	0	<b>(2,596)</b>	(583)
depreciation written out to the Surplus/Deficit on the Provision of Services	(1,916)	0	0	0	<b>(1,916)</b>	0
derecognition – disposals	(223)	0	0	0	<b>(223)</b>	0
<b>At 31 March 2016</b>	<b>30,024</b>	<b>21,548</b>	<b>11,984</b>	<b>0</b>	<b>63,556</b>	<b>6,445</b>

#### **Group Note 4. Investment Properties**

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

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>(6,996)</b>	Rental income from investment property	<b>(8,028)</b>
<b>3,492</b>	Direct operating expenses arising from investment property	<b>2,963</b>
<b>(3,504)</b>	Net Operational (gain)/loss	<b>(5,065)</b>
<b>(6,519)</b>	Net (gain)/loss on revaluation of properties	<b>8,227</b>
<b>(10,023)</b>	Total Net (gain)/loss	<b>3,162</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>59,329</b>	Balance at start of the year	<b>71,368</b>
<b>4,829</b>	Additions	<b>7,164</b>
<b>(416)</b>	Disposals	<b>(526)</b>
<b>6,519</b>	Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services	<b>(8,227)</b>
	Transfers:	
<b>1,107</b>	- (to)/from Property, Plant and Equipment	<b>19,298</b>
<b>71,368</b>	Balance at end of the year	<b>89,077</b>

## Group Note 5. Debtors

2015/16 £000		2016/17 £000
	Amounts falling due in one year:	
3,966	Central Government	7,232
331	Other Local Authorities	72
951	NHS Bodies	973
800	Public Corporations and Trading Funds	574
25,473	Other Entities and Individuals	35,530
31,521	<b>Gross Debtors</b>	<b>44,381</b>
(8,010)	Provision for doubtful debts	(6,731)
23,511	<b>Total</b>	<b>37,650</b>

## Group Note 6. Cash and Cash Equivalents

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

2015/16 £000		2016/17 £000
130	Cash held by the Authority	123
3,446	Bank current accounts	9,376
4,035	Call Accounts	11,101
7,611	<b>Total Cash and Cash Equivalents</b>	<b>20,600</b>
0	<b>Bank Account Overdrawn</b>	<b>0</b>
7,611	<b>Net Cash Position for Cash Flow Purposes</b>	<b>20,600</b>

## Group Note 7. Provisions

	2016/17 Opening £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	2016/17 Closing £000
Restructure Provision	711	0	(250)	461
Single Status Provision – Non Schools	3,953	5	(365)	3,593
Single Status Provision – Schools	12,417	0	0	12,417
NDR Appeals Provision	2,732	3,293	(2,732)	3,293
Insurance	179	0	(179)	0
Litigation Costs	81	0	(37)	44
Deferred Taxation	0	46	0	46
Sinking Fund for Asset Maintenance	0	98	0	98
<b>Total</b>	<b>20,073</b>	<b>3,442</b>	<b>(3,563)</b>	<b>19,952</b>
2015/16	19,053	3,907	(2,887)	20,073

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 2017 was £0.461m.

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been

necessary to include a provision against the potential costs in the 2016/17 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2017 was £16.0m.

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, £6.7m is estimated as the amount required to set aside for this purpose in the 2016/17 accounts (£5.6m 2015/16). Telford & Wrekin Council’s proportion of this is £3.3m (49%) (£2.7m 2015/16).

Litigation Costs - This was created for 2015/16 and is to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group. The total amount in the provision at 31 March 2017 was £0.04m (£0.08m 2015/16).

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.

Deferred Taxation – A provision has been created in relation to deferred taxation, within NuPlace’s accounts, on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statement. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Sinking Fund for Asset Maintenance – A provision has been created with NuPlace’s accounts in relation to a sinking fund for future asset maintenance.

## **Group Note 8. Creditors**

<b>2015/16 £000</b>		<b>2016/17 £000</b>
<b>8,861</b>	Central Government	<b>8,504</b>
<b>854</b>	Other Local Authorities	<b>2,007</b>
<b>239</b>	NHS Bodies	<b>10</b>
<b>780</b>	Public Corporations and Trading Funds	<b>840</b>
<b>49,832</b>	Other Entities and Individuals	<b>44,908</b>
<b>2,567</b>	PFI and Leases	<b>2,721</b>
<b>63,133</b>	<b>Total</b>	<b>58,990</b>

## **Group Note 9. 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 2016/17.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 carried forward</b>	<b>4,369</b>	<b>39,496</b>	<b>6,961</b>	<b>3,588</b>	<b>0</b>	<b>8,929</b>	<b>63,343</b>
Movement / Use of reserves during 2015/16	(95)	5,960	(410)	(784)	0	(6,069)	<b>(1,398)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,274</b>	<b>45,456</b>	<b>6,551</b>	<b>2,804</b>	<b>0</b>	<b>2,860</b>	<b>61,945</b>
Movement / Use of reserves during 2016/17	(52)	10,073	(1,431)	(181)	0	460	8,869
<b>Balance at 31 March 2017 carried forward</b>	<b>4,222</b>	<b>55,529</b>	<b>5,120</b>	<b>2,623</b>	<b>0</b>	<b>3,320</b>	<b>70,814</b>

#### **Group Note 10. 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		2016/17 £000
<b>219,252</b>	<b>Balance Brought Forward</b>	<b>202,498</b>
<b>(15,292)</b>	Charges for depreciation and impairment of non-current assets	<b>(35,454)</b>
<b>(1,085)</b>	Amortisation of intangible assets	<b>(1,024)</b>
<b>(4,426)</b>	Revenue expenditure funded from capital under statute	<b>(11,772)</b>
<b>(37,896)</b>	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(5,965)</b>
<b>(447)</b>	Adjusting amounts written out of the Revaluation Reserve	<b>4,807</b>
<b>2,674</b> <b>32,790</b>	Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>8,703</b> <b>35,221</b>
<b>416</b>	Minimum Revenue Provision	<b>395</b>

<b>6,512</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>8,227</b>
<b>202,498</b>	<b>Balance Carried Forward</b>	<b>205,636</b>

### Group Note 11. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current 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		2016/17
£000		£000
0	<b>Balance at 1 April</b>	0
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	<b>Balance at 31 March</b>	0

### Group Note 12. 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		2016/17
£000		£000
295,535	<b>Opening Capital Financing Requirement</b>	335,570
	<b>Capital Investment</b>	
66,381	Property, Plant & Equipment	63,440
4,829	Investment Properties	7,164
23	Assets Held for Sale	90
1,457	Intangible Assets	933
4,426	Revenue Expenditure funded from Capital under Statute	11,772
491	Leased Vehicles	186
	<b>Sources of Finance</b>	
(2,674)	Capital Receipts	(8,703)
(1,692)	Finance Leases & Deminimis Capital Expenditure	(7,510)
(32,790)	Government Grants and Other Contributions	(35,221)
(416)	Revenue Provision (NB: includes MRP)	(395)
<b>335,570</b>	<b>Closing Capital Finance Requirement</b>	<b>367,326</b>
40,035	Movement for Year	31,756
	Explanation of movements in the year	
123	Increase in underlying need to borrow (supported by Government financial assistance)	1,268
39,912	Increase in underlying need to borrow (unsupported by Government financial assistance)	30,488
40,035	Increase/(decrease) in Capital Financing Requirement	31,756

**Group Note 13. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements**

2015/16 £000		2016/17 £000
(16,600)	Impairment and depreciation of property, plant and equipment and intangible assets	(29,155)
(66)	(Increase)/decrease in interest creditors	(68)
(5,583)	(Increase)/decrease in creditors	2,891
0	Increase/(decrease) in interest/dividend debtors	(5)
1,691	Increase/(decrease) in debtors	10,592
54	Increase/(decrease) in inventories	(30)
(12,419)	Pension Liability	(10,947)
(1,020)	Contribution (to)/from provisions	121
(37,896)	Carrying amount of non-current assets sold	(13,288)
6,512	Movement in Investment Property Values	8,227
(65,327)	<b>Total</b>	<b>(31,662)</b>

**Group Note 14. 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		2016/17 £000
26,721	Capital grants credited to surplus or deficit on the provision of services	35,681
0	Proceeds from sale of short and long term investments	0
2,674	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,703
29,395	<b>Total</b>	<b>44,384</b>

**Group Note 15. Cash Flow Statement – Investing Activities**

2015/16 £000		2016/17 £000
79,096	Purchase of property, plant and equipment, investment property and intangible assets	71,155
226	Other payments for investing activities	290
(554)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,157)
0	Proceeds from short-term and long-term investments	0
(28,411)	Other receipts from investing activities	(46,879)
50,357	<b>Net cash flows from investing activities</b>	<b>19,409</b>

**Group Note 16. Cash Flow Statement – Financing Activities**

2015/16 £000		2016/17 £000
(198,220)	Cash receipts of short and long term borrowing	(207,950)
(1,100)	Other receipts from financing activities	(899)
(1,085)	Appropriation to/from Collection Fund Adjustment Account	696
150,471	Repayments of short and long term borrowing	152,178
2,543	Cash payments in relation to finance leases and PFI agreements	2,607
(47,391)	<b>Net cash flows from financing activities</b>	<b>(53,368)</b>

## Glossary

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

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

Provisions	Amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise is uncertain.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure funded from Capital under Statute	This is expenditure that is classified as capital although it does not result in the creation of a fixed asset. Examples of this are grants, advances and financial assistance to others, costs of stock issues, expenditure on properties not owned by the authority and amounts directed by the Government.
Revenue Support Grant (RSG)	The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Settlement Funding Assessment, also determined by Government.
Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs (The Chief Financial Officer). For Telford & Wrekin this is the Assistant Director Finance and Human Resources.
Soft Loan	A loan granted at lower than the prevailing interest rate
Special Fund Revenue Account	Included in the Income And Expenditure Account but specifically summarises the cost of providing some specific services that in some areas are provided by Parish Councils but in others are provided by the Council.
Trading Services	A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users.
Variance	The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend.
Virement	A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations.



**1 SUMMARY OF MAIN PROPOSALS**

1.1 For the Audit Committee to review and approve the 2016/17 Annual Governance Statement to accompany the annual accounts.

**2 RECOMMENDATION**

2.1 That members of the Audit Committee approve the Annual Governance Statement 2016/17, attached as Appendix A (including Annex 1), and note the information in the report

**3 SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The Governance Framework encompasses the whole Council and therefore all of the Council's priorities.</i>
	Will the proposals impact on specific groups of people?	
	No	
<b>TARGET COMPLETION/ DELIVERY DATE</b>	<i>Annual Governance Statement signed and ready to accompany the 2016/17 accounts by 30<sup>th</sup> June 2017.</i>	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	No	<i>The governance framework includes several financial elements, including the Council's financial regulations, the budget strategy and the Treasury Management Strategy. These provide the financial parameters, systems, processes and guidelines within which the Council must operate and as such assist in the delivery of good governance. Strong financial management also supports the delivery of value for money in ensuring economy, efficiency and effectiveness in the Council's decision making and processes.</i>  <i>The Council's external auditors give an opinion on the financial statements of the authority and a value for money conclusion in their opinion on the accounts and in their Annual Audit Letter each year which provides further assurance.</i>
<b>LEGAL ISSUES</b>	Yes	<i>The requirement for an Annual Governance Statement is established at Part 2 paragraph 6 of the Accounts and Audit Regulations 2015. Further details of this requirement are set out at sections 4.1 and 4.2 of this report.</i>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes	<i>Good governance supports the identification and management of risks and robust control arrangements.</i>
<b>IMPACT ON SPECIFIC WARDS</b>	Yes	<i>Borough-wide impact</i>

## **4 INFORMATION**

- 4.1 Under the Accounts and Audit Regulations 2015 the Council is required to produce an Annual Governance Statement and it is best practice that the statement is signed by the Leader and Managing Director of the Council. This statement should accompany the Annual Accounts.
- 4.2 The Annual Governance Statement for 2016/17 is attached at Appendix A and has been developed based on the requirements of the regulations and CIPFA/Solace guidance<sup>1</sup>. The statement includes an action plan (Annex 1) to ensure that we continue to improve our existing governance arrangements.
- 4.3 The action plan attached to the 2015/16 statement (implemented during 2016/17) has been reviewed and updated to reflect current progress. The position as at 31/03/17 is attached as Appendix B to this report.
- 4.4 The Annual Governance Statement and the Local Code of Good Governance outlines that the Council has a robust governance framework in place but that it is continually reviewing procedures to maintain and demonstrate good corporate governance. It is supported by risk management and sound systems of internal control which are paramount in these continuing times of financial constraint. The Council can be assured that during 2016/17, including during organisational and personnel changes, that the existing or revised governance arrangements have continued to support proper governance. Where required changes to procedures have been agreed by SMT and changes to the Constitution have been agreed by the Council, through the Council's Constitution Committee.
- 4.5 Assurance for the Annual Governance Statement is provided by all areas of the Council and externally by the following:
- a) Leader and Managing Director – who sign the statement to acknowledge their responsibilities;
  - b) Senior management – Managing Director, Directors, Assistant Directors;
  - c) Chief Financial Officer;
  - d) The Monitoring Officer;
  - e) Members – Scrutiny arrangements, Standards Committee, Audit Committee and other Regulatory Committees;
  - f) Internal Audit ;
  - g) Partners;
  - h) External Audit; and
  - i) Other external inspection agencies.
- 4.6 The 2016/17 Annual Governance Statement sets out adherence to the Council's governance arrangements that operated during the period – 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017 and measures the effectiveness of them.
- 4.7 The Council's current Code of Good Governance was approved last June to reflect the April 2016 CIPFA/SOLACE updated framework including revised principles and guidance but further application and good practice has been received during the year and the local code has therefore been updated further. The Code continues to reflect the Council's culture and values including the Council's "Being the Change" document.

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

N/A

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<sup>1</sup> Delivering Good Governance in Local Government: Framework (2016 Edition)

## **6** PREVIOUS MINUTES

- 6.1 Cabinet 26<sup>th</sup> June 2014; 25<sup>th</sup> June 2015; 16<sup>th</sup> June 2016  
Audit Committee 30<sup>th</sup> June 2014; 30<sup>th</sup> June 2015; 28<sup>th</sup> June 2016

## **7** BACKGROUND PAPERS

Local Code of Corporate Governance May 2008  
CIPFA/SOLACE – Delivering Good Governance in Local Government: Framework (2016 Edition)  
KPMG Annual Audit Letter 2015/16  
External inspection reports 2016/17  
Annual Audit & Information Governance Report 2016/17

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

## ANNUAL GOVERNANCE STATEMENT 2016/17

### 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 Delivering Good Governance in Local Government: Framework (2016 Edition). Within this code and to meet its responsibilities, the Council (members and officers) is responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations<sup>1</sup> and ensuring the effective exercise of its functions.
- 3.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control). During 2016 a new local Code of Good Governance was approved to meet the updated CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition) and this has been further updated for 2017 to reflect the updated principles.

### 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. The detail is included in the Local Code. The framework 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 2017 and up to the date of approval of the statement of accounts. It is on-going into 2017/18 but there will be appropriate reviews and updates during the year and beyond to support good

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

governance, organisational change/revised service delivery and changes to legislation/regulations and good practice.

## **5. Review of Effectiveness**

- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
  - b) the work of internal audit; and also
  - c) comments made by the external auditors and other external review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet Members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 5.3 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, direct feedback to members from within the community, the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.
- 5.4 The Internal Audit plan is informed by the Council's service and financial planning processes, 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 2016/17 the Internal Audit team achieved just over 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework.
- 5.5 Internal Audit report on a quarterly basis and also annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Directors/Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.
- 5.6 In January 2017 the Internal Audit Function were assessed externally by CIPFA against the Public Sector Internal Audit Standards (required once every 5 years) and the assessor wrote in her report:
- "I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity"
- The assessor made recommendations and suggestions which the team are in the process of implementing.
- 5.6 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 (including a new Assistant Director from

mid-February 2017) and the implementation of further restructures (including the business support function).

- 5.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up Policy encouraging internal referrals. 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 internally. The Benefits Investigations Team transferred to Governance, Procurement & Commissioning in June 2016 and their remit was widened to include Council wide fraud (not just Benefits – Housing and Council tax Support). Internal Audit along with the Investigations Team undertakes proactive fraud work based on a fraud risk register. Other specific anti-fraud and corruption activities are undertaken by Trading Standards. An annual report on these activities is presented to the Audit Committee.
- 5.8 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy and during the year were provided with an update on the possible implications of Brexit by Arlingclose the Council's Treasury Management advisors.
- 5.9 The Council's performance management framework is monitored by SMT and has procedures in place which drive continuous improvement in performance.
- 5.10 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements.
- 5.11 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 2016/17 no enforcement action has been taken by the ICO against the Council in respect to data breaches.
- 5.12 Implementation of the ICT Strategy 2014-17 has continued in 16/17 including infrastructure upgrades, the commencement of the roll-out of Office 365 and further security improvements particularly in response to spam, phishing/ whaling and Ransomware threats.
- 5.13 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.14 The 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 2016/17 sets out the internal audit opinion and that the External Auditor has reviewed and relied upon the work of Internal Audit (and their contractor) in respect to the key financial systems for the 2016/17 final accounts audit.
- 5.15 The External Auditor's Annual Audit Letter 2015/16 (October 2016) 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 2015/16 on 28 September 2016. 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 the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

- Audit opinion - we issued an unqualified opinion on your financial statements on 28 September 2016. 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. The financial statements also include for the first time those of the Authority's Group, which consists of the Authority itself and Nuplace Limited.

The External Auditors received an elector question relating to the 2015/16 financial statements which continues to be investigated. This means that they have not yet been able to issue the External Audit certificate which will confirm that they have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit practice. The Audit Committee will be updated once this has been resolved.

5.16 Lakewood Court care home was inspected by CQC in March 2016 and the report was published on 27<sup>th</sup> April 2016. The overall rating for the facility was "Good" with the answers to the 5 questions asked as part of the assessment being:

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

The full report can be accessed through the link below:

<http://www.cqc.org.uk/location/1-123010802>

5.17 There was an Ofsted single inspection of services for children in need of help and protection, children looked after and care leavers and a review of the effectiveness of the Local Safeguarding Children Board (SIF) which took place between 13 June and 7 July 2016, with the report published on 26 August 2016.

The key judgement was that - children's services in Telford and Wrekin require improvement to be good. However this result is detailed as shown below:

<b>1. Children who need help and protection</b>	Requires improvement
<b>2. Children looked after and achieving permanence</b>	Requires improvement
2.1 Adoption performance	Good
2.2 Experiences and progress of care leavers	Good
<b>3. Leadership, management and governance</b>	Requires improvement

The Council was pleased that the inspection recognised the improvements that had been made in the quality of services, the outcomes that children are achieving and the important contribution made by having effective political backing and the hands-on support of our Managing Director.

The full report can be accessed through the link below:

<https://reports.ofsted.gov.uk/local-authorities/telford-and-wrekin>

As required by Ofsted the Council has an improvement/action plan which is being monitored internally by senior officers and Members and externally by Ofsted.

5.19 Adult Social Care took part in a Peer Challenge and case audit during May 2016. The review focussed on:

- How well we are progressing with the implementation of our plans, in order to achieve our outcomes, as detailed in our Commitment Statement.
- Consideration of the sustainability of our target operating model given the future opportunities and challenges presented by demographic and funding pressures, legislative change and the 'integration' agenda

The summarised feedback received said "The Peer Team recognised the significant progress the council has made in recent years to focus on accelerating personalisation, and to deliver high quality interventions that are affordable. The level of enthusiasm, commitment and support from front line staff, carers, service users and other stakeholders was clearly evident. The team was also very impressed by the commitment demonstrated by the council leadership team and politicians, evident in the budget setting process."

The outcomes and [action plan developed were presented to SMT and the July 2016 meeting of the Adult & Social Care Scrutiny Committee. This action plan has since been included within the Early Help and Support Service Plan.](#)

5.20 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 in our opinion conclude that the review of the governance arrangements provides a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Attached as Annex 1 is an agreed action plan to address any key governance issues and ensure continuous improvement.

5.21 Issues from the previous action plan that have been addressed or mainstreamed have been deleted and those that continue to be addressed are included in Annex 1.

5.22 The Senior Management Team will monitor implementation of these actions and will report back to the Audit Committee in January 2018 and within next year's statement.

Richard Partington  
Managing Director

**Dated:**

Cllr Shaun Davies  
Leader of the Council

**Dated:**

Cllr Rob Sloan  
Chair of Audit Committee

**Dated:**

## AGS ACTION PLAN FOR 2016/17 for IMPLEMENTATION during 2017/18

No	Action	Lead Officer	Comments
1.	Continued strategic management of organisational change in respect to "Being the Change", continued reduced budgets, revised structures and commercial/ business approach which links to the continued development and implementation of revised governance framework.	Managing Director and SMT	<p>"Being the Change: One Year On – Seeing the Change and Being the best we can" - document produced March 2017 and further actions to be taken during 2017/18.</p> <p>As part of the above service and work force planning on target for completion by Spring 2017.</p> <p>Consultation on savings for 2018/19 and 2019/20 proposals will commence during 2017/18.</p>
2.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources/ AD Governance, Procurement & Commissioning	<p>Council has elected into the Sector led body – PSAA – to undertake the procurement on our behalf.</p> <p>A report will be presented to the Audit Committee in September 2017 in respect to the outcome of the procurement process and they will make a recommendation for appointment by full Council by 31/12/17.</p> <p>Planning for revised final accounts deadlines for 2017/18 commenced 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.</p> <p>Continuing to work towards an updated final accounts timetable for 2016/17 onwards.</p>
3.	<p>Implementation the Workforce Development plan, succession planning and priorities following restructure in Organisational Delivery &amp; Development.</p> <p>Continue to update the management competencies, skills and associated training to meet revised organisational requirements.</p> <p>Review of Human Resources policies and procedures to support the priorities and organisational change.</p>	Managing Director	<p>Learning &amp; Development Manager now in post and leading on this to support the organisation to embed workforce development plans, succession planning/single points of failure (an issue highlighted by several SDM's in their AGS certificates) and training to support management competencies and skills.</p> <p>Human Resources policies have been prioritised and are being revised and renegotiated in line with these priorities.</p>

No	Action	Lead Officer	Comments
4.	Continue to deliver the improved processes and associated governance to deliver savings and service improvements across Early Help & Support (includes adult social services)	AD: Early Help & Support/ AD Governance, Procurement & Commissioning	<p>Adult Social Services are now included with Early Help &amp; Support Services. New structures are now in place with further revisions to the operating model coming into effect in 2017. Associated policies and procedures will also be launched in 2017. Service teams are now based in localities alongside other public and voluntary sector services.</p> <p>Teams have been assigned targets linked to the cost improvement plan. These targets will be used to determine sufficiency plans for placements over a four year period.</p> <p>The Brokerage and Contract teams will focus upon driving out further efficiencies through effective procurement.</p> <p>The Council will continue to develop the usage and governance of the Better Care Fund.</p> <p>A project structure including governance and resources has been agreed by SMT for the implementation of one ICT system for children's and adults services over the next 2 years. Procurement costs have been minimised by joint working with Shropshire Council.</p>
5.	Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges.	Director: Children's & Adult Services and Director – Customer, Neighbourhood & Well-Being Services	<p>The Ofsted action plan from the 2016 review will continues to be implemented and monitored during 2017/18.</p> <p>Internal Audit work in Children's safeguarding will be aligned to support and confirm implementation of these recommendations.</p> <p>Any governance issues arising from other external reviews during 2017/18 will be monitored by senior management.</p>
6.	Ensure that senior management (including SDM's) engage and supports the implementation of the GDPR information governance requirements within their service areas.	SIRO/SMT & SDM's	<p>Information on requirements has been provided to SMT and has been updated. SMT have agreed a GDPR implementation plan which will be discussed at all management teams over the next few months.</p> <p>An intranet page has been developed and Learning &amp; Development are supporting Ollie modules based on guidance produced. May 2018</p>

No	Action	Lead Officer	Comments
7.	Ensure that the website contains relevant current information and is kept up to date.	AD Customer & Neighbourhood Services	This year's certification process has identified that several teams are not keeping their web pages up to date and one reason is a lack of knowledge of how to do this. Appropriate support will be provided to ensure that Teams have the skills to keep them up to date going forward. On-going during 2017/18.
8.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	Governance processes in place and robust business cases and funding approvals are required for all activities. On-going during 2017/18.

**UPDATED POSITION as at 31/03/17 for AGS ACTION PLAN FOR 2015/16 IMPLEMENTATION during 2016/17**

No	Action	Lead Officer	Comments and implementation date when agreed June 2016	Updated position as at 31/12/16 & implementation date (updated where required)	Position as at 31/03/17
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	<p>Agreeing revised governance requirements from "Being the Change", updated Code of Good Governance and incorporating any changes into the Constitution, strategies and policies.</p> <p>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.</p> <p>Updated Constitution effective from Summer 2016.</p> <p><b>On-going 31/03/17</b></p>	<p>Changes made to the Constitution and key strategies, policies and procedures.</p> <p>SMT has challenged and monitored service plans during the year and considered the impacts of proposed savings and changes to local government finance.</p> <p><b>Budget and savings actions on-going to 31/03/17. Service planning for 2017/18 to be completed by Spring 2017</b></p>	<p><b>"Being the Change: One Year On – Seeing the Change and Being the best we can" - document produced March 2017 and further actions to be taken.</b></p> <p><b>Service and work force planning on target for completion by Spring 2017.</b></p> <p><b>Budget complete and savings identified with consultation commencing during 2017/18 for some 2018/19 and 2019/20 proposals.</b></p>

No	Action	Lead Officer	Comments and implementation date when agreed June 2016	Updated position as at 31/12/16 & implementation date (updated where required)	Position as at 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. <b>31/05/16</b> Update 2016/17 certification process to reflect revised framework. <b>31/01/17</b> Implement March 2017 to support 2016/17 Annual Governance Statement. <b>16/03/17</b>	<b>Complete</b>  <b>In progress and on target for 31/01/17</b>  <b>Implementation March – April 2017</b>	<b>Complete but further revision proposed with 2016/17 AGS.</b>
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. <b>Procurement actions on-going throughout the year including reporting to Audit Committee as appropriate.</b>	<b>Decision made by Full Council on 24<sup>th</sup> November 2016 to elect into the Sector led body – PSAA – following a recommendation from the Audit Committee.</b> <b>Completion of appropriate documentation by 28/02/17 (when requested)</b>  <b>Report to Audit Committee in September 2017 re results of procurement process and recommendation for appointment by full Council by 31/12/17.</b>  <b>On target</b>	<b>Appropriate documentation sent and confirmation that included in the tender process. Have made comments on the terms and conditions.</b>  <b>Still on target.</b>

No	Action	Lead Officer	Comments and implementation date when agreed June 2016	Updated position as at 31/12/16 & implementation date (updated where required)	Position as at 31/03/17
			<p>Planning for revised final accounts deadlines for 2017/18 to commence in 2015/16 so there can be phased changes to practices. Draft accounts by 31<sup>st</sup> May (instead of 30<sup>th</sup> June) and audited accounts by 31<sup>st</sup> July instead of 30<sup>th</sup> September.</p> <p><b>Working towards updated final accounts timetable for 2016/17 onwards.</b></p>		<p><b>Updated timetable for 2016/17 being worked on and will be implemented for 2017/18 audit.</b></p>
4.	<p>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.</p> <p>Review of Human Resources policies and procedures to</p>	Managing Director	<p>The key leadership, management and workforce requirements have been identified and the Council's development programme now reflects these. The programme is revised on a rolling basis. Human Resources policies have been prioritised and are being revised and renegotiated in line with these priorities.</p> <p><b>On-going as agreed with SMT (31/03/17).</b></p>	<p><b>Several have been updated and reintroduced, others are in the process of being updated and reviewed.</b></p> <p><b>On-going as agreed with SMT (31/03/17).</b></p>	<p><b>Workforce development plans to be completed by 30/04/17, support is being provided by ODD.</b></p> <p><b>On-going as agreed with SMT and some are beyond 31/03/17.</b></p>

No	Action	Lead Officer	Comments and implementation date when agreed June 2016	Updated position as at 31/12/16 & implementation date (updated where required)	Position as at 31/03/17
	support the priorities and organisational change.				
5.	Deliver the improved processes and associated governance to deliver savings and service improvements across Early Help & Support (includes adult social services)	AD: Early Help & Support/ AD Governance, Procurement & Commissioning	<p>New target operating model effective from November 2015 and links to Cost Improvement Plan. Monitoring of the latter continuing with Senior Management and Members.</p> <p>Further governance in respect to the Better Care Fund will be implemented during 2016/17.</p> <p><b>On-going 31/03/17 and beyond</b></p>	<p><b>Adult Social Services are now included with Early Help &amp; Support Services. New structures will be in place by the end of 2016. A further revision is being made to the operating model which will come into effect in 2017. Associated policies and procedures will also be launched in 2017. Service teams will be based in localities alongside other public and voluntary sector services.</b></p> <p><b>Teams will be assigned targets linked to our cost improvement plan. The new operating model has been designed to support delivery of these targets.</b></p> <p><b>Targets will be used to determine our sufficiency plans for placements over a four year period.</b></p> <p><b>Our brokerage and contract teams will focus upon driving</b></p>	<p><b>Changes are still in the process of being implemented and integrated children's and adults system now procured with implementation during 2018/19.</b></p> <p><b>Still in progress but efficiencies are being achieved.</b></p>

No	Action	Lead Officer	Comments and implementation date when agreed June 2016	Updated position as at 31/12/16 & implementation date (updated where required)	Position as at 31/03/17
				<p>out further efficiencies through effective procurement.</p> <p>The Council awaits further guidance regards the Better Care Fund. This is a pooled budget to support the health and well-being of residents of the Borough which is managed by finance in liaison with Health colleagues with strategic governance and oversight being provided by the Sustainability &amp; Transformation Planning process and associated governance structures.</p>	<p>Further work required during 2017/18.</p>
6.	<p>Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges.</p>	<p>Director: Children's &amp; Adult Services and Director – Customer, Neighbourhood &amp; Well-Being Services</p>	<p>This action plan is particularly focussed on any recommendations from external reviews that improve the governance arrangements in these areas.</p> <p><b>Various dates throughout 2016/17</b></p>	<p><b>An Ofsted Action Plan will be submitted for approval shortly. Implementation of the action plan will be overseen by service area management teams, the LSCB and C&amp;YP Scrutiny.</b></p> <p><b>The Adult Services Peer Review has informed work in redesigning services. Further work will be done on other aspects of the peer review once the permanent Assistant</b></p>	<p><b>Ofsted action plan continues to be implemented and monitored during 2017/18. Internal Audit work in Children's safeguarding will be aligned to support and confirm implementation.</b></p> <p><b>Action plan from Adult Services peer Review has been included in the Early Help &amp; Support Service Plan</b></p>

No	Action	Lead Officer	Comments and implementation date when agreed June 2016	Updated position as at 31/12/16 & implementation date (updated where required)	Position as at 31/03/17
				<p>Director has started (February 2017)</p> <p>Lakewood Court was inspected by CQC in March 2016 and received a GOOD rating.</p>	
7.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	<p>Continued support and review of the separate company arrangements and associated governance issues.</p> <p>Ensure continued proper governance arrangements for commercial projects including robust business cases and funding approval.</p> <p><b>On-going during 2016/17</b></p>	<b>Governance processes in place and on-going during 2016/17.</b>	<b>Governance processes in place and will continue in 2017/18 with business cases for all activities.</b>

**1 PURPOSE**

- 1.1 To update members on the work of Internal Audit during quarter four – January to March 2017 including the results of the External Assessment of Internal Audit against the Public Sector Internal Audit Standards (PSIAS).
- 1.2 For members to consider and approve the Internal Audit Plan 2017/18.

**2 RECOMMENDATIONS**

- 2.1 That members of the Audit Committee note the information contained in this report in respect to quarter 4 2016/17 and the External Assessment against the PSIAS.
- 2.2 That members of the Audit Committee approve the Internal Audit Plan 2017/18 attached as Appendix G

**3 SUMMARY**

- 3.1 The terms of reference of the Audit Committee include:  
“The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan”. The Audit Committee receives regular updates on the work of Internal Audit. This report provides the update for 2016/17 in respect to quarter four – January – March 2017 and the Internal Audit Plan for 2017/18 for approval by the Committee.
- 3.2 Internal Audit proper practice according to the Accounts and Audit Regulations 2015 are the PSIAS and once every 5 years an external assessment of compliance to the Standards should take place. The assessment for T&W Internal Audit was undertaken in January 2017 and the results are included in this report.

**4 PREVIOUS MINUTES**

- 4.1 Audit Committee 30<sup>th</sup> June 2016 – 2015/16 Internal Audit Quarter 4 Update Report and Internal Audit Plan 2016/17 and Information Governance Work Programme 2016/17  
Audit Committee 20<sup>th</sup> September 2016 – Internal Audit Quarter 1 Update and IG update to July 2016.  
Audit Committee 31<sup>st</sup> January 2017 – Internal Audit Update report Quarter a 2 and 3

**5 QUARTER 4 - INTERNAL AUDIT UPDATE**

- 5.1 This report provides information on the work of Internal Audit from 1<sup>st</sup> January – 31<sup>st</sup> March 2017 and provides an update on the progress of previous audit reports issued (July 2013 to December 2016).

- 5.2 The key focus for the team during the quarter was the completion of the audit plan including the fundamental systems audits. The resources available were affected by the external PSIAS assessment - preparations and the actual visit (9<sup>th</sup> – 13<sup>th</sup> January 2017) and the SDM was also engaged in the development of restructure proposals that were launched on 3rd April 2017 for a 45 day consultation period. The new structure was confirmed on 18th May 2017 and will be effective from 12<sup>th</sup> June 2017. The Audit & Governance Team Leader is now the designated Chief Audit Executive under the PSIAS as the SDM post was deleted from the establishment.
- 5.3 Work continued on the longer term arrangements for IT and general audit provision for 18/19 onwards when the current extended framework contract comes to an end on 31<sup>st</sup> August 2017. Staffordshire County Council are undertaking a repeat procurement for the framework which now includes other local authorities which should assist in securing even better value for us as one of the members.
- 5.4 The following internal audit update report appendices are attached:
- i) **Appendix A** – List of final reports issued in quarter four with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.
  - ii) **Appendix B** – List of all work undertaken for quarter four for a period of 1 day or more.
  - iii) **Appendix C** - Previous graded reports from July 2013 to December 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 5 amber reports issued in quarter four.
- 5.5 Appendix A shows 19 reports were issued in quarter four. For the final reports issued the time taken for the areas shown in the table below varied from the allocated time by more than +/- 10%.

Area	Variance (> +/- 10%)	Reason
Sales Ledger	-22.4%	Service areas made staff available so testing went smoothly
Teagues Bridge School	+35.75%	Additional testing required in an area that the school disagreed with our findings.
Personal Safety Precaution Register	+25.6%	New audit area so difficult to estimate. Also longer than normal time taken to agree the report.
Arthog	+86.3%	Additional testing carried out on payroll due to rotas and input to payroll not matching. A lot of advice and guidance provided as new staff at the Centre. Also need to ensure that include travel time in time allocations in future due to location.
Additional Payments to Foster Carers	+54%	More complicated than time allocation had provided for as testing took some time. Also some chasing required to obtain responses to the draft report.
Benefits	-42%	Service areas made staff available so testing went smoothly.
Ice Rink Vending	+15.2%	Slightly more work than had been anticipated.

The reasons for the variances are as explained above and the scopes and time allocations for 2017/18 audits will be informed by this information and will be closely monitored.

- 5.6 From Appendix A there were 5 Amber reports issued during quarter four. A summary of each report is provided in Appendix D. For these Amber reports management actions and time scales were agreed to implement the recommendations. Follow ups are either in progress or planned and the results will be reported in the Committee in September.

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

<b>Audit Area</b>	<b>Days</b>	<b>Explanation</b>
Advice & Consultancy	30	The organisation continues to changes and do things differently but there is the desire to get controls, processes and procedures right hence service areas are seeking help and advice.
General Ledger	20	Completion of fundamental audit which commenced quarter 3.

5.8 From Appendix C the position on reports which remain Amber are as shown in the table below but many have already been referred to in the earlier item on the agenda covered by the Managing Director.

<b>No</b>	<b>Area Audited</b>	<b>Original grade</b>	<b>Revised grade</b>	<b>Current position/comments</b>
1.	Supervision Policy (adults & children's)	Amber	Amber	One follow up undertaken and no improvement. Second follow up in progress.
2.	Core Group meetings (children's)	Amber	Yellow	One follow up undertaken and no improvement. Second follow up completed May 2017 and moved to Yellow. Further audit to take place during 2017/18
3.	West Road Petty Cash	Amber	Yellow	Second follow up completed and moved to a yellow grading.
4.	Children's arrangement orders	Amber	Amber	2 <sup>nd</sup> follow up undertaken, no changes to grading, however the service area have now set up a working group and have allocated responsibility for the implementation of each recommendation.
5.	Temporary accommodation	Amber	Yellow	2 <sup>nd</sup> follow up undertaken and moved to a yellow

5.9 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.

### **Quality Assurance and Improvement Programme**

5.10 The SDM has continued to undertake quarterly spot checks of audit files to review compliance to the PSIAS alongside the normal quality review process applied to all audit assignments. No issues were identified in quarters 3 and 4.

5.11 Members are aware that the External Assessment was undertaken during week commencing 9<sup>th</sup> January 2017. The full report is attached as Appendix E to this report and the External Assessor concluded - "I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity".

5.12 The action plan with the recommendations and suggestions and agreed actions is attached as Appendix F with current progress on implementation included. There are also two suggestions in Appendix F.

## **6 INTERNAL AUDIT PLAN 2017/18**

- 6.1 Internal Audit has a statutory obligation under legislation to provide assurance to the Council as part of the Council's corporate governance framework and the effective management of risks. It also strives to provide a quality, added value and up to date service for the Council.
- 6.2 Internal Audit work, in addition to obtaining assurance on key areas, risk management and controls for the Council, aims to challenge where controls are not required, question value for money and make suggestions for adjustments to existing controls to make processes more efficient. This contributes to 'Being the Change' and will assist managers and their teams to achieve their objectives, identify further savings and contribute to the achievement of the Council's priorities.
- 6.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance to managers, Members and the Council an annual Audit Plan is developed. Professional Internal Audit standards<sup>1</sup> and good practice set out that Internal Audit planning should be directly linked to the Council's objectives and priorities and be directed by the Audit Charter agreed by the Audit Committee in January 2017. The plan is informed and influenced by previous Internal Audit work, areas highlighted during previous audits, areas identified by management teams, External Audit requirements, the strategic and ICT risk registers, external assessments and local, regional and national networking intelligence.
- 6.4 The plan is attached as Appendix G with detail at the bottom for the ICT audit work which has been informed by discussion with ICT and challenge from suppliers on the external framework. The plan has been drawn up based on the internal and external resources available for 2017/18 (see 6.5 below), the factors in paragraph 6.3 above and discussions with the CFO. The resultant plan should provide a reasonable level of assurance for 2017/18 but limited to the areas reviewed. It also includes all the work identified by the external auditor that can be undertaken by Internal Audit to meet their requirements. If this was not included then the external audit fee could increase significantly (by up to £100,000).
- 6.5 The planned resources for 2016/17 were 991 plus 60 days specialist ICT audit work (total resources 1051) but were adjusted down to a total of 949 due to the auditor post being vacant from September and only being part back filled by the use of the external contractor. The resources for 2017/18 are 944 plus 46 days specialist ICT audit work (total resources 991) due to the restructure and full audit complement not being effective until mid June 2017.
- 6.6 Based on good practice the plan includes a (approximate) 10% contingency to meet any unexpected work requirements, any changes identified during the year or changes to resources during the year. Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the CFO, SMT and managers to ensure that the appropriate risks and controls are being reviewed by the resources available. Any significant changes will be agreed with the CFO and appropriate AD and will be reported for information to SMT and this Committee.
- 6.7 The External Auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised. Similar liaison takes place with Scrutiny to avoid duplication or to ensure work is complementary.

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<sup>1</sup> Public Sector Internal Audit Standards

The 2017/18 plan has been drawn up based on the audit resources available for 2017/18. The plan so far will provide reasonable assurance on the areas outlined and includes all the work identified by the External Auditor that can be undertaken by Internal Audit to meet their requirements. If this was not included then the External Audit fee could increase significantly (by up to £100,000).

6.8 The risk ratings have been assessed based on a scoring mechanism taking into account the contribution to corporate priorities, the strategic risk register and “Being the Change”. The markings shown in the annual plan represent the following:

H\* - required to meet the current External Auditors requirements

H+ - linked to the Ofsted action plan

H++ - linked to the recent external assessment of Internal Audit against the PSIAS

## **7 OTHER CONSIDERATIONS**

<b>AREA</b>	<b>COMMENTS</b>
Equal Opportunities	All members of the Audit 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 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 a legal issue or concern this is referred to the Council’s Legal Services Team and/or the Council’s Monitoring Officer for further advice and assistance.
Links with Corporate Priorities	All aspects of the Audit teams work support good governance which underpins the achievement of the Council’s objectives and priorities.
Risks and Opportunities	All aspects of the Audit teams work supports managers and the Council to identify and manage their risks and opportunities.
Financial Implications	Financial monitoring is currently showing that Audit, IG, Insurance & Investigations are operating within budget for 2016/17. There are therefore no financial implications arising from adopting the recommendations of this report.
Ward Implications	The work of the Audit 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 and updated January 2017

CIPFA Local Government Application Note – April 2013

## Accounts and Audit Regulations – 2015

Report by: Jenny Marriott, Audit, Information Governance, Insurance & Investigations SDM (left 26/5/17). Telephone: 383101 and Tracey Drummond Principal Auditor. Telephone 383105

## FINAL REPORTS ISSUED QUARTER FOUR – JANUARY TO MARCH 2017

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Sales ledger	Revs = yellow Legal = Amber Corporate = Yellow	2017-18 audit	20	15.52	-22.4%
Teagues Bridge Primary	Amber	April 2017	8	10.86	+35.75%
Transition Process	Yellow	July-September 2017	10	9.08	-9.2%
Personal Safety Precaution (PSP) Register processes	Yellow	July-September 2017	5	6.28	+25.6%
Anti-Virus Arrangements*	Amber	May/June 2017	n/a	n/a	n/a
Privileged User and Tools*	Amber	May/June 2017	n/a	n/a	n/a
Software Licensing*	Yellow	August 2017	n/a	n/a	n/a
Arthog	Amber	June 2017	9.50	17.7	+86.3%
John Fletcher of Madeley	Yellow	September 2017	8	7.48	-6.5%
Additional Payments to Foster Carers	Amber	June 2017	7	10.78	+54%
Benefits	Yellow	2017/18 audit	28	16.3	-42%
Blue Badge	Yellow	2017/18 audit	See Benefits		
Payroll*	Yellow	2017/18 audit	n/a	n/a	n/a
Ice Rink Vending	Yellow	July –Sept	2.5	2.88	+15.2%
ICT Network Management*	Yellow	September 2017	n/a	n/a	n/a
Shortwood Primary	Yellow	September 2017	8	7.59	-5.1%
CRM ICT Application*	Yellow	September 2017	n/a	n/a	n/a
EDMS ICT Application*	Yellow	September 2017	n/a	n/a	n/a
General Ledger	Yellow	As part of 17/18 audit	30	28.58	-4.7%

\* Work undertaken by specialist third party contractor under framework contract

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

Audit Area	Days
Additional Payment to Foster Carers	4
Advice & Consultancy including org change	30
AGS Certification Assurance 2016-17	3
Arthog	4
Benefits 2016-17	4
Children's Direct Payments	1
Childrens Savings	6
Civica Upgrade	2
Council Tax / NNDR 2017-18	1
Customer Contact Centre	7
Donnington Wood Infants	9
External IT Audit, Contract Management & Procurement	5
Family Nurse Partnership	1
Follow ups	7
General Ledger 2016-17	20
GPC	6
John Fletcher of Madeley Primary School	7
PSP Register review	1
Leisure - Central Admin Procedures	10
Moorfield Primary School	7
My Choices	6
My Options	5
National Fraud Initiative	1
Newport Infants School	1
Nuplace	8
PCI Compliance	1
Pride in the High Street & Monitoring	3
Review of Procurement Contracts	3
PSE Upgrade	1
Shortwood School	1
Ski Centre 2016-17	8
St Patricks RC Primary School	1
Telford Ice Rink - Vending Machines	3
Tibberton School	8
Trading to schools	1
Transition Process	1
Troubled Families Grant	2
West Rd / Granville House Imprest follow up	2

**STATUS ON FINAL REPORTS ISSUED JULY 2013 TO DECEMBER 2016 AS AT 31/03/17**

**APPENDIX C**

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 31.03.17
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).
Section 17	Amber	Green	Follow up due November 2015 Second Follow up due May 2016	Follow up complete
Setting Up home Grant (Leaving Care)	Amber	Amber/ New audit 17/18	Follow up due November 2015 but correspondence with Service area about restructure and changes to processes	Agreed to undertake new audit 2017/18
Financial Assessment review	Amber	Green	Follow up due January 2016	3 <sup>rd</sup> follow up completed
Transport (adults)	Amber	Amber	Follow up completed March	New Audit 2017/18 - Agreed to review revised transport policy including the follow up of these recommendations.
Leaving care – review of process	Amber	Yellow	Follow up completed December 2016	3 <sup>rd</sup> follow up complete remains yellow
Procurement	Yellow	Yellow	Follow up to commence March 2016	New audit undertaken April 2017
GPC expenditure	Yellow	yellow	Follow up due March 2016	New audit undertaken 2017-18 due to change in bank
Car Parking & Enforcement (Excluding Multi-Storey)	Yellow	Yellow	Follow up due June 2016	3 <sup>rd</sup> follow up complete remains yellow and therefore no further follow ups will be undertaken.
Adult Social Care Payments	Yellow	Yellow	Follow up due April 2016	Follow up complete remains yellow.
Multi Storey Car park - Southwater	Amber	Yellow	Follow up due March 2016	2 <sup>nd</sup> follow up completed December 2016 however 2 recommendations remain outstanding due to awaiting system software update and awaiting supporting evidence for one recommendation. Final follow up sent but not returned so remains yellow with no further follow ups.

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 31.03.17
Grange Park Primary School	Amber	Yellow	Follow up due February 2016	The school converted to Academy status from 1 <sup>st</sup> April 2016 so no follow up will be carried out.
Downing House (now Lakewood Court)	Amber	Green	Follow up due September 2016	Follow up complete
ICT Risk Management	Yellow	Yellow	Follow up due August 2016	2 <sup>nd</sup> follow up carried out Feb 2017 – remains a yellow therefore no further follow up to be undertaken.
ICT Service Desk Review	Yellow	Green	Follow up due August 2016	2 <sup>nd</sup> follow up received and now changed to a green
GIS Application Review	Yellow	Yellow	Follow up due December 2016	Follow up received January 2017,remains a yellow therefore no further action to be taken
Pre & Post 16 Transport for Education and Training	Amber	Yellow	Follow up due June 2016	New Audit 2017/18 - Agreed to review revised transport policy including the follow up of these recommendations.
ICT Third Party Access	Amber	Yellow	Follow up complete	2 <sup>nd</sup> follow up received but remains a yellow, no further follow up to be undertaken
ICT programme & Project management	Yellow	<i>yellow</i>	Follow up due Sept 2016	Follow up completed Jan 2017 – remains a yellow therefore no further action
Business continuity	n/a	<i>n/a</i>	Follow up due Sept 2016	Follow up complete. New audit scheduled for 2017/18.
General Ledger	Yellow	n/a	2016-17 audit	2017/18 audit
Cloud Computing	Yellow	Green	Follow up due November 2016	2 <sup>nd</sup> follow up received, changed to a green - complete
Protocol Application Review	Yellow	Green	Follow up due November 2016	2 <sup>nd</sup> follow up complete - now green
Public Health SLA's & MOUs	Yellow	Green	Follow up due November 2016	Follow up in complete

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 31.03.17
M3 Application Review	Yellow	Yellow	Follow up due November 2016	follow up received December 2016 – remains a yellow no further action being taken
Information Security	Yellow	Yellow	Follow up due November 2016	Follow up in progress – ICT aware that it is outstanding.
Wombridge Primary	Amber	Green	Follow up completed November 2016	2 <sup>nd</sup> follow up complete 10.03.17
Bank Contract PIR	Yellow	N/a	N/A	No follow up as no changes to implement due to it being a contract
Wrekin View Primary	Amber	Green	Follow up completed October 2016	2 <sup>nd</sup> follow up complete 21.03.17
Deferred Payments	Yellow		Follow up due November 2016	Follow up in progress
Direct payments follow up (Personal budgets)	Red	Yellow/ New audit 17/18	Follow up due August 2016	Further follow up undertaken Feb 2017. Previously moved to a yellow grading but agreed that further audit to be included in 2017/18 plan
Catering Commercial Services	Amber	Green	Follow up due November 2016	Follow up complete
Community Pride Grants	Yellow	Yellow	Follow up due December 2016	Follow up complete remains Yellow.

**Issued quarters 2 and 3 – reported to January 2017 Audit Committee**

Making Safeguarding Personal	Yellow	Yellow	Follow up due January 2017	Follow up complete remains yellow.
The Bridge School	Yellow	Green	Follow up due January 2017	Follow up complete 15.02.17
Community Support Finance	Amber	Green	Follow up due October 2016	Follow up complete
Aqueduct Primary	Yellow	Green	Follow up due January 2017	Follow up complete 21.03.17
Supervision Policy Review	Amber		Follow up due January 2017	2 <sup>nd</sup> follow up now in progress.

**STATUS ON FINAL REPORTS ISSUED JULY 2013 TO DECEMBER 2016 AS AT 31/03/17**

**APPENDIX C**

SS Peter & Paul RC Primary School	Yellow	Green	Follow up due January 2017	Follow up complete
Core Groups	Amber		Follow up due October 2016	2 <sup>nd</sup> follow up now in progress, however also to be included 2017-18 audit
West Road & Petty Cash	Amber		Follow up due October 2016	Two follow up's undertaken and further follow up in progress.
Abraham Darby Leisure Centre	Amber	Green	Follow up due October 2016	2 <sup>nd</sup> follow up complete
Children's Brokerage – Foster Care	Amber	Green	Follow up due November 2016	2 <sup>nd</sup> follow up completed moved to green
Leavers Checklist	Yellow		Follow up due January 2017	Follow up in progress
Health & Safety Processes: Corporate H&S Team	Amber Yellow	Yellow Green	Follow up due November 2016	Follow up complete
Support Planning	Yellow		Follow up due March 2017	Follow up in progress
Children's Arrangement orders	Amber	Amber	Follow up due December 2016	No changes, Further follow up to be undertaken May 2017
Treasury Management	Amber	Green	Recommendations to be reviewed as part of 17/18 audit	Additional testing completed moved to green
Church Aston Infant School	Yellow	Green	Follow up due April 2017	Follow up complete
Council Tax & NNDR	Yellow	Annual audit	Recommendations to be reviewed as part of 17/18 audit	Reviewed as part of 2017/18 audit
Sickness Monitoring	Yellow	Green	Follow up due March 2017	2 <sup>nd</sup> follow up complete
St Lawrence C E Primary School	Yellow	Green	Follow up due April 2017	Follow up complete
Events	Yellow		Follow up due April 2017	In Progress
St Peter's Edgmond	Yellow	Green	Follow up due April 2017	Follow up complete
Temporary accommodation	Amber	Amber	Follow up due quarter 4	2 <sup>nd</sup> follow up due July 2017
Assistive Technology	Yellow		Follow up due quarter 1 2017/18	In progress
Corporate lease	Yellow		Follow up due quarter 1 2017/18	Follow up to be complete quarter 1
Lilleshall Primary	Yellow		Follow up due quarter 1 2017/18	Follow up due May 2017

**STATUS ON FINAL REPORTS ISSUED JULY 2013 TO DECEMBER 2016 AS AT 31/03/17****APPENDIX C**

Cash Collection	Yellow		Recommendations to be reviewed as part of 17/18 audit	Recommendations to be reviewed as part of 17/18 audit – June 2017
ICT Back Up and Storage	Yellow		Follow up due June 2017	To be undertaken June 2017
Apley Wood Primary	Yellow		Follow up due quarter 1 2017/18 2017	Follow up due June 2017
Oakengates Leisure Centre	Yellow		Follow up due quarter 1 2017/18	In progress

## AMBER REPORTS ISSUED QUARTER 4 2016/17

### ARTHOG OUTDOOR EDUCATION CENTRE

#### 1. Introduction and Scope

- 1.1 An audit review commenced on 24<sup>th</sup> October 2016, to provide an opinion on the control environment and a level of assurance for Arthog Outdoor Education Centre. The scope of the audit was agreed by the Outdoor Education Manager.
- 1.2 We would like to thank the following for their help during the audit:
- Outdoor Education Manager
  - Arthog Administrator
  - ArthogCaterer
  - ArthogCaretaker

#### 2. Good Practice Areas

- 2.1 During the audit a good practice area was identified with regard to the booking procedures and processes which are managed well.

#### 3. Management Summary and Overall Opinion

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

Recommendation Risk Rating	Number	Percentage
High	1	3%
Medium	30	94%
Low	1	3%
<b>Total</b>	<b>32</b>	<b>100%</b>

- 3.3 As part of the audit process we also identified some minor items that did not require recorded recommendations but were discussed at the closure discussion meeting with the Outdoor Education Manager.
- 3.4 As part of this audit we have also followed up the implementation of recommendations made in the previous audit report dated 12<sup>th</sup> March 2013. The table below shows the action taken since that audit:

Recommendation Category	Implemented	Not Implemented so reiterated in this audit	Agreed future Implementation
Legal Requirement	1		
Financial Regulation	16	5	
Policy/Procedure	16	5	

Best Practice			
<b>Total</b>	<b>33</b>	<b>10</b>	

- 3.5 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes at Arthog Outdoor Education Centre.

## ADDITIONAL PAYMENTS TO FOSTER CARERS

### 1. Introduction and Scope

- 1.1 An audit review commenced in November 2016, to provide an opinion on the risk and control environment and a level of assurance for Additional Payments to Foster Carers. The scope of the audit was agreed by Service Delivery Manager Family Placements, Children in Care, Leaving Care & EDT.
- 1.2 We would like to thank the following for their help during the audit:
- ✳ Service Delivery Manager Family Placements, Children in Care, Leaving Care & EDT
  - ✳ Senior Social Worker
  - ✳ Support Services Team leader
  - ✳ Support Services Officer - Finance

### 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 managing the risks 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. We have included a risk rating - High, Medium, and Low- for each recommendation to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High	4	17%
Medium	16	70%
Low	3	13%
<b>Total</b>	<b>23</b>	<b>100%</b>

- 2.3 The implementation of the recommendations made in this report will further strengthen the controls, management of risks and processes in the Additional Payments to Foster Carers process.

## TEAGUES BRIDGE PRIMARY SCHOOL

### 1. Introduction and Scope

- 1.1 An audit review was commenced on 26<sup>th</sup> September 2016, to provide an opinion on the control environment and a level of assurance for Teagues Bridge Primary School.
- 1.2 We would like to thank the following for their help during the audit:  
Headteacher

## 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. We have included a risk rating - High, Medium, and Low- for each recommendation to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High	5	25%
Medium	11	55%
Low	4	20%
<b>Total</b>	<b>20</b>	<b>100%</b>

- 2.3 As part of the audit process we also identified some minor items that did not require recorded recommendations but were discussed at the closure discussion meeting with the Headteacher and School Business Manager.
- 2.4 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 Recommendation Reiterated
Legal Requirement	1	-
Financial Regulation	5	3
Policy/Procedure	6	1
Best Practice	1	1
<b>Total</b>	<b>13</b>	<b>5</b>

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

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## ICT - ANTI VIRUS/MALWARE ARRANGEMENTS

### 1. Introduction and Scope

- 1.1 An audit review was commenced on 27<sup>th</sup> September 2016, to provide an opinion on the control environment and a level of assurance for Anti-Virus/Malware arrangements. The scope of the audit was agreed by ICT Education Services Architect. It should be noted that security scanning of the anti-virus hosts has not been undertaken as part of this audit as security scanning will form part of the Network Management review which is also being undertaken in 2016/17
- 1.2 We would like to thank the following for their help during the audit:

SCCM & Deployment Specialist – ICT

## 2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for Anti-virus / Malware Arrangements were identified. These included:
- ⌘ End user security training arrangements are in place;
  - ⌘ A defence in depth approach is taken to network perimeter security.
  - ⌘ Anti-virus definitions are regularly updated and distributed;
  - ⌘ There are both default and specific anti-virus software policies in place;
  - ⌘ The anti-virus solution provides access to a central management console;
  - ⌘ A general incident response procedure is in place.

## 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 Malicious software (malware) has become increasingly more evolved and sophisticated and as such poses an increasing threat to all organisations. Software and hardware technologies for helping to prevent malware threats and attacks have also increased in their complexity and sophistication and this includes anti-virus software. Whilst organisations cannot rely solely on anti-virus software for its malware defences it nevertheless remains one of the prime forms of protection from malicious software attacks. The Council has deployed anti-virus software as part of its overall cyber defence mechanisms. Although there were areas of good practice such as the development of specific anti-virus software policies rather than simply reliance on generic policies there were weaknesses identified in control processes which have impacted significantly on the opinion formed.
- 3.3 Recommendations have been made to strengthen the controls found to require improvement. We have included a risk rating - High, Medium, and Low- for each recommendation to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High		
Medium	10	83%
Low	2	17%
<b>Total</b>	<b>12</b>	<b>100%</b>

- 3.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in respect to anti-virus/malware arrangements.
-

# ICT – CONTROL OF PRIVILEGED USERS INCLUDING THE USE & SUPPORT OF ADMINISTRATION TOOLS

## 1. Introduction and Scope

1.1 An audit review was commenced on 1<sup>st</sup> November 2016, to provide an opinion on the control environment and a level of assurance for the control of privileged users including the use and support of administrative tools. The scope of the audit was agreed by ICT Education Services Architect.

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

ICT Education Services Architect  
ICT Infrastructure Specialist  
Cloud and Mobile Systems Specialist  
SCCM & Deployment Specialist – ICT  
Network & Solutions Architect

## 2. Good Practice Areas

2.1 During the audit a number of good practice areas within the process for the control of privileged users including the use and support of administrative tools were identified. These included:

- ∴ There is general policy that administrators login to their own unique accounts with administrative rights only when necessary to perform actions requiring those rights.
- ∴ Access to privileged workstations is restricted through the application of Active Directory and network policies.
- ∴ Access for all users including privileged access is logged through Change Auditor.
- ∴ Critical events including changes to privileged Active Directory groups are issued as e-mail alerts.

## 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 The SANS Institute, an organisation specialising in publishing guidance and training in information security and cybersecurity, routinely publishes a list of the top 20 Critical Security Controls for Effective Cyber Defence. These critical controls include the controlled use of administrative privileges and the inventory of authorised and unauthorised software. Threats to the security of an organisation evolve and new ones emerge on a daily basis, however the misuse of administrative privileges continues to be a primary method for attackers to spread inside a target enterprise, similarly attacks based on scanning target organisations looking for vulnerable versions of software that can be exploited also remains a consistent method of attack. Although there were areas of good practice there were weaknesses identified in control processes which have impacted significantly on the opinion formed.

3.3 Recommendations have been made to strengthen the controls found to require improvement. We have included a risk rating - High, Medium, and Low- for each recommendation to assist you in the prioritisation of their implementation.

Recommendation Risk Rating	Number	Percentage
High		

Medium	7	54%
Low	6	46%
<b>Total</b>	<b>13</b>	<b>100%</b>

3.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in the control of privileged users and the use and support of administrative tools.

# **Final Report for the external assessment of the internal audit function**

**Telford and Wrekin Council**

**Lead Associate: Elizabeth Humphrey, CPFA**

**Internal QA: Keeley Lund, Technical Manager, CIPFA, Professional  
Standards & Guidance**

**27<sup>th</sup> February 2017**

## Review of Telford and Wrekin Council's Internal Audit service (January 2017)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013 and were revised on 1 April 2016. The standards require periodic self-assessments and an assessment by an external person at least every five years. Telford and Wrekin Council's external assessment must be completed by 31 March 2018 and it was agreed with the Audit Committee that the review would take place in January 2017 so that any recommendations could be incorporated for 2017/18 processes and where appropriate 2016/17 annual reporting. The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The review was carried out through a process of interview and document review. A list of interviewees is included as appendix 2. I should like to thank all those who took the time to talk to me for their help. I reviewed seven audits carried out during the 2015/16 and 2016/17 financial years and I examined key documents including the Charter and reports to the Audit Committee.

I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. All auditees and statutory officers were positive in their responses and understanding of the audit process and the value it added. The Audit Committee understands the audit process and their engagement was among the best that I have come across. However, the brevity of the audit notification and scope documents, and the latter's focus on compliance with controls did not reflect the breadth of planning undertaken for each audit, and did not fully evidence the auditee's contribution to this planning. In addition, some of the planning discussions, both for the annual plan and for individual audits, were not documented and so there is no evidence that they happened. I have made some practical and pragmatic medium priority recommendations (R) and lower priority suggestions (S) to improve compliance with the standards, in particular revising the audit scope to reflect the planning undertaken before each audit. The Audit, IG, Insurance and Investigation Team SDM (abbreviated to CAE in this report) will need to take action to implement them and an action plan is included as appendix 1.

### Summary findings and recommendations

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
<b>Code of Ethics</b>	Full	All interviewees stressed the emphasis placed on ethics by the audit team and their independence and objectivity The code of ethics does not list the seven standards of public life and the reference in the	List the seven standards of public life in the procedure (and maybe not in the Charter)	S1

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		Charter is just to the standards with no further details		
<b>Mission</b>	Full	The Charter includes the newly developed internal audit mission		
<b>Core principles of internal audit</b>	Full	No significant problems were identified with following the new core principles, although improving the current audit planning documents will aid compliance. Further work will be needed to demonstrate compliance in the annual report for 2016/17	Expand the audit brief as indicated	R1
			Work to integrate the core principles into audit's work and consider how best to demonstrate this in the annual report in future	R2
<b>Attribute standards</b>				
<b>1000</b> Purpose, authority and responsibility	Partial	<b>Standards 1000.A1 and C1</b> The nature of assurance and consultancy work are not clearly defined in the Charter	Define assurance work in the Charter Either define or rule out consultancy work in the Charter	R3 R4
<b>1100</b> Independence and objectivity	Full	The independence and objectivity of the audit section was emphasised by all interviewees <b>Standard 1111</b> The CAE has free access to the Audit Committee chair and members but does not meet the committee in private formally	Hold annual formal private meetings between the audit committee and the CAE	S2
<b>1200</b> Proficiency and due professional care	Partial	<b>Standard 1210.A2</b> None of the audits that I reviewed included any evidence of consideration of fraud risks, although I was assured by both auditors and auditees that these were looked at	Expand the audit scope as indicated	R1

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		<p><b>Standard 1220.A1 and A3</b> The audit notification and scope state only a high-level objective and the controls to be checked for compliance. As a result there is insufficient clarity about the risks to be audited. The recently introduced proforma gives more detail regarding audit planning</p>		
<p><b>1300</b> Quality assurance and improvement programme</p>	Full	<p><b>Standard 1310 and LGAN 11.3.1 and 11.3.2</b> There is no overarching documented QAIP framework, summarising all the quality checking that is undertaken</p>	Develop an overarching QAIP framework document	R5
		<p><b>Standard 1311</b> Internal audit is reviewed by itself and by external audit but there have been and are no plans for reviews by peers from within the council</p>	Include internal peer reviews of audit by officers or members within the five year cycle	S3
		<p><b>Standard 1320</b> Internal audit has identified areas of weakness in its internal review and there is an indication of the activities that are being undertaken to address them, but the lack of detail will make it harder for the audit committee to hold audit to account for improvements</p>	Where areas of weakness are identified in QAIP reviews, give greater detail regarding the issue and planned actions to the audit committee	S4
<b>Performance standards</b>				
<p><b>2000</b> Managing the internal audit activity</p>	Partial	<p><b>Standard 2010</b> The annual audit plan is risk appraised, but no explicit link is made to the Council's risk registers</p>	Identify the link between the strategic, and other, risk registers in the annual plan and individual audit scopes	R6 R1

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		<p><b>Standard 2010.A1</b> The risk appraisal used to develop the annual plan is not documented</p> <p><b>Standard 2040 and LGAN 11.1.1</b> The audit procedures include only minimal guidance on how to conduct an audit, although some of this information is available elsewhere. The procedures contain no reference to complying with the LGAN or PSIAS. The procedures are undated.</p> <p><b>Standard 2050</b> The audit plan contains no reference to using other sources of assurance</p> <p><b>LGAN 8.2.3</b> The audit procedures do not show how management should be informed of serious interim findings</p>	<p>Document the annual plan risk appraisal</p> <p>Include guidance on how to conduct an audit in the procedures</p> <p>Refer to the LGAN and PSIAS in the procedures</p> <p>Date the audit procedures</p> <p>Develop the audit plan to recognise and make use of other sources of assurance</p> <p>Include guidance in the procedures on informing management about serious interim findings</p>	<p>R7</p> <p>R8</p> <p>R8</p> <p>R8</p> <p>S5</p> <p>R8</p>
<p><b>2100</b> Nature of work</p>	<p>Partial</p>	<p><b>Standard 2110.A1</b> Audit has undertaken no specific reviews of ethics although other work does touch on this area</p> <p><b>Standard 2120</b> Audit has not reviewed risk management arrangements recently</p> <p><b>Standard 2120.A1 &amp; A2 and 2130.A1</b> There was no reference to organisational objectives in any of the audits reviewed. In addition, fraud risks are not identified in audits. Compliance with policies is not</p>	<p>Undertake ethics work, either separately or clearly identified as part of broader governance work and be more overt about ethical matters considered in individual audits</p> <p>Undertake periodic audits of risk management arrangements</p> <p>Expand the audit scope as indicated</p>	<p>R9</p> <p>R10</p> <p>R1</p>

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		included in audit plans		
<b>2200</b> Engagement planning	Non compliant	<b>Standard 2201, 2210 and 2220</b> The brevity of the audit notification and scope means that many key areas are not documented to demonstrate that they have been considered Note that this has had an impact on a number of other standards	Expand the audit scope as indicated	R1
		<b>Standard 2240</b> Work programmes are developed for each audit, but these are compliance and control rather than risk based. They are not always approved before being implemented	Move the emphasis in work programmes to risk, using the revised scope	R11
			Approve all work programmes before implementation	R12
<b>2300</b> Performing the engagement	Full	The review showed that audits are well-performed and well-documented		
<b>2400</b> Communicating the results	Partial	<b>Standard 2410</b> Audit reports met all the expected criteria but do not identify the audit's objectives as these are not part of the current scope <b>Standard 2440.A1</b> The CAE is responsible for communicating the results of audits and her name is included on most reports, but as a reviewer as opposed to the disseminator <b>Standard 2450</b> The form of the annual opinion is not that used for individual audits and lacks context	Expand the audit scope as indicated	R1
			And include audit objectives in the final report	R13
			Include the CAE's name on audit reports as the person responsible for issuing it	S6
			Consider using the same opinion for audit reports and for the annual audit opinion	S7
			Break the opinion down into different aspects of activity	S8
If "reasonable assurance" is retained,	S9			

<b>Standard</b>	<b>Compliance</b>	<b>Findings</b>	<b>Recommendations and suggestions</b>	<b>Rec no</b>
			show where that sits on a scale of good to bad	
<b>2500</b> Monitoring progress	Full	<b>Standard 2500.A1</b> The follow up process is robust and works well and auditees are asked to attend audit committees to discuss outstanding actions	Stop following up low priority and best practice recommendations	S10
<b>2600</b> Communicating the acceptance of risks	Full	There was no evidence that risks have been left unmitigated following an audit, highlighting the importance placed by the officers at the council on audit findings		

The Audit, IG, Insurance and Investigation Team SDM has details of the findings, standard by standard.

Elizabeth Humphrey CPFA

## Appendix 1: action plan

### Recommendations

No	Recommendation	Response	Responsible officer	Action date
R1	Expand the audit scope to cover: <ul style="list-style-type: none"> <li>• Service contribution to strategic objectives</li> <li>• Objectives of the service</li> <li>• Objectives of the audit</li> <li>• Links to any council risk registers</li> <li>• The criteria used to judge the service, eg performance measures, best practice guidance, legal framework, etc</li> <li>• Risks to be examined, including fraud and errors</li> <li>• Compliance with laws, regulations, policies, procedures and contracts</li> <li>• Achievement of strategic objectives</li> <li>• Reliability and integrity of financial and operational information</li> <li>• Safeguarding assets</li> <li>• Consideration of relevant systems, records, personnel and physical properties</li> <li>• Adding value and value for money, including effectiveness and efficiency of operations and programmes</li> </ul>	Accept	CAE & team	31/03/17
R2	Work to integrate the core principles into audit's work and consider how best to demonstrate this in the annual report in future	Accept	CAE & Team	During 2017/18
R3	Define assurance work in the Charter	Accept	CAE	31/03/17

<b>No</b>	<b>Recommendation</b>	<b>Response</b>	<b>Responsible officer</b>	<b>Action date</b>
R4	Either define or rule out consultancy work in the Charter	Accept	CAE	31/03/17
R5	Develop an overarching documented QAIP framework document	Accept – all the elements of the QAIP required by the Standards are undertaken but not summarised in a framework document	CAE	31/03/17
R6	Identify the link between the strategic, and other, risk registers in the annual plan	Accept	CAE	April 2017
R7	Document the annual plan risk appraisal	Accept	CAE	31/03/17
R8	Update the Audit Procedures to: <ul style="list-style-type: none"> <li>• Include guidance on how to conduct an audit</li> <li>• Refer to the LGAN and PSIAS in the procedures</li> <li>• Include guidance in the procedures on informing management about serious interim findings</li> <li>• Show when they were last updated</li> </ul>	Accept and will continue to date procedures when updated	CAE & Team	31/05/17
R9	Undertake ethics work, either separately or clearly identified as part of broader governance work and be more overt about ethical matters considered in individual audits	To be agreed with the MD; MO and CFO as to the most appropriate form to add value.	CAE	31/03/18
R10	Undertake periodic audits of risk management arrangements	To be agreed with the MD; MO and CFO	CAE	31/03/18
R11	Move the emphasis in work programmes to risk, using the revised scope	Accept	CAE	31/03/17
R12	Approve all work programmes before implementation	Partial acceptance - Procedures to define which work programmes need to be approved by the CAE or Principal Auditor will be developed based on risk due to resource implications.	CAE & team	May 2017
R13	Include audit objectives in the final report	Accept	CAE & team	30/04/17

## Suggestions

No	Suggestion	Response	Responsible officer	Action date
S1	List the seven standards of public life in the procedure (and maybe not in the Charter)	Will review this as part of the procedure review but these apply to all public sector officials not just Internal Auditors	CAE & Team	31/05/17
S2	Hold annual formal private meetings between the audit committee and the CAE	Will raise with the Audit Committee and record their response	CAE	31/03/17
S3	Include internal peer reviews of audit by officers or members within the five year cycle	Will raise with the Audit Committee and record their response	CAE	31/03/17
S4	Where areas of weakness are identified in QAIP reviews, give greater detail regarding the issue and planned actions to the audit committee	Where appropriate will be included in update reports to Audit Committee	CAE	2017/18
S5	Develop the audit plan to recognise and make use of other sources of assurance	Already taken into account but will ensure that it is fully documented as part of the risk appraisal process	CAE	31/03/17
S6	Include the CAE's name on audit reports as the person responsible issuing it	Will consider changing the title of report to make it clear that from Internal Audit and issued on behalf of the CAE.	CAE	31/03/17
S7	Consider using the same opinion for audit reports and for the annual audit opinion	Will be applied as appropriate for the 2016/17 Annual report with full consideration for the 2017/18 Annual report	CAE	31/05/17 31/05/18
S8	Break the opinion down into different aspects of activity	Will consider this as part of revised individual reports and Annual report for 2017/18 onwards	CAE & team CAE	30/04/17 31/05/18
S9	If "reasonable assurance" is retained, show where that sits on a scale of good to bad	Will consider this as part of revised individual reports and Annual report for 2017/18 onwards	CAE & team CAE	30/04/17 31/05/18
S10	Stop following up low priority and best practice recommendations	Accept	CAE & Team	01/04/17

## Appendix 2: interviewees

Person	Position
Kim Barton	Auditor
Jo Britton	AD, Children's Safeguarding
Adam Bunting	Manager, KPMG
Sandy Brazier	ICT Business Improvement & Change Manager
Ken Clarke	CFO/s151 Officer
Tracey Drummond	Principal Auditor
James Dunn	SDM Estates & Investments
Jonathan Eatough	Monitoring Officer
CLlr Ian Fletcher	Audit Committee member
Kathy Fergusson	Compliance Officer
Chris Goulson	SDM Property & Design
Toni Guest	Housing, Nuplace & Commercial Projects SDM
Pauline Harris	Finance SDM – Corporate Finance & Customer Service
Marc Jones	Senior Surveyor
Kirsty King	ICT SDM
Katherine Kynaston	AD, Business Development and Employment
Jenny Marriott	Audit, IG, Insurance and Investigation Team SDM
Fliiss Mercer	AD Commercial Services
Rob Montgomery	IG & Insurance Team Leader
Richard Partington	Managing Director
Jon Power	Organisational Delivery & Development SDM
CLlr Kuldip Sahota	Audit Committee member
CLlr Rob Sloan	Chair of Audit Committee
CLlr Charles Smith	Vice Chair of Audit Committee
CLlr Bill Tomlinson	Audit Committee member
Sue Watts	Auditor
Michelle Webb	Facilities Management Team Leader
CLlr David Wright	Audit Committee member
Angela Yapp	Placement SDM

## Action Plan from External Assessment against the PSIAS and progress on implementation as at 31/05/17

## Recommendations

No	Recommendation	Response	Responsible officer	Action date	Progress as at 31/05/17
R1	Expand the audit scope to cover: <ul style="list-style-type: none"> <li>• Service contribution to strategic objectives</li> <li>• Objectives of the service</li> <li>• Objectives of the audit</li> <li>• Links to any council risk registers</li> <li>• The criteria used to judge the service, e.g. performance measures, best practice guidance, legal framework, etc</li> <li>• Risks to be examined, including fraud and errors</li> <li>• Compliance with laws, regulations, policies, procedures and contracts</li> <li>• Achievement of strategic objectives</li> <li>• Reliability and integrity of financial and operational information</li> <li>• Safeguarding assets</li> <li>• Consideration of relevant systems, records, personnel and physical properties</li> <li>• Adding value and value for money, including effectiveness and efficiency of operations and programmes</li> </ul>	Accept	CAE & team	31/03/17	Completed by 31/03/17 for use for all new audits 2017/18
R2	Work to integrate the core principles into audit's work and consider how best to demonstrate this in the annual report in future	Accept	CAE & Team	During 2017/18	Part of task list for 2017/18 – aiming for completion for inclusion in 2017/18 annual report
R3	Define assurance work in the Charter	Accept	CAE	31/03/17	Complete – January 2017 Audit Committee
R4	Either define or rule out consultancy work in the Charter	Accept	CAE	31/03/17	Complete – January 2017 Audit Committee

No	Recommendation	Response	Responsible officer	Action date	Progress as at 31/05/17
R5	Develop an overarching documented QAIP framework document	Accept – all the elements of the QAIP required by the Standards are undertaken but not summarised in a framework document	CAE	31/03/17	Completed by 31/05/17. Delayed due to restructure.
R6	Identify the link between the strategic, and other, risk registers in the annual plan	Accept	CAE	April 2017	Complete as part of the 2017/18 planning process and all future.
R7	Document the annual plan risk appraisal	Accept	CAE	31/03/17	Complete as part of the 2017/18 planning process.
R8	Update the Audit Procedures to: <ul style="list-style-type: none"> <li>• Include guidance on how to conduct an audit</li> <li>• Refer to the Local Government Application Note and PSIAS in the procedures</li> <li>• Include guidance in the procedures on informing management about serious interim findings</li> <li>• Show when they were last updated</li> </ul>	Accept and will continue to date procedures when updated	CAE & Team	31/05/17	Complete
R9	Undertake ethics work, either separately or clearly identified as part of broader governance work and be more overt about ethical matters considered in individual audits	To be agreed with the MD; MO and CFO as to the most appropriate form to add value.	CAE	31/03/18	Part of AGS certification 16/17. To be developed further for AGS 17/18.
R10	Undertake periodic audits of risk management arrangements	To be agreed with the MD; MO and CFO	CAE	31/03/18	Quarter 1 2017/18 Audit Plan
R11	Move the emphasis in work programmes to risk, using the revised scope	Accept	CAE	31/03/17	Complete
R12	Approve all work programmes before implementation	Partial acceptance - Procedures to define which work programmes need to be approved by the CAE or Principal Auditor will be developed based on risk due to resource implications.	CAE & team	May 2017	Trial in progress – to be reviewed by 31/08/17
R13	Include audit objectives in the final report	Accept	CAE & team	30/04/17	Complete

## Suggestions

No	Suggestion	Response	Responsible officer	Action date	Progress as at 31/05/17
S1	List the seven standards of public life in the procedure (and maybe not in the Charter)	Will review this as part of the procedure review but these apply to all public sector officials not just Internal Auditors	CAE & Team	31/05/17	As they are part of the Councils Employee Code of Conduct no need to include.
S2	Hold annual formal private meetings between the audit committee and the CAE	Will raise with the Audit Committee and record their response	CAE	31/03/17	To be discussed at Audit Committee 27/06/17
S3	Include peer officer or member reviews of audit within the five year cycle	Will raise with the Audit Committee and record their response	CAE	31/03/17	To be discussed at Audit Committee 27/06/17
S4	Where areas of weakness are identified in QAIP reviews, give greater detail regarding the issue and planned actions to the audit committee	Where appropriate will be included in update reports to Audit Committee	CAE	2017/18	Complete as required/ appropriate
S5	Develop the audit plan to recognise and make use of other sources of assurance	Already taken into account but will ensure that it is fully documented as part of the risk appraisal process	CAE	31/03/17	Complete (see rec R7)
S6	Include the CAE's name on audit reports as the person responsible issuing it	Will consider changing the title of report to make it clear that from Internal Audit and issued on behalf of the CAE.	CAE	31/03/17	Complete
S7	Consider using the same opinion for audit reports and for the annual audit opinion	Will be applied as appropriate for the 2016/17 Annual report with full consideration for the 2017/18 Annual report	CAE	31/05/17 31/05/18	To be agreed for 2017/18 Annual report
S8	Break the opinion down into different aspects of activity	Will consider this as part of revised individual reports and Annual report for 2017/18 onwards	CAE & team CAE	30/04/17 31/05/18	To be considered by the team post restructure 30/09/17
S9	If "reasonable assurance" is retained, show where that sits on a scale of good to bad	Will consider this as part of revised individual reports and Annual report for 2017/18 onwards	CAE & team CAE	30/04/17 31/05/18	To be considered by the team post restructure 30/09/17
S10	Stop following up low priority and best practice recommendations	Accept	CAE & Team	01/04/17	Included in follow up process

APPENDIX G - DRAFT INTERNAL AUDIT PLAN 2017/18

Line	Audit Area	Service Area	AD	Days	Priority	BTC	Risk rating	Quarter
1	General ledger, assets & capital accounting - fixed asset module late May/early June	Finance & Human Resources	KC	30	ALL	A,B,D	H*	Qtr 1 & 3/4
2	P2P (creditor payments)	Finance & Human Resources	KC	25	ALL	A,B,D	H*	Qtr 2/3
3	Cash collection	Finance & Human Resources	KC	20	ALL	A,B,D	H*	Qtr 2
4	Treasury Management	Finance & Human Resources	KC	10	ALL	A,B,D	H*	Qtr 1
6	Payroll/HR (compliance of old and new systems)	Finance & Human Resources	KC	25	ALL	A,B,D	H*	Qtr 2 & 4
7	PSE upgrade (Support with implementation and audit checks/verifications)	Finance & Human Resources	KC	20	ALL	A,B,D	H	As required
8	Council Tax/NNDR	Finance & Human Resources	KC	38	ALL	A,B,D	H*	Qtr 1/2
9	Sales Ledger	Finance & Human Resources	KC	20	ALL	A,B,D	H*	Qtr 2/3
10	E-payments/BACS/PCI	Finance & Human Resources	KC	10	ALL	A,B,D	M	Qtr 2
11	Intermediaries/Agency workers/off contract staff	Finance & Human Resources	KC	5	ALL	A,B,D	H	Qtr 1
12	Follow up of supervision policy review completed 16/17 (also includes children's services)	Early Help & Support	SD	4	4 & 6	A,B,D	M	Qtr 1
13	Application reviews - Joint children's & adults services -	Early Help & Support	SD	4	4 & 6	A,B,D	M	As required
14	To be confirmed when meet with AD Sarah Dillon 16/05/17	Early Help & Support	SD	25	4 & 6	A,B,D	H/M	As agreed
15	Discharge from Hospital process	Early Help & Support	SD	12	4 & 6	ALL	H	Qtr 1/2
16	Effectiveness of new operational model - Community Early Help & Community Social Work (MC)	Early Help & Support	SD	12	4 & 6	ALL	H	Qtr 3
17	Deprivation of Liberty Safeguards (Mental Capacity Act, Best Interest Assessment Process) - delivery within Legal Framework (MC)	Early Help & Support	SD	9	4 & 6	D	H/M	Qtr 1
18	Electronic Care Management system review	Early Help & Support	SD	8	4 & 6	A,B,D	H	Qtr 3
19	Direct Payments	Early Help & Support and Customer & Neighbourhood Services	SD	5	4 & 6	A,B,D	H	Qtr 2/3
20	Sports Development (Active & Creative Communities)	Health & Well-Being	LN	8	1,3, 4 & 6	A, B, D	M	Qtr 3
21	Business Continuity - review of updated process & plans	Health & Well-Being	LN	6	ALL	A, B, D	H	Qtr 3
22	Building capacity in the voluntary sector - £700k pot - review of usage	Co-operative Council	RP	7	1,2,4,6,7	ALL	M	Qtr 4
23	Troubled families grant	Co-operative Council	RP	4	1,3,4,6	B,D	M	As required
24	Application reviews - Joint children's & adults services -	Children's Safeguarding	JB	4	4 & 6	A,B,D	M	As required
25	Follow up of supervision policy review completed 16/17 (also includes adults services)	Children's Safeguarding	JB	4	1, 4 & 6	A,B,D	H+	Qtr 1
26	Other Audit areas to be agreed at progress meeting July 2017 linked to Ofsted action plan	Children's Safeguarding	JB	60	1,3,4, 6	B,D	H+	As agreed
27	Core groups	Children's Safeguarding	JB	8	1,3,4, 6	A,B,D	H+	Qtr 3/4
	Setting up home grant	Children's Safeguarding	JB	8	1,3,4, 6	A,B,D	H*	Qtr 2/3
28	Housing Benefits audit to include Crisis Fund	Customer & Neighbourhood Services	AA	30	4,6,7	ALL	H*	Qtr 3
29	Local council tax support scheme	Customer & Neighbourhood Services	AA	20	4,6,7	ALL	H	Qtr 3
30	Permit Scheme for Utilities working on the highway	Customer & Neighbourhood Services	AA	10	5,7	B,C,D	M	Qtr 3/4
31	Graphic design - income targets & recovering costs	Customer & Neighbourhood Services	AA	6		ALL	L	Qtr 4
32	Project assurance - Grounds & Cleansing and Highways contracts	Customer & Neighbourhood Services	AA	5	5,7	ALL	M	Qtrly
33	Fairshare Credit union - client account management (Martin Smith/Lee Higgins)	Customer & Neighbourhood Services	AA	8	4,6	B,D	H then M/L	Qtrly
34	Transport grant certification	Customer & Neighbourhood Services	AA	3	5	C	L	As required
35	Direct Payments	Customer & Neighbourhood Services & EHS+C18	AA	7	4 & 6	A,B,D	H	Qtr 2/3
36	Schools (17 schools)	Education & Corporate Parenting	JC	128	1,3,4	B,D	H/M	ALL
37	Transport policy - review new procedures	Education & Corporate Parenting	JC	7	1,3,4,5	ALL	H	Qtr 1/2
38	HCA land deal - profit share/review processes	Business, Development & Employment	KK	7	2,7	B,C	M	Qtr 4
39	Review of updated Planning governance arrangements	Business, Development & Employment	KK	8	2, 5,7	ALL	H	Qtr 3/4



**1 PURPOSE**

- 1.1 To present the 2016/17 Internal Audit, Information Governance (IG) & Caldicott Guardian Annual Report to the members of the Audit Committee and to seek their agreement to the 2017/18 IG Work Programme.

**2 RECOMMENDATIONS**

- 2.1 That members of the Audit Committee note the Internal Audit, Information Governance & Caldicott Guardian Annual Report for 2016/17.
- 2.2 That members of the Audit Committee agree the 2017/18 IG Work Programme.

**3 SUMMARY**

- 3.1 The terms of reference of the Audit Committee include:
1. "The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan".

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

- b) the Council's information security framework;
- c) receipt of the Caldicott Guardian's Annual report;

This report presents information to meet the requirements of these sections of the terms of reference and to continue to demonstrate good governance and support the Annual Governance Statement (AGS).

- 3.2 The Public Sector Internal Audit Standards are deemed as proper practice under the Accounts and Audit Regulations 2015 for Local Government in England. The standards state:

**2450 Overall Opinions**

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

**Public sector requirement**

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

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

The annual report must incorporate:

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

This report meets these requirements.

#### **4 PREVIOUS MINUTES**

Audit Committee 30<sup>th</sup> June 2015 – Internal Audit & Information Governance Annual Report and Quarter 4 Update report 2014/15

Audit Committee 15<sup>th</sup> September 2015 – Caldicott Guardian Annual Report 2014/15

Audit Committee 30<sup>th</sup> June 2016 – Annual Internal Audit, IG and Caldicott Guardian Annual Report 2015/16

#### **5 2016/17 INTERNAL AUDIT ANNUAL REPORT**

##### **5.1 Assurance and Opinion**

- 5.1.1 The Council's section 151 officer's statutory obligation under the Accounts and Audit Regulations 2015 to review the effectiveness of the system of internal control is informed by the work of Internal Audit. The assurance derived from this work forms part of the Council's assurance framework.
- 5.1.2 The system of internal control helps the Council to manage and control the risks which could affect the achievement of its priorities and objectives rather than eliminate them completely. Internal Audit and the other assurance processes therefore provide reasonable and not absolute assurance of the adequacy and effectiveness of the Council's framework of governance, risk management and internal control which is included within the Annual Governance Statement.
- 5.1.3 The planned Internal Audit resources for 2016/17 were 991 days plus 60 days (1051) specialist ICT audit provided by the framework contract. The planned resources were affected by the departure of the temporary auditor in August 2016 but were supplemented by further use of the framework contract and use of the Compliance Officer to undertake schools audits. The team achieved just under 90% of the planned work but several items have been rescheduled into 2017/18 due to delays in the introduction of new processes following restructures and the change in timetable for the implementation of various IT upgrades. The productive work of the team was also slightly affected by the preparations and support for the external assessment against the PSIAS (see section 5.2 of this report).
- 5.1.4 Based on the work undertaken during the year (areas attached as **Appendix A**) and the implementation by management of the agreed recommendations, Internal Audit's annual opinion provides reasonable assurance in respect to the adequacy and effectiveness of the Council's framework of governance, risk management and internal control within the areas of the Council reviewed during the year.

- 5.1.5 As in previous years Senior Management have provided information or updates to the Audit Committee where requested to provide explanations as to why progress on the implementation of recommendations was not as agreed.
- 5.1.6 As in previous years this Annual Report includes information in respect to the type and number of recommendations made during the year (as requested by the Committee). This information is shown below for 2016/17 with comparisons with 2015/16 and 2014/15 shown in brackets.

#### Number of Recommendations made by Type 2016/17 (2015/16 2014/15)

No. of Audit Reports & Grading	Total number of recommendations	Financial Regulation )	Legal	Policy and/or Procedure	Best Practice
71 (65 45)	682 (726 541)	162 (147 68)	40 (48 20)	445 (484 430)	35 (56 23)
3 (7 2) Green					
50 (34 24) Yellow					
17 (18 13) Amber					
1 (2 4) Red					

Gradings - Green = good; Yellow = reasonable; Amber = limited; Red = poor

- 5.1.7 71 audit reports were issued during 2016/17, 6 more than 2015/16. Out of the 71 reports 4% (11% 5%<sup>1</sup>) were green (good), 70% (56% 56%) were yellow (reasonable), 24% (30% 30%) were amber (limited) and 2% (3% 9%) were red (poor). The percentage for green reports has reduced and yellow increased. Amber and red grading have reduced in percentage terms but were actually only 1 less than 2015/16.
- 5.1.8 30% of the recommendations were legal/financial regulation compared to 27% in 2015/16 and 16% in 14/15. 65% of the recommendations were policy and procedure compared to 67% in 2015/16 and 79% in 14/15. These differences can be influenced by the areas reviewed during each audit year but again reflect the findings from previous years in that the impacts of reduced resources, restructures and change affect the understanding of controls and the importance of their application. In addition the audits have highlighted the importance of effective handover/succession planning, training and clear understanding of staff of their revised roles and responsibilities.

## 5.2 Public Sector Internal Audit Standards (PSIAS) and External Assessment

- 5.2.1 The Public Sector Internal Audit Standards (defined proper practice under the Accounts and Audit Regulations 2015) were effective from 1<sup>st</sup> April 2013 and in January 2017 there was an external assessment undertaken against the standards. This is a requirement that must occur every 5 years.
- 5.2.2 The assessor concluded - "I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity". However recommendations and suggestions were made and accepted by the team which are in the process of being implemented. An update on progress is shown in the quarter 4 update report also on this agenda and further updates will be provided to the Audit Committee during 2017/18.

<sup>1</sup> Figures in brackets are for 2015/16 and 2014/15

5.2.3 The Quality Assurance & Improvement Programme (QA&IP) was followed during the year and any actions have been fed back to the team, individuals or been used to update the teams processes.

5.2.4 As part of the standards it is a requirement to outline in the annual report where there is any non-compliance and these are referred to in the External Assessment report referred to in paragraph 5.2.2 and the Quarter 4 update report to this Committee. The CFO and Monitoring Officer are satisfied with the position in respect to the areas of non-compliance and action to be taken.

### **5.3 Performance reviewed by External Audit**

5.3.1 KPMG has been the Council's External Auditors since 1st April 2007. There is continuous liaison between Internal and External Audit to ensure that Internal Audit is undertaking appropriate work upon which the External Auditor can rely and reduce the External Audit fee. Internal Audit has delivered all the work for 2016/17 required by the External Audit and they have indicated that the work is of a good standard and that they can place reliance on it (although the working papers provided by our contractor were not as high standard as those provided by the team).

5.3.2 The External Auditor has used our external assessment against the Public Sector Internal Audit Standards to inform their reliance on our work. They were satisfied with the assessment and the actions being taken to address the recommendations made. No other issues have been raised.

### **5.4 Improvement Activity**

5.4.1 During the year to improve the team's efficiency, effectiveness and productivity we have held team meetings and development sessions. In addition since the external assessment we have looked to make changes to improve our adherence to the Standards. Continually during the year we have investigated and implement new/alternative ways of service delivery (practices, use of technology, procedures and standard documentation) based on our analysis, customer feedback (see 5.5), sharing best practice with other local authorities and service providers.

5.4.2 The Audit, IG and Insurance SDM has continued to have links with CIPFA's Audit Panel despite the governance and future direction of the Panel being unclear since June 2016. This continues to help the team to develop and provides early awareness of developments in public sector Internal Audit and Governance. Other members of the team also attend regional Fraud, Contract and Unitary/Met Authority groups (when relevant) which assist in identifying best practice and different approaches to audit work and information exchange.

### **5.5 Customer Feedback**

5.5.1 Internal Audit receives customer feedback in several ways:-

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

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

## POST AUDIT QUESTIONNAIRE FEEDBACK 2016/17 compared to last 2 years

Question	2014/15 From top score 5	2015/16 From top score 5	2016/17 From top score of 5	Difference 15/16 to 16/17
Pre- Audit Arrangements	4.9	4.8	4.9	+ 0.1
Audit Visit	4.9	4.9	4.9	No change
Communication	4.8	4.8	4.6	- 0.2
Report	4.8	4.8	4.9	+ 0.1
Is audit a positive support – Yes	100%	100%	100%	No change

The team's customer performance has remained extremely high during 2016/17 with the average score being 4.6 or more. There is a 4% reduction in respect to the score for communication (although it remains high) which has been affected by management changes during audits but and we have also identified and addressed any improvements required to our processes. The maintenance of these scores is a credit to the team and how they have approached their work and the audit of many services during or just after a restructure.

## 6 2016/17 INFORMATION GOVERNANCE ANNUAL REPORT

- 6.1 There are a number of pieces of legislation and good practice standards that govern the IG arrangements of the Council and these are listed in the background information at the end of this report. The Information Commissioners Office (ICO) is the regulatory body responsible for ensuring Council's meet information legislative requirements.
- 6.2 The Local Authority Data Handling Guidelines recommend that each local authority should appoint a Senior Information Risk Owner (SIRO). The SIRO should be a representative at senior management level and has responsibility for ensuring that management of information risks are weighed alongside the management of other risks facing the Council such as financial, legal and operational risk. At Telford & Wrekin the nominated SIRO for the period covered by this report was the Assistant Director: Governance, Procurement & Commissioning with the Audit, IG, Insurance & Investigation Service Delivery Manager designated as the Deputy SIRO.

### Information Rights

- 6.3 Information rights is a collective name for 3 main pieces of legislation in respect to public sector information, these are:
- **Freedom of Information Act 2000** – encompasses any information held by the Council
  - **Environmental Information Regulations 2004** – information with an environmental impact
  - **Data Protection Act 1998** – looks at personal information relating to individuals
- 6.4 The IG Team has continued to play a key role in providing assurance that the Council complies with information rights legislation during the year. The IG Team has responsibility for the administration of all information rights requests on behalf of the Council including the application of relevant exemptions in respect to requests received.

It also co-ordinates and guides service areas when the Council receives a subject access request (someone requesting their personal information) or a request to access social care records, e.g. a parent asking to view the contents of their child's records.

- 6.5 The ICO has previously set a benchmark of 80% for responding to FOI requests within the 20 working day statutory deadline for responding to requests. Recently the ICO has revised the benchmark to 90%, this will be used as the target for 2017/18.
- 6.6 See table below for figures relating to FOI performance for the year 1 April 2016 to end of March 2017 compared with the same period for the previous year:

	16/17	15/16	% Increase / Decrease
Number of FOI requests received	1226	1090	+12
Average number of FOI requests received per month	99	90	+10
% of FOI requests responded to within statutory deadline	88	81	+9
Average time taken (days) to respond to each request	11	14	-21

As can be seen from the figures in the table above, the Council's performance in responding to FOI requests within statutory deadlines improved (up by 9%) from 2015/16. This performance improvement was realised despite the IG Team not having an Apprentice for a 2 month period and an increase in the number of requests received.

In addition to the above the Council received 59 requests (148 in 15/16) that were processed under the Environmental Information Regulations (EIR) 2004. The decrease in the number of EIR requests received is mainly due to Public Protection re-classifying how certain requests were dealt with, i.e. they were dealt with as business as usual requests rather than EIR requests. 86% (93% in 15/16) of these requests were responded to within the 20 day deadline.

- 6.7 In this period IG have received and responded to 10 appeals from requestors who were not satisfied with the response they received to their FOI request. This compares to a total of 14 appeals in 2015/16.
- 6.8 During this period IG received 3 complaints/referrals from the Information Commissioner (ICO) in respect to complaints made to them by FOI/EIR requestors. See below for a summary of each case:
- A) Case 1 – a requester made a complaint to the ICO regarding the Councils application of FOI exemptions. The ICO found in favour of the Council and stated that they believed the Council had correctly applied the relevant exemptions. The requester did not agree with the ICO's opinion and has therefore taken the matter to the First Tier Tribunal. The Council has not received a decision from the tribunal to date.
  - B) Case 2 - a requester made a complaint to the ICO regarding the Councils application of FOI exemptions. The ICO partially found in favour of the requester. The Council does not fully accept the findings of the ICO but will release further partial information to the requestor but plans to appeal to the First Tier Tribunal in respect to the remaining information.

- C) Case 3 – a requester complained to the Council that they held inaccurate information about the requester on their systems and requested that the Council amend said information. The Council agreed to record the requester’s views on the relevant Council records. The requester was still unhappy with this matter and made a referral to the ICO. The ICO stated that the Council had acted in accordance with good practice in their initial action but further evidence provided by the requester to the ICO meant that further action was required by the Council. This action has been implemented in full.

6.9 Between 1 April 2016 and 31 March 2017 the Council received 62 Subject Access Requests (SAR’s), this compares to 55 requests for the same period in 2015/16. 89% of SAR’s received have been processed within the 40 calendar day deadline (70% of SAR’s processed within deadline for 2015/16). These statistics demonstrate a significant improvement in performance during 2016/17.

It should be noted that the size and complexity of subject access requests increases year on year. For the 62 requests responded to in 2016/17, the IG Team had to read and redact over 10,000 pages of mainly sensitive personal social care information. The largest individual request required 2,232 pages to be read and redacted as appropriate by IG officers. IG continually review its procedures for processing subject access requests and feel that these are streamlined and fit for purpose. However further reviews will take place to ensure processes improve where possible.

It should also be noted that the Council did not receive any complaints/referrals from the ICO during 2016/17 in respect to its processing of subject access requests.

6.10 The IG Team also supports schools (T&W schools and one out of area school) with their information rights requirements. This is a traded service to schools and during 2016/17 the Team has supported 17 schools in relation to information rights and generated over £3,000 worth of income.

### Data Security Incidents

- 6.11 IG supports the investigation (with service areas) of all instances of alleged data breaches that are identified and referred to them. A data breach can cover a number of different incidents from a member/employee reporting a lost mobile phone to confidential/sensitive information being communicated to an unauthorised and/or incorrect recipient.
- 6.12 IG (with the assistance of service areas) investigated all reported incidents of possible data and has confirmed that 34 data breaches had occurred (25 data breaches were identified in 2015/16). These are shown below categorised by type of breach:

	Number of Cases	Number of Complaints/Referrals from Data Subjects*
Information accidentally sent/made available to the incorrect recipient	<b>31</b> (22 in 15/16)	<b>31</b>
Accidental release of personal information verbally	<b>0</b> (2 in 15/16)	<b>0</b>
Documents containing sensitive information left in an insecure location	<b>1</b> (1 in 15/16)	<b>1</b>

Information lost or stolen	2 (0 in 15/16)	0
<b>TOTAL</b>	<b>34</b> (25 in 15/16)	<b>32</b>

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

Unfortunately there has been an increase (36%) in the number of confirmed data breaches in 16/17 (following drops of 43% in 15/16 and 50% in 14/15). It is suggested that the increase can be attributable to the Council handling a consistent or even increased number of pieces of personal data but with less staff to undertake secondary checks/quality assurance on outgoing correspondence. The IG Team continues to work with service areas to improve personal data handling/processing.

- 6.13 For each of the confirmed breaches IG agrees actions with the relevant management team to minimise the impact of the breach on the customer. The Council also reviews and changes procedures and provides targeted training to reduce the possibility of similar data breaches occurring in the future.
- 6.14 Any lessons learnt from data security incidents/breaches are shared locally with appropriate employees. In addition to this the IG Team communicates half yearly lessons learnt highlighted by data breach investigations to all services across the Council – the lessons learnt from April 2016 – September 2017 are attached as Appendix B for information.
- 6.15 None of the data breaches detailed above were serious enough to meet the Information Commissioner’s rationale for reporting serious breaches to them.
- 6.16 Out of the 36 confirmed data breaches investigated, appropriate disciplinary action has/or will be taken in 2 cases. Disciplinary action will range from written warning to possible dismissal.
- 6.17 In January 2017 the Council voluntarily took part in a review of its data breach reporting arrangements undertaken by the ICO in preparation for the introduction of the General Data Protection Regulation in May 2018. Although a grading or formal opinion was not given by the ICO at the conclusion of their review they did provide informal feedback stating the Councils arrangements were ‘pretty robust’. The ICO report cited 5 recommendations for the Council to consider. The IG Team accepted these recommendations and all 5 suggested improvements have been implemented in full.

### **Information Governance Work Programme**

- 6.18 The IG Team, in addition to the administration of information rights legislation and the investigation of data security breaches, set down a work programme to further improve the information governance framework of the Council. The 2016/17 IG work programme was agreed at the June 2016 Audit Committee. Progress to date in respect to this programme is shown attached as Appendix C.
- 6.19 Appendix D details the proposed IG work programme for 2017/18 for approval. This programme mainly incorporates key actions required to facilitate the legal requirements of the GDPR.

6.20 The next update to the Audit Committee on Information Governance will be the 2017/18 update report, incorporating activity during April – mid August 2017 which will be presented to the September Audit Committee.

**Information Governance Related Audits**

6.21 In 2016/17 the Internal Audit Annual Plan encompassed a review of the Council’s Records Management arrangements. This audit commenced in 2016/17 but has not been finalised to date. An update on the status of this audit will be presented at the September Audit Committee.

6.22 Also in 2016/17 audit follow ups were undertaken on a number of previously completed audits in 2015/16. The status of these follow ups are detailed below:

<b>Audit</b>	<b>Grading in 15/16</b>	<b>Grading in 16/17</b>
Payment Card Industry Standards	Yellow – Reasonable	Green - Good
Information Sharing	Yellow – Reasonable	Green - Good
Information Security	Yellow – Reasonable	On-going (all IG actions complete, awaiting confirmation from ICT on their actions)

**7 2016/17 CALDICOTT GUARDIAN ANNUAL REPORT**

**Caldicott Guardian (CG) Function – Key Responsibilities**

7.1 A requirement for the Audit Committee to consider the Caldicott Guardians (CG) annual report / action plan. The first CG report was presented at the June 2015 Audit Committee meeting. An update on the progress made in completing the CG action plan can be found in Appendix E.

7.2 In August 2016 Richard Smith (previously AD: Early Help & Support and Caldicott Guardian) left the authority. Since this date Debbie Lloyd, (Family Connect Service Delivery Manager and previously Interim AD: Early Help & Support) has fulfilled the role of Caldicott Guardian. Sarah Dillon was appointed to the AD: Early Help & Support role in February 2017 and will be undertaking the CG training shortly.

**8 Looking Forward**

8.1 Currently each EU country has their own data protection laws which are a variation on the main European directive. In the UK we are currently governed by the Data Protection Act 1998. The European Commission put forward its EU Data Protection Reform in January 2012 to make Europe fit for the digital age. The outcome of this reform is that from 25 May 2018 the UK will be bound by one single item of data protection legislation, the General Data Protection Regulations (GDPR).

8.2 The key changes this legislation will bring are:

- The number of data protection principles is reducing from 8 to 6 but broadly cover the same areas as the DPA 1998

- Parents or individuals with parental responsibility must give consent to 'information society services' such as social networking sites for any child under 16 (Member states can lower this threshold to a minimum of 13 years old)
- Data portability – an individual's right to have their personal information transferred to another data controller on their request
- An individual's 'Right to be Forgotten' – data controller, in some circumstances, must erase all personal data relating to an individual
- Mandatory requirement to report data breaches that match certain criteria (currently this is not a mandatory requirement under DPA 1998)
- Fines for data breaches can be a maximum of 4% of annual global turnover or 20 million Euros (not clear how this will affect the public sector as yet). Currently under DPA 1998 the maximum fine is £500,000
- Organisations meeting certain criteria will be required to have a statutory role of Data Protection Officer

8.3 The IG Team has devised a corporate action plan to help services ensure that the requirements of GDPR are implemented by 25 May 2018. In addition to this plan the IG Team are producing a set of guidance notes that will support services in reviewing their arrangements for processing personal data in line with GDPR requirements. To complement each guidance note, the Organisation Delivery & Development Team will be producing online training material that all officers will have access to.

## **9 CONCLUSIONS FOR 2016/17**

- 9.1 Despite limited resources and changes to services during the year and therefore the rescheduling and re- defining of scopes the Internal Audit and Information Governance Teams have performed well and made a positive contribution to the governance arrangements within the Council.
- 9.2 The statutory responsibilities of the Council's Chief Financial Officer (section 151 officer) in respect to internal audit and internal control have been met and Internal Audit has provided reasonable assurance to the Council on the Council's internal controls, governance and risk management processes for the areas reviewed in 2016/17.
- 9.3 The Internal Audit and Information Governance Teams have also continued to provide advice and guidance on governance, procedures, controls, information security and risk management.
- 9.4 However, there are numerous major changes occurring both within and outside the Council during 2017/18 and beyond which could affect the team's activities e.g. :-
- a) The continued pressure on the Council's budget strategy for 2017/18 and beyond, including the revised Audit & Governance structure that will be implemented in June 2017. The proposals should maintain the Internal Audit performance and they are designed to achieve the statutory requirements of Information rights legislation and ICO guidance;
  - b) Changes in any information rights legislation and guidance particularly the preparations for the General Data Protection Regulations (GDPR) which come fully into force in May 2018 (replacing the 1998 Data protection Act);
  - c) Further service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;
  - d) The continued development of relationships with revised service delivery areas to ensure the team continues to support the authority in achieving its objectives.

- e) The Council will have a new external audit contract from April 2018 for the audit of the 2018/19 accounts which may mean new external auditors. (KPMG will complete the 2017/18 under the existing contract);
- f) The revised Caldicott Guardian arrangements may continue to require additional support until they become more familiar with their role;
- g) The Council's key projects including Adult Social Services, Children's Safeguarding, the commencement of the implementation of one IT system for adults and children's services, transferring services to other providers, introduction of a new HR/Payroll system during 2017/18 and developing further commercial activities.

## 10 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of the Internal Audit and Information Governance Teams 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 and Information Governance Teams are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	<p>The Accounts and Audit Regulations 2015 sets out the detailed requirements for local authorities in relation to keeping adequate accounting records and control systems, preparing, approving and publishing a statement of accounts, and making various documents available for public inspection, and objection and questioning by local electors. The authority "must ensure" that it has (and reviews) a "sound system of internal control": Regulation 3. It "must undertake an effective internal audit": Regulation 5. There is a new requirement to prepare and publish a "narrative statement", commenting on the authority's financial performance and economy, efficiency and effectiveness in the use of resources over the year.</p> <p>The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.</p> <p>The Public Sector Internal Audit Standards (PSIAS) is mandatory across the whole of the public sector. The purpose of the PSIAS is defined as follows:</p> <ul style="list-style-type: none"> <li>• define the nature of internal auditing within the UK Public Sector;</li> <li>• set basic principles for carrying out Internal Audit in the UK Public Sector;</li> <li>• establish a framework for providing internal audit services in respect of organisational processes and operations;</li> <li>• facilitate the development of an effective Quality Assurance and Improvement Programme and;</li> <li>• define a mandatory Code of Ethics.</li> </ul> <p>Undertaking the audits as set out in the report, and providing updates and an Annual Report to this Committee contributes towards meeting these requirements.</p>

	<p>Further reference to legal requirements and the implementation of those legal requirements in accordance with CIPFA guidance are contained within the main body of the report at paragraphs 5.1.1, 6.1 and 6.3 respectively. In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance.</p> <p>Compliance with the Information Rights legislation mentioned in this report at paragraph 6.3 is mandatory. When assessing compliance, the ICO will consider approved policies and procedures of the authority.</p> <p>Each NHS organisation is required to have a Caldicott Guardian under Health Service Circular HSC 1999/012 dated 22 January 1999. The Circular applies to all organisations which have access to patient records, including acute trusts, ambulance trusts, mental health trusts, primary care trusts, strategic health authorities, and special health authorities such as NHS Direct.</p> <p>Caldicott Guardians were subsequently introduced into social care with effect from 1 April 2002, under Local Authority Circular LAC (2002)2 dated 31 January 2002. Caldicott Guardians play a key role in ensuring that the NHS, Councils with Social Services Responsibilities and partner organisations satisfy the highest practical standards for handling patient identifiable information under a framework which complies with the requirements of the Data Protection Act 1998; they actively support work to enable information sharing where it is appropriate to share; and advise on options for lawful and ethical processing of information.</p> <p>NHS and Social Care Caldicott Guardians are required to be registered on the publicly available National Register of Caldicott Guardians. The UK Council of Caldicott Guardians, an elected body made up of Caldicott Guardians from health and social care, meets four times per year and has a published strategy, currently for 2011-2016. The Health &amp; Social Care Information Centre [HSCIC] publishes guidance and resources for Caldicott Guardians. SD 19.04.2017</p>
Links with Corporate Priorities	All aspects of the Audit and Information Governance teams work support good governance which underpins the achievement of the Council's objectives and priorities.
Risks and Opportunities	<p>All aspects of the Audit and Information Governance teams work supports managers and the Council to identify and manage their risks and opportunities.</p> <p>The role of IG includes reviewing information security arrangements in place to manage IG risks within service areas. IG reports produced assist the Council in improving systems and controls (reducing IG risks) and therefore the delivery of services and achievement of objectives.</p> <p>If the Council does not comply with the information rights legal requirements there is the risk of the Council being issued with a fine by the ICO of up to £500,000. Service areas supported by the IG Team have and are continuing to implement mitigation to avoid this but there is still risk associated with this.</p>
Financial Implications	The service areas within the Internal Audit, Information Governance and Caldicott Guardian teams/roles operated within their budget allocation of £543k for 2016/17. The teams are undergoing a restructure with the proposals launched in April, the closing date for comments being 17 <sup>th</sup> May and

	<p>implementation being 12<sup>th</sup> June, with targeted savings expected to be met of £147k.</p> <p>The external audit fee was £122k in 2016/17 a reduction of £20k on what was expected.</p> <p>The implications for a data breach could result in fines of £500,000. No fines for data breaches have been levied in the period under review and the Council budget does not anticipate any such fines being levied.</p> <p>There are no financial implications anticipated from adopting the recommendation of this report.</p> <p>RP-20.4.17</p>
Ward Implications	The work of the Audit & Information Governance teams encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

## 11 **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 and External Assessment January 2017  
 CIPFA Local Government Application Note - April 2013  
 Accounts and Audit Regulations 2015  
 Corporate Information Security Policy  
 Corporate Information Security Breach Procedure  
 Local Authority Data Handling guidelines  
 ISO27001 (standard for information security)  
 Data Protection Act 1998  
 Freedom of Information Act 2000 (fully introduced 2005)  
 Environmental Information Regulations 2004.  
 Caldicott Review - <https://www.gov.uk/government/publications/the-information-governance-review>  
 Information: To Share or not to Share – Government Response to the Caldicott Review.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/192572/2900774\\_InfoGovernance\\_accv2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192572/2900774_InfoGovernance_accv2.pdf)

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 Debbie Lloyd, Family Connect SDM Telephone 388571

## Work undertaken during 2016/17 to provide assurance and the Internal Audit Opinion

<b>Audited areas</b>	<b>Days</b>
AGS Certification Assurance 2015/16	12
Abraham Darby Leisure Centre	17
Additional Payment to Foster Carers	11
Adult Social Care Payments	1
Advice & Consultancy including org change	111
Apley Wood Primary	6
Aqueduct Primary	7
Arthog	18
Assistive Technology - Early help & Support	7
Bank contract review	1
Benefits 2016-17	16
CVS contract	1
Captain Webb School follow up	1
Cash Collection 2016-17	22
Catering - Commercial Nurseries	8
Children's Direct Payments follow up	1
Children in Care Savings	9
Children's arrangement orders	5
Children's Brokerage (Link to Foster Care)	4
Church Aston Primary School	5
Civica Upgrade	2
Community Support Finance Audit	9
Contract Waivers	1
Core Groups for Safeguarding	8
Corporate Leases (Including Nursery Schools)	12
Council Tax / NNDR 2016-17	33
Council Tax / NNDR 2017-18	1
Customer Contact Centre	7
Deferred Payments follow up	1
Donnington Wood Infants School	9
Early Intervention (Common Assessment Framework)	1
Employment Code of Practice Compliance	1
Events Management	4
Family Nurse Partnership	1
Follow ups - general	34
Fraud & Compliance Checks including NFI	16
GPC	8
General Ledger 2016-17	29
Health & Safety review	12
Home Education Process Review	1
Home from Hospital (Mental Health)	5
ICT Wireless Provision	1
Inter-agency communication in relation to missing children	1
John Fletcher of Madeley Primary School	7

Joint Commissioning & Information Sharing (Review of Processes)	1
Leaver Checklist	1
Leisure - Central Admin processes	10
Lilleshall Primary School	8
Local transport grant	2
Madeley Parish Council	1
Making Safeguarding Personal (Adults)	7
Moorfield Primary School	7
My Choices	7
My Options	8
National Careers Service	1
Newdale School Follow Up	2
Newport Infants School	7
Nuplace	17
Oakengates Leisure Centre	10
Oakengates Town Council	2
PSE Upgrade project assurance	2
PSP Register (management of personal data)	6
Pride in the Community	6
Pride in the High Street & Monitoring	3
Process for developing, reviewing & monitoring SLAs & MOUs	2
Procurement Contract reviews	3
Property Investment Portfolio (Review of bad debts) follow up	1
Sales Ledger 2016-17	16
Section 106 Agreements	7
Section 17 payments follow up	1
Shortwood School	8
Sickness Monitoring review in Early Help & Support	7
Ski Centre 2016-17	8
Social Letting Agency follow up	2
Social Media Compliance Work	3
St Lawrence Primary School	8
St Matthews Follow up	1
St Patricks RC Primary School follow up	1
St Peters & Pauls	7
St Peters Edgmond	7
Supervision Policy Review (incl. Children's Safeguarding)	9
Support Planning Early Help & Support	8
Teagues Bridge Primary School	11
Telford Ice Rink - Vending Machines	3
Temporary Accommodation	6
The Bridge School	6
The Place - Follow up	2
Tibberton Primary School	8
Town Park - Follow ups	6
Transition Process children's to adults care	9
Transparency	2

Treasury 2016-17	11
Troubled Families Grant	3
West Rd / Granville House imprest account	2
Wombridge Follow Up	2
Wrekin View Primary School	7
Wrekin View Follow Up	2

## Information Security Incidents: Lessons Learnt – 2016/17

### Information Governance (IG) 1st Half Yearly Update – 1 April to 30 September 2016

Despite your vigilance and further training/publicity the Council has continued to experience data security incidents including some minor breaches during the first half of the year. Following investigation by service areas/the IG team changes to local processes have been agreed. However there are wider lessons to be learnt or reminders for us all from these incidents and this note aims to share them with you.



### Top 3 reasons for incidents at Telford & Wrekin

- 1 Emails sent to incorrect recipients
- 2 Contact details not being updated on systems on a timely basis
- 3 Human error – typing errors, lack of checking contact details, etc.



### Reminders/Lessons learnt from these incidents

- ✓ Always check who you are sending an email to against who you think you are emailing particularly when the email address auto-populates in Outlook. Also If you are sending an email to a group email address check all the officers in that group are authorised to receive it
- ✓ You can select to not use the Auto-Complete function in Outlook, or clear the current entries in the Auto-Complete function by (in Outlook); 1) Click File tab 2) Click Options 3) Click Mail 4) Under Send messages, select or clear the Use Auto-Complete to suggest names when typing in the 'To' check box.
- ✓ Always use the Council's Secure Communication System (SCS – look under 'S' on intranet) or GCSX to electronically send personal information **externally**
- ✓ Ensure you regularly check customer contact details held in your area and update them on a timely basis where necessary
- ✓ When sharing and sending personal information NEVER assume. Think what the impact could be of your assumption(s). All your decisions need to be based on fact.
- ✓ Be careful when using Social Media and do not post personal information about your work, i.e. about your work colleagues or customers
- ✓ When sending correspondence to individuals always double check the address stated on your letter with the source address on your records. Remember house number 82

can easily be transposed to 28 by mistake. But this mistake can be picked up by checking.



#what happens when it all goes wrong???

If you think you need to hold personal information unsecured on a work device or a USB stick do you ever think of this?

**BBC NEWS** LIVE BBC NEWS CHANNEL

Last Updated: Wednesday, 14 February 2007, 16:16 GMT

E-mail this to a friend Printable version

**Nationwide fine for stolen laptop**

The Nationwide Building Society has been fined £980,000 by the City watchdog over security breaches.

The fine follows the theft of a laptop from a Nationwide employee's home which contained confidential customer data.

Nationwide security procedures were found to have failed

Lifestyle > Health & Families > Health News

## Brighton and Sussex University Hospitals NHS Trust fined over privacy breach

A hospital trust has been fined £325,000 after computer hard drives containing confidential information on thousands of patients were stolen.

When you dispose of work IT equipment or documents in an insecure way do you ever think of this?



TalkTalk customers were left fuming after a cyber-attack. Photograph: Andrew Milligan/PA

When you click on a website link detailed in a work email from a sender that you have never heard of do you ever think of this? Never click on a link or an attachment on an email from an unknown source. Be safe and check first!

## 3 Key Messages to Staff

<b>1</b>	Some staff state breaches are caused because they are in a rush due to workloads – <b>5 minutes saved by rushing causes days' worth of work in investigating a data breach</b>
<b>2</b>	Some staff are not checking or updating customer contact details – <b>the most common reason for data breaches this year is the use of incorrect addresses</b>
<b>3</b>	The Council can currently be fined a maximum of £500,000 – <b>As of May 2018 this fine could increase to over <u>£16 million pounds!</u></b>

**Make sure your actions do not result in the Council being fined or disciplinary action being taken against you**

**Mistakes have consequences – protect personal information**

**we can help**

- Contact the IG Team on 82537 or email [IG@telford.gov.uk](mailto:IG@telford.gov.uk)
- Visit the IG intranet page for advice and guidance

## Information Governance (IG) Work Programme 2016/17- Position as at 31/03/17

No	Task	Completion date	Position as at end March 17
1	Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO.	On-going	On-going
2	Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income.	On-going	On-going
3	Keep the T&W commercial website up to date to support the above.	On-going	On-going
4	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	On-going	On-going
5	Support service areas to address any information security risks that arise.	On-going	On-going
6	Support information sharing and the production of information sharing agreements.	On-going	On-going
7	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications.	On-going	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	Agreed  On-going

		throughout 16-17	
12	Review the Councils privacy notice and update where necessary.	End of June 2016	Complete
13	Complete Ollie module for classification scheme and promote scheme and policy.	End of July 2016	Module completed.  Policy completed  Delay in implementation as Office 365 move may offer technology to complement requirement. Task moved to 17/18 IG Programme
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	Complete
16	Investigate channel shift options including use of disclosure log, open data, publication scheme and other communications from IG	September 2016	Complete
17	Review the IG strategy, update and get approved.	End of October 2016	Strategy updated and will be presented for approval with ICT Strategy.
18	Review the need for public task statement.  Example : <a href="https://www.google.co.uk/url?sa=t&amp;rct=j&amp;q=&amp;esrc=s&amp;frm=1&amp;source=web&amp;cd=6&amp;ved=0ahUKEwiElejE-abLAhVCTBQKHa2MArYQFgg5MAU&amp;url=https%3A%2F%2Fwww.leicester.gov.uk%2Fmedia%2F180379%2Fpublic-task-statement-2015.pdf&amp;usq=AFQjCNEURU1rVbH_f2bmY_kYyUbj_eDDZSw">https://www.google.co.uk/url?sa=t&amp;rct=j&amp;q=&amp;esrc=s&amp;frm=1&amp;source=web&amp;cd=6&amp;ved=0ahUKEwiElejE-abLAhVCTBQKHa2MArYQFgg5MAU&amp;url=https%3A%2F%2Fwww.leicester.gov.uk%2Fmedia%2F180379%2Fpublic-task-statement-2015.pdf&amp;usq=AFQjCNEURU1rVbH_f2bmY_kYyUbj_eDDZSw</a>	End of December 2016	Complete
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	Complete
20	Create outstanding policies from the IG security framework and disseminate changes across the Council.	End of March 2017	On-going. Task will be completed in line with GDPR requirements.

21	Complete N3 connection assessment for central government.	End of March 2017	Complete
22	Implement findings of the IG related audits	As required in each audit report	Complete

## Information Governance (IG) Work/Compliance Programme 2017/18

No	Task	Target Completion date
1	Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO.	On-going
2	Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income.	On-going
3	Keep the T&W commercial website up to date to support the above.	On-going
4	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	On-going
5	Support service areas to address any information security risks that arise.	On-going
6	Support information sharing/production of sharing agreements.	On-going
7	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications.	On-going
8	GDPR Action Plan – implement IG actions and refresh plan.	On-going
9	Review arrangements on Information Asset Owners including Information Asset Registers.	End of July 17
10	Agree and deliver an IG training and awareness programme.	Agree programme (with SIRO) – End May 17 Deliver programme throughout 17-18
11	Review compliance with ICO Privacy Notices Code of Practice (for GDPR).	End of July 17
12	Review compliance with Privacy Impact Assessments Code of Practice (for GDPR).	End of August 2017
13	Report to the Audit Committee on progress against the work programme and any issues arising.	September 2017 June 2018
14	Review compliance with Subject Access Code of Practice (for GDPR)	End of November 2017
15	Implementation of classification scheme.	End of December 2017
16	Review compliance with the Anonymisation Code of Practice (for GDPR)	End of January 2018
17	Review compliance with Data Sharing Code of Practice (for GDPR)	End of March 2018
18	Review and update the Corporate Information Security Policy (CISP)	End of March 2018
19	Create outstanding policies from the IG security framework and disseminate changes across the Council.	End of March 2018

20	Complete N3 connection assessment for central government.	End of March 2018
21	Implement findings of the IG related audits	As required in each audit report

## Updated Position of the Caldicott Guardian Action Plan

Recommendation	Target date	Lead	Actions/Progress
<b>Caldicott Review related actions - () = Recommendations from Caldicott Review</b>			
1. Examine our existing arrangements, and lead by example with our local partners to make it easier to share information (introduction)	Ongoing	CG	There is a local sharing arrangement in place with health partners. This is reviewed as and when required by the agreement.
2. Ensure that relevant personal confidential data is shared among the registered and regulated health and social care professionals who have a legitimate relationship with the individual (2)	Ongoing	CG	See above.
3. Seek advice from the ICO and refer to the HSCIC's Confidentiality Code of Practice for further advice on managing and reporting data breaches (5)	As required	CG	Process in place via IG Team which ensures compliance
4. Explain and apologise for every personal data breach, with appropriate action agreed to prevent recurrence (5)	As required	CG	Process in place via IG Team which ensures compliance
5. Clearly explain to patients and the public how the personal information we collect could be used in de-identified form for research, audit, public health and other purposes (7)	Review public information given by March 2016	CG	JB attended health economy meeting. Public Information in process of being updated for all partners.
6. Make clear what rights the individual has open to them, including any ability to actively dissent (7)	As per 5. above	CG	To be addressed as part of 5. above
7. Use the best practice contained in the HSCIC's Confidentiality Code of Practice when reviewing information governance practices to ensure that they adhere to the required standards (12)	March 2016	CG/SI RO	Best practice is recognised as using IG Toolkit for external verification of our practice, which we have in place.
8. Ensure that social care providers use the Information Governance Toolkit (12)	Embed within Procurement conditions – March 2016 Monitor through Contract compliance March 2017	CG	Discussed with Commissioners. Share with SPIC Checked CQC standards
9. Appoint a Caldicott Guardian or Caldicott lead with access to appropriate training and support (15)	<b>Completed.</b> CG appointed and registered with Social Services CG Register. CG	CG	However existing CG left on 31 January. Deputy CG has assumed CG role in the interim until new CG

	attended accredited CG training on 18 November 2014.		has been trained and registered on national CG Register.
<b>10. Local authorities consider extending Caldicott Guardian arrangements to children's services (15)</b>	<b>Completed.</b> Role across Adult & Children's services	CG	To be looked at as part of the implementation of combined children's and adults management information system.
<b>11. Strengthen leadership on information governance (15)</b>	<b>Completed.</b> Council has now established regular meetings between CG and SIRO and supporting officers within the Council to monitor progress. CG has met separately with counterparts in Shropshire Community Trust and T&W CCG. Discussions underway with wider health and social care economy about establishing a pan-Shropshire group.	CG	Ongoing.
<b>12. Ensure that the information provided to inform citizens about how their information is used does not exclude disadvantaged groups (19)</b>	As per 5. above	CG	To be addressed as part of 5. above
<b>13. Use the revised Caldicott principles in all relevant information governance material and communications (25)</b>	As per 5. above	CG	To be addressed as part of 5. above
<b>14. Investigate, manage, report and publish personal data breaches and ensure that commissioned bodies are investigated, managed, reported and published appropriately (6)</b>	Ongoing	CG	Process in place via IG Team which ensures compliance
<b>15. Implement appropriate arrangements in relation to information governance including the demonstration of strong leadership on information governance and adopt information governance procedures that are equivalent to those already established by healthcare providers (12)</b>	March 2016	CG	This work is ongoing.

<b>Other actions</b>			
<b>16. Share annual report with Audit Committee annually in June and an annual update in September.</b>	Completed	CG	Ongoing
<b>17. Address HSCIC recommendations arising from Information Governance Toolkit submission.</b>	Ahead of next submission	CG	Awaiting the outcome of the 16/17 toolkit submission and associated recommendations to be made.
<b>18. Complete register of Information Sharing Agreements and ensure reviews are held within agreed timescales.</b>	December 2015	CG	Register is in place.
<b>19. Review Use of Fax Policies</b>	December 2015	CG	Our Corporate Information Security Policy is reviewed annually, including the guidance on use of fax machines.
<b>20 Ensure IG training has been undertaken by all relevant staff</b>	March 2016	CG	<p>An IG training module is available on Ollie and forms part of the induction process for all officers. A revised module has been released in 2016/17.</p> <p>In addition to the above module officers are required, every 90 days, to answer 5 randomly generated questions based on the requirements of the Councils Corporate Information Security Policy (CISP).</p>

## **1. PURPOSE**

- 1.1 For the Audit Committee to:
- a) consider the 2016/17 Annual Report on Corporate Anti-Fraud and Corruption activity; and
  - b) agree an updated policy and to recommend its adoption by the Council.

## **2. RECOMMENDATIONS**

- 2.1 That the Audit Committee notes the 2016/17 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Committee recommends the adoption by Council of the updated policy attached as Appendix B.

## **3. SUMMARY**

- 3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. These procedures include the Anti-Fraud & Corruption Policy.
- 3.2 The terms of reference of the Audit Committee include:  
*“13. To approve the Anti-Fraud and Corruption Policy and to recommend its adoption by the Council and to monitor its operation. The policy will be reviewed at least once every two years.”*
- 3.3 This report includes annual information in respect to the Corporate Anti-Fraud and Corruption activity for 2016/17 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix B is an updated policy for members to agree and recommend on for adoption by the Council.

## **4. PREVIOUS MINUTES**

- 4.1 Audit Committee 16<sup>th</sup> September 2014 – Annual Report 2013/14 and Policy Update  
Audit Committee 30<sup>th</sup> June 2015 – Annual Report 2014/15 and Policy Update  
Audit Committee 28<sup>th</sup> June 2016 – Annual Report 2015/16 and Policy Update

## **5. INFORMATION - ANNUAL REPORT 2016/17**

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

- 5.3 This report contains information for 2016/17 on counter fraud and investigation activities within the Investigation Team, Internal Audit and Public Protection. The Committee should note that the Councils procedures and controls are designed to minimise the opportunity for fraud and to highlight where possible fraudulent activity may have occurred.
- 5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide information for review and investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

## 6. TRANSPARENCY CODE REQUIREMENTS

- 6.1 The Local Government Transparency Code requires the council to publish data regarding its fraud arrangements. Below is a summary of these requirements together with the corresponding information on the council's fraud arrangements.

	<b>Requirement Description</b>	<b>T&amp;W Arrangements</b>
1	Number of occasions the council have used the powers under the Prevention of Social Housing Fraud Regulations 2014 or similar powers.	We do not have social housing and therefore these powers have not been used.
2	Number (absolute and FTE) of employees undertaking investigations and prosecutions of fraud	3 counter fraud specialist's work in the Investigation Team. This equates to 2.95 FTE's.  Other council services undertake investigations into fraud, e.g. Internal Audit, Public Protection, etc. These tasks form part of an officer's job role and therefore it would be impossible to identify what proportion of their role would be taken up undertaking fraud investigations.
3	Number (absolute and FTE) of professionally accredited counter fraud specialists	3 counter fraud specialist's work in the Investigation Team. This equates to 2.95 FTE's.
4	Total amount spent by the authority on the investigation and prosecution of fraud	The cost of the Investigation Team for 2016/17 was £129,390 (costs include staff, postage, printing, telephones, mileage, computer software and all other investigation related costs).  As stated on point 2 above other areas do undertake investigations but it is impossible to attribute a cost to this as costs are consumed in overall budgets for each service.
5	Total number of fraud cases investigated	See case investigation data in this report.

## **7. INVESTIGATIONS TEAM**

### **BENEFITS INVESTIGATIONS**

- 7.1 The Housing Benefit and Council Tax Support caseload has decreased again over the last 12 months, from 18,335 (live cases) at 31<sup>st</sup> March 2016 to 17,822 at 10<sup>th</sup> April 2017. There are a number of reasons for this including the continuing impact of the government's Welfare Reforms and the introduction of Universal Credit in the area since June 2015. Universal Credit replaces six working age benefits including Housing Benefit although the roll out is currently limited to those with specific circumstances. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled. We have continued our review programme throughout 2016/17. This is where we issue review forms to check on the circumstances of those claiming Housing Benefit and / or Council Tax Support and this has also resulted in the cancellation of some claims.
- 7.2 The Council has followed the Department for Work & Pensions (DWP) lead in "securing the gateway". The DWP aim at 'getting it right, and keeping it right' i.e. ensuring only those properly entitled are granted and paid benefit. A telephone appointment is made with anyone making contact to make a new claim. A Benefit Assessment Officer takes all the necessary details and then an appointment is made for the claimant to see a Benefit Assessment Officer at the Council's First Point facility where the information they have given is checked against the relevant proof of income, identity and rent details. To this end the majority of new benefit claimants who make a claim direct to the Council are seen in person by a Benefits Officer (either via the telephone claim process or those customers who drop-in to First Point). This ensures the best possible service for the customer as claims are processed whilst they wait and the Benefit Assessment Officer explains to the customer their responsibilities regarding reporting of changes in circumstance. Entitlement letters are given to the customer at the end of the interview and explained and checked with the customer to ensure accuracy. In July 2016 we improved this process further with an on-line intention to claim form which will allow customers to book their own appointment at First Point, negates the need for the telephone part of the process. All customers are now seen on an appointment only basis.
- 7.3 The Benefit Team issued 1,173 review forms in 2016/17 as part of its targeted review exercise. The following areas were targeted as those who were most likely to have had a change in their circumstance; those in paid employment whose pay information was on our system as less than the living wage, claims with non-dependants who were not working or in receipt of a benefit, those in receipt of occupational pensions and second adult rebate claims. Weekly Council Tax Support savings were made of just under £2,210 which equates to an annual saving of £114,902. Weekly Housing Benefit reductions were made of just under £10,986.93 with an annual saving of £571,268. Overpaid Housing Benefit totalling £175,835 was identified during the exercise.
- 7.4 Benefits Data Matching**
- 7.4.1 The Benefit Service has started to work through the latest National Fraud Initiative (NFI) 2016/17 (released in January 2017). So far 67 of the 83 recommended matches have been completed but none have had an impact on the level of benefit in payment. If fraud is suspected then cases will be referred to DWP's Single Fraud Investigation Service (SFIS) as we no longer have the powers to investigate Housing Benefit fraud.
- 7.4.2 Unfortunately Benefit fraud is not just external to the Council. The Council undertakes internal checks in respect to monthly data matches with all new starters. This ensures all changes in circumstances have been declared. In 2016/17 no employee received a benefit fraud sanction.

## 7.5 Cases Investigated

7.5.1 At the beginning of 2016/17 the Investigation Team consisted of one Team Leader, one full time Investigation Officer, one Investigation Officer working 35 hours per week and one casual Assistant Investigation Officer. This equated to 2.95 Full Time Equivalents and one full time Fixed Term Contract. All Investigation Officers are accredited counter fraud specialists. From 1<sup>st</sup> June 2016 the Investigation Team moved from Revenues to Audit, Information Governance and Insurance Services. From September 2016 the Casual Assistant Investigation Officer moved to benefits taking with him the responsibility of being the Single Point of Contact for the DWP and responsibility for the NFI. The cost of the Investigation Team for 2016/17 was £129,390 (see paragraph 6.1).

7.5.2 Referrals to the Investigation Team come from various sources. The table below show the sources, number and percentage of total.

Source	Number of Referrals	Percentage of Total
Anonymous letter	27	4.13
Anonymous telephone call	158	24.16
Member of staff	239	36.54
DWP	0	0
Police	6	0.92
Landlord (including Wrekin Housing Trust)	10	1.53
Internet/email	180	27.52
Other Local Authority	0	0
National Fraud Initiative	0	0
Reviews Forms	1	0.15
Real Time Information (RTI)	6	0.92
Everyday Telford App	19	2.91
Other	8	1.22
<b>Total Referrals</b>	<b>654</b>	<b>100</b>

7.5.3 Since 1st June 2015 the DWP's Single Fraud Investigation Service (SFIS) took over responsibility for investigating Housing Benefit, Tax Credit and all DWP benefit fraud. The Council's Investigation Team focuses on Council Tax discount and exemption cases and some Business Rate fraud. The Team during the year moved into more Corporate Fraud work. In 2016/17 a total of 351 investigations were closed and 195 proved positive (benefit was affected in some way). Of this total one case was given an Alternative to Prosecution (previously known as an Administrative Penalty) a sanction amounting to £318.13 and 59 cases were given a Civil Penalty of £70 (Totalling £4,130). The Investigation Team have also worked on NNDR cases. One particular case took up some time investigating as the owner of a company claimed a number of other companies were in occupation. These companies then ran up a Business Rate debt before "moving" out. The investigator established these other companies were never actually in occupation and the owners have now been billed for £60,074. On another case the Team worked closely with other agencies to investigate a Landlord who was paying Council Tax on a property as a single dwelling. The investigator established that the dwelling had been turned into 6 flats and a new liability was issued for all 6 flats. The Landlord was also pursued by the other agencies for various other breaches. The Team are also now working closely with the Direct Payments Team and on one case have investigated where a large write off was proposed but following investigation Legal have now requested a refund of over £58,000 from a provider.

7.5.4 Sanctions can also be applied to partners/landlords/employers where it can be demonstrated that they were complicit in the fraud. There were no sanctions applied to these types of cases this year.

## **7.6 Benefit Fraud Sanction & Prosecution Policy**

7.6.1 With responsibility for Housing Benefit fraud coming under the Single Fraud Investigation Service (part of Department for Work & Pensions) since 1 June 2015 a new Revenues and Benefits Sanction and Penalty Policy was written and agreed by Cabinet in July 2015. This was reviewed in 2016 and remained unchanged.

## **8. INTERNAL AUDIT**

8.1 Internal Audit has an important role in the investigation of suspected internal fraud and assisting managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud. From June 2016 the Investigation Team became part of the Internal Audit, Information Governance & Insurance Services Area and they now have a key role to play in investigating corporate fraud areas.

8.2 Days are allocated within the audit plan to undertake proactive fraud work and work in areas where previous frauds have occurred. This work is informed by a Fraud Risk register<sup>1</sup>. A summary of the Internal audit and corporate Investigations Team work undertaken during 2016/17 for fraud and corruption risk areas, proactive work and requests is attached as Appendix A for your information. For 2016/17 the planned proactive fraud days (including NFI work – see below) were 40 days with an actual of 16 days but the other audit work on fraud prevention is consumed within the days allocated to general audit assignments and additional work is undertaken by the investigation team.

8.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit/Investigation Team also has a role to investigate potential irregular activities reported to them throughout the year. During 2016/17 Internal Audit & Information Governance investigated 3 cases of alleged irregular activity. None of the cases referred resulted in an identifiable fraud. Changes to procedures and controls have been implemented as a result of these reviews and additional training and awareness provided to employees where necessary.

### **8.4 National Fraud Initiative (NFI)**

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

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

8.4.3 In January 2017 the council received relevant NFI matches from 2016/17 data with a total of 3,512 matches, covering the data sets detailed below. To date 800 matches have been looked at. 7 of the matches are in the process of being investigated and sums amounting to over £9,000 have been recovered.

- Payroll
- Pensions (provided by Shropshire County Council)
- Insurance Claims (provided directly by the council's insurers)
- Private Supported Care Home Residents
- Benefits (provided by the DWP)

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

- Transport passes and permits
- Licences
- Creditors
- Personal Budgets (Direct Payments)

## **8.5 Training & Awareness**

- 8.5.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption Policy.
- 8.5.2 Staff within Revenues & Benefits (R&B) receive Fraud Awareness training as part of periodic refresher training.
- 8.5.3 For officers there is the Code of Conduct for Employees which is included as part of induction and is available on the intranet. The principles of the Anti-Fraud and Corruption and Speak Up policies are included in induction for new employees.

## **8.6 Publicity**

- 8.6.1 As per the policy publicity of cases is important as a deterrent. The Investigation Team and Public Protection use Corporate Communications to issue press releases and social media to alert the public and inform businesses about relevant campaigns, interventions and prosecutions. The press releases are also published on the Council's website.
- 8.6.2 Internally cases of note are included within either the Revenues or Benefits weekly team brief notes. These are issued to all relevant staff.
- 8.6.3 Within Public Protection with any significant intervention or prosecution the Assistant Director and Cabinet member are briefed accordingly. Any lessons learnt are shared within team meetings.
- 8.6.4 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the staff news, bulletins and in management meetings.

## **9. PUBLIC PROTECTION**

- 9.1 The Public Protection Service which includes Trading Standards, Environmental Health and Licensing play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted.
- 9.2 Officers of these services have access to specific legal, procedural and operational training to enable effective discharge of their responsibilities.
- 9.3 Staff undertake extensive professional training and mentoring before being permitted to commence enforcement duties, and have access to a range of professional competency training facilities through CEnTSA (Central England Trading Standards Authorities), CIEH Chartered Institute of Environmental Health and the Institute of Licensing (IOL) and their regional professional networks as well as central government departments such as Food Standards Agency and Department of Environment, Food and Rural Affairs (DEFRA).

## **9.4 Anti-Fraud responsibilities**

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

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

### **Environmental Health**

- **Food Fraud**

Prevention & detection of unfit and debased food through inspection, sampling and intelligence. In 2016/17 28 food samples were taken as part of the Food Standards Agency (FSA) program. Of these 28 samples, 3 were found to be unsatisfactory and appropriate follow up action was taken. Members of the public can now use the Everyday Telford App to report Food Crime.

Fraudulent use of health and identification marks. All Approved Premises within the Borough are checked to ensure they are applying the health mark appropriately when they are inspected.

- **Rogue Landlords**

Identifying fraudulent practices relating to tenant deposits

### **Licensing Service:**

- **Street trader consents**

Prevention and detection of the illegal and highly lucrative transfer of street trader consents.

- **Taxi licensing**

Ensuring the correct vehicle, correctly insured and driven by the licensed driver.

- **Scrap metal dealers licensing.**

Joint working with police to detect illegal trading in stolen vehicles and other stolen metal items such as copper cabling through scrap metal dealers.

Taxis, private hire vehicles, gaming machines, as a means of converting large quantities of cash.

- **Street Collections, Charity collections.**

Identification, detection and enforcement of fraudulent collections

### **Trading Standards Service:**

- **Intellectual Property crime**

Copyright, Trade marks

- **Consumer Protection from Unfair Trading legislation**

There is wide ranging legislation to keep pace with constantly changing fraudulent practices. This legislation covers a wide range of goods and services including house purchases, animals, vehicles, food & drink and all personal and professional services.

- **Cattle identification legislation**

To prevent fraudulent transfer to limit disease spread.

- **Weights and Measures**

Misrepresentation of quantity or measure of goods supplied.

- **Fraud Act**

This legislation is applicable to all the above legislative areas. The act allows Trading Standards to take action against serious criminality and persistent offenders to achieve the appropriate fines and sentences where necessary.

9.4.2 Trading Standards receives intelligence about rogue trader activities in Telford and deals with complaints about fraudsters that specifically target vulnerable and older people, carrying out unnecessary or misrepresented home improvement work and as a result defraud them out of thousands of pounds. This area of fraud known also as Door Step Crime remains a priority for Trading Standards for 2017/18.

The team also works closely with the national scams team, visiting victims of fraud to offer advice and support and assist in the national profiling of victims and has signed up as a SCAM champion to promote the Friends Against scams national Campaign in 2017/18 along with interested partners.

Officers joined with the police in national rogue trader week. Over 20 traders were given information regarding their legal responsibilities and police officers were able to identify road traffic and related offences. The team also works closely with the national scams team, visiting victims of fraud to offer advice and support and assist in the national profiling of victims.

9.4.3 Trading Standards have prioritised work steams around illicit tobacco and this work also forms part of the Tobacco Partnerships work plan & the Smoke Free Action Plan for 2017/18 which includes the following:

- Increasing awareness of illicit tobacco and how to report it
- Use of intelligence to determine operations that focus on under age sales of tobacco and the supply of illicit tobacco. In 206/17 Trading Standards seized 11,540 illegal cigarettes from a local shop following intelligence in a joint raid with West Mercia Police.
- Use of fines and to raise the profile of penalties for retailers selling illicit tobacco or to underage young people

## 9.5 Trading Standards Regional Initiatives

### **Regional Investigations Team (Formerly Scambusters)**

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

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

- Doorstep crime

- Deceptive selling techniques
- ‘Cowboy’ builders doing shoddy and unnecessary work
- Large scale organised counterfeiting operations

## 9.6 Illegal Money Lending Team (Loan Shark Team)

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

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

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

## 10. Challenges for 2017/18

10.1 The potential challenges for 2017/18 include:

- Reduced resources and therefore potential reduction in control and supervision and therefore potential increased opportunities for internal fraud, reduction in fraud awareness, investigation of data matches and opportunities for proactive work.
- Impact of the economic climate on the potential incidence of fraud

## 11. ANTI-FRAUD & CORRUPTION POLICY UPDATE

11.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 28<sup>th</sup> June 2016 and was approved by Council on 14<sup>th</sup> July 2016. The Anti-Fraud & Corruption Policy is reviewed annually to coincide with the annual report (unless urgent changes are required in between).

11.2 The updated Policy is attached as Appendix B with track changes as it has been updated to reflect the integration of the Investigations Team into the Audit & Governance Team. Other minor changes have been made to ensure it remains current.

## 12. OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council’s associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met.
Environmental Impact	None
Legal Implications	The Council will have full regard to relevant legislative requirements, including without limitation: <ul style="list-style-type: none"> <li>• The Fraud Act 2006</li> </ul>

	<ul style="list-style-type: none"> <li>• Bribery Act 2010</li> <li>• Section 151 Local Government Act 1972</li> <li>• Section 5 Local Government &amp; Housing Act 1989 Contracts Regulations 2015</li> <li>• Accounts and Audit Regulations 2011</li> <li>• The Council Tax Reduction scheme (Detection and Enforcement) (England) Regulations 2013</li> <li>• Local Government Finance Act 1988</li> <li>• Regulation of Investigatory Powers Act 2000</li> <li>• Terrorism Act 2006</li> <li>• Proceeds of Crime Act 2002</li> <li>• Police and Criminal Evidence Act 1984</li> <li>• Companies Act 2006</li> <li>• Localism Act 2011</li> </ul>
Links with Corporate Priorities	The policy supports all Corporate Priorities and good Corporate Governance demonstrating the Council's desire to ensure sound conduct and ethical procedures for all those associated with the Council and service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity.
Financial Implications	Costs associated with the anti-fraud and corruption work outlined in this report are met from the Council's base budget. This includes staffing costs, training, marketing and promotion costs, stationery and any postage.
Opportunities and Risks	Having a policy which sets out the Council's anti-fraud and corruption culture and associated procedures assists in the management of the risk of fraud and corruption against the Council.
Ward Implications	Borough wide implications.

### 13. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2016  
Speak Up Policy 2016  
Benefits Counter Fraud and Sanctions Policy 2015  
Cabinet Office requirements for the National Fraud Initiative  
Trading Standards & Licensing Legislation

**Report prepared by Jenny Marriott – Audit, IG & Insurance SDM - 01952 383101; Tracey Drummond – Principal Auditor – 01952 383105; Rae Munn - Investigations Team Leader – 01952 383897; Rebecca Owen-Jones-Benefit Assessment Group Manager – 01952 383881; Anita Hunt – Public Protection Manager – 01952 381998;**

**INTERNAL AUDIT & INVESTIGATIONS WORK UNDERTAKEN FOR CORPORATE FRAUD & CORRUPTION RISK AREAS, PROACTIVE WORK AND REQUESTS IN RESEPT TO IRREGULAR ACTIVITIES 2016/17**

<b>Work Area</b>	<b>Work undertaken</b>
Cash collection	Annual cash collection audit Review of cash collection arrangements at libraries & Corporate Post Room.
Procurement	Work commenced and continues into 2017/18 in respect to contract compliance for various contracts across the Council.
GPC	Review of GPC expenditure.
Direct Payments	1 case of possible irregularity investigated.
West Road Petty Cash	Checks into the management of petty cash.
Council Tax	Investigation into possible avoidance of paying Council Tax
NNDR	Investigation into the avoidance of paying Business Rates

## TELFORD & WREKIN COUNCIL - ANTI-FRAUD AND CORRUPTION POLICY 2017

### 1. INTRODUCTION

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

### 2. CULTURE

- 2.1 The Council's co-operative values include openness and honesty which supports the Council's commitment to zero tolerance in respect to fraud, bribery and corruption.
- 2.2 The prevention and detection of fraud, bribery or corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. The anti-fraud, bribery and corruption culture and associated procedures assist the Council in its management of the risk of fraud, bribery and corruption against the Council and are an integral part of its governance framework.
- 2.3 The Council's members, employees, partners, volunteers and governors play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud, bribery and corruption, regardless of seniority, rank or status, in the knowledge that such concerns will be investigated and wherever possible be treated in confidence<sup>3</sup>. Suppliers/contractors to the Council and the public also have roles to play in this process and should inform the Council if they feel that fraud, bribery or corruption may have occurred. Examples of types of concerns are listed in Annex 1.
- 2.4 The Council will deal firmly and take appropriate action against those who defraud the Council or who are corrupt. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees/members raising malicious allegations) will also be dealt with appropriately.
- 2.5 When fraud, bribery or corruption has occurred due to a breakdown in the Council's systems or procedures, senior managers will ensure that appropriate improvements in systems of control are implemented within a reasonable timeframe to prevent a re-occurrence.

### 3. PREVENTION & DETERRENCE

#### 3.1 MEMBERS

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

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

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

3.1.1 All members of the Council have a duty to the citizens of the Borough to protect the Council and public money from any acts of fraud, bribery or corruption. This is achieved through the Anti-Fraud and Corruption Policy, compliance with the Code of Conduct for Members, the Council's Constitution<sup>4</sup>, relevant legislation and any other protocols and procedures adopted by the Council.

## **3.2 EMPLOYEES**

3.2.1 The Role of the Chief Financial Officer – one of the Assistant Directors<sup>5</sup> has been designated the statutory responsibilities of the Chief Financial Officer as defined by s151 of the Local Government Act 1972. These responsibilities are set out in Annex 2.

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

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

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

## **3.3 MEMBERS & EMPLOYEES**

3.3.1 Both members and employees must ensure that they avoid situations where there is a potential for a conflict of interest<sup>6</sup>. Such situations can arise particularly with planning and land issues, procurement (especially tendering), recruitment etc. Effective role separation is essential to ensure decisions made are based upon impartial advice to maintain public confidence in the Council's decision-making processes and avoid questions about improper disclosure of confidential information.

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

## **3.4 INTERNAL AUDIT & THE INVESTIGATION TEAM**

3.4.1 Internal Audit plays a vital preventative role in ensuring that systems and procedures are in place to prevent and deter fraud, bribery and corruption and has specific rights within the constitution (see Annex 2). Internal Audit supports the Investigations Team in the investigation of all employee cases of suspected financial irregularity, fraud, bribery or corruption<sup>7</sup>, except Benefit fraud investigations (see below), in accordance with agreed procedures. In cases where employees and/or members are involved the team will work with Human Resources, the Monitoring Officer and appropriate senior management to ensure that correct procedures are followed. Internal Audit liaises with management to recommend changes in procedures to improve controls, reduce risks and prevent losses to the Authority.

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<sup>4</sup> Including Financial Regulations and Standing Orders

<sup>5</sup> Assistant Director Finance & Human Resources

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

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

3.4.2 Benefits administration is recognised nationally as being complex and difficult to administer. This results in the scheme being prone to error and abuse. The Authority is committed to tackling poverty but it must also ensure that the administration of housing and council tax benefit is secure, fair and provides prompt help to those who need it. Equally, it must also be vigilant in tackling fraud and error to ensure value for taxpayers' money. The Investigation Team operates within legislation, government guidance and local procedures with the aim of improving the quality and accuracy of benefit determinations and to both prevent and reduce the incidence of fraud.

3.4.3 Since 1 June 2015 responsibility for investigating all instances of Housing Benefit fraud (and any Council Tax Benefit fraud prior to 1 April 2013) transferred to the Department for Work and Pension's Single Fraud Investigation Service (SFIS). The Council's Investigation Team continues to remain responsible for investigating Council Tax and Business Rates fraud.

### **3.5 DATA MATCHING**

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

### **3.6 EXTERNAL AUDIT**

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

### **3.7 OTHER AGENCIES**

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

### **3.8 CONTRACTORS/SUPPLIERS AND THE PUBLIC**

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

### **3.9 PROSECUTION AND RECOMPENSE**

3.9.1 To support this policy the Council has a Corporate Prosecution Policy and the Revenues and Benefits Sanction and Penalty Policy. The corporate policy is designed to clarify and ensure consistency in the Council's action in specific cases and to deter others from committing offences against the Authority. The Revenues and Benefits Sanction Policy ensure that any Revenues and Benefits prosecutions are undertaken within the requirements of the relevant legislation.

3.9.2 In addition or instead of prosecution, the Council will seek to recover any money or assets fraudulently/corruptly obtained from the Council.

### **3.10 DISCIPLINARY OR OTHER ACTION**

3.10.1 Theft, fraud, bribery and corruption are serious offences against the Authority and employees will face disciplinary action if there is evidence that they have been involved in these activities, including Benefit fraud. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case but in a consistent manner.

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

### **3.11 PUBLICITY**

3.11.1 The Council's Communications & Marketing Team will optimise the publicity opportunities associated with anti-fraud, anti bribery and anti corruption activity within the Council. Information will be publicised in respect to prosecutions and other appropriate cases as a deterrent.

3.11.2 In addition the Council's Everyday App has been extended to include fraud reporting to make it easier for the public to report suspected cases.

3.11.3 Internally where the Council can learn from incidents the relevant points will be communicated to members and employees.

3.11.4 Any notifications received by the Council of possible regional/national frauds, scams or alerts will be communicated to employees and members, as appropriate.

3.11.5 All anti-fraud, anti-bribery and anti-corruption activities, including the update of this policy<sup>8</sup>, will be publicised in order to make employees, members and the public aware of the Council's commitment to taking action on fraud, bribery and corruption, when it occurs.

## **4. DETECTION AND INVESTIGATION**

4.1 Internal Audit and the Investigations Team play an important role in the detection of fraud. Included in the audit plan (informed by a fraud risk register) are specific fraud tests, spot checks and unannounced visits. However it is often the vigilance of employees, partners, volunteers, members, governors, suppliers/contractors and the public that aids detection.

4.2 All suspected fraud, bribery and corruption irregularities (except benefit fraud) are required to be reported (verbally or in writing) to the Audit & Governance Team Leader or the Investigations Team either by the person with whom the initial concern is raised or through the Council's Speak Up policy.

## **5. AWARENESS AND TRAINING**

5.1 The Council recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of training and awareness for Members, employees and affected external parties. The principles of this policy are integrated into the officer and member's induction programme and incorporated in the Member Development programme. Specialist training for certain employees is provided by their service area due to their specific roles.

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<sup>8</sup> This policy will be reviewed annually and updated where necessary.

5.2 Regular awareness through corporate communication, staff news and Ollie will support the successful application of this policy. Full copies of the Anti-Fraud and Corruption and Speak Up policies are available on the intranet.

## DEFINITIONS OF FRAUD, BRIBERY & CORRUPTION

**Fraud** is defined as:-

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

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

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

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

It also created new offences:

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

**Corruption** is defined as:-

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

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

**Bribery** is defined under the Act as:-

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

### EXAMPLES OF THE TYPES CONCERNS that should be raised:

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

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

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

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

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

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

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

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

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

### **KEY COUNCIL DOCUMENTS THAT SUPPORT THIS POLICY**

(This list contains examples but is not exhaustive)

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

## **CONSTITUTION POWERS FOR REPRESENTATIVES OF INTERNAL AUDIT**

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

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

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

**TELFORD & WREKIN AUDIT COMMITTEE**  
**OUTLINE OF BUSINESS FOR FUTURE MEETINGS 17/18 as at 31/05/17**



DATE OF MEETING	ITEM	RESPONSIBLE OFFICER
Tuesday 27 <sup>th</sup> June 2017	<ol style="list-style-type: none"> <li>1. Review of TOR for the Committee</li> <li>2. KPMG Interim Report 2016/17</li> <li>3. KPMG Fee letter 17/18</li> <li>4. Managing Director – update on gradings of reports</li> <li>5. Treasury Management Outturn 2016/17 and Update 2017/18</li> <li>6. Draft Statement of Accounts 2016/17</li> <li>7. 2016/17 Annual Governance Statement</li> <li>8. 2016/17 Internal Audit Quarter 4 Update Report, Internal Audit Plan 2017/18 &amp; External Assessment against the PSIAS</li> <li>9. 2016/17 Annual Internal Audit, Information Governance Report and Caldicott Guardian Report &amp; IG Work programme 2017/18</li> <li>10. 2016/17 Anti-Fraud &amp; Corruption Annual report and updated Policy 2017/18</li> <li>11. Outline of Business 2017/18</li> </ol>	<p>JE KPMG KPMG RP KC</p> <p>KC JE/SD RM/TD</p> <p>RM/TD</p> <p>RM/RMunn</p> <p>RM/PH</p>
Tuesday 19th Sept 2017	<ol style="list-style-type: none"> <li>1. Treasury Management - Update from Arling Close</li> <li>2. Report to those Charged with Governance 2016/17</li> <li>3. Audited Annual Statement of Accounts 2016/17</li> <li>4. Publication of Information on Councillors who Traded with the Council during 2016/17</li> <li>5. Annual Customer Feedback Report and assurance on lessons learnt 2016/17</li> <li>6. Strategic Risk Register</li> <li>7. Audit Committee Annual Report 2016/17</li> <li>8. 2017/18 - Internal Audit Activity Update Report April – June and IG Update report April – August</li> <li>9. External Auditor Procurement update</li> <li>10. Capital receipts update (exempt item)</li> </ol>	<p>Arling Close/ BM/PH KPMG KC KC/BM</p> <p>AA/LH</p> <p>RP/JP RM RM/TD</p> <p>KC/SD KK/JD Invite F&amp;E Scrutiny</p>
Tuesday 30th January 2018	<ol style="list-style-type: none"> <li>1. KPMG Annual Audit Letter 2016/17</li> <li>2. Grants Report 2016/17</li> <li>3. External Audit Plan 17/18</li> <li>4. Draft Treasury Management Strategy 2018/19 and update 17/18</li> <li>5. Internal Audit Activity Report July – December 17/18 and update to Internal Audit Charter 2018/19</li> <li>6. Updated position of the AGS Action Plan 2016/17</li> </ol>	<p>KPMG KPMG KPMG KC</p> <p>RM/TD</p> <p>SD</p>
By 31 <sup>st</sup> May 2018	<ol style="list-style-type: none"> <li>1. Review of TOR for the Committee</li> <li>2. KPMG Interim Report 2017/18</li> <li>3. Fee letter 18/19 and (new) External Auditors</li> <li>4. 2017/18 Treasury Management Outturn and Update 2018/19</li> <li>5. 2017/18 Draft Statement of Accounts</li> <li>6. 2017/18 Internal Audit Quarter 4 Update Report and Internal Audit Plan 2018/19 and IG Work programme 2018/19</li> <li>7. 2017/18 Annual Report - Internal Audit, Information</li> </ol>	<p>JE/SD KPMG KC/SD KC</p> <p>KC RM/TD</p> <p>RM.TD</p>

	Governance & Caldicott Guardian 8. 2017/18 Annual Governance Statement 9. Outline of Business 2018/19	SD/JP/RM SD
By 31 <sup>st</sup> July 2018	1. Report to those Charged with Governance 2017/18 2. Audited Annual Statement of Accounts 2017/18 3. Publication of Information on Councillors who Traded with the Council during 2017/18 4. Annual Customer Feedback Report and assurance on lessons learnt 2017/18 5. Strategic Risk Register 6. 2017/18 Anti-Fraud & Corruption Annual report and updated Policy 2018/19 7. Audit Committee Annual Report 2017/18 8. 2018/19 - Internal Audit Activity Update Report Quarter 1 April – June	KPMG KC KC/BM  AA/LH  RP/JP RM  RM RM/TD
Early November 2018	1. KPMG Annual Audit Letter 17/18 2. External Audit Plan 18/19 final accounts audit 3. 2018/19 - Internal Audit Activity Update Report Quarter 2 – July to September & IG update report April to end of September 2018 4. Treasury Management Update 5. Capital receipts update (exempt item)	KPMG External Auditor RM/TD  KC KK/JD
January 2019	1. Grants Report 2017/18 2. Draft Treasury Management Strategy 2019/20 and update 18/19 3. Internal Audit Activity Report October – December 18/19 and update to Internal Audit Charter 2019/20 4. Updated position of the AGS Action Plan 2017/18	KPMG KC

## Training

Final accounts – prior to September 2017/July meeting as audited accounts approved at September 2017/July meeting.

Treasury Management – sometimes training prior to January meeting as strategy presented to this meeting

Other to be confirmed