



Telford & Wrekin
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

Date **Tuesday 29 May 2018** 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
Media Enquiries	Corporate Communications	01952 382407
Lead Officer	Suzanne Dodd	01952 383255

Committee Membership: Nominations to be confirmed

AGENDA

- 1. Apologies for Absence**
- 2. Declarations of Interest**
- 3. Minutes** **Appendix A**
To confirm the minutes of the Audit Committee held on 30 January 2018 Page No: 3
- 4. Review of Audit Committee Terms of Reference** **Appendix B**
To note the Terms of Reference Page No: 7
- 5. External Audit Reports** **Appendix C**
 - Interim Visit Letter 2017/18** Page No: 11
To receive the letter from KPMG
 - Fee letter 18/19** **Appendix D**
To receive the letter from Grant Thornton Page No: 12
- 6. Review of Strategic Risk Register** **Appendix E**
To receive the report of the Managing Director and Statutory Head of Paid Services Page No: 15
- 7. Draft Statement of Accounts 2017/18** **Appendix F**
To receive the report of the Assistant Director: Finance & Human Resources and Chief Financial Officer **To Follow**

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| 8. | The Annual Governance Statement 2017/18 and Update Local Code of Good Governance
To receive the joint report of the Chief Financial Officer and the Monitoring Officer | Appendix G
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To receive the report of the Audit & Governance Team Leader | Appendix H
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| 10. | Internal Audit, Information Governance & Caldicott Guardian Annual Report 2017/18
To receive the joint report of the Audit & Governance Team Leader and the Assistant Director: Early Help & Support | Appendix I
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| 11. | Corporate Anti-Fraud & Corruption Policy – 2017/18 Annual Report And Policy Update
To receive the report of the Assistant Director: Governance, Commissioning & Procurement | Appendix J
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| 12. | Outline of Business 2018/19
To receive the report of the Governance & Legal Services Manager | Appendix K
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AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 30 January 2018 at 6.00pm in Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford

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

In Attendance: K Clarke (Assistant Director: Finance & Human Resources) (Until 6:51pm), S Dodd (Service Delivery Manager: Governance & Legal Services), T Drummond (Principal Auditor), P Harris (Finance Manager: Corporate & Capital) (until 6.51pmpm), F Mercer (Assistant Director: Commercial Services) (For item AUC-33), R Montgomery (Audit & Governance Team Leader), I Pennington (KPMG), J Power (Organisational Delivery & Development Manager) (For item AUC-37), E Rushton (Principal Accountant) (until 6.51pm), S Worthington (Democratic & Scrutiny Services Officer)

AUC 27 Apologies for Absence

Councillor R J Sloan.

AUC 28 Declarations of Interest

None.

AUC 29 Minutes

Resolved – that the minutes of the meeting of the Audit Committee held on 19 September 2017 be confirmed and signed by the Chairman.

AUC 30 KPMG ANNUAL AUDIT LETTER 2016/17

The Committee received the Annual Audit Letter presented by KPMG. The report was issued every Audit cycle and summarised information which had previously been reported to Committee.

The outstanding elector question had been closed in October 2017, no significant findings were identified. The 2015 / 16 and 2016 / 17 accounts had been certified and the audits closed.

Members questioned what steps had been taken regarding the outstanding related party declarations, the Assistant Director: Finance & HR advised that the Chair of the Audit Committee had written to the individual members, in future group leaders would be informed of outstanding declarations. Reminders were also to be sent earlier and a short return date provided. Members requested that names of Members who do not return their Declarations be reported to Committee. KPMG confirmed that

an email confirmation was sufficient for this process, there did not need to be a signature.

AUC 31 GRANT REPORT 2016/17

The Committee received the Grant Report presented by KPMG which summarised the work on the Councils grant claims and returns. Detailed testing had taken place on the Council's Housing Benefit subsidy and the Teachers Pensions returns.

A Member questioned if this Audit was a requirement or something that the Council has requested as an additional control, it was confirmed this was a requirement and each Local Authority has the same standard of test.

AUC 32 EXTERNAL AUDIT PLAN 2017 / 18

The Committee received the Grant Report presented by KPMG which summarised the work that would be done in 2017 / 18. Three significant risks had been identified, and a large proportion of the Auditors time would be spent on the following areas:

- Valuation of PPE
- Pension Liabilities
- Faster Close

The Finance Manager: Corporate & Capital advised that a timetable had been implemented to meet the new deadline. It was acknowledged that the timetable for the Auditors work was also brought forward. The Audit fee remained the same as the previous year.

A discussion was held regarding the handover from KPMG to the Council's new external auditors.

AUC 33 DISASTER RECOVERY AUDIT REPORTS UPDATE

The Assistant Director: Commercial Services updated the Committee on the progress of the Audit. The initial audit on disaster recovery took place in April 2017, which was yellow with elements of amber, a follow up took place in October 2017 where the audit progressed to yellow in all areas.

A Business Continuity Plan had been in place, however, this had only been updated annually, following the audit findings, the plan was updated monthly. At the initial audit, it was recommended that more complex incident management systems were tested.

A separate disaster recovery plan had been developed and was due to be presented to SMT. 33% of Council Services (Priority 1 Services) could be returned to full service within 1 working day of an outage, and the remainder restored within 2 weeks. An additional line had been installed into the data centre and the insurance on the equipment had been confirmed as appropriate.

In response to a question, the Assistant Director: Commercial Services that emergency generators were present at both the main centre and the backup centre. Members were reassured that the backup data centre was in a secure location.

Members expressed their concern regarding the two week timescale to restore all Council services and recommended this be reduced, if possible. A discussion was held regarding the types of incident where the disaster recovery plan may be used.

AUC 34 TREASURY MANAGEMENT STRATEGY 2018 / 19 AND UPDATE
2017 / 18

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 Arlingclose.

It was noted that there had recently been a consultation on proposed changes to the Prudential Framework of Capital Finance, which would impact on MRP. The consultation had closed on 22nd December 2017 and intended to be effective from 1 April 2018. The Local Authority had requested the implementation be delayed until 2019/20, as it was unknown what changes would occur. The report requested delegated authority to make any amendments arising from the changes.

It was noted that investments had been made into Money Market Funds, a further £1.8million had been invested earlier that day. The Money Market Funds were very liquid, provided broader diversification and slightly higher yields.

In regards to Approved Investment Counterparties, it was proposed to remove the BBB + and BBB rated counterparties.

In response to a question, the Finance Manager: Corporate & Capital advised that any investment must need certain credit criteria for the Council to invest in it and the Council would always check with Arlingclose before any investments were made.

Resolved 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 2018/19 together with the associated treasury Prudential Indicators and the Minimum Revenue Provision Statement, which will apply from 2017/18 onwards, be approved**
- (d) Delegated authority be granted to the Council's Section 151 Officer, after consultation with the Chair of Audit Committee and the Cabinet Member for Finance, Commercial Services & Economic Development to make any amendments required arising from the proposed changes to the Prudential Framework of Capital Finance.**

AUC 35 INTERNAL AUDIT CHARTER 2018 / 19

The Committee was asked to approve the Internal Audit Charter, which needed to be agreed on an annual basis. The Charter remained broadly the same as previous years, there were some changes to reflect changes in personnel.

Resolved that the Internal Audit Charter 2018 / 19 be approved.

AUC 36 INTERNAL AUDIT ACTIVITY REPORT JULY – DECEMBER 2017/18

The Internal Audit Quarter 1 report was received by the Committee. It provided an update on the progress against the Internal Audit Plan, which included an update on the progress of the previous audit reports issued.

One Red and two Amber Audit Reports had been issued in the time period. Four reports remained Amber from the previous reporting periods, follow ups and action plans were in place.

Members advised that they would like to receive full copies of any red or amber audit reports prior to the Audit Committee meeting. Members noted that there were fewer red or amber audit reports than last year, it was acknowledged that audit findings were reported to Assistant Directors on a quarterly basis and audit was higher up the agenda.

Resolved that the report be noted.

AUC 37 STRATEGIC RISK REGISTER

The Organisational Development & Delivery Manager provided an update on the Strategic Risk Register. A review of the approach to the Strategic Risk Register had been undertaken. The new approach ensured that risks were looked at consistently within the same framework. Service Plans had been refreshed, and priorities and key objectives had been set.

AUC 38 UPDATE POSITION OF THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2016 / 17

The committee received the updated position of the Annual Governance Statement. The report set out the progress made to the end of December 2017 against the actions agreed.

Members requested that training be offered to all members on GDPR.

The meeting ended at 7.15pm

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 are proposed to be adopted by the Council in July 2018

2 RECOMMENDATION

2.1 That members of the Audit Committee note and recommend the terms of reference attached as Appendix 1 to be adopted by the Council in July 2018

3 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The Audit Committee is part of the Council's Governance Framework encompassing the whole Council and therefore all of the Council's priorities.</i>
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	<i>Approval by Council at their July 2018 meeting.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	No	There are no direct financial implications of approving the recommendations in this report. However, the terms of reference give delegated responsibility for the Audit Committee to determine some matters which will have a financial implication and this should be noted. The terms of reference include delegated matters which the Audit Committee have jurisdiction over such as to review and agree the annual audit fee (£117k for 2017/18), and to recommend and influence changes to treasury policy. When effected these will have implications for the Council budget and will be considered through the appropriate Governance processes.
LEGAL ISSUES	Yes	<i>The requirement for Terms of Reference for Council Committees is part of the Constitution.</i>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>The Audit Committee provides assurance on good governance and that there is the proper identification and management of risks and robust control arrangements.</i>
IMPACT ON SPECIFIC WARDS	Yes	<i>Borough-wide impact</i>

4 INFORMATION

- 4.1 There is a requirement in the Constitution for all Committees to annually review their terms of reference at their first meeting following Annual Council.
- 4.2 The 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 – 1st meeting after the commencement of the municipal year

7 BACKGROUND PAPERS

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

Report by Rob Montgomery – Audit & Governance 383103

Audit Committee Terms of Reference

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

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

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

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



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

Tel +44 (0) 292 046 8087
ian.pennington@kpmg.co.uk

Private & confidential

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

Our ref TWC/1718/INT

16 May 2018

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 2018. 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.

There are a small number of 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 July 2018.

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

Yours sincerely

Ian Pennington
Director



Grant Thornton

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181418

Our ref: RPD MBC21
Your ref:

Mr. K Clarke
Assistant Director, Finance & Human Resources
Civic Offices
Coach Central
TELFORD
Shropshire
TF3 4WX

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT
T +44 (0)121 212 4000
F +44 (0)121 212 4014

13 April 2018

Dear Ken

Borough of Telford and Wrekin Council Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). **The Council's scale fee for 2018/19 has been set by PSAA at £90,182.**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	22,546
December 2018	22,546
March 2019	22,545
June 2019	22,545
Total	90,182

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2018 to March 2019. On completion of this phase of our work we will issue a detailed audit plan setting out our findings and audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July and work on the whole of government accounts return in August 2019.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2018- March 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June-July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	February-July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

Your Engagement Lead is Richard Percival. He can be contacted by phone on 0121 232 5434 or 07584 591508 and by email richard.d.percival@uk.gt.com. We will let you know in due course who our Audit Manager and Incharge Auditor are.

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via mark.c.stocks@uk.gt.com.

Yours sincerely

Richard Percival
Engagement Lead
For Grant Thornton UK LLP



PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1. For the Audit Committee to note the latest Strategic Risk Register. The Register enables the Council to meet its statutory requirements under the Accounts and Audit Regulations 2015 Part 2 paragraph 3. *“A relevant authority must ensure that it has a sound system of internal control which – (c) includes effective arrangements for the management of risk”.*
- 1.2. The Register is a means for the Council to identify and manage the substantive issues which could impact negatively on delivery of the Council’s priorities. As part of the Council’s governance arrangements the Register is presented twice a year to Cabinet to demonstrate that the Council understands its key risks and how they are being mitigated. Appendix A sets out the key ongoing risks which have been identified for 2018/19 and the mitigating actions in place to manage these risks. The Register was last presented to Cabinet in February 2018 as part of the Council’s Service & Financial Planning 2018/19 to 2019/20.
- 1.3. The Register is reviewed and updated by SMT at least twice a year to ensure appropriate management of these risks and to ensure sure they are current.
- 1.4. In Autumn last year, our approach to identifying risk was reviewed. Primarily focussing on how we identify the potential impact of a risk and the likelihood of the risk occurring. This revised Risk Strategy is attached in Appendix B. As a result of this review and to enhance our use of risk as a management tool, all AD service areas now have an annually reviewed Service Plan which considers risks to the delivery of their priorities.

2. RECOMMENDATIONS

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

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priority objective(s)?
Yes	<i>All Priorities</i>
	Will the proposals impact on specific groups of people?
Yes	<i>The Council’s priorities impact across all communities</i>

TARGET COMPLETION/DELIVERY DATE		<i>This is part of the on-going monitoring of delivery of the Council's priorities.</i>
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	Strategic risks are considered as part of the budget setting process and the effective management of risks helps to maximise the financial resources available to deliver services to the community.
LEGAL ISSUES	Yes	The Council has statutory responsibilities to undertake functions which are, in many cases, subject to Regulations and central government guidance. As mentioned in the report, the attached risk register is a strategic one and therefore will not provide all of the details for each statutory responsibility (although some are referred to in the appendix attached to this report). However, the strategic risk register must continue to comply both with the Council's statutory duties and generally for instances where the Council has a duty of care to the public and its employees. Accordingly, this should be a consideration if/when any changes to the register are made. Reference to how the register attached to this report assists the Council in meeting its responsibilities contained in The Accounts and Audit Regulations 2015/234 is set out in paragraph 1.1 of this report.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	The report identifies key risks to the delivery of the Council's priorities
IMPACT ON SPECIFIC WARDS	No	Borough-wide impact

PART B) – ADDITIONAL INFORMATION

3. PREVIOUS MINUTES

3.1. N/A

4. BACKGROUND PAPERS

4.1. "[Service & Financial Planning Strategy](#)" – presented to Cabinet on 15 February 2018.

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

**Telford & Wrekin Council
Strategic Risk Register S&FP February 2018**

Definitions used in the risk register:

Likelihood of Risk Occurring

Occurrence	Description
Unlikely	Unlikely to ever occur
Rare	May occur only in exceptional circumstances
Likely	Will probably occur at some time
Almost certain	Is expected to occur in the foreseeable future

Impact of Risk if it does Occur

Descriptor	Financial	Reputation	Physical	Environ- mental	Service
Insignificant	Low	No damage	None	None/ insignificant	No loss of service
Minor	<£50K	Minimal/ minimal media/ social media	Minor	Minor locally	Internal disruption only, no loss of service
Moderate	£50K to £1m	Extensive local media/social media	Violence or threats of serious injury requiring medical treatment	Moderate locally	Disruption/ loss of service less than 48 hours
Significant	£1m to £5m	National media/social media	Extensive/ multiple injuries	Major local impact	Disruption/ loss of service less than 7 days
Major	>£5m	Extensive national media (lead item)/social media	Extensive multiple injuries/ death	Major national/inter national	Severe disruption/ loss of service more than 7 days.

The Register

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
Organisational Risks							
1	Death or serious harm of a vulnerable child or vulnerable adult (Breach of duty of care)	Likely	Major: physical + reputation + financial	<ul style="list-style-type: none"> • Safeguarding Children and Adult Boards Community Safety Partnership and Youth Offending Service Management Board scrutinise performance, call partners to account and drive practice improvement in the light of learning (e.g. from Serious Case, Safeguarding Adult & Domestic Homicide Reviews) • Joint Chair of Children Safeguarding Board and Adult Safeguarding Board and common action groups across both Boards to develop systematic working across children and adult landscape. • Ongoing investment in services: <ul style="list-style-type: none"> ○ Adult Social Care £2.475m in 2018/19 rising to a cumulative £5.05m in new investment in 2020/21 ○ Children Safeguarding & Early Help £0.4m in 2018/19 • One-off budget contingency of £3m in 2018/19 for Adult and Children Safeguarding & early Help <p>Children:</p> <ul style="list-style-type: none"> • Workforce development strategy – recruitment and retention, learning and development 	CJ	Rare	Major: physical + reputation + financial

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
				<p>including Systemic Practice across the council's children's workforce</p> <ul style="list-style-type: none"> • Children's Services - systematic quality assurance role for all managers from frontline team manager through to MD and DCS • No staff savings target for Children's Social Workers • Work to national inspection standards and respond to actions required from inspections. OFSTED inspection of Children's Safeguarding June/July 2016 achieved "requires improvement". "Getting to good" action plan being delivered to respond to recommendations. • Children & Young People Scrutiny Board review of children at risk of sexual exploitation report completed. Recommendations being overseen and co-ordinated by Children Safeguarding Board. <p>Adults:</p> <ul style="list-style-type: none"> • Review of Safeguarding Adult Board arrangements took place prior to April 2015 to ensure compliance with Care Act requirements and new Adult Safeguarding Guidance & Regulations. As a result a new T&W specific Board has been put in place with an Independent Chair <p>Adult Safeguarding – following review, new multi-agency strategy agreed, regional</p>			

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
				<p>procedures are now operational and additional adult safeguarding capacity put in place within Council.</p> <p>Quality Surveillance Group chaired by Chief Officer of NHS England Area Team ensures co-ordination of quality & safeguarding issues across health & social care.</p>			
2	<p>Inability to:</p> <ul style="list-style-type: none"> - match available resources (both financial , people and assets) with statutory obligations, agreed priorities and service standards - deliver financial strategy including capital receipts, savings and commercial income. 	Almost certain	Major physical + reputation + service	<ul style="list-style-type: none"> • Rigorous service and financial planning and regular monitoring and active management through S&FPG, SMT and Policy Review. • Efficiency Plan in place to secure 4 year funding from Government to enable more informed medium-term budget strategy • Savings programme, service reviews and restructuring. • Staffing, economic and environmental impact assessments. • In-year savings exercise as necessary • Rationalisation of Council assets and accommodation • Delivery of capital receipts/rigorous monitoring of capital receipts realisation and impact on the budget • A large proportion of future funding for Adult social Care will come via the STP (Sustainable Transformation Partnership) this is a Shropshire-wide partnership and the financial pressures facing Shropshire CCG present a risk, mitigating factors are that we 	RP	Rare	Major: physical + reputation + service

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
				<p>are represented at all levels and an agreed governance structure in place.</p> <ul style="list-style-type: none"> • Understanding the impact of the potential loss of any European Union funding. • If necessary contingency plans reviewing phasing of planned capital expenditure, schemes included in capital programme, alternative potential disposals and further revenue budget cuts would be prepared • Review of reserves and balances against risk exposure and available contingency • Review of financial policies • Safeguarding Children Cost Improvement Plan • Adult Social Care Cost Improvement Plan • Commercial project(s) for additional income generation • Housing Investment Programme • Commercial Strategy • “Culture Change” to budget management by managers • Specialist legal advice as required • Cabinet Members regularly briefed 			
3	The impact of organisational and culture change in the Council and partner organisations within the constraints of the	Almost certain	Major: reputation + service	<ul style="list-style-type: none"> • “Being the Change” sets out organisational focus to manage on-going funding cuts. AD service plans driving delivery of this strategy. • Engagement and communication with all staff through structured sessions and interactive 	RP	Rare	Major: reputation + service

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
	public sector economy			<p>sessions with Cabinet to support Co-operative working</p> <ul style="list-style-type: none"> • Regular meetings with Trade Union representatives • Loss of service delivery performance and risk exposure monitored through SMT • New Workforce Development Strategy (see 8 below) • Constitution – assurance by AD's, Finance, Legal, Internal Audit and external reviews (i.e. External audit and government bodies) • Transparency agenda • Codes of conduct • Maintaining communication channels with appropriate senior executives and LSP Executive as a public sector leader forum. • Partnership working through Safeguarding Boards, Health & Wellbeing Board, Community Safety Partnership, Children & Family Partnership • Programme to deliver Single Status 			
	The impact of losing skills, knowledge and experience (retention & recruitment)	Almost certain	Significant: service + reputation + financial	<ul style="list-style-type: none"> • Workforce Development Strategy focussing on four themes: Employer of choice; Planning for the Future; Healthy Organisation; Workforce of the Future. • Each AD service area has a workforce plan considering <ul style="list-style-type: none"> - skills gap analysis and needs - apprenticeships 	RP	Likely	Significant: service + reputation + financial

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
				<ul style="list-style-type: none"> • Specific HR policies: <ul style="list-style-type: none"> ○ use of market factor weighting for key groups (ICT software developers) ○ flexible working policy ○ staff benefit scheme • “Grow your own” scheme for social workers. • Lean Review of recruitment process and the development of the Council’s employment “offer” • Council values, ethos, rewards and recognition 			
	Significant business interruption affecting ability to provide priority services	Almost certain	Significant: service + reputation	<ul style="list-style-type: none"> • Each Service Delivery Team has Business Continuity Plans to enable them to respond appropriately (people, systems etc.), these are reviewed annually and updated following team changes and or incidents. • Serious Incident Protocol been adopted. • Investment in ICT infrastructure. Data centre investment complete. • Improvement/upgrade/replacement of key ICT systems ICT controls – Disaster Recovery facilities in place based on Priority Services in line with Business Continuity Plans. 	JR	Rare	Significant: service + reputation
	Inability to manage the health & safety risks in delivering the council’s functions (including building	Almost certain	Major: physical + reputation + financial	<ul style="list-style-type: none"> • Reviewing, writing and monitoring of health and safety policies through SMT and Health and Safety Committee • Risk based health and safety audit process of service areas and local authority managed schools, which not only audit implementation 	JR	Likely	Major: physical + reputation + financial

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
	security and cyber security)			<p>of health and safety policies but also proactively identifies short comings, actions and controls that need to be in place to manage those risks. Significant findings of the audits are reported back though SMT and Health and Safety Committee.</p> <ul style="list-style-type: none"> • Internal Health and Safety work to Health and Safety Executive (HSE) guidance and revise Policies and Procedures to ensure compliance with legal standards. Revisions reported back through SMT and Health and Safety Committee • Building Security Review completed. • System in place for reporting all accidents, incidents and near misses. Non reportable accidents investigated by service area • All reportable accidents are investigated by Internal Health and Safety Team and significant findings reported to Health and Safety Committee. Other findings reported back to relevant Service area management • Training provided on Health and Safety through a mixture of OLLIE and face to face. • Regular meetings with Trade Unions • Coordination and management of Personal Safety Precautions Risk Register to ensure safety of employees. • Appointed Cyber Security Manager to review and improve cyber security where required. 			

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
	Inability to deliver effective information governance	Almost certain	Major: financial + reputation	<ul style="list-style-type: none"> The Council has an Information Governance Framework which includes the Corporate Information Security Policy (CISP) and other policies (Data protection, Information Sharing policies) Small dedicated team promoting sound Information Governance within the Council and ensuring that good practise is shared across the Council Training and awareness programme put in place annually and Information Governance module(s) on OLLIE forms part of induction Plans in place to assist the Council and its services in the implementation of the relevant aspects of the General Data Protection Requirements 2018 (due by May 2018). 	RP	Likely	Major: financial + reputation
	Inability to respond adequately to a significant emergency affecting the community and/or ability to provide priority services	Likely	Major: physical + reputation + service + financial + environment	<ul style="list-style-type: none"> Work collaboratively with other LRF partner agencies, maintaining effective working relationships with the relevant bodies Maintain appropriate levels of trained staff to be able to respond to an emergency. Maintaining appropriate, risk based contingency plans (Civil Resilience Team) which are exercised and reviewed on regular basis Gorge – Phase II at Jackfield complete. Operation ‘Tangent’ – multi agency plan to respond to landslide in the Gorge is in place and is reviewed and exercised regularly 	JR	Rare	Major: physical + environment + reputation + service + financial

Ref	Risk	Likelihood without controls	Impact without controls	What are we doing to manage the risk? (controls)	Lead Director	Likelihood with controls	Impact with controls
				<ul style="list-style-type: none"> Individual Service Delivery Managers are responsible for maintaining and exercising their Business Continuity Plan. These plans would be coordinated corporately and the emergency plan activated if necessary. 			

TELFORD & WREKIN COUNCIL

RISK MANAGEMENT STRATEGY

1. Introduction

“Risk management”, the understanding, analysing and controlling of risk to enable the organisation to deliver its priorities, is an essential element of effective organisational management. The purpose of this strategy is to ensure the Council has a robust and consistent approach to risk and how the risk management responsibilities set out in the Council’s Constitution are delivered:

1. The governance of Risk Management as set out in the Council’s constitution
2. Assessing and managing risk – the process to ensure that manage risk consistently across the organisation
3. Risk owners and responsibilities

2. Risk Management Governance

The Council’s Constitution sets out the governance arrangements for risk management, including roles and responsibilities:

10 Risk Management

10.1 The Leader of the Council is the lead member for Governance for the Council, including risk management.

10.2 The Managing Director is the lead officer in respect to Governance which incorporates risk management. The Managing Director is responsible for the development, co-ordination and maintenance of the Council’s Risk management processes which form part of the Service Planning process.

However it is the responsibility of all employees and members to ensure that the Council’s risks are properly managed.

10.3 SMT will:

- (a) regularly review the Council’s strategic risks*
- (b) report to the Cabinet on an exception basis when significant risk management issues arise*
- (c) keep the Cabinet Member for Council Finance & Service Delivery updated on their reviews of strategic risks.*

10.4 The Leader and Cabinet Executive will:

- (a) receive the exception reports on significant risk management issues arising during the year; and*
- (b) agree the Annual Governance Statement.*

10.5 The Audit, IG & Insurance SDM will keep the Audit Committee informed of any issues arising from the risk management activities of the Council and exception reports presented to Cabinet. This will enable the

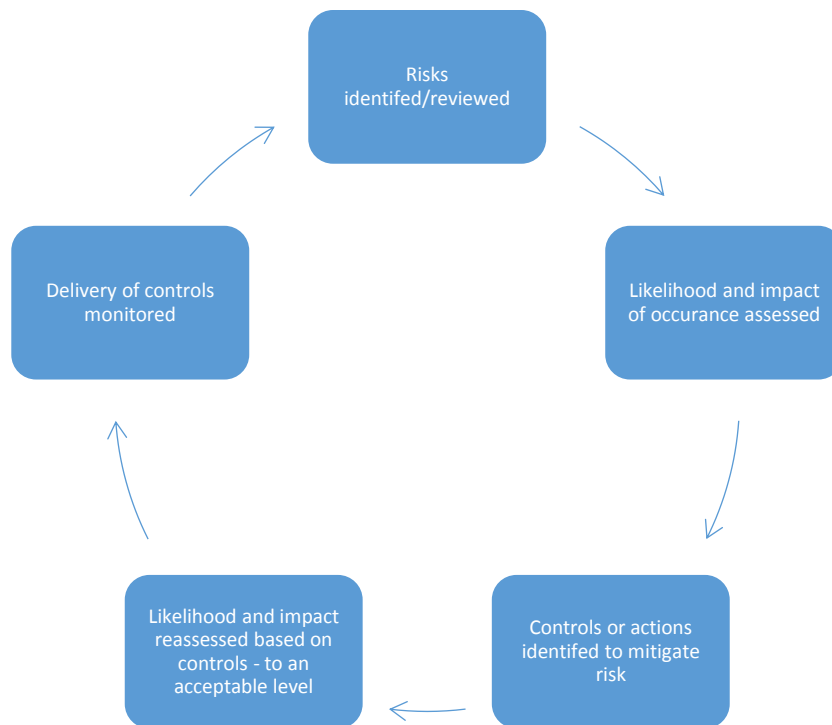
Audit Committee to independently review the Council's risk management processes as set out in their terms of reference.

10.6 SMT is responsible for the management of risks within the services, projects and priorities that they lead. Assistant Directors are also responsible for ensuring that a proper risk assessment is undertaken for all new activities, projects, changes to services or partnership arrangements and that where required controls are implemented or revised to manage these new/revised risks.

10.7 Each Assistant Director submitting a report to the Leader and Cabinet Executive, the Council or one of the Council's committees must ensure that any opportunities or risks arising from the proposed action or decision are clearly included in the impact assessment contained in the report.

3. Assessing and Mitigating Risk

3.1. To assess and mitigate or control risk, the following process is completed:



3.2. To ensure consistency, the following criteria for “Likelihood” and “Impact” should be used.

“Likelihood”

Occurrence	Description
Unlikely	Unlikely to ever occur
Rare	May occur only in exceptional circumstances
Likely	Will probably occur at some time
Almost certain	Is expected to occur in the foreseeable future

“Impact”

Descriptor	Financial	Reputation	Physical	Environmental	Service
Insignificant	Low	No damage	None	None/ insignificant	No loss of service
Minor	<£50K	Minimal/ minimal media/ social media	Minor	Minor locally	Internal disruption only, no loss of service
Moderate	£50K to £1m	Extensive local media/social media	Violence or threats of serious injury requiring medical treatment	Moderate locally	Disruption/ loss of service less than 48 hours
Significant	£1m to £5m	National media/social media	Extensive/ multiple injuries	Major local impact	Disruption/ loss of service less than 7 days
Major	>£5m	Extensive national media (lead item)/social media	Extensive multiple injuries/ death	Major national/inter national	Severe disruption/ loss of service more than 7 days.

3.3. The level of acceptable risk will vary from topic to topic which will need to be agreed with Cabinet/Cabinet members as appropriate, through for example Service & Financial Planning.

3.4. Example Risk Register

Risk	Without controls		Controls	With controls	
	Likelihood	Impact(s)		Likelihood	Impact(s)

4. Risk Ownership & Monitoring

4.1. Risk will be articulated through the following arrangements:

Corporate Strategic Risk Register

- Owned by SMT and focussed on risks to the delivery of the organisation’s priorities. These risks are typically cross-cutting and have “major” or “critical” impact against any of the following themes: financial; reputation; physical; environmental; service.
- This register is reviewed by SMT at least twice a year and then presented to Cabinet for agreement. It is also presented to Audit Committee annually for review.

Service Plans

- Each service area led by an Assistant Directors will include within their service plan an analysis of risk. This will focus on the risks that will impact primarily on the service’s ability to deliver its stated objectives.

Organisational Delivery & Development

December 2017

Review date December 2018

Telford & Wrekin Council

Unaudited Statement of Accounts

2017/18

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Telford & Wrekin Council

Unaudited Statement of Accounts

2017/18

Financial Statements

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

Narrative Report

The Narrative Report provides a summary of the Council's performance for 2017/18 and is presented in the following sections:

- A. Organisational Overview
 - Introduction
 - Background Information
 - The Council's Financial and Reporting Cycles
 - An Overview of the Budget 2017/18
 - Workforce Analysis
- B. Governance & Transparency
- C. Being the Change - Operational Model
- D. Risks and Opportunities
- E. Performance
 - Revenue Outturn for 2017/18
 - Issues Highlighted during 2017/18
 - IAS Note 19 – Retirement Benefits
 - Capital Outturn 2017/18
 - Provisions
 - Achievements during 2017/18
- F. Strategic Outlook
- G. Looking Ahead
- H. Basis of Preparation
- I. Statement of Accounts – Explanatory Overview
- J. Further Information

A. ORGANISATIONAL OVERVIEW

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 including Telford New Town, the market town of Newport and the UNESCO World Heritage Site, the Ironbridge Gorge – the birthplace of the industrial revolution. Surrounded by countryside and farmland, more than two thirds of the Borough is classified as rural.

The Council delivers a vast range of services to its community, of around 175,000 people, including Education, Waste Collection and Disposal, Care for Vulnerable Adults and Children, Libraries, Leisure Centres and Play Facilities.

The Council’s Vision for the Borough is

“Telford & Wrekin – the place to live, learn, work and do business”.

OUR PRIORITIES TO DELIVER THE VISION ARE:



The Council Plan, which is available on the Council’s web site (link below), identifies the organisation’s strategies to deliver these priorities.

Partnership working is very important to the Council and makes a real and positive difference to community life. ‘Shaping Our Future: Our Journey to 2020’ (link below) sets out what the Council and its partners will focus on to achieve common targets. Working with other organisations to develop and deliver alternative service solutions is a key aspect of the Service & Financial Planning Strategy so that communities become more resilient and self-supporting.

Council Plan	http://www.telford.gov.uk/downloads/file/1604/council_plan
Shaping Our Future	http://www.telford.gov.uk/downloads/file/1603/shaping_our_future_-_telford_and_wrekins_journey_to_2020

2. Background Information

Political Context

The Borough is divided into 30 wards and there are 54 Councillors. Borough elections are held every 4 years, with the next election due in 2019.

The Council operates a Leader with Cabinet decision making system. The Council is currently Labour controlled.

Legislative Framework

The Council operates within the legislative and regulatory framework as determined by Government. The Statement of Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting and the 2015 Accounts and Audit Regulations, and comply with the relevant Local Government Acts, Accounting Standards and other CIPFA guidance.

Economic Profile

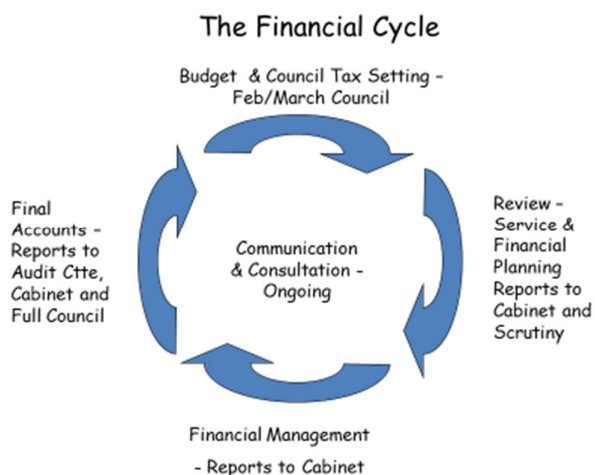
The Borough has a diverse manufacturing sector, a flourishing tourism sector and research and development facilities. There is a strong focus on manufacturing with other important sectors being advanced engineering, food and drink, construction, education and retail.

An estimated 80,900 people were employed in the Borough in the year to September 2017.

There were 6,250 business units, in VAT and/or PAYE based enterprises in the Borough in 2017, an increase of 185 from the previous year.

An estimated 3,900 of the Borough's working age population were unemployed between October 2016 and September 2017, down 300 from the previous year.

3. The Council's Financial and Reporting Cycles



Reports to Council, Cabinet and Audit Committee can be accessed via the Council's web site.

4. An Overview of the Budget 2017/18

The Council's 2017/18 budget was set in the context of a three year service and financial planning strategy which covered the period 2017/18 to 2019/20. 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 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 2017/18 £13.8m of budget savings were delivered, which was on top of £96.2m made in the previous 8 years. A further £30m of savings are expected to be needed in the next 3 years: 2018/19 to 2020/21.

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 to generate income to help reduce the level of cuts to front line services.

The Cabinet published its draft service and financial planning strategy for 2017/18 to 2018/19 in January 2017 which was followed by a period of consultation. The final budget strategy was approved at Council in March 2017 taking account of consultation responses.

Council tax was increased by 3.2% in 2017/18 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 £950 per year.

The table below shows how Net Revenue Spend was funded. Government funding cuts meant that Revenue Support Grant (RSG) was 25% lower in 2017/18 than in 2016/17.

2017/18 Budgeted Net Revenue Spend		
	£m	%
2017/18 Total Net Revenue Spend	121.194	
Funded From:		
Government Grant (RSG and Top Up)	22.636	19
Retained Business Rates	36.673	30
Council Tax	59.410	49
Collection Fund and Balances	2.475	2
Total Funding	121.194	100

The medium term planning period was one of continuing uncertainty due to the timing and unknown impact of changes to the Government's funding mechanism for local government i.e. changes to the Business Rates Retention scheme and a new approach to assessing local needs, despite the Revenue Support Grant figures being provided through to 2019/20.

5. Workforce Analysis

As at 31 March 2018 Telford & Wrekin Council employed 2,729 people [2063.6 FTEs]. At 31 March 2017 the comparative figures were 2,674 people [2,045 FTEs]:

	31 March 2017		31 March 2018	
	Head Count	FTEs	Head Count	FTEs
Male	690	609.15	715	619.93
Female	1,984	1,435.90	2014	1,443.64
Total	2,674	2,045.05	2,729	2,063.57

The increase reflects recruitment to vacant posts. Information relating to gender pay data (measuring any disparity in pay between the average earnings of male and female employees) is published on the Council's web site (see link below).

Gender Pay Information	http://www.telford.gov.uk/downloads/file/7020/gender_pay_gap_-_2017
------------------------	---

B. GOVERNANCE & TRANSPARENCY

The 2017/18 Annual Governance Statement is included within the Statement of Accounts – see page 28. The Statement outlines that the Council has adhered 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.

The Council is committed to openness and transparency and publishes details of all spending over £100 every month (link below). The Statement of Accounts are a public record of the Council's financial position for 2017/18; 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.

Spend Over £100	http://www.telford.gov.uk/info/20110/budgets_and_spending/55/expenditure_over_100
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C. BEING THE CHANGE - OPERATIONAL MODEL

Despite the severe financial constraints, Telford & Wrekin is a progressive Council with ambitions to improve the Borough and lives of residents. The organisation and how services are delivered have had to and will continue to change. The organisational strategy "Being the Change" sets out how this is being achieved, based around four themes:



1. Solving problems and promoting social responsibility to reduce demand for services – the Council can no longer afford to, neither is it right that the Council can fix every family or community challenge. It is the role of the Council to work with and support families and communities to stop these needs developing in the first place and so reduce demand on our services.

2. Challenging and changing, reviewing and reimagining the way we do things – despite the savings we have had to make we have worked hard to avoid simply cutting services to balance the books – this would be the easy thing to do. We have had to be creative and find new ways to deliver services and ensure that our services are as efficient as possible. For example, working with Town and Parish Councils, community groups and organisations to deliver libraries, community centres, markets, children’s centres and youth services.

3. Reducing our Dependency on Government Grants – this is an essential part of our financial strategy; to increase and maximise income into the Council from sources other than Government Grants, for example the Solar Farm, Nuplace (a wholly owned housing company) and securing external funding.

4. Being a Modern Organisation, with Modern Practices and where we always get the Basics Right

- **Workforce** – the Council has a hard working and dedicated workforce committed to the values of service and making a difference to the community. Our workforce strategy sets out how we will work to continually support the workforce to ensure that they have the right skills and knowledge to deliver services.
- **Technology** – investing in ICT to keep our systems up to date is an essential part of “Being the Change” which will drive efficiencies and savings as well as ensuring that the ICT network is robust.
- **Customer Focus** – improving the customer journey and outcomes by driving digital transformation including the enablement of “self-service” at the customer’s convenience through “My Telford”. Full detail is in the Council’s digital strategy.

- **Performance** – our performance framework tracks the progress we are making delivering our priorities. This is an essential part of our approach to evidence based decision making.
- **Financial Management** – the Service & Financial Planning Strategy sets out how we will use our money to deliver our priorities and value for money including where we will invest more in our priorities and where we are still required to make savings and deliver efficiencies.

D. RISKS AND OPPORTUNITIES

The strategic risk register identifies the substantive issues which need to be managed but which could impact negatively on delivery of the Council's priorities. The key strategic risks identified for 2017/18 are listed below, with details of the steps that the Council is taking to manage these key risks included in our risk register.

Death or serious harm of a vulnerable child or vulnerable adult (Breach of duty of care)
Inability to match available resources (financial, people and assets) with statutory obligations, agreed priorities and service standards
Inability to deliver financial strategy including capital receipts, savings and commercial income
The impact of organisational and culture change in the Council and partner organisations within the constraints of the public sector economy
The impact of losing skills, knowledge and experience (retention and recruitment)
Significant business interruption affecting ability to provide priority services
Inability to manage the health and safety risks in delivering the Council's functions (including building security and cyber security)
Inability to deliver effective information governance
Inability to respond adequately to a significant emergency affecting the community and/or ability to provide priority services

The full risk register (link below) assesses the likelihood and impact of each risk together with the controls in place to manage and mitigate these. The risk register is reviewed and updated on a regular basis.

Risk Register	http://apps.telford.gov.uk/CouncilAndDemocracy/Meetings/Download/MjA2NTY%3d
---------------	---

The Council continually seeks and seizes opportunities. The organisational strategy "Being the Change" themes described in Section C of the Narrative Report identifies the opportunities being taken to develop services; some of the key opportunities for the future being:

Ongoing investment through the Telford Growth Fund in our Property Investment Portfolio, as part of the "Business Winning, Business Supporting approach" to boost jobs, the economy and generate income
Increasing income through trading and new commercial projects (including continuing to support and develop Nuplace, the Council's wholly owned Housing Company to provide new homes for rent)
Bringing more public services together so that people get what they need at the right time and in the right place

Involving local people and our employees in the planning and running of services
Supporting communities better and encouraging local people and organisations to do more to help their communities
Channel Shift by providing services and information in the most efficient way, encouraging “self-service” and the use of “apps” such as the Everyday Telford App

E. PERFORMANCE

The core elements of the Council’s corporate planning framework are:

- **Council Plan 2018/19 to 2019/20** – identifies the organisation’s community priorities and strategy to deliver these priorities in a period of unprecedented change for local government (link below).
- **Service & Financial Strategy** – focussed on allocating our financial resources to services to deliver organisational and statutory priorities (link below),
- **Workforce Strategy** – sets out our approach to upskilling and supporting the workforce to ensure that they have the skills and knowledge to deliver their objectives. This has been underpinned by an additional £250,000 investment. It has 4 themes:
 1. Employer of choice – through effective HR policies to attract employees of the right calibre to the organisation.
 2. Planning for the Future – robust, effective service planning.
 3. Healthy Organisation – supporting the health and mental wellbeing of employees.
 4. Workforce of the Future - good, effective workforce planning to cover, for example skills and succession planning.
- **Risk Register** - the Council keeps strategic risks under review through its Risk Register. These risks are used to inform the allocation of resources through the Service & Financial Strategy (link below).
- **Performance Framework** – the corporate performance framework is composed of a basket of measures to enable the organisation to understand progress in the delivery of our community priorities. This is reported to Cabinet twice a year (link below).
- **Service & Workforce Plans** – each Assistant Director led-area produces an annual service plan which identifies their objectives against our community priorities. These plans also consider risks to delivery and identifies actions to ensure that the workforce has the necessary skills and knowledge to deliver these objectives. These workforce plans feed into the corporate Learning & Development plan.

Council Plan	http://www.telford.gov.uk/downloads/file/1604/council_plan
Service & Financial Planning Strategy	http://apps.telford.gov.uk/CouncilAndDemocracy/Meetings/Download/MjA2NDA%3d
Risk Register	http://apps.telford.gov.uk/CouncilAndDemocracy/Meetings/Download/MjA2NTY%3d
Performance Report	http://apps.telford.gov.uk/CouncilAndDemocracy/Meetings/Download/MjA2ODQ%3d

1. Revenue Outturn for 2017/18

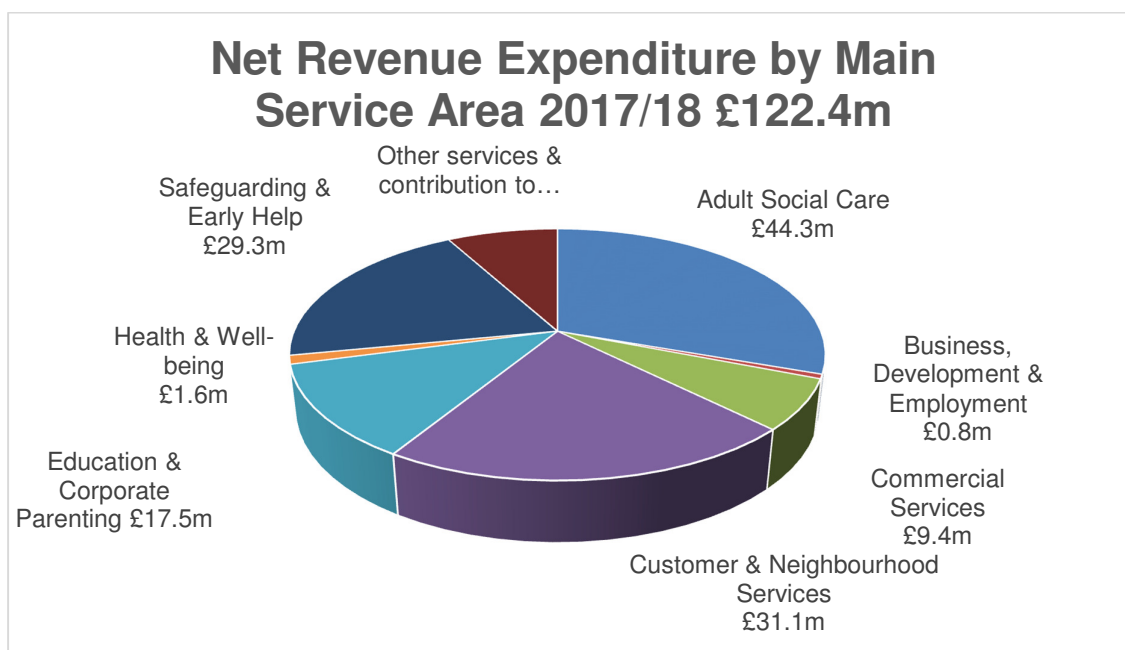
Final net service expenditure for 2017/18 was £121.044m compared to a budget of £121.194m, an underspend of £0.15m (or -0.1%). This was also after making a number of provisions to support priorities and sustain the financial position going forward. Given the context of the Council having to make £14m of budget savings in 2017/18, on top of £96m delivered in previous years, giving a total of £110m, 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 13)	121.194	121.044	-0.150
Funding Variance	0.000	1.161	1.161
Contribution to (+)/from (-) balances	0.557	0.000	-0.557
Service Outturn (see page 12)	121.751	122.205	0.454
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances	-121.194	-122.355	-1.161
Net General Fund position	-0.557	0.150	0.707
	-121.751	-122.205	-0.454

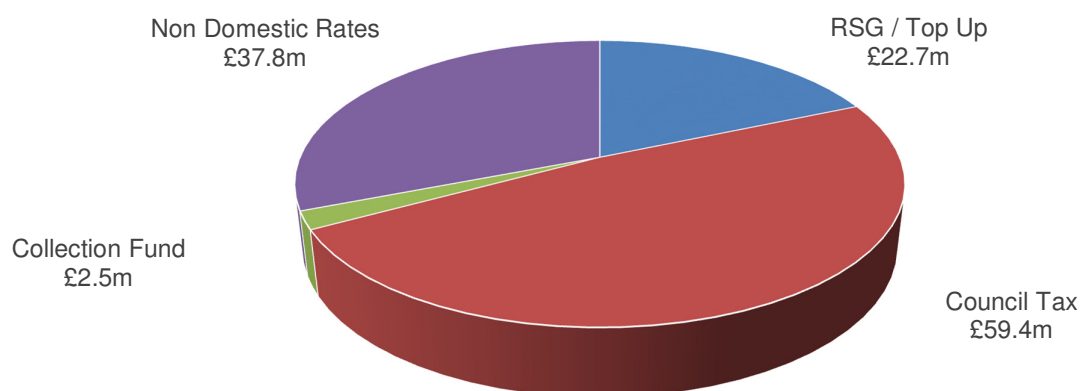
This position can be reconciled with the formal Income and Expenditure Account as shown below.

Total expenditure is £122.205m from the above table plus the contribution to balances of £0.15m giving a total of £122.355m.

The following two charts show Net Revenue Spend by Service for 2017/18 and how it is funded.



Sources of Finance 2017/18 £122.4m



The outturn position has resulted in a general fund balance of £4.051m and a special fund balance of £0.756m, giving a consolidated balance of £4.807m. The total for all reserves and usable revenue balances held by the Authority is £84.5m, although almost all of this is held to meet known or likely commitments.

Description	Expenditure £m	Income £m	Net Expenditure £m
Net Cost of Services (See Comprehensive Income and Expenditure Account on page 40)	446.787	314.127	132.660
Trading Services	4.417	8.741	(4.324)
Pensions Adjustments under IAS 19	(9.321)	0.000	(9.321)
Interest Payable and Similar Charges	8.813	0.000	8.813
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(0.164)	0.000	(0.164)
Interest and Investment Income	0.000	0.016	(0.016)
Capital Grants and Revenue Grants Unapplied	0.000	(30.607)	30.607
Remove Depreciation & Impairments, REFCUS etc. from Net Operating Cost	(49.224)	0.000	(49.224)
Accumulated Absences	(0.547)	0.000	(0.547)
Minimum Revenue Provision	0.467	0.000	0.467
Net Movement on Reserves	13.254	0.000	13.254
Total Service Outturn (see table on page 11)	414.482	292.277	122.205

2. Issues Highlighted During 2017/18

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

Service	Budget £m	Outturn £m	Variation £m
Adult Social Care	43.980	43.601	-0.379
Business, Development & Employment	-0.946	-1.539	-0.593
Cooperative Council Team	1.364	1.194	-0.170
Commercial Services	0.095	-0.076	-0.171
Corporate Items	3.604	3.399	-0.205
Council Wide	3.658	5.057	1.399
Customer & Neighbourhood Services	26.848	26.456	-0.392
Education & Corporate Parenting	5.183	5.634	0.451
Finance & Human Resources	7.812	4.601	-3.211
Governance, Procurement & Commissioning	3.227	3.169	-0.058
Health & Wellbeing	1.262	1.126	-0.136
Safeguarding and Early Help	25.107	28.422	3.315
Final Outturn	121.194	121.044	-0.150

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

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

Service Area	Variance £m
<u>Business, Development & Employment</u>	
Regeneration & Investment – net position relating to the Property Investment Portfolio & service charges which included early delivery of income arising from the Telford Growth Fund Investment.	-0.943
Development Management – net planning fee income shortfall.	+0.309
Development Management – planning appeals costs.	+0.106
<u>Finance & HR</u>	
Treasury Management – the benefit was due to reduced borrowing costs associated with short-term borrowing at current very low interest rates. The position is regularly monitored by senior finance staff and the Council's external treasury management advisors and some longer term	-2.747

<p>borrowing was undertaken in 2017/18 to manage the risk of interest rate exposure.</p> <p>Human Resources – additional external income generated from the provision of services and project work for external clients both within and outside the Borough.</p>	-0.100
<p><u>Cooperative Council Team</u></p> <p>There were no variations over £100k to report for the year.</p>	
<p><u>Children’s Safeguarding & Early Help</u></p> <p>Children in Care Placements – the number of looked after children at the end of the year was lower than at the end of 2016/17 at 364 compared to 381. However there were more children in higher cost residential and external foster care than anticipated. The service is developing strategies to attract more internal foster carers and has a 4 year placement model with a target of reducing the total number of placements.</p> <p>Staffing (Safeguarding) – included the cost of agency social workers during the year. The Service has a number of strategies to attract and retain staff with the aim of reducing this cost in 2018/19.</p> <p>Legal – the increased level of activity and complexity led to an increase in court fees and the use of barristers.</p> <p>Assessments – underspends reflect the creation of an in house service offering mother and baby assessments which reduced the requirement for residential placements.</p> <p>Independent Review Staffing – difficulties recruiting during the year led to the use of agency staff which resulted in an overspend.</p>	<p>+2.478</p> <p>+0.119</p> <p>+0.118</p> <p>-0.315</p> <p>+0.119</p>
<p><u>Education & Corporate Parenting</u></p> <p>Advisory Management and School Improvement traded Advisory Service - This related to a shortfall against the income target for this area following the transfer in 2016/17 of the Advisory team. Work is ongoing to identify further savings in the future.</p> <p>School Transport – the overspend related to a savings target not yet delivered. Further work is being undertaken to meet the target by a specialist Project Officer to identify further efficiency savings.</p>	<p>+0.180</p> <p>+0.398</p>

<u>Adult Social Care</u>	
Purchasing budgets – pressures on care costs from both price and demand had been reported throughout the year. The Service have a cost improvement plan with the aim of reducing the overspend in 2018/19.	+4.313
Purchasing budgets – income from client contributions, funding from the CCG and grant funding.	-4.373
Community Safeguarding & Social Work – employee related savings.	-0.148
Community Early Help – employee related savings due to vacant posts.	-0.441
<u>Governance, Procurement & Commissioning</u>	
Strategic Procurement – the underspend mainly related to employee savings including vacant posts.	-0.139
<u>Health & Wellbeing</u>	
Public Health – employee savings arising from a service restructure delivered earlier than budgeted.	-0.122
Public Health – performance against contracts was lower than budgeted which led to an underspend during 2017/18.	-0.347
<u>Customer & Neighbourhood Services</u>	
Winter Maintenance – costs associated with additional gritting during snow and cold weather.	+0.360
Engineering Service – income shortfall from Engineers fees, net of savings from vacant posts. A review of the service took place during 2017/18 and a new structure was implemented which together with operational savings will reduce costs; a revised income target has also been agreed in the 2018/19 budget to resolve the ongoing pressure.	+0.154
Highways – additional income received from road closures, Fixed Penalty Notices and Section 74 relating to the new Roads and Street Works Act.	-0.143
Highways – additional staff costs to cover vacant posts.	+0.107
Waste – overspend due to increased tonnages for waste transport, treatment and disposal offset by reductions in tonnages for sweeping, green waste and collection costs.	+0.155
Contract Procurement Costs – one off benefit of capitalisation using time limited Government flexibilities.	-0.150

Housing Benefit - recovery of housing benefits overpayments arising from proactive work undertaken by the benefits team.	-0.508
Public Protection – staff savings due to service changes implemented.	-0.115
<u>Commercial Services</u>	
Housing, Nuplace & Commercial Projects – restructure savings delivered early and one off savings from vacancy management.	-0.114
ICT – overachievement of income from project delivery and selling of services.	-0.105
Admin Buildings – underspend related to NNDR refunds and reduced maintenance costs.	-0.301
Catering – pressure arising from higher than anticipated levels of price inflation on food costs; mitigating steps have been taken throughout the year including revised menu choices. The Service Area will continue to monitor and implement a cost improvement plan in 2018/19.	+0.128
Catering – capitalisation of catering upgrade costs using time limited Government flexibilities.	-0.163
Leisure Services – Ice Rink income shortfall which follows a national downturn in skating. A number of initiatives and promotional activities have been undertaken which has improved the position towards the end of the year and will continue into 2018/19.	+0.136
<u>Corporate Items</u>	
Purchase rebates – rebates from corporate contracts.	-0.130

3. 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 decreased by £11.76m; 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 £14.931m (comprising contributions of £11.209m plus a lump sum payment of £3.722m). Following the valuation at 31/3/17 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.

4. Capital Outturn 2017/18

The Council spent £85.54m on capital projects during the year, an underspend of £16.11m against budget within the year, although this will be re-phased into future years. The detail is shown in the table below:

Policy Area	2017/18 Approved Budget £m	2017/18 Expenditure £m
Adult Social Care	1.15	0.72
Health & Wellbeing	0.39	0.34
Business, Development & Employment	52.20	48.09
Customer & Neighbourhood	22.41	20.27
Education & Corporate Parenting	10.23	7.57
Commercial Services	7.91	6.14
Governance, Procurement & Commissioning	0.53	0.34
Cooperative Council	2.10	0.01
Finance & HR	4.73	2.06
Total	101.65	85.54
Funded by:		
Prudential Borrowing	56.78	52.55
Capital Receipts	7.44	2.25
Government Grants	24.26	21.30
Revenue	3.67	1.42
Other External Sources	9.50	8.02
Total	101.65	85.54

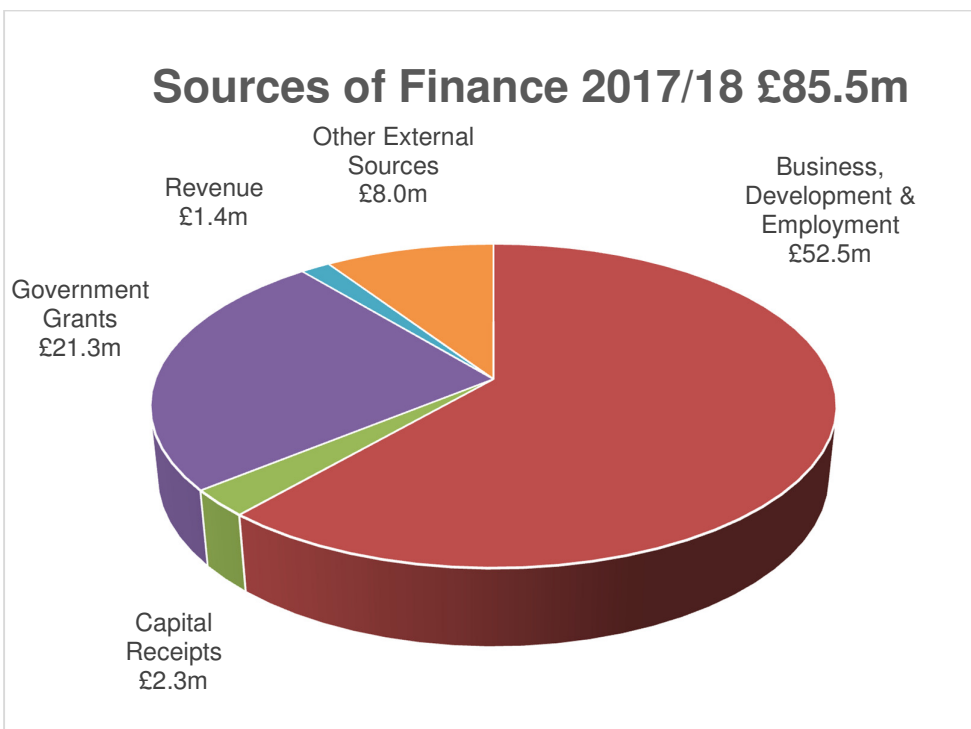
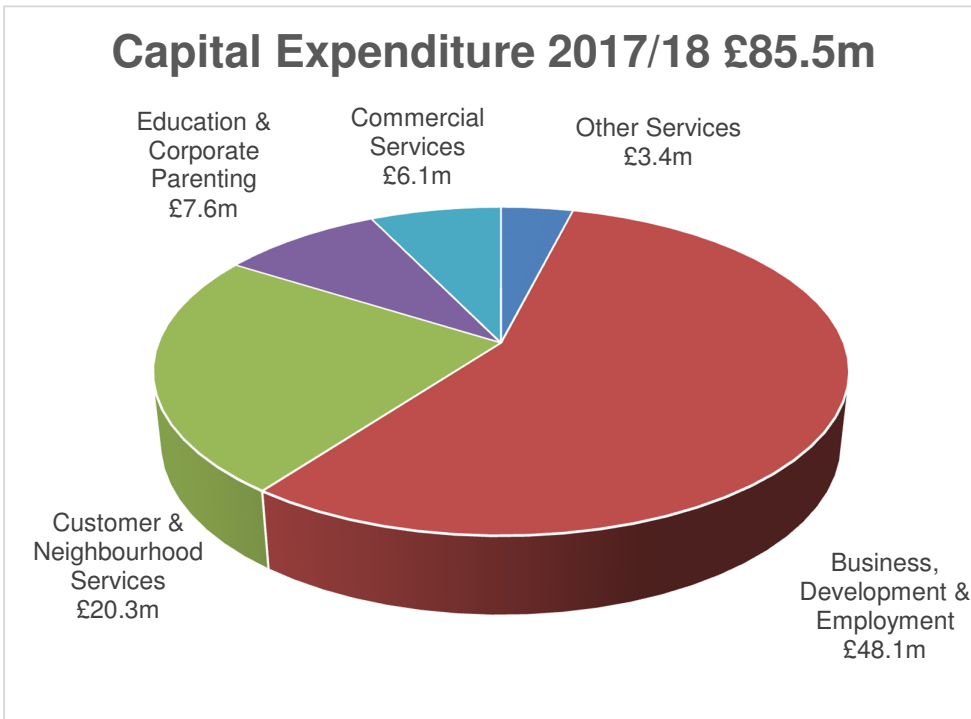
The Council has ready access to borrowings from both the Money Markets and Public Works Loans Board (PWLb), who also act as a lender of last resort to Councils (although it would not provide funding to a Council whose actions are unlawful).

Overall the Council's net indebtedness is £227.8m at 31st March 2018 which is an increase of £34.1m from the previous year.

The Council has a 28 year (from 2006/7) 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 are 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 2017/18 the Authority made payments of £10,207,037 (£10,019,382 in 2016/17) 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.

The following two charts show Capital Spend by Service for 2017/18 and how it is funded.



5. 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 2018 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 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2017/18 accounts, as was the case last year and previous years. The amount in the provision at 31 March 2018 was £15.8m, £3.4m relates to schools, (31 March 2017 was £16.0m, £3.6m related 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, £7.8m is estimated as the amount required to set aside for this purpose at the end of 2017/18. Telford & Wrekin Council's proportion of this is £3.8m (49%).

Litigation Costs – A provision has been created for 2017/18 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.

6. Achievements During 2017/18

Through 2017/18 Telford & Wrekin Council continued to drive the efficiency and effectiveness of its services:

People

Children and Adults

We want children to live safely at home but where they can't we want the very best for our children in care and care leavers. To this aim, we have seen the number of children on child protection plans reduce and, through the year, the number of children in care stabilise and start to fall. We are working to do this in a child-centred, safe way through effective care planning focussed on 'best outcomes' for the child. One of the drivers of this change is our Family Solutions Service which work intensively with children and their families who are on the cusp of coming into care – this service development has been funded by an 'invest to save bid'.

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. A key objective for the Council is for every child to be in a good or outstanding school and making at least good progress.

Overall, 84% of children attend a school which is judged as good or outstanding by OFSTED. Whilst overall a positive picture, there are a small number of secondary schools which need to improve to achieve this level. Generally, the attainment of pupils at each of the Key Stages is at least in line with national averages and well above this across a number of individual indicators.

The Government has set targets which have been adopted by the Council to work with families who need additional support through the "Troubled Families" programme. This target of 354 families worked with was achieved in 2017/18.

A key part of our Adult Social Care strategy is to ensure that the right people get the right help, so that our limited resources are appropriately targeted at the most vulnerable in our communities. This is ever more critical as demand continues to grow on this service. From 1,547 new contacts into the service, 20% of people have needed a formal Care Act Assessment (December 2017). The other 80% have been provided with early information & advice and signposting to other agencies or the voluntary sector.

We continue to reduce the number of people who move into residential care enabling people to remain in their own home by meeting their needs using a range of support services, for example re-enablement following a period of ill health or hospital admission, assistive technology as well as domiciliary support. We have some challenges around the long-term impact of our approach to re-enablement when we compare our rate to other local authorities. However, our work with partners around GP surgeries is helping us improve our performance.

The pressures within the NHS are well rehearsed. It is essential that we continue to play our part by ensuring that people who are ready to leave hospital are enabled to do so. We are successfully supporting this as measured by "Delays in Transfer from Hospital". Our performance is better than both the national and regional rates.

Health

Improving the health and lifestyle of the population remains a significant challenge in the Borough. Although there are still areas of challenge, progress continues to be made with breastfeeding initiation, reducing smoking and reducing excess weight. We are pleased that teenage pregnancy is the lowest it has ever been, but again, this remains a local priority.

Places

Our 'Pride in Our Community' Programme is the core driver of our approach to this priority with the Council investing £45m, spread over a 3 year programme to maintain and improve the green spaces, neighbourhoods, street lighting, roads, structures and footpaths across the borough. As a result:

- We are 2nd out of 104 highway authorities for overall satisfaction for Highway Services as part of the NHT Annual Survey 2017.
- The condition of our major A, B and C Roads are all above regional and national averages. The A Roads are some of the best maintained in the Country.
- Journey times are 2nd best in the country for Local Authority A Roads.
- We are half way through the borough-wide deployment of our LED street lighting programme and are on track to achieve over £300K per annum savings in energy by 2019.
- We are achieving our waste recycling targets and our new Household Recycling Centre at Hortonwood is getting excellent customer feedback and usage. We have virtually no landfill left in our Borough with all household waste either being recycled or being burnt for energy usage.

In addition to Pride funding, we have secured significant external investment in the road infrastructure to support job creation and housing growth. This is essential to sustain the quality of our roads and sustain journey times:

- Delivered £17.4m Growth Point Package,
- £5.2m Eastern Gateway,
- £1.9m Telford Bus Station,
- £12.3m Telford Town Centre Connectivity Project, and
- £9.3m Newport Innovation and Enterprise Package

Core to supporting our Place Agenda is our enforcement activity – over the past 12 months we have refocused this to sharpen its impact. This is a broad agenda ranging from the prosecution of private landlords who rent out dangerous or sub-standard properties, to utility companies working on our highways who breach their licence conditions through to the prosecution of a minority of people who commit environmental crime and anti-social behaviour activity. To underpin this, we have invested significantly in staff training and the delegation of enforcement powers to key officers to allow them to issue fixed penalty notices but also giving them powers to gather evidence correctly should we need to undertake prosecutions for more serious and persistent offenders.

Economy

We continue to see strong business investment inquiries which are translating into investment into the Borough. Advanced manufacturing remains core to this as does ICT and digital services. Key foreign companies that have invested into the Borough include:

Company	Sector	Jobs (c.)	Origin
Cosma (Magna International Inc)	Manufacturing	300	Canada
Incessant Technologies	IT Services	30	India
Logical Plastic UK	Manufacturing	70	United Arab Emirates
CSA IT Services Limited	IT Services	10	Turkey
MyHotelUpgrade	IT Services	10	Ireland
Travel Forum Ltd	IT Services	10	South Africa
Choicemaster Limited	IT Services	20	South Africa
Capgemini	IT Services	30	France
Polytec	Manufacturing	150	Austria
Total investments 9		630	

Growing and diversifying our business base and providing the conditions for new businesses to grow, is a core objective. To this aim, business births exceeded deaths in 2016/17 for the 3rd consecutive year. We are investing to create the opportunities to support new businesses, including the delivery of new start up/incubation space via land acquired at Hortonwood West where the Council is investing profit share earned through the success of Telford Land Deal and Newport Innovation Park. This is alongside investment into site preparation and power upgrades to support investors acquiring suitable land quickly.

Fibre broadband infrastructure is key to the economic growth of the borough and underpins the benefits that digital connectivity brings. 98% coverage has been achieved and the authority is committed to getting quality broadband to as many as possible in a journey to 100%. Other existing initiatives beyond the build programme are in place and new opportunities are being explored over the coming months.

We continue to provide coordinated business support to companies across the Borough working effectively with the Marches LEP. We exceeded our 2016/17 outturn (900) for business support in the first 6 months of 2017/18 with 1,052 SME supported via the Marches Business Support Programme and 35 start-ups (retail; IT; office services).

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 (see Section C of the Narrative Report). The four themes of this strategy have informed the development of the Council's Efficiency Strategy.

At the end of 2017/18, the Council had delivered budget savings of £110,000,000. These savings are ongoing, meaning that they have to be made every year and that each year the Council now has around £1,500 less to spend on delivering services for every household in the Borough.

We have developed a track record of taking on new ventures to deliver income to the Council and protect front-line services:

- A solar farm providing £4.4m profit over 25 years.
- Established "NuPlace", a housing company which will provide around 400 new homes for private and affordable rent, with the first homes now occupied.
- Established a Growth Fund to invest in development of premises for businesses to encourage job creation and retention as well as generating additional rental income and business rates income.

"Securing external funding" – again we have successfully driven this agenda, including £25.15m through the Marches Local Enterprise Partnership Local Growth Fund. In addition, we have also joined the **West Midlands Combined Authority (WMCA)** and are actively working through this to maximise future opportunities for the Borough to build on the £3.7m already secured from the WMCA. The £3.7m grant we have secured is to kick-start building new homes on stalled brownfield sites in the borough. This brings many benefits – it will see around 540 new homes built as well bringing "derelict" brownfield land back into use and create 240 jobs. Work on these sites has stalled because of high costs for developers to remediate the land. The grant is the equivalent to almost 150 years of WMCA membership fees for the Council. When constructed these new homes will generate additional ongoing income for the Council from Council Tax of over £0.5m pa and New Homes Bonus grant of a similar amount for the first 4 years after construction.

F. STRATEGIC OUTLOOK

The Council has a rolling service and financial planning process. This was updated for 2018/19 formally by reports to the Council's Cabinet in January and February 2018 with final decisions taken at Full Council on 1st March 2018.

A new approach to developing savings proposals is now in place which means that proposals are developed as soon as they arise and consultation and engagement with our community and partners takes place throughout the year in a more meaningful and timely way to deliver more creative solutions. From the ongoing engagement with local people over many years, we know that the people of Telford & Wrekin want to live: - in a safe community; in a clean environment; in a place with good roads and pavements; where there are first class schools

and education facilities; where there are excellent and accessible hospital and GP services; where they have a job and there is a thriving economy. These local priorities form a basis for resource allocation as part of the Service & Financial Planning process.

The decisions on the medium term budget strategy at 1 March 2018 Council reflect the outcome of consultation following publication of the draft strategy on the 4 January 2018.

The provisional funding settlement for 2018/19 was announced very late, on the 19th December 2017, followed by the final settlement on the 6th February 2018; as anticipated the Council faced a very significant reduction in funding. After delivering £110m of savings over the previous 9 years, further savings of over £7m are required in 2018/19.

The agreed strategy for 2018/19 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 £7.6m from general fund budgets;
- funding for unavoidable service pressures totalling £4.1m, comprising £2.2m for Adult Social Care and £1.9m for Children's Safeguarding;
- A commitment to work with partner organisations to seek new solutions to deliver services to minimise the impact of cuts;
- To continue to deliver jobs and investments and provide additional income business rates, council tax and New Homes Bonus.

The decision has been made to increase council tax by 3.2% for 2018/19, which includes the 2% Adult Social Care precept introduced by the Government in 2016/17. As a result, the Council Tax for Council Services in 2018/19 (Band B) is £980 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,261). The medium term strategy assumes an increase of 3.2% in 2019/20 to match the period of the Government's Spending Review and commitment of 4 year settlements.

2018/19 Net Revenue Budget - £m	
2018/19 Total Net Revenue Spend	121.067
Funded From:	
Government Grant (incl. RSG and Top Up)	18.701
Retained Business Rates (incl. S31 grant)	37.892
Council Tax	62.530
Collection Fund	1.944
Total Funding	121.067

Full Council approved the medium term financial strategy on the 1st March 2018 (available on the Council's web site).

G. LOOKING AHEAD

Despite the Government's Four Year Grant Settlement, the funding outlook for the medium term is very uncertain due to the impact of the proposed changes which are in the pipeline. These include -

- the Fair Funding Review underway which is the most significant and fundamental change to local government financing in recent times and encompasses reviewing the Relative Needs formulae, and
- moving to at least 75% 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 late 2019. 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 further savings between £20m-£25m over the period 2019/20 to 2020/21. This would bring the total savings to around £140m 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.

H. BASIS OF PREPARATION

Group Accounts – The Council’s wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015 and the Statement of Accounts for 2015/16 included Group Accounts for the first time. These accounts consolidate the Council and NuPlace’s financial statements for both 2016/17 and 2017/18. The accounts for 2017/18 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.

I. STATEMENT OF ACCOUNTS – EXPLANATORY OVERVIEW

The Statement of Accounts features five main statements reporting on the Council’s core activities plus Group Accounts:

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

The purpose of each is briefly described within this narrative report 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 2017/18 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 £57.181m to move from an underspend of £0.150m to a deficit of £57.031m 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 £57.031m compared with the outturn report which shows an underspend of £0.150m. 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 £4.807m at 31st March 2018). 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 31st March 2018 and shows net assets for the Council of £15.837m, a decrease from £41.865m for the previous year.
- ... **The Cash Flow Statement** - summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties, analysing them into operating, investing and financing activities, and shows a net reduction in Cash and Cash Equivalents of £0.287m.
- ... **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 £0.872m for the year and the Council's share of the surplus was £2.280m at 31st March 2018. The localisation of business rates means that we also show similar information in respect of this. The business rates show a decrease in the balance on the account for the year of £2.566m and the Council's share of the surplus was £0.396m at 31st March 2018.
- ... **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 report.

J. FURTHER INFORMATION

Further information is contained in the Council's Service & Financial Planning Strategy, which is available from the Corporate and Capital Finance Team, Addenbrooke House, Telford, [contact Pauline Harris on 01952 383701].

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

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



Ken Clarke MBA CPFA
Chief Financial Officer

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 Financial Officer);
- manage its affairs to secure economic, efficient and effective use of resources, safeguard its assets and to approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2018.

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; and
- 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; and
- 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 122 complies with the requirements of the Accounts and Audit Regulations 2015.



Ken Clarke MBA CPFA,
Assistant Director

Dated: 24th May 2018

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:

Annual Governance Statement 2017/18

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 regulations¹ and ensuring the effective exercise of its functions.
- 3.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control). 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 2017/18.

4. The Purpose of the Governance Framework

- 4.1 The governance framework comprises of the systems, processes, 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

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

absolute assurance of effectiveness. The system of internal control is based on an ongoing 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 2018 and up to the date of approval of the statement of accounts. It is ongoing into 2018/19 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 2017/18 the Internal Audit team achieved 95% 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 Adult Social Services in respect to systems, financial management and implementation of the cost improvement plan have continued to provide updates during the year to Members including the Audit Committee. To support the revised target operating

model there has been commissioned external support, management changes and the implementation of 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. Internal Audit, along with the Investigations Team, undertake 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. 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 2017/18 no enforcement action has been taken by the ICO against the Council in respect of data breaches. The Information Governance Team are leading on Council compliance with the General Data Protection Regulations due to be implemented on 25th May 2018.
- 5.12 Implementation of the ICT Strategy has continued including infrastructure upgrades, the ongoing 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 2017/18 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 2017/18 final accounts audit.

5.15 The External Auditor's Annual Audit Letter 2016/17 (October 2017) 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 2016/17 on 26 September 2017. This means we are satisfied that during the year the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of its resources. 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. We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusions and considered the arrangements the Authority has in place to mitigate these risks. Our assessment identified that financial resilience is a significant VFM risk to the Authority. The need for savings will continue to have a significant impact on the Authority's financial resilience. We have concluded that in 2016/17 the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes to tax payers and local people.
- Audit opinion - we issued an unqualified opinion on your financial statements on 26 September 2017. 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.

5.16 My Options Shared Lives & My Options Community Support Services both were inspected by the regulating body the Care Quality Commission (CQC) and both received a 'GOOD' rating.

5.17 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.

5.18 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 Appendix B of the full Annual Governance Statement.

5.19 The Senior Management Team will monitor implementation of these actions and will report back to the Audit Committee in January 2019 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:

ANNEX1

**ANNUAL GOVERNANCE STATEMENT ACTION PLAN FOR 2017/18 TO BE IMPLEMENTED
2018/19**

No	Action	Lead Officer	Comments
1.	Continued strategic management of organisational change in respect of "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 document produced March 2017 and further actions to be taken during 2017/18. Being the Change Part 3 to be in place April 2018.</p> <p>Service and work force planning sessions took place in early 2018 and this has also been used to feed into the annual audit planning.</p> <p>Consultation on savings for 2018/19 and 2019/20 proposals will continue.</p>
2.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources/ AD Governance, Procurement & Commissioning	<p>The PSAA procurement process is complete and T&W external auditors for 18/19 onwards are Grant Thornton. A meeting is to be held with them regarding their expectations.</p> <p>Continuing to work towards an updated final accounts timetable Draft accounts by 31st May (instead of 30th June) and audited accounts by 31st July instead of 30th September.</p> <p>Tender exercise underway for the recruitment of External Auditor to undertaken benefit subsidy claim. This is due to be completed by June 2018.</p>
3.	<p>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.</p> <p>Review of Human Resources policies and procedures to support the priorities</p>	Managing Director & AD Finance & Human Resources	<p>Learning & Development Manager is leading on this to support the organisation to embed workforce development plans, succession planning/single points of failure 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> <p>Corporate Workforce Development Plan has been agreed by SMT.</p> <p>AD's workforce plans are in place.</p> <p>Future Leaders programme is underway.</p> <p>Top 10 L&D needs are being delivered.</p> <p>Leadership & Management programme to commence April 2018.</p> <p>New approach to apprenticeships is in place.</p>

No	Action	Lead Officer	Comments
	and organisational change. 121 framework to be adhered to across the Council		<p>This year's certificate identified that due to reduced staff there are single points of failure, this is being managed through the sharing of information and issues fed into learning & development plans.</p> <p>Future Leaders have devised a new 121 framework to be used in 18/19.</p>
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: Adult Social Services/ AD Governance, Procurement & Commissioning	<p>A comprehensive reporting structure has been developed and is in place whereby, on a monthly basis, there is an officer Cost Improvement Plan meeting chaired by an Assistant Director to review progress.</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>There is a detailed Financial Monitoring Summary produced by the Finance Team and progress is reported to a Managing Director Challenge Group (chaired by the Managing Director with the Director for Children's and Adults Services, two Assistant Directors and a representative of the s151 officer).</p> <p>Following this, progress is reported to a Member Challenge Group attended by the MD Challenge Group portfolio holder for Children & Adults, the portfolio holder for Finance, Commercial Services and Economic Development and the Chair of the Health & Adult Social Care Scrutiny Committee.</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 reviews	Director: Children's & Adult Services and Director – Customer, Neighbourhood & Well-Being Services	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)	SIRO/SMT & SDM's	Information on requirements has been provided to SMT and has been updated. SMT have agreed a GDPR implementation

No	Action	Lead Officer	Comments
	engage and supports the implementation of the GDPR information governance requirements within their service areas.		<p>plan which will be discussed at all management teams over the next few months.</p> <p>An intranet page has been developed and Learning & Development are supporting Ollie modules based on guidance produced. May 2018.</p> <p>This year's certification process shows that service areas are reviewing their processes to ensure compliance with GDPR.</p>
7.	Ensure that the website contains relevant current information and is kept up to date.	AD Customer & Neighbourhood Services	<p>There is a new Intranet being implemented across the council, it has been identified as part of this year's certification process that teams are waiting for this update to avoid duplication. Training has been provided for authors as to how they can update their intranet pages following implementation of the new system.</p> <p>It has also been identified that Service areas are reviewing webpages to ensure they are GDPR compliant</p>
8.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	<p>Governance processes in place and robust business cases and funding approvals are required for all activities.</p> <p>Work on-going on this action.</p>

Auditors' Report

To be added at the conclusion of the Audit

Auditors report to be added at the conclusion of the Audit

Auditors report to be added at the conclusion of the Audit

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.

2016/17			SERVICE	2017/18		
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
47,267	(464)	46,803	Adult Social Care	44,348	3	44,351
13,430	4,269	17,699	Business, Development & Employment	812	15,773	16,585
1,260	(1,492)	(232)	Co-Operative Council	1,362	(2,349)	(987)
3,573	(1,434)	2,139	Commercial Services	9,443	(670)	8,773
7,009	3,643	10,652	Council Wide	1,454	6,104	7,558
31,631	(27,958)	3,673	Customer & Neighbourhood Services	31,120	(15,485)	15,635
13,941	(15,338)	(1,397)	Education & Corporate Parenting	17,526	(11,243)	6,283
(27,050)	32,195	5,145	Finance & Human Resources	(18,266)	18,903	637
3,059	(59)	3,000	Governance, Procurement & Commissioning	3,470	31	3,501
1,731	(927)	804	Health & Well-being	1,624	110	1,734
26,428	464	26,892	Safeguarding & Early Help	29,312	(722)	28,590
122,279	(7,101)	115,178	Net Cost Of Services	122,205	10,455	132,660
(122,446)	15,297	(107,149)	Other Income & Expenditure	(122,355)	46,726	(75,629)
(167)	8,196	8,029	(Surplus) or Deficit	(150)	57,181	57,031
4,490			Opening General Fund Balance	4,657		
167			Surplus or (Deficit) for year	150		
4,657			Closing General Fund Balance	4,807		

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	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000	2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000
Adult Social Care	62,218	15,415	46,803	63,276	18,925	44,351
Business, Development & Employment	25,526	7,827	17,699	30,252	13,667	16,585
Co-Operative Council	1,766	1,998	(232)	1,729	2,716	(987)
Commercial Services	18,534	16,395	2,139	23,748	14,975	8,773
Council Wide	21,050	10,398	10,652	16,538	8,980	7,558
Customer & Neighbourhood Services	116,249	112,576	3,673	116,587	100,952	15,635
Education & Corporate Parenting (Note 8 provides details of DSG)	118,747	120,144	(1,397)	127,532	121,249	6,283
Finance & Human Resources	12,377	7,232	5,145	8,086	7,449	637
Governance, Procurement & Commissioning	10,019	7,019	3,000	10,799	7,298	3,501
Health & Well-being	20,540	19,736	804	18,509	16,775	1,734
Safeguarding and Early Help	27,537	645	26,892	29,731	1,141	28,590
Net Cost of Services	434,563	319,385	115,178	446,787	314,127	132,660
Other Operating Expenditure (Note 9)			(1,348)			37,830
Financing and Investment Income and Expenditure (Note 10)			19,714			11,021
Taxation & Non Specific Grant Income and Expenditure (Note 11)			(125,515)			(124,480)
(Surplus) or deficit on provision of services			8,029			57,031
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(2,641)			(3,091)
(Surplus) or deficit on revaluation of Available for Sale financial assets			0			(282)
Re-measurements of the net defined benefit pension liability (Note 12)			51,906			(27,630)
Other Comprehensive Income & Expenditure			49,265			(31,003)
Total Comprehensive Income and Expenditure			57,294			26,028

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
Balance at 31 March 2016 carried forward	59,301	2,860	62,161	36,998	99,159
Total Comprehensive Income and Expenditure	(8,029)	0	(8,029)	(49,265)	(57,294)
Adjustments between accounting basis & funding basis under regulations (Note 14)	16,657	460	17,117	(17,117)	0
Increase/ (Decrease) in 2016/17	8,628	460	9,088	(66,382)	(57,294)
Balance at 31 March 2017 carried forward	67,929	3,320	71,249	(29,384)	41,865
Total Comprehensive Income and Expenditure	(57,031)	0	(57,031)	31,003	(26,028)
Adjustments between accounting basis & funding basis under regulations (Note 14)	70,665	(377)	70,288	(70,288)	0
Increase/ (Decrease) in 2017/18	13,634	(377)	13,257	(39,285)	(26,028)
Balance at 31 March 2018 carried forward	81,563	2,943	84,506	(68,669)	15,837

It should be noted that of the total £15.8m reserves, only £4.8m 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'.

31 March 2017 Restated £000		31 March 2018 £000	31 March 2018 £000
511,037	Property, Plant & Equipment (Note 15)	471,531	
71,617	Investment Properties (Note 16)	95,657	
2,346	Intangible Assets (Note 17)	2,081	
6,483	Long Term Investments (Notes 23,24,25)	9,265	
15,087	Long Term Debtors (Note 23)	25,917	
606,570	Total Long Term Assets		604,451
	Current Assets		
321	Inventories (Note 21)	323	
37,647	Debtors (Notes 22,23)	39,422	
7,474	Assets Held for Sale (Note 18)	14,213	
20,033	Cash and Cash Equivalents (Note 26)	19,746	
65,475		73,704	
	Current Liabilities		
(19,808)	Provisions (Note 27)	(20,160)	
(119,175)	Short term Borrowing (Notes 23,24)	(102,176)	
(58,670)	Creditors (Notes 23,28)	(64,507)	
(197,653)		(186,843)	
(132,178)	Total Net Current Assets/(Liabilities)		(113,139)
(100,873)	Less Long Term Borrowing (Notes 23,24)		(154,526)
(55,405)	Less Long Term Creditors (PFI & Finance Leases) (Note 23,29)		(53,282)
(275,500)	Less Pensions Liability (Note 12)		(263,739)
(749)	Capital Grants Receipts in Advance (Note 42)		(3,928)
41,865	Net Assets		15,837
71,249	Usable Reserves (Note 30)		84,506
(29,384)	Unusable Reserves (Note 32)		(68,669)
41,865	Net Reserves		15,837

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.

2016/17		2017/18
£000		£000
8,029	Net (surplus) or deficit on the provision of services	57,031
(31,462)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 37)	(90,921)
54,056	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 38)	46,096
30,623	Net cash flows from Operating Activities (Note 41)	12,206
10,176	Investing Activities (Note 39)	20,832
(53,546)	Financing Activities (Note 40)	(32,751)
(12,747)	Net (increase) or decrease in cash and cash equivalents	287
7,286	Cash and cash equivalents at the beginning of the reporting period	20,033
20,033	Cash and cash equivalents at the end of the reporting period (Note 26)	19,746

Notes to the Core Financial Statements

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 2017/18 (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 £113m, 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.

These are revalued each year at Open Market Value. See Note 16.

p) Leases

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

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

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

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

q) Non-current Assets Held for Sale

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

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

r) Overheads

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

s) Private Finance Initiative

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

t) Property, Plant & Equipment

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

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

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

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

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

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

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

As at 31st March 2018 there were 3 significant capital contracts in place. These total £10.4m 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 Social 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 2017/18, the Council funded £1.964m 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 2017/18 a total of £0.032m (£0.174m for 2016/17) was charged to capital rather than revenue.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted and Prior Period Adjustments

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The

Council does not have any material revenue streams within the scope of the new standard.

- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 40) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. The Council's subsidiary company in the Group Accounts does not have such debt instruments.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

Prior Period Adjustments

There were no significant prior period adjustments in the accounts for 2017/18.

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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £3.0m for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	doubt the useful lives assigned to assets.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £13.6m. However, the assumptions interact in complex ways.
Arrears	At 31 March 2018, the Authority had a balance of £46.087m for sundry debtors. The Council has set aside a bad debts provision of 14.5% (£6.665m) 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 £2.3m to be set aside as an allowance.
Single Status	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2017/18 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 24 May 2018. 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 2018, 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.

2017/18

	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other* Adjustments £000	Total Adjustments £000
Adult Social Care	719	0	(716)	3
Business, Development & Employment	15,308	0	465	15,773
Commercial Services	(478)	0	(192)	(670)
Co-Operative Council	(8)	0	(2,341)	(2,349)
Council Wide	1,964	9,321	(5,181)	6,104
Customer & Neighbourhood Services	(16,755)	0	1,270	(15,485)
Education & Corporate Parenting (Note 8)	(5,411)	0	(5,832)	(11,243)
Finance & Human Resources	23,840	0	(4,937)	18,903
Governance, Procurement & Commissioning	5	0	26	31
Health & Well-being	(337)	0	447	110
Safeguarding & Early Help	0	0	(722)	(722)
Net Cost of Services	18,847	9,321	(17,713)	10,455
Other Income & Expenditure	33,641	6,548	6,537	46,726
(Surplus) or deficit on provision of services	52,488	15,869	(11,176)	57,181

* - Other Adjustments include technical adjustments for MRP, accumulated absences, revenue grants and movement in reserves.

2016/17

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Adult Social Care	0	0	(464)	(464)
Business, Development & Employment	9,866	0	(5,597)	4,269
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)
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)
Safeguarding and Early Help	0	0	464	464
Net Cost of Services	9,332	3,619	(20,052)	(7,101)
Other Income & Expenditure	(5,087)	7,328	13,056	15,297
(Surplus) or deficit on provision of services	4,245	10,947	(6,996)	8,196

B. Segmental Income

	2016/17 £000	2017/18 £000
Adult Social Care	15,598	19,217
Business, Development & Employment	19,352	19,104
Commercial Services	45,272	38,621
Co-Operative Council	1,998	3,598
Council Wide	9,728	9,726
Customer & Neighbourhood Services	88,400	85,887
Education & Corporate Parenting (Note 8)	118,796	123,190
Finance & Human Resources	41,727	35,413
Governance, Procurement & Commissioning	6,953	7,187
Health & Well-being	18,968	17,470
Safeguarding and Early Help	758	1,178
Net Cost of Services	367,550	360,591

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 2017/18 are as follows:

Schools Budget Funded By Dedicated Schools Grant			
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2017/18			137,685
Academy figure recouped for 2017/18			(29,396)
Total DSG after Academy recoupment for 2017/18			108,289
Brought forward from 2016/17			271
Agreed budgeted distribution in 2017/18	15,026	93,534	108,560
In Year Adjustments	0	(79)	(79)
Final Budget Distribution for 2017/18	15,026	93,455	108,481
Actual Central Expenditure	(15,721)		(15,721)
Actual ISB deployed to Schools		(93,304)	(93,304)
Carry Forward to 2018/19	(695)	151	(544)

The in-year adjustment of £79,000 is derived from adjustments to early years funding made after the year end.

9. Other Operating Expenditure

2016/17		2017/18
£000		£000
3,489	Parish Council Precepts	4,003
250	Payment of RSG to Parishes	186
4,601	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	48,024
(9,688)	(Gains)/losses on the disposal of non-current assets – Other Assets	(14,383)
(1,348)	Total	37,830

10. Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
8,656	Interest payable and similar charges	8,813
7,328	Pensions interest cost and expected return on pensions assets	6,548
(20)	Interest receivable and similar income	(16)
3,710	Income and expenditure in relation to investment properties and changes in their fair value	(4,324)
40	Other investment income and expenditure	0
19,714	Total	11,021

11. Taxation and Non Specific Grant Income and Expenditure

2016/17 £000		2017/18 £000
(58,402)	Council tax income	(62,712)
(3,529)	Collection Fund Surplus/Deficit	(2,475)
(35,100)	Non domestic rates	(33,893)
(2,134)	Non domestic rates Top Up Grant	(4,364)
(26)	Local Services Support Grant	0
(24,899)	Revenue Support Grant	(18,457)
(1,425)	Section 31 Grant	(2,579)
0	Council Tax Freeze Grant	0
(125,515)	Total	(124,480)

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 reduced by £11.8m; this has been as a result of re-measurements 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. (18 years 2016/17).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £14.931m (comprising contributions of £11.209m plus a lump sum payment of

£3.722m). The contribution rate was set for 2018/19 at 14.1% (2017/18 14.1%), plus a lump sum. The combined rate for 2018/19 is estimated at 20.1%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/18 the cumulative amount of actuarial losses recognised in the statements is £143.283m.

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

2016/17 £000		2017/18 £000
(769,972)	Present Value of Funded Benefit Obligations	(768,018)
(10,421)	Present Value of Unfunded Benefit Obligations	(9,803)
(780,393)	Total Present Value of Benefit Obligations	(777,821)
504,893	Fair Value of Pension Fund Assets	514,082
(275,500)	Surplus/(Deficit)	(263,739)

Change in Benefit Obligation during year.

2016/17 £000		2017/18 £000
(633,381)	Benefit Obligation at Beginning of Year	(780,393)
(15,149)	Current Service Cost	(22,695)
(22,506)	Interest on Pension Liabilities	(19,335)
(4,298)	Member Contributions	(4,246)
(122,765)	Re-measurements (Liabilities)	31,481
(0)	Past Service Costs	(245)
(3,017)	Curtailment Cost	(549)
20,723	Benefits / Transfers Paid	18,161
(780,393)	Surplus / (Deficit) at End of Year	(777,821)

Change in Plan Assets during year.

2016/17 £000		2017/18 £000
420,734	Fair Value of Plan Assets at Beginning of Year	504,893
15,178	Expected Return on Plan Assets	12,787
70,859	Re-measurements (Assets)	(3,851)
14,959	Employer Contributions	14,578
4,298	Member Contributions	4,246
(412)	Administration Expenses	(410)
(20,723)	Benefits / Transfers Paid	(18,161)
504,893	Surplus / (Deficit) at End of Year	514,082

Statement of Gains and Losses

	2016/17 £000	%	2017/18 £000	%
Actuarial Gain/(Loss)	(51,906)	6.7% of liabilities	27,630	4% of liabilities
Actual Return on Plan Assets	88,982		8,937	
Experience Gains/(Losses) On Assets	70,859	14% of assets	(3,851)	0.7% of assets
Experience Gains/(Losses) On Liabilities	(26,525)	3.4% of liabilities	0	0% of liabilities

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

2016/17			2017/18	
£000	%		£000	%
276,075	54.7%	Equity Investments	272,103	52.9%
30,496	6.0%	Government Bonds	38,916	7.6%
74,775	14.8%	Other Bonds	79,888	15.5%
22,468	4.5%	Property	25,396	5.0%
11,310	2.2%	Cash/Liquidity	10,282	2.0%
89,769	17.8%	Other	87,497	17.0%
504,893	100.0%	Total	514,082	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 24 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:

2016/17		2017/18
2.3%	- rate of inflation (CPI)	2.1%
3.8%	- rate of increase in salaries	3.6%
2.3%	- rate of increase in pensions	2.2%
50%	- proportion of employees opting to take a commuted lump sum	50%
2.5%	- rate for discounting scheme liabilities	2.6%
	- longevity at 65 for current pensioners	
23.0	Male	23.1
26.2	Female	26.3
	- longevity at 65 for future pensioners	
25.2	Male	25.3
28.5	Female	28.6

Changes to the pension scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their

future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring will take maximum cash and 50% will take 3/80ths cash.

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

Sensitivity Analysis as at 31/3/2018

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	777,821	764,224	791,660	779,895	792,855
Assets	(514,082)	(514,082)	(514,082)	(514,082)	(514,082)
Deficit/(Surplus)	263,739	250,142	277,578	265,813	278,773
Projected Service Cost for next year	21,027	20,405	21,675	21,027	21,464
Projected Net Interest Cost for next year	6,675	6,565	7,043	6,737	7,074

Scheme History

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present Value of Liabilities	(529,543)	(644,054)	(633,381)	(780,393)	(777,821)
Fair Value of Assets	379,360	421,807	420,734	540,893	514,082
Surplus/(Deficit) on scheme	(150,183)	(222,247)	(212,647)	(275,500)	(263,739)
(Gains) and Losses on Assets	(7.2%)	(10.5%)	(0.2%)	(6.7%)	(4.0%)
Gains and (Losses) on Liabilities	0.9%	0.0%	0.0%	3.4%	0.0%

Pensions Asset/Liability Account

2016/17 £000		2017/18 £000
(212,647)	Opening Balance	(275,500)
(3,017)	Past Service Cost - Added Years	(794)
(15,149)	Current Service Cost	(22,695)
(22,506)	Interest Cost	(19,335)
15,178	Return On Assets	12,787
14,959	Payments to Pension Fund	14,578
(412)	Administration Expenses	(410)
(51,906)	Actuarial Gain or (Loss)	27,630
(275,500)	Closing Balance	(263,739)

Pensions Reserve

2016/17 £000		2017/18 £000
212,647	Opening Balance	275,500
3,017	Past Service Cost - Added Years	794
(14,959)	Charging Pensions Costs Payable	(14,578)
22,889	Reversing Out IAS 19 Items	29,653
51,906	Actuarial (Gain) or Loss	(27,630)
275,500	Closing Balance	263,739

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 2017/18 the Council paid an employer's contribution of £6,556,286 (£6,446,073 in 2016/17) 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 31st March 2013. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

National Health Service Pension Scheme:

In 2017/18 the Council paid an employer's contribution of £45,584 (£46,213 in 2016/17) representing 14.38% (14% in 2016/17) of pensionable pay into the NHS Pension Scheme. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quadrennial actuarial valuations, the last review being at 31st March 2012. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

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.

2017/18	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	22,932	0	0	(22,932)
Movement in the market value of Investment Properties	883	0	0	(883)
Revenue expenditure funded from capital under statute	26,667	0	0	(26,667)
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	48,102	0	0	(48,102)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(467)	0	0	467
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(30,377)	0	30,377	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(30,754)	30,754
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,252)	2,252	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,252)	0	2,252
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,467)	0	0	13,467
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	164	0	0	(164)
Adjustments primarily involving the Pensions Reserve:				

2017/18	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	30,447	0	0	(30,447)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,578)	0	0	14,578
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	2,064	0	0	(2,064)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	547	0	0	(547)
Total Adjustments	70,665	0	(377)	(70,288)

2016/17 Comparative figures	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	22,665			(22,665)
Movement in the market value of Investment Properties	8,227			(8,227)
Revenue expenditure funded from capital under statute	21,444			(21,444)
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	5,965			(5,965)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(395)			395

2016/17 Comparative figures	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(35,681)	0	35,681	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(35,221)	35,221
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,703)	8,703		
Use of the Capital Receipts Reserve to finance new capital expenditure		(8,703)		8,703
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,672)			9,672
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	393			(393)
Adjustments primarily involving the Pensions Reserve:				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
Adjustments primarily involving the Collection Fund Adjustment Account:				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)
Adjustments primarily involving the Accumulated Absences Account:				0

2016/17 Comparative figures	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	771	0	0	(771)
Total Adjustments	16,657	0	460	(17,117)

15. Property, Plant and Equipment

Movements in 2017/18:

	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 2017	366,345	36,426	159,954	11,318	574,043	59,771
Additions	9,042	2,382	20,026	10,274	41,724	1,778
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(262)	0	0	1,192	930	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,984)	0	0	(334)	(10,318)	0
Derecognition – disposals	(51,165)	(61)	0	0	(51,226)	(48,589)
Assets reclassified (to) /from Assets Under Construction	109	0	0	(11,408)	(11,299)	0
Assets reclassified (to)/from Held for Sale	(3,044)	0	0	0	(3,044)	0
Assets reclassified (to) /from Investment Properties	53	0	0	0	53	0
At 31 March 2018	311,094	38,747	179,980	11,042	540,863	12,960
Less Accumulated Depreciation and Impairment						
At 1 April 2017	24,696	24,172	14,138	0	63,006	1,642
Depreciation charge	8,528	2,683	4,003	0	15,214	1,606
Depreciation written out to the Revaluation Reserve	(2,160)	0	0	0	(2,160)	0
Depreciation written out recognised in the	(3,839)	0	0	0	(3,839)	0

	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
Surplus/Deficit on the Provision of Services						
Derecognition – disposals	(2,828)	(61)	0	0	(2,889)	(2,764)
At 31 March 2018	24,397	26,794	18,141	0	69,332	484
Net Book Value						
at 31 March 2018	286,697	11,953	161,839	11,042	471,531	12,476
at 31 March 2017	341,649	12,254	145,816	11,318	511,037	58,129
Nature of Holding						
Owned	274,221	10,815	161,839	11,042	457,917	
Leased	0	1,138	0	0	1,138	
PFI	12,476	0	0	0	12,746	
Total	286,697	11,953	161,839	11,042	471,531	

Comparative 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
Cost or Valuation						
At 1 April 2016	356,521	35,307	134,089	22,733	548,650	61,852
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

	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
At 31 March 2017	366,345	36,426	159,954	11,318	574,043	66,091
Less Accumulated Depreciation and Impairment						
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 Surplus/Deficit on the Provision of Services	(5,445)	0	(1,102)	0	(6,547)	0
Derecognition – disposals	0	0	0	0	0	0
At 31 March 2017	24,696	24,172	14,138	0	63,006	7,962
Net Book Value						
at 31 March 2017	341,649	12,254	145,816	11,318	511,037	58,129
at 31 March 2016	326,497	13,759	122,105	22,733	485,094	55,407
Nature of Holding						
Owned	283,520	11,181	145,816	11,318	451,835	
Leased	0	1,073	0	0	1,073	
PFI	58,129	0	0	0	58,129	
Total	341,649	12,254	145,816	11,318	511,037	

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 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £10.4m. Similar commitments at 31 March 2017 were £6.9m. The major commitments are:

- Town Centre Connectivity - £5.4m
- Southwater Hotel - £1.5m
- Street Lighting - £3.5m

15a. Fixed Asset Valuation

The Council's property, that was due to be valued this year, was valued on 1 April 2017 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 and the International Valuation Standards Council (IVSC).

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 transaction 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 £95.657m, 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
2013/14	27,555
2014/15	37,504
2015/16	45,747
2016/17	119,094
2017/18	37,372
Total	267,272

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:

2016/17 £000		2017/18 £000
(7,373)	Rental income from investment property	(8,741)
2,856	Direct operating expenses arising from investment property	3,534
(4,517)	Net Operational (gain)/loss	(5,207)
8,227	Net (gain)/loss on revaluation of properties	883
3,710	Total Net (gain)/loss	(4,324)

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:

2016/17 £000		2017/18 £000
71,368	Balance at start of the year	71,617
7,164	Additions	17,207
(526)	Disposals	(844)
(8,227)	Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services	(883)
	Transfers:	
1,838	- (to)/from Property, Plant and Equipment	8,560
71,617	Balance at end of the year	95,657

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:

2016/17 £000		2017/18 £000
	Balance at start of the year	
6,450	- Gross Carrying Amount	7,383
(4,013)	- Accumulated Amortisation	(5,037)
2,437	Net Carrying Amount at Start of Year	2,346
	Additions	
933	- Purchases	974
(1,024)	Amortisation for the Period	(1,239)
2,346	Net Carrying Amount at Year End	2,081
	Comprising	
7,383	- Gross Carrying Amount	8,357
(5,037)	- Accumulated Amortisation	(6,276)
2,346	Total	2,081

18. Assets Held for Sale

Current 2016/17 £000		Current 2017/18 £000
12,721	Balance outstanding at start of year	7,474
5,508	Reclassified from - Property, Plant and Equipment	5,730
0	Revaluation gains	0
0	Impairment losses met from the revaluation reserve	0
(2,885)	Impairment losses met from income and expenditure	2
(7,960)	Assets sold	(180)
90	Acquisitions	1,187
7,474	Balance outstanding at year end	14,213

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 valued effectively. The assets are therefore not recognised in the balance sheet.

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

20. Impairment Losses

During 2017/18, the Authority has recognised revaluation loss of £7.362m (2016/17 revaluation loss £15.255m) 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 £0.323m at 31/3/18 and £0.321m at 31/3/17. These mainly consist of Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

22. Debtors

2016/17 £000		2017/18 £000
	Amounts falling due in one year:	
7,232	Central Government	7,518
72	Other Local Authorities	42
973	NHS Bodies	1,403
574	Public Corporations and Trading Funds	24
0	Amounts due from Subsidiaries	152
35,527	Other Entities and Individuals	36,948
44,378	Gross Debtors	46,087
(6,731)	Provision for doubtful debts	(6,665)
37,647	Total	39,422

23. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Investments				
Loans and receivables	33	315	0	0
Shares in Subsidiary	6,450	8,950	0	0
Financial assets at fair value through profit and loss	0	0	0	0
Total investments	6,483	9,265	0	0
Debtors				
Financial assets carried at contract amounts	578	441	37,647	39,270
Debtors with Subsidiary	14,509	25,476	0	152
Total Debtors	15,087	25,917	37,647	39,422
Borrowings				
Financial liabilities at amortised cost	100,873	154,526	119,175	102,176
Total borrowings	100,873	154,526	119,175	102,176
Other Liabilities				
PFI and finance lease liabilities	55,405	53,282	2,721	3,015
Other Creditors	0	0	55,949	61,492
Total Other Liabilities	55,405	53,282	58,670	64,507

Income, Expense, Gains and Losses

	2016/17			2017/18		
	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	8,656	0	8,656	8,813	0	8,813
Total expense in Surplus or Deficit on the Provision of Services	8,656	0	8,656	8,813	0	8,813
Interest income	0	(20)	(20)	0	(16)	(16)
Total income in Surplus or Deficit on the Provision of Services	0	(20)	(20)	0	(16)	(16)
Net gain/(loss) for the year	8,656	(20)	8,636	8,813	(16)	8,797

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:

	2016/17		2017/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	220,048	294,446	256,702	325,944
Long-term creditors	55,405	55,405	53,282	53,282

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 2018) arising from a commitment to pay interest to lenders above current market rates.

	2016/17		2017/18	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	6,483	6,483	9,265	9,265
Long-term debtors	15,087	15,087	25,917	25,917

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 31/3/18 £000	Fair Value 31/3/18 £000
Financial Assets		
Fixed Term Deposits	0	0
Other	9,265	9,265
	9,265	9,265
Financial Liabilities		
Money Market Loans (LOBO's)	60,000	103,833
PWLB Loans	99,623	125,033
Temporary Loans	97,078	97,078
	256,702	325,944

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 £15m to any one institution.

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

	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018 (rounded to 3 decimal place)	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
	A	B	C	A * C
Deposits with banks and financial institutions	0	0.0	0.000	0
Other	9,265	0	0.000	0
Debtors	46,087	12	14.462	6,665
Total	55,352	12	12.041	6,665

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:

2016/17 £000		2017/18 £000
2,097	Maturing in 1-2 years	5,098
4,793	Maturing in 2-5 years	12,793
5,241	Maturing in 5-10 years	18,741
88,742	Maturing in more than 10 years	117,894
100,873		154,526

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

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Account.

The Authority has a number of strategies for managing interest rate risk. Policy is to have a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

Price risk

The Authority does not generally invest in equity shares and has no shareholdings. The Authority is not consequently exposed to losses arising from movements in the prices of the

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

Foreign exchange risk

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

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

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

Sensitivity Analysis

At the 31st March 2018 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

	Investments	Borrowing	Net Total	1% Movement
	£000	£000	£000	£000
Variable	(19,622)	102,176	82,554	825.5
Fixed	(9,265)	154,526	145,261	0.0
Total	(28,887)	256,702	227,815	825.5

A 1% change in interest rates would have an impact on the budget of £825,540, this is because at 31st March 2018 we had more variable borrowing than variable investments. The most likely next move in interest rates at 31 March 2018 is upward and this would lead to a net increase in borrowing costs based on the position at 31st March 2018. 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	
				2016/17 £000	2017/18 £000
Public Works Loan Board	1.20	-	9.375	40,873	94,526
Money Market Loans (including LOBOs)	3.98	-	4.50	60,000	60,000
				100,873	154,526

An analysis of loans by maturity is:			
		2016/17 £000	2017/18 £000
Maturing in 1-2 years		2,097	5,098
Maturing in 2-5 years		4,793	12,793
Maturing in 5-10 years		5,241	18,741
Maturing in more than 10 years		88,742	117,894
		100,873	154,526

		2016/17 £000	2017/18 £000
Total Long Term Borrowing		100,873	154,526
Temporary Borrowing		119,175	102,176
Total Borrowing		220,048	256,702

In total, fixed and temporary borrowing increased by £36.654m, from £220.048m to £256.702m during the year. This was due to capital expenditure during 2017/18.

25. Investments

In total our investments have been increased by £2.49m as a result of the cash flow together with share capital in our wholly owned subsidiary.

The Council has long term investments, totalling £9.265m, 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

2016/17 £000	Category	2017/18 £000
	Long Term Investments	
0	Fixed Term Deposits	
6,483	Other	9,265
6,483	Total Long Term	9,265
	Short Term Investments	
0	Fixed Term Deposits	0
0	Total Short Term	0
19,910	Cash & Cash Equivalent Investments	19,622
26,393	Total Investments	28,887

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:

2016/17 £000		2017/18 £000
123	Cash held by the Authority	124
8,809	Bank current accounts	5,842
11,101	Call Accounts	13,780
20,033	Total Cash and Cash Equivalents	19,746
0	Bank Account Overdrawn	0
20,033	Net Cash Position for Cash Flow Purposes	19,746

27. Provisions

	2017/18 Opening £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	2017/18 Closing £000
Restructure Provision	461	26	0	487
Single Status Provision – Schools	3,593	2	(167)	3,428
Single Status Provision – Non Schools	12,417	0	0	12,417
NDR Appeals Provision	3,293	3,808	(3,293)	3,808
Litigation Costs	44	0	(24)	20
Total	19,808	3,836	(3,484)	20,160
2016/17	20,073	3,298	(3,563)	19,808

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 2018 was £0.487m. It is anticipated that this will be funded from Capital Receipts in 2018/19, 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 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2017/18 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2018 was £15.845m.

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, £7.8m is estimated as the amount required to set aside for this purpose in the 2017/18 accounts (£6.7m 2016/17). Telford & Wrekin Council's proportion of this is £3.8m (49%) (£3.3m 2016/17).

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 2018 was £0.02m (£0.04m 2016/17)

28. Creditors

2016/17 £000		2017/18 £000
8,504	Central Government	9,705
2,007	Other Local Authorities	1,623
10	NHS Bodies	10
840	Public Corporations and Trading Funds	898
0	Amounts due to Subsidiaries	0
44,588	Other Entities and Individuals	49,256
2,721	PFI and Leases	3,015
58,670	Total	64,507

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 £12.5m shown within Property, Plant & Equipment. The equivalent figure for 2016/17 was £58.1m. During 2017/18 Hadley Learning Community Primary and Secondary schools and Queensway converted to Academy status. These assets do not appear on our Balance Sheet.

A finance lease creditor has also been recognised to the value of £55.491m as at 31st March 2018 (£57.343m as at 31st March 2017). 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 2017/18 (£4.8m 2016/17). Amounts due are shown in the table below:

	2016/17				2017/18			
	Service £000	Lifecycle £000	Interest £000	Finance Lease £000	Service £000	Lifecycle £000	Interest £000	Finance Lease £000
Within 1 year	2,176	474	4,781	2,326	2,409	308	4,621	2,548
2 to 5 years	4,791	6,488	17,658	11,406	5,048	6,513	17,250	12,077
6 to 10 years	9,054	6,706	18,742	19,140	8,999	7,154	17,728	20,523
11 to 15 years	13,183	4,647	12,480	26,014	13,918	4,358	10,694	27,614
16 to 20 years	9,091	1,686	2,670	18,457	5,745	1,194	1,257	12,256

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 2017/18.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016 carried forward	4,490	45,456	6,551	2,804	2,860	62,161
Movement / Use of reserves during 2016/17	167	10,073	(1,431)	(181)	460	9,088
Balance at 31 March 2017 carried forward	4,657	55,529	5,120	2,623	3,320	71,249
Movement / Use of reserves during 2017/18	150	14,586	(1,332)	230	(377)	13,257
Balance at 31 March 2018 carried forward	4,807	70,115	3,788	2,853	2,943	84,506

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:

2016/17 £000		2017/18 £000
4,541	School Balances – Revenue	3,216
579	School Balances - Capital	572
5,120	Total School Balances	3,788

32. Unusable Reserves

2016/17 £000		2017/18 £000
40,016	Revaluation Reserve	34,633
184,677	Capital Adjustment Account	128,040
0	Available for Sale Financial Investment Reserve	282
(1,168)	Financial Instruments Adjustment Account	(1,332)
(275,500)	Pensions Reserve	(263,739)
4,741	Collection Fund Adjustment Account	2,677
20,959	Deferred Capital Receipts	34,426
(3,109)	Accumulated Absences Account	(3,656)
(29,384)	Total Unusable Reserves	(68,669)

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.

2016/17 £000		2017/18 £000
44,823	Balance brought forward	40,016
2,641	Upwards revaluation of assets	3,091
0	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	0
(1,059)	Difference between fair value depreciation and historical cost depreciation	(1,040)
(6,389)	Accumulated gains and losses on assets sold or scrapped	(7,434)
40,016	Balance carried forward	34,633

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.

2016/17 £000		2017/18 £000
191,211	Balance Brought Forward	184,677
(35,454)	Charges for depreciation and impairment of non-current assets	(20,368)
(1,024)	Amortisation of intangible assets	(1,239)
(21,444)	Revenue expenditure funded from capital under statute	(26,667)
(5,965)	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	(48,102)
4,807	Adjusting amounts written out of the Revaluation Reserve	5,383
8,703 35,221	Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,252 30,754
395	Minimum Revenue Provision	467
8,227	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	883
184,677	Balance Carried Forward	128,040

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 2018 will be charged to the General Fund over the next 10 years.

2016/17 £000		2017/18 £000
(775)	Balance at 1 April	(1,168)
(393)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(164)
(1,168)	Balance at 31 March	(1,332)

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.

2016/17 £000		2017/18 £000
212,647	Balance at 1 April	275,500
51,906	Actuarial (gains) or losses on pensions assets and liabilities	(27,630)
3,017	Added Years	794
22,889	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	29,653
(14,959)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,578)
275,500	Balance at 31 March	263,739

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.

2016/17 £000		2017/18 £000
5,437	Balance at 1 April	4,741
(696)	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	(2,064)
4,741	Balance at 31 March	2,677

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.

2016/17 £000		2017/18 £000
11,287	Balance at 1 April	20,959
9,672	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	13,467
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
20,959	Balance at 31 March	34,426

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.

2016/17 £000		2017/18 £000
(2,338)	Balance at 1 April	(3,109)
2,338	Settlement or cancellation of accrual made at the end of the preceding year	3,109
(3,109)	Amounts accrued at the end of the current year	(3,656)
(3,109)	Balance at 31 March	(3,656)
(771)	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	(547)

Available for Sale Financial Investment Reserve

2016/17 £000		2017/18 £000
0	Balance at 1 April	0
0	Upward revaluation of investment	282
0	Balance at 31 March	282

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 2017/18 expenditure on this totalled £26.667m and grant receivable amounted to £4.607m. 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

2016/17 £000		2017/18 £000
0	Opening balance	0
8,703	Capital receipts received during year	2,252
(8,703)	Less Capital receipts used for financing during year	(2,252)
0		0

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

2016/17 £000		2017/18 £000
335,586	Opening Capital Financing Requirement	367,781
	Capital Investment	
54,207	Property, Plant & Equipment	41,724
7,164	Investment Properties	17,207
90	Assets Held for Sale	1,187
933	Intangible Assets	974
21,444	Revenue Expenditure funded from Capital under Statute	26,667
186	Leased Vehicles	490
	Sources of Finance	
(8,703)	Capital Receipts	(2,252)
(7,510)	Finance Leases & De Minimis Capital Expenditure	(1,748)
(35,221)	Government Grants and Other Contributions	(30,754)
(395)	Revenue Provision (NB: includes MRP)	(467)
367,781	Closing Capital Finance Requirement	420,809
32,195	Movement for Year	53,028
	Explanation of movements in the year	
1,268	Increase in underlying need to borrow (supported by Government financial assistance)	7
30,927	Increase in underlying need to borrow (unsupported by Government financial assistance)	53,021
32,195	Increase/(decrease) in Capital Financing Requirement	53,028

The main items of capital expenditure during the year related to improving schools, roads, local housing improvements, ICT, Town Centre Regeneration, Property Investment Programme and Street Lighting.

At 31 March 2018 there were 3 significant contracts in place with outstanding commitments of £10.4m, as 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.

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 2017/18 the Authority made payments of £10.2m 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 £3.146m, this was offset by an adjustment to prior years MRP of £3.146m, the principal repayment in respect of leases was £0.467m and due to a change in policy and over provision in previous years the principal repayment in respect of the PFI lease was £0.0m giving a total provision of £0.467m in 2017/18 (£0.395m in 2016/17).

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

2016/17 £000		2017/18 £000
(29,155)	Impairment and depreciation of property, plant and equipment and intangible assets	(18,583)
(68)	(Increase)/decrease in interest creditors	(169)
2,950	(Increase)/decrease in creditors	(4,430)
(5)	Increase/(decrease) in interest/dividend debtors	5
10,589	Increase/(decrease) in debtors	(1,282)
(30)	Increase/(decrease) in inventories	2
(10,947)	Pension Liability	(15,869)
265	Contribution (to)/from provisions	(352)
(13,288)	Carrying amount of non-current assets sold	(49,360)
8,227	Movement in Investment Property Values	(883)
(31,462)	Total	(90,921)

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

2016/17 £000		2017/18 £000
35,681	Capital grants credited to surplus or deficit on the provision of services	30,377
0	Proceeds from sale of short and long term investments	0
18,375	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	15,719
54,056	Total	46,096

39. Cash Flow Statement – Investing Activities

2016/17 £000		2017/18 £000
61,922	Purchase of property, plant and equipment, investment property and intangible assets	58,779
2,950	Purchase of short-term and long-term investments	2,782
7,012	Other payments for investing activities	10,968
(14,829)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12,669)
0	Proceeds from short-term and long-term investments	0
(46,879)	Other receipts from investing activities	(39,028)
10,176	Net cash flows from investing activities	20,832

40. Cash Flow Statement – Financing Activities

2016/17 £000		2017/18 £000
(207,950)	Cash receipts of short and long term borrowing	(279,000)
(899)	Other receipts from financing activities	409
696	Appropriation to/from Collection Fund Adjustment Account	701
152,000	Repayments of short and long term borrowing	242,346
2,607	Cash payments in relation to finance leases and PFI agreements	2,793
(53,546)	Net cash flows from financing activities	(32,751)

41. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2016/17 £000		2017/18 £000
(20)	Interest received	(16)
8,656	Interest paid	8,813

42. Grant Income

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

2016/17 £000		2017/18 £000
	Credited to Taxation and Non Specific Grant Income	
24,899	Revenue Support Grant	18,457
2,134	Non Domestic Rates Top Up Grant	4,364
26	Local Services Support Grant	0
1,425	Section 31 Grant	2,579
28,484	Total	25,400

Credited to Services		
103,516	Dedicated Schools Grant	108,289
68,142	Mandatory Rent Allowances Subsidy	66,285
12,984	Public Health Grant	12,664
7,347	Pupil Premium Grant	7,381
2,042	Education Services Grant	592
6,378	New Homes Bonus	6,544
2,011	Universal Free School Meals	2,007
6,456	Other grants	11,812
208,876	Total	215,574

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:

2016/17 £000		2017/18 £000
	Capital Grants Receipts in Advance	
366	Standards Fund	3,641
383	Park for People 10 year Maintenance Programme	287
749	Total	3,928

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 no longer operates any markets. The responsibility for these has passed to Parish Councils.

2016/17 £000		2017/18 £000
10	Income from Stallholders' Rents and charges	0
(50)	Expenditure	0
(40)	(Deficit)/Surplus taken to General Fund	0

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

2016/17 £000		2017/18 £000
6,011	Income from rents	7,361
1,362	Other income	1,380
(8,227)	Net gains/(losses) on revaluation of property	(883)
(2,856)	Direct operating expenses	(3,534)
(3,710)	(Deficit)/Surplus taken to General Fund	4,324

(3,750)	Total Trading Accounts	4,324
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45. Pooled Budgets

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.

In 2017/18 the Government provided additional funding through the BCF and iBCF (improved better care fund), grant funding totalling £4.019m, and this was used to provide stability to the market, including funding core Social Care activity and providing support to the NHS by maintaining an already well performing discharge from hospital scheme.

Better Care Fund where Telford & Wrekin Clinical Commissioning Group was the host in 2017/18.

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 net surplus will be retained in the fund and carried forward by the Council into 2018/19.

2016/17 £000	Better Care Fund Revenue Pooled Budget	2017/18 £000
9	Surplus from 2016/17 brought forward	160
686	Funding from Telford & Wrekin Council	4,718
11,982	Funding from Telford & Wrekin Clinical Commissioning Group	11,573
(5,913)	Expenditure met from pooled budget Telford & Wrekin Council	(9,859)
(6,604)	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	(6,000)
160	Net Surplus/(Deficit) arising on Pooled budget	592

Better Care Fund where Telford & Wrekin Council was the host in 2017/18.

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 2017/18 will be retained in the fund and carried forward by the council into 2018/19.

2016/17 £000	Better Care Fund Capital Pooled Budget	2017/18 £000
433	Brought forward from 2016/17	583
1,575	Funding from Telford & Wrekin Council	1,730
0	Funding from Telford & Wrekin Clinical Commissioning Group	0
(1,425)	Expenditure met from pooled budget Telford & Wrekin Council	(1,693)
0	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	0
583	Net Surplus/(Deficit) arising on Pooled budget carried forward	620

Other Pooled Budgets where Telford & Wrekin Council was the host in 2017/18.

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.

2016/17 £000		2017/18 £000
170	Funding	0
(170)	Expenditure	0
0	Net surplus/(deficit)	0

46. Members' Allowances

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

2016/17 £000		2017/18 £000
618	Allowances	620
1	Expenses	1
619	Total	621

47. Senior Officers' Remuneration & Employee Remuneration in Bands

This note shows the amounts paid to Senior Officers in 2017/18 and 2016/17. 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.

2017/18

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 2017/18 £	Pension contributions £	Total Remuneration including pension contributions 2017/18 £
Managing Director			139,754	0	139,754	19,645	159,399
Director: Customer, Neighbourhood & Wellbeing Services			111,803	0	111,803	15,764	127,567
Director: Children's & Adult Services			111,803	0	111,803	15,764	127,567
Assistant Director: Finance & Human Resources			85,637	0	85,637	12,075	97,712
Assistant Director: Business, Development & Employment			85,637	0	85,637	12,075	97,712
Assistant Director: Education & Corporate Parenting	2	85,637	44,554	0	44,554	0	44,554
Assistant Director: Governance, Procurement & Commissioning			85,637	0	85,637	12,075	97,712
Assistant Director: Customer & Neighbourhood Services			85,637	0	85,637	12,075	97,712
Assistant Director: Health & Wellbeing			85,637	0	85,637	12,315	97,952
Assistant Director: Early Help & Support		80,588	78,229	0	78,229	11,030	89,259
Assistant Director: Children's Safeguarding			85,637	0	85,637	12,075	97,712
Assistant Director: Commercial Services		85,637	85,216	0	85,216	12,016	97,232
Service Delivery Manager: Organisational Delivery & Development			60,839	0	60,839	8,578	69,417
Service Delivery Manager: Community Participation			60,839	0	60,839	8,578	69,417
Assistant Director: Education & Corporate Parenting	1	85,637	35,682	40,651	76,333	5,031	81,364
			1,242,541	40,651	1,283,192	169,096	1,452,288

Notes

Those roles shown in bold above represent the current posts.

- 1) This post holder left on 31st August 2017
- 2) This post holder was appointed on 1st September 2017

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 £
Managing Director			138,370	0	138,370	16,790	155,160
Director: Customer, Neighbourhood & Wellbeing Services			110,696	0	110,696	13,948	124,644
Director: Children's & Adult Services			110,696	0	110,696	13,948	124,644
Assistant Director: Finance & Human Resources			84,789	0	84,789	10,683	95,472
Assistant Director: Business, Development & Employment			83,123	0	83,123	10,474	93,597
Assistant Director: Education & Corporate Parenting			84,789	0	84,789	10,683	95,472
Assistant Director: Governance, Procurement & Commissioning			84,789	0	84,789	10,683	95,472
Assistant Director: Customer & Neighbourhood Services			84,789	0	84,789	10,683	95,472
Assistant Director: Health & Wellbeing			84,789	0	84,789	12,125	96,914
Interim Assistant Director: Early Help & Support	1	76,461	6,827	0	6,827	860	7,687
Assistant Director: Children's Safeguarding			82,568	0	82,568	10,404	92,972
Interim Assistant Director: Commercial Services			77,602	0	77,602	9,778	87,380
Service Delivery Manager: Organisational Delivery & Development			60,236	0	60,236	7,590	67,826
Service Delivery Manager: Community Participation			60,236	0	60,236	7,590	67,826
Assistant Director: Development, Business & Employment	2	81,460	8,764	0	8,764	3,466	12,230
Interim Assistant Director: Early Help & Support	3		31,657	72,731	104,388	0	104,388
Interim Assistant Director: Early Help & Support	4	76,461	30,311	0	30,311	3,819	34,130
			1,225,031	72,731	1,297,762	153,524	1,451,286

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 1st September 2016 to 28th February 2017

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 2016/17	Salary Band	Number of Employees 2017/18
54	£50,000 - £54,999	37
24	£55,000 - £59,999	15
21	£60,000 - £64,999	24
24	£65,000 - £69,999	15
7	£70,000 - £74,999	8
7	£75,000 - £79,999	4
5	£80,000 - £84,999	3
0	£85,000 - £89,999	2
1	£90,000 - £94,999	1
0	£95,000 - £99,999	1
0	£100,000 - £104,999	0
1	£105,000 - £109,999	0

The 2017/18 figures include 67 school based employees (89 in 2016/17). The 2017/18 figures include 3 employees (16 in 2016/17) 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 2017/18 financial statements are set out in the table below.

Exit package cost band	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£	£
£0 - £20,000	48	11	102	12	150	23	1,193,790	174,996
£20,001 - £40,000	9	2	24	6	33	8	930,145	244,845
£40,001 - £60,000	3	0	19	1	22	1	1,094,180	52,158
£60,001 - £80,000	0	0	15	2	15	2	1,036,738	126,441
£80,001 - £100,000	0	0	3	0	3	0	260,336	0
£100,001 - £150,000	2	1	4	1	6	2	761,769	248,226
£150,001 - £200,000	0	1	2	0	2	1	303,666	155,421
Total	62	15	169	22	231	37	5,580,624	1,002,087

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 2017/18	285,179	230,030	515,209
Provision Included in the Authority's Income & Expenditure Account for the cost of exit packages where the authority had made a commitment at 31 March 2018 (i.e. Employees who had received formal notice at 31 March 2018 and will leave during 2018/19)	174,138	312,740	486,878
Total	459,317	542,770	1,002,087

* Charges made by Shropshire Pension Fund in respect of early payment of pensions
Please note that the exit packages charged to the Income & Expenditure Account during 2017/18 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 2016/17 and 2017/18. The Council incurred the following fees relating to external audit and inspection:

2016/17 £000		2017/18 £000
117	Fees payable to KPMG with regard to external audit services	117
0	Fees payable to Audit Commission in respect of statutory inspection	0
19	Fees payable to KPMG for the certification of grant claims and returns	9
9	Fees payable in respect of other services provided by the appointed auditor, for 2016/17 this includes £3,650 paid to the Audit Commission in relation to the National Fraud Initiative. Includes dealing with elector questions under statutory responsibilities.	5
0	Reimbursements from PSAA	(17)

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 2017/18 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 £326,259 in 2017/18 (£290,130 in 2016/17).

Councillor Joy Francis is the owner of Tortoise Day Nursery and Managing Director of Smiley Faces Day Nursery. The Council administers the payment of 2/3/4 year old nursery place funding on behalf of the government. The money offsets the cost of this care to the parent and is deducted off their invoice. The Council made total payments in relation to this of £193,857 during 2017/18 (£87,042 in 2016/17).

Councillor Kuldip Sahota is a voluntary director of Meeting Point Trust and as such have no financial interest in the company. The Council makes payments to the Trust in relation to Room Hire at Meeting Point House. During 2017/18 the Council made payments totalling £26,603 (£26,170 in 2016/17).

Councillor Barry Tillotson is a director of Shropshire County Training Ltd who lease two council owned properties and is Chairman of Admaston House Community Centre Trust who hire facilities to council services for the delivery of adult and young people cookery classes and as a polling station. The value of the leases in 2017/18 was £9,600 and the value of the hire was £5,660.

Councillor Rae Evans holds a number of director and trustee posts for organisations who have received monies in 2017/18 as follows:

	Amount Received by Organisation (£)
• Park Lane Centre (Director of)	£40,834
• Meeting Point House Trust (Trustee)	£26,603
• Telford and Wrekin CVS (Director of)	£424,011
• Telford & Wrekin Citizens Advice (Director of)	£468,401
• Bethphage (Head of Human Resources to July 2017)	£44,641

Councillor Richard Overton is centre manager for Donnington Charitable Trust. The value of all financial transactions between Donnington Charitable Trust and Telford and Wrekin Council in 2017/18 is £17,251 including £10,000 Partnership Grant.

Councillor Stephen Bentley manages Waters Upton Stores in Telford which receives 100% Rural Rate Relief in line with national legislation and Council policy

Telford @ 50

A number of Council members are also Parish Council Members. Various Parish Councils have received grants in 2017/18 in relation to Telford @ 50.

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.

Subsidiaries

NuPlace Ltd is a Wholly Owned Company for the provision of market rented housing in the Borough. For 2017/18 the company had a net profit of £0.343m and Net Assets of £11.96m. The Council produces Group Accounts in relation to NuPlace and these can be found on page 106.

51. Leases

Finance Leases

During 2017/18 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £489,910. Finance lease rentals of £467,049 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	344	462	0	806

The aggregate amount of finance charges in respect of finance leases was £26,064 for 2017/18 (£33,635 for 2016/17).

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 2017/18 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:

	Within 1 Year £000	2 to 5 years £000	Over 5 years £000	Total £000
Outstanding Obligations	3	0	0	3

Hire Purchase Contracts

During 2017/18 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 2017/18 amounted to £8,741,000 (£7,373,000 for

2016/17). 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 2018, the Authority had no known material contingent liabilities. However, the Council has received a proposed claim for damages in relation to an alleged failure to disclose some information in a property search response. This is currently being dealt with as an insurance claim. The outcome is not yet known, so we are unable to include a value. The process is ongoing.

53. Contingent Assets

At 31 March 2018, 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 2016/17 was £0.026m, the value of LSSG for 2017/18 is £0.000m.

55. Special Fund Revenue Account

2016/17 Net Expenditure £000		2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000
	EXPENDITURE ON SERVICES			
(140)	Cemeteries	191	(272)	(81)
541	Highways – footway lighting	679	(7)	672
401	Total expenditure on services	0	0	591
	INCOME			
(691)	Council Tax			(724)
(290)	(Surplus) or deficit for year			(133)
	Special Fund			
684	Balance at beginning of the year			974
0	Adjustment to Balance in relation to previous years charges			(351)
290	Surplus or (deficit) for year			133
974	Balance at end of year			756

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, 2016/17 and 2017/18 and the balance at 31st March is £242,157. This is shown as a debtor on the Balance sheet at a fair value of £221,803 and a notional £20,354 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 2017/18 and the balance at 31st March is £44,542. This is also shown as a debtor in the Balance sheet at a fair value of £22,606 and a notional £21,936 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

<u>Expenditure</u>	Chargeable	Non-Chargeable	Total Building Control
	2017/18 £000	2017/18 £000	2017/18 £000
Employee Expenses	70	116	186
Support Services	83	92	175
	153	208	361
<u>Income</u>			
Building Regulation Charges	(268)	(115)	(383)
(Surplus)/Deficit	(115)	93	(22)
(Surplus)/Deficit 2016/17	(99)	94	(5)

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 2017/18 indicates the following:

	General Fund		Education	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance b/f	2,473	2,577	945	945
Charges in the Year	(580)	(308)	0	0
Transfers to other reserves	0	0	0	0
Contributions	684	631	0	0
Balance c/f	2,577	2,900	945	945

The charges relate to additional premium costs and excesses and the contributions to interest as well as contributions from services.

There are two general fund insurance provisions as follows:

	General Provision		Self-Insurance	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Balance b/f	651	465	1,822	2,112
Charges In Year	(399)	(172)	(181)	(136)
Contributions	213	160	471	471
Balance c/f	465	453	2,112	2,447

For 2017/18 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 2017/18 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 24.8%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

Extract from WME Balance Sheet	2017/18	Telford & Wrekin Share
	£000	£000
Long Term Assets		
Property, Plant & Equipment	2	0
Current Assets		
Short Term Debtors	11,455	2,837
Cash and Cash Equivalents	2,655	657
Current Liabilities		
Short Term Creditors	(12,965)	(3,211)
Long Term Liabilities		
Other Long Term Liabilities	(6,047)	(1,497)
Total Assets Less Liabilities	(4,900)	(1,214)
Financed By		
General Fund	666	165
Net Operating surplus	804	199
Capital Adjustment Account	2	0
Pension Reserve	(6,372)	(1,578)
	(4,900)	(1,214)
Turnover	62,482	3,470

60. Apprentice Levy

The Apprentice Levy came into effect in April 2017. It is a Government tax which aims to deliver new apprenticeships. All UK employers who have a total employee pay bill above £3m must pay the levy. The levy rate is 0.5% of the pay bill and includes schools. The money is collected by HMRC and is held in a Digital Apprenticeship Service (DAS) account which can be accessed to fund apprentice training. The levy has been treated as an employee expense in the CIES. The total amount paid in 2017/18 was £0.493m

Collection Fund Account

	NDR 2016/17 £000	Council Tax 2016/17 £000	Total 2016/17 £000	NDR 2017/18 £000	Council Tax 2017/18 £000	Total 2017/18 £000
Income						
Income from Council Tax (Note 1)		75,139	75,139		79,369	79,369
Transfers from the Council's General Fund						
– Transitional Relief	(288)	0	(288)	(798)	0	(798)
Income collectable from business ratepayers (Note 2)	73,932		73,932	71,726		71,726
Contributions						
Adjustment of previous years' community charges		0	0		0	0
Total Income	73,644	75,139	148,783	70,928	79,369	150,297
Expenditure						
Precepts, demands and Shares						
Telford & Wrekin Council	35,052	59,170	94,222	35,100	61,885	96,985
West Mercia Police Authority		9,449	9,449		9,590	9,590
Shropshire & Wrekin Fire Authority	715	4,687	5,402	716	4,780	5,496
Parish Councils		3,489	3,489		4,003	4,003
Central Government	35,767		35,767	35,816		35,816
Cost of Collection	218		218	217		217
Bad and Doubtful Debts/Appeals						
– Write Offs	767	295	1,062	634	347	981
– Provisions	1,147	(1,043)	104	1,011	(364)	647
Contributions						
Adjustment of previous years' community charge		0	0		0	0
Total Expenditure	73,666	76,047	149,713	73,494	80,241	153,735
Movement on fund balance (Increase)/Decrease	22	908	930	2,566	872	3,438

Notes To Collection Fund Accounts

1. Council Tax Base for 2017/18

2016/17 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
10,728	Band A	26,509	(9,884)	16,625	11,076
11,472	Band B	19,825	(4,536)	15,289	11,891
8,301	Band C	11,501	(1,761)	9,740	8,657
7,514	Band D	8,378	(599)	7,779	7,779
5,119	Band E	4,589	(339)	4,250	5,194
2,790	Band F	2,101	(127)	1,974	2,851
1,575	Band G	1,028	(83)	945	1,576
78	Band H	50	(11)	39	78
47,577	TOTAL	73,981	(17,340)	56,641	49,102
(592)	Adjustments for growth and losses				(489)
46,985	Taxbase for year				48,613
£1,542.13	Average Council Tax for year				£1,588.57

2016/17 £000		2017/18 £000
72,457	Gross Yield	77,225
0	Less Benefits and Transitional Relief	0
2,682	Add increase in debit net of exemptions and reliefs	2,144
75,139		79,369

2. <u>Income Collectable from Business Rate Payers</u>	2016/17 £000	2017/18 £000	2017/18 £000
Effective non-domestic rateable value for year	166,145	169,971	
Uniform Business Rate for year	49.7p	47.9p	
Gross Yield for year	82,574		81,416
Less Reductions & Transitional Rate Relief	(8,642)		(9,690)
	73,932		71,726

The rateable value was £180,704,257 at 31/3/2018.

3. <u>Allocation of Fund Balance (Council Tax)</u>	2016/17 £000	2017/18 £000
Telford & Wrekin Council	(2,981)	(2,280)
West Mercia Police Authority	(447)	(332)
Shropshire & Wrekin Fire Authority	(222)	(165)
	(3,650)	(2,777)

4. <u>Allocation of Fund Balance (NDR)</u>	2016/17 £000	2017/18 £000
Telford & Wrekin Council	(1,653)	(396)
Shropshire & Wrekin Fire Authority	(34)	(8)
Central Government	(1,687)	(404)
	(3,374)	(808)

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.

The following pages include:

- Group Expenditure and Funding Analysis
- Group Comprehensive Income and Expenditure Statement
- Reconciliation of the Single Entity Deficit to the Group Deficit
- Group Movement in Reserves Statement
- 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.

These are based on the unaudited accounts for NuPlace Ltd.

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.

2016/17			SERVICE	2017/18		
Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
47,267	(464)	46,803	Adult Social Care	44,348	3	44,351
13,503	4,269	17,772	Business, Development & Employment	926	15,773	16,699
1,260	(1,492)	(232)	Co-Operative Council	1,362	(2,349)	(987)
3,610	(10,908)	(7,298)	Commercial Services	9,582	(13,927)	(4,345)
7,009	3,643	10,652	Council Wide	1,454	6,104	7,558
31,631	(27,958)	3,673	Customer & Neighbourhood Services	31,120	(15,485)	15,635
13,941	(15,338)	(1,397)	Education & Corporate Parenting	17,526	(11,243)	6,283
(27,021)	32,195	5,174	Finance & Human Resources	(18,233)	18,903	670
3,060	(59)	3,001	Governance, Procurement & Commissioning	3,470	31	3,501
1,731	(927)	804	Health & Well-being	1,624	110	1,734
26,428	464	26,892	Children's Safeguarding	29,312	(722)	28,590
122,419	(16,575)	105,844	Net Cost Of Services	122,491	(2,802)	119,689
(122,446)	24,771	(97,675)	Other Income & Expenditure	(122,355)	59,983	(62,372)
(27)	8,196	8,169	(Surplus) or Deficit	136	57,181	57,317
4,274			Opening General Fund Balance	4,301		
27			Surplus of (Deficit) for year	(136)		
4,301			Closing General Fund Balance	4,165		

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	2016/17 Gross Expenditure £000	2016/17 Income £000	2016/17 Net Expenditure £000	2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000
Adult Social Care	62,218	15,415	46,803	63,276	18,925	44,351
Business, Development & Employment	26,657	8,885	17,772	30,252	13,553	16,699
Co-Operative Council	1,766	1,998	(232)	1,729	2,716	(987)
Commercial Services	8,978	16,276	(7,298)	10,344	14,689	(4,345)
Council Wide	21,050	10,398	10,652	16,538	8,980	7,558
Customer & Neighbourhood Services	116,249	112,576	3,673	116,587	100,952	15,635
Education & Corporate Parenting	118,747	120,144	(1,397)	127,532	121,249	6,283
Finance & Human Resources	12,377	7,203	5,174	8,086	7,416	670
Governance, Procurement & Commissioning	10,019	7,018	3,001	10,799	7,298	3,501
Health & Well-being	20,540	19,736	804	18,509	16,775	1,734
Safeguarding & Early Help	27,537	645	26,892	29,731	1,141	28,590
Net Cost of Services	426,138	320,294	105,844	433,383	313,694	119,689
Other Operating Expenditure (Note 1)			8,324			51,297
Financing and Investment Income and Expenditure			19,516			10,811
Taxation & Non Specific Grant Income and Expenditure			(125,515)			(124,480)
(Surplus) or deficit on provision of services			8,169			57,317
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(2,641)			(5,549)
(Surplus) or deficit on revaluation of Available For Sale Financial Assets			0			(282)
Re-measurements of the net defined benefit pension liability			51,906			(27,630)
Other Comprehensive Income & Expenditure			49,265			(33,461)
Total Comprehensive Income and Expenditure			57,434			23,856

Reconciliation of the Single Entity Deficit on Provision of Services to the Group Deficit

2016/17 £000		2017/18 £000
8,029	Deficit from the Single Entity Accounts (Page 40)	57,031
(222)	Deficit/(Surplus) contained within Subsidiary Accounts	(277)
441	Removal of Trading Surpluses from Single Entity Accounts	563
8,248	Deficit in Group Accounts (Page 108)	57,317

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
Balance at 31 March 2016 carried forward restated	59,085	2,860	61,945	36,998	98,943
Total Comprehensive Income and Expenditure	(8,169)	0	(8,169)	(49,265)	(57,434)
Adjustments between accounting basis & funding basis under regulations	16,657	460	17,117	(17,117)	0
Increase/ (Decrease) in 2016/17	8,488	460	8,948	(66,382)	(57,434)
Balance at 31 March 2017 carried forward restated	67,573	3,320	70,893	(29,384)	41,509
Total Comprehensive Income and Expenditure	(57,317)	0	(57,317)	33,461	(23,856)
Adjustments between accounting basis & funding basis under regulations	70,665	(377)	70,288	(70,288)	0
Increase/ (Decrease) in 2017/18	13,348	(377)	12,971	(36,827)	(23,856)
Balance at 31 March 2018 carried forward	80,921	2,943	83,864	(66,211)	17,653

It can be seen from this table that there is total reserves of £80.9m, of this 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'.

31 March 2017		31 March 2018	31 March 2018
£000		£000	£000
514,081	Property, Plant & Equipment (Note 3)	487,521	
89,077	Investment Properties (Note 4)	118,638	
2,346	Intangible Assets	2,081	
33	Long Term Investments	315	
578	Long Term Debtors	441	
606,115	Total Long Term Assets		608,996
	Current Assets		
321	Inventories	323	
37,650	Debtors (Note 5)	39,280	
7,474	Assets Held for Sale	14,213	
20,600	Cash and Cash Equivalents (Note 6)	20,071	
<u>66,045</u>		<u>73,887</u>	
	Current Liabilities		
(19,873)	Provisions (Note 7)	(20,290)	
(119,175)	Short term Borrowing	(102,176)	
(58,990)	Creditors (Notes 8)	(65,931)	
<u>(198,038)</u>		<u>(188,397)</u>	
(131,993)	Total Net Current Assets/(Liabilities)		(114,510)
(100,873)	Less Long Term Borrowing		(154,526)
(55,491)	Less Long Term Creditors		(54,640)
(275,500)	Less Pensions Liability		(263,739)
(749)	Capital Grants Receipts in Advance		(3,928)
41,509	Net Assets		17,653
70,893	Usable Reserves (Note 9)		83,864
(29,384)	Unusable Reserves (Note 10,11 & 12)		(66,211)
41,509	Net Reserves		17,653

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.

2016/17		2017/18
£000		£000
8,169	Net (surplus) or deficit on the provision of services	57,317
(31,583)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 14)	(92,235)
44,384	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 15)	32,629
20,970	Net cash flows from Operating Activities	(2,289)
19,409	Investing Activities (Note 16)	36,841
(53,368)	Financing Activities (Note 17)	(34,023)
(12,989)	Net (increase) or decrease in cash and cash equivalents	529
7,611	Cash and cash equivalents at the beginning of the reporting period	20,600
20,600	Cash and cash equivalents at the end of the reporting period (Note 6)	20,071

Group Note 1. Other Operating Expenditure

2016/17 £000		2017/18 £000
3,489	Parish Council precepts	4,003
250	Payment of RSG to Parishes	186
4,601	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	48,024
(16)	(Gains)/losses on the disposal of non-current assets – Other Assets	(916)
8,324	Total	51,297

Group Note 2. Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
9,006	Interest payable and similar charges	9,461
7,328	Pensions interest cost and expected return on pensions assets	6,548
(20)	Interest receivable and similar income	(16)
3,162	Income and expenditure in relation to investment properties and changes in their fair value	(5,182)
40	Other investment income and expenditure	0
19,516	Total	10,811

Group Note 3. Property, Plant and Equipment

Movements in 2017/18:

	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 2017	366,345	36,426	159,954	14,362	577,087	59,771
Additions	9,042	2,382	20,026	26,283	57,733	1,778
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(262)	0	0	1,192	930	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,984)	0	0	(334)	(10,318)	0
derecognition – disposals	(51,165)	(61)	0	0	(51,226)	(48,589)
assets reclassified (to) /from Assets Under Construction	109	0	0	(11,408)	(11,299)	0
assets reclassified (to)/from Held for Sale	(3,044)	0	0	0	(3,044)	0

	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
assets reclassified (to) /from Investment Properties	53	0	0	(3,063)	(3,010)	0
At 31 March 2018	311,094	38,747	179,980	27,032	556,853	12,960
Less Accumulated Depreciation and Impairment						
at 1 April 2017	24,696	24,172	14,138	0	63,006	1,642
depreciation charge	8,528	2,683	4,003	0	15,214	1,606
depreciation written out to the Revaluation Reserve	(2,160)	0	0	0	(2,160)	0
depreciation written out to the Surplus/Deficit on the Provision of Services	(3,839)	0	0	0	(3,839)	0
derecognition – disposals	(2,828)	(61)	0	0	(2,889)	(2,764)
At 31 March 2018	24,397	26,794	18,141	0	69,332	(484)
Net Book Value						
at 31 March 2018	286,697	11,953	161,839	27,032	487,521	12,476
at 31 March 2017	341,649	12,254	145,816	14,362	514,081	58,129
Information on Assets Held at 31/3/18						
Nature of Holding						
Owned	274,221	10,815	161,839	27,032	473,907	
Leased	0	1,138	0	0	1,138	
PFI	12,476	0	0	0	12,476	
Total	286,697	11,953	161,839	27,032	487,521	

Capital Commitments

At 31 March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £10.4m. Similar commitments at 31 March 2017 were £6.9m. The major commitments are:

- Town Centre Connectivity - £5.4m
- Southwater Hotel - £1.5m
- Street Lighting - £3.5m

Comparative 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
Cost or Valuation						
At 1 April 2016	356,521	35,307	134,089	34,004	559,921	61,852
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
At 31 March 2017	366,345	36,426	159,954	14,362	577,087	66,091
Less Accumulated Depreciation and Impairment						
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
At 31 March 2017	24,696	24,172	14,138	0	63,006	7,962

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:

2016/17 £000		2017/18 £000
(8,028)	Rental income from investment property	(9,966)
2,963	Direct operating expenses arising from investment property	3,901
(5,065)	Net Operational (gain)/loss	(6,065)
8,227	Net (gain)/loss on revaluation of properties	883
3,162	Total Net (gain)/loss	(5,182)

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:

2016/17 £000		2017/18 £000
71,368	Balance at start of the year	89,077
7,164	Additions	17,207
(526)	Disposals	(844)
(8,227)	Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services	1,575
	Transfers:	
19,298	- (to)/from Property, Plant and Equipment	11,623
89,077	Balance at end of the year	118,638

Group Note 5. Debtors

2016/17 £000		2017/18 £000
	Amounts falling due in one year:	
7,232	Central Government	7,518
72	Other Local Authorities	42
973	NHS Bodies	1,403
574	Public Corporations and Trading Funds	24
35,530	Other Entities and Individuals	36,958
44,381	Gross Debtors	45,945
(6,731)	Provision for doubtful debts	(6,665)
37,650	Total	39,280

Group Note 6. Cash and Cash Equivalents

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

2016/17 £000		2017/18 £000
123	Cash held by the Authority	124
9,376	Bank current accounts	6,167
11,101	Call Accounts	13,780
20,600	Total Cash and Cash Equivalents	20,071
0	Bank Account Overdrawn	0
20,600	Net Cash Position for Cash Flow Purposes	20,071

Group Note 7. Provisions

	2017/18 Opening £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	2017/18 Closing £000
Restructure Provision	461	26	0	487
Single Status Provision – Non Schools	3,593	2	(167)	3,428
Single Status Provision – Schools	12,417	0	0	12,417
NDR Appeals Provision	3,293	3,808	(3,293)	3,808
Litigation Costs	44	0	(24)	20
Deferred Taxation	65	65	0	130
Total	19,873	3,901	(3,484)	20,290
2016/17	20,073	3,363	(3,563)	19,873

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 2018 was £0.487m.

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2017/18 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2018 was £15.8m.

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, £7.8m is estimated as the amount required to set aside for this purpose in the 2016/17 accounts (£6.7m 2016/17). Telford & Wrekin Council's proportion of this is £3.8m (49%) (£3.3m 2016/17).

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 £0.02m (£0.04m 2016/17).

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.

Group Note 8. Creditors

2016/17 £000		2017/18 £000
8,504	Central Government	9,705
2,007	Other Local Authorities	1,623
10	NHS Bodies	10
840	Public Corporations and Trading Funds	898
44,908	Other Entities and Individuals	50,680
2,721	PFI and Leases	3,015
58,990	Total	65,931

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 2017/18.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016 carried forward	4,274	45,456	6,551	2,804	0	2,860	61,945
Movement / Use of reserves during 2016/17	27	10,073	(1,431)	(181)	0	460	8,948
Balance at 31 March 2017 carried forward	4,301	55,529	5,120	2,623	0	3,320	70,893
Movement / Use of reserves during 2017/18	(136)	14,586	(1,332)	230	0	(377)	12,971
Balance at 31 March 2018 carried forward	4,165	70,115	3,788	2,853	0	2,943	83,864

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.

2016/17 £000		2017/18 £000
202,498	Balance Brought Forward	205,636
(35,454)	Charges for depreciation and impairment of non-current assets	(20,368)
(1,024)	Amortisation of intangible assets	(1,239)
(11,772)	Revenue expenditure funded from capital under statute	(13,200)
(5,965)	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	(48,102)
4,807	Adjusting amounts written out of the Revaluation Reserve	5,383
8,703	Capital financing - Capital receipts	2,252
35,221	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	30,754
395	Minimum Revenue Provision	467
8,227	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	883
205,636	Balance Carried Forward	162,466

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.

2016/17 £000		2017/18 £000
0	Balance at 1 April	0
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	Balance at 31 March	0

Group Note 12. **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.

2016/17 £000		2017/18 £000
44,823	Balance brought forward	40,016
2,641	Upwards revaluation of assets	5,549
0	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	0
(1,059)	Difference between fair value depreciation and historical cost depreciation	(1,040)
(6,389)	Accumulated gains and losses on assets sold or scrapped	(7,434)
40,016	Balance carried forward	37,091

Group Note 13. **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.

2016/17 £000		2017/18 £000
335,570	Opening Capital Financing Requirement	367,326
	Capital Investment	
63,440	Property, Plant & Equipment	57,733
7,164	Investment Properties	17,207
90	Assets Held for Sale	1,187
933	Intangible Assets	974
11,772	Revenue Expenditure funded from Capital under Statute	13,200
186	Leased Vehicles	490
	Sources of Finance	
(8,703)	Capital Receipts	(2,252)
(7,510)	Finance Leases & De Minimis Capital Expenditure	(1,748)
(35,221)	Government Grants and Other Contributions	(30,754)
(395)	Revenue Provision (NB: includes MRP)	(467)
367,326	Closing Capital Finance Requirement	422,896

31,756	Movement for Year	55,570
	Explanation of movements in the year	
1,268	Increase in underlying need to borrow (supported by Government financial assistance)	7
30,488	Increase in underlying need to borrow (unsupported by Government financial assistance)	55,563
31,756	Increase/(decrease) in Capital Financing Requirement	55,570

Group Note 14. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

2016/17 £000		2017/18 £000
(29,155)	Impairment and depreciation of property, plant and equipment and intangible assets	(18,583)
(68)	(Increase)/decrease in interest creditors	(169)
2,891	(Increase)/decrease in creditors	(5,534)
(5)	Increase/(decrease) in interest/dividend debtors	5
10,592	Increase/(decrease) in debtors	(1,427)
(30)	Increase/(decrease) in inventories	2
(10,947)	Pension Liability	(15,869)
200	Contribution (to)/from provisions	(417)
(13,288)	Carrying amount of non-current assets sold	(49,360)
8,227	Movement in Investment Property Values	(883)
(31,583)	Total	(92,235)

Group Note 15. Cash Flow Statement – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2016/17 £000		2017/18 £000
35,681	Capital grants credited to surplus or deficit on the provision of services	30,377
0	Proceeds from sale of short and long term investments	0
8,703	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,252
44,384	Total	32,629

Group Note 16. Cash Flow Statement – Investing Activities

2016/17 £000		2017/18 £000
71,155	Purchase of property, plant and equipment, investment property and intangible assets	74,788
290	Other payments for investing activities	282
(5,157)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	798
0	Proceeds from short-term and long-term investments	0
(46,879)	Other receipts from investing activities	(39,027)
19,409	Net cash flows from investing activities	36,841

Group Note 17. Cash Flow Statement – Financing Activities

2016/17 £000		2017/18 £000
(207,950)	Cash receipts of short and long term borrowing	(279,000)
(899)	Other receipts from financing activities	409
696	Appropriation to/from Collection Fund Adjustment Account	701
152,178	Repayments of short and long term borrowing	241,074
2,607	Cash payments in relation to finance leases and PFI agreements	2,793
(53,368)	Net cash flows from financing activities	(34,023)

Glossary

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

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

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

1 SUMMARY OF MAIN PROPOSALS

1.1 For the Audit Committee to review and approve the 2017/18 Annual Governance Statement to accompany the annual accounts.

2 RECOMMENDATION

2.1 That members of the Audit Committee approve the Annual Governance Statement 2017/18, attached as Appendix A (including Annex 1), and note the information in the report

3 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The Governance Framework encompasses the whole Council and therefore all of the Council's priorities.</i>
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/ DELIVERY DATE	<i>Annual Governance Statement signed and ready to accompany the 2017/18 accounts.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	No	<i>The governance framework includes several financial elements, including the Council's financial regulations, the budget strategy and the Treasury Management Strategy. These provide the financial parameters, systems, processes and guidelines within which the Council must operate and as such 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>
LEGAL ISSUES	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>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>Good governance supports the identification and management of risks and robust control arrangements.</i>
IMPACT ON SPECIFIC WARDS	Yes	<i>Borough-wide impact</i>

4 INFORMATION

- 4.1 Under the Accounts and Audit 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 2017/18 is attached at Appendix 1 and has been developed based on the requirements of the regulations and CIPFA/Solace guidance¹. 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 2016/17 statement (implemented during 2017/18) has been reviewed and updated to reflect current progress. The position as at 31/03/18 is attached as Appendix 2 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 2017/18, 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 2017/18 Annual Governance Statement sets out adherence to the Council's governance arrangements that operated during the period – 1st April 2017 to 31st March 2018 and measures the effectiveness of them.
- 4.7 The Council's current Code of Good Governance was approved last June to reflect the CIPFA/SOLACE 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

¹ Delivering Good Governance in Local Government: Framework (2016 Edition)

6 **PREVIOUS MINUTES**

- 6.1 Cabinet 26th June 2014; 25th June 2015; 16th June 2016
 Audit Committee 30th June 2015; 28th June 2016, 27th June 2017

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 Rob Montgomery, Audit & Governance Team Leader 383103

ANNUAL GOVERNANCE STATEMENT 2017/18**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 regulations¹ and ensuring the effective exercise of its functions.
- 3.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control). 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 2017/18.

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 2018 and up to the date of approval of the statement of accounts. It is on-going into 2018/19 but there will be appropriate reviews and updates during the year and beyond to support good

¹ 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 2017/18 the Internal Audit team achieved 95% 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 Adult Social Services in respect to systems, financial management and implementation of the cost improvement plan have continued to provide updates during the year to Members including the Audit Committee. To support the revised target operating model there has been commissioned external support, management changes and the implementation of 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. 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. 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 2017/18 no enforcement action has been taken by the ICO against the Council in respect to data breaches. The Information Governance Team are leading on Council compliance with the General Data Protection Regulations due to be implemented on 25 May 2018.
- 5.12 Implementation of the ICT Strategy has continued including infrastructure upgrades, the ongoing 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 2017/18 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 2017/18 final accounts audit.
- 5.15 The External Auditor's Annual Audit Letter 2016/17 (October 2017) 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 2016/17 on 26 September 2017. This means we are satisfied that during the year the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of its resources. 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. We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusions and considered the arrangements the Authority has in place to mitigate these risks. Our assessment identified that financial resilience is a significant VFM risk to the Authority.. The need for savings will continue to have a significant impact on the Authority's financial resilience. We have concluded that in 2016/17 the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes to tax payers and local people.

- Audit opinion - we issued an unqualified opinion on your financial statements on 26 September 2017. 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.

5.16 My Options Shared lives & My Options Community Support Services both were inspected by the regulating body the Care Quality Commission (CQC) and both received a 'GOOD' rating.

5.17 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.

5.18 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 Appendix B

5.19 The Senior Management Team will monitor implementation of these actions and will report back to the Audit Committee in January 2019 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 2017/18 for IMPLEMENTATION during 2018/19

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 document produced March 2017 and further actions to be taken during 2017/18. Being the Change Part 3 to be in place April 2018</p> <p>Service and work force planning sessions took place in early 2018 and this has also been used to feed into the annual audit planning.</p> <p>Consultation on savings for 2018/19 and 2019/20 proposals will continue.</p>
2.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources/ AD Governance, Procurement & Commissioning	<p>The PSAA procurement process is complete and T&W external auditors for 18/19 onwards are Grant Thornton. A meeting is to be held with them regarding their expectations.</p> <p>Continuing to work towards an updated final accounts timetable Draft accounts by 31st May (instead of 30th June) and audited accounts by 31st July instead of 30th September.</p> <p>Tender exercise underway for the recruitment of External Auditor to undertaken benefit subsidy claim. This is due to be completed by June 2018.</p>
3.	<p>Implementation the Workforce Development plan, succession planning and priorities following restructure in Organisational Delivery & 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 & AD Finance & Human Resources	<p>Learning & Development Manager is leading on this to support the organisation to embed workforce development plans, succession planning/single points of failure 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> <p>Corporate Workforce Development Plan has been agreed by SMT.</p> <p>AD's workforce plans are in place.</p> <p>Future Leaders programme is underway.</p>

No	Action	Lead Officer	Comments
	121 framework to be adhered to across the Council		<p>Top 10 L&D needs are being delivered.</p> <p>Leadership & Management programme to commence April 2018.</p> <p>New approach to apprenticeships is in place.</p> <p>This year's certificate identified that due to reduced staff there are single points of failure, this is being managed through the sharing of information and issues fed into learning & development plans.</p> <p>Future Leaders have devised a new 121 framework to be used in 18/19 .</p>
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: Adult Social Services/ AD Governance, Procurement & Commissioning	<p>A comprehensive reporting structure has been developed and is in place whereby, on a monthly basis, there is an officer Cost Improvement Plan meeting chaired by an Assistant Director to review progress.</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>There is a detailed Financial Monitoring Summary produced by the Finance Team and progress is reported to a Managing Director Challenge Group (chaired by the Managing Director with the Director for Children's and Adults Services, two Assistant Directors and a representative of the s151 officer).</p> <p>Following this progress is reported to a Member Challenge Group attended by the MD Challenge Group portfolio holder for Children & Adults, the portfolio holder for Finance, Commercial Services and Economic Development and the Chair of the Health & Adult Social Care Scrutiny Committee</p> <p>The Brokerage and Contract teams will focus upon driving out further efficiencies through effective procurement.</p>

No	Action	Lead Officer	Comments
			<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 reviews	Director: Children's & Adult Services and Director – Customer, Neighbourhood & Well-Being Services	<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 & Development are supporting Ollie modules based on guidance produced. May 2018.</p> <p>This year's certification process shows that service areas are reviewing their processes to ensure compliance with GDPR.</p>
7.	Ensure that the website contains relevant current information and is kept up to date.	AD Customer & Neighbourhood Services	<p>There is a new Intranet being implemented across the council, it has been identified as part of this year's certification process that teams are waiting for this update to avoid duplication. Training has been provided for authors as to how they can update their intranet pages following implementation of the new system.</p> <p>It has also been identified that Service areas are reviewing webpages to ensure they are GDPR compliant</p>

No	Action	Lead Officer	Comments
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. Work on-going on this action.

AGS ACTION PLAN FOR 2016/17 UPDATE DECEMBER 2017

Appendix B

No	Action	Lead Officer	Original Comments	Status as at December 2017
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 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>	<p>There is continued development of the organisation.</p> <p>The workforce planning was completed as required. A refresh commences in January 2018.</p> <p>This has commenced and is ongoing.</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. 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>	The PSAA procurement process is complete and our external auditor for 18/19 is Grant Thornton.

No	Action	Lead Officer	Original Comments	Status as at December 2017
3.	<p>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.</p> <p>Review of Human Resources policies and procedures to support the priorities and organisational change.</p>	<p>Managing Director & AD Finance & Human Resources</p>	<p>Learning & 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>	<p>Corporate Workforce Development Plan has been agreed by SMT.</p> <p>AD's workforce plans are in place.</p> <p>Future Leaders programme is underway.</p> <p>Top 10 L&D needs are being delivered.</p> <p>Leadership & Management programme to commence April 2018.</p> <p>New approach to apprenticeship is in place.</p> <p>Ongoing as per original comment.</p>
4.	<p>Continue to deliver the improved processes and associated governance to deliver savings and service improvements across Early Help & Support (includes adult social services)</p>	<p>AD: Early Help & Support/ AD Governance, Procurement & Commissioning</p>	<p>Adult Social Services are now included with Early Help & 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</p>	<p>A comprehensive reporting structure has been developed and is in place whereby, on a monthly basis, there is an officer Cost Improvement Plan meeting chaired by an Assistant Director to review progress.</p> <p>Separately there is a detailed Financial Monitoring Summary produced by the Finance Team and progress is reported to a Managing Director Challenge Group (chaired by the Managing Director with the Director for Children's and Adults Services, two Assistant Directors</p>

No	Action	Lead Officer	Original Comments	Status as at December 2017
			<p>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>	<p>and a representative of the s151 officer).</p> <p>Following this progress is reported to a Member Challenge Group attended by the MD Challenge Group portfolio holder for Children & Adults, the portfolio holder for Finance, Commercial Services and Economic Development and the Chair of the Health & Adult Social Care Scrutiny Committee.</p>

No	Action	Lead Officer	Comments	Status as at December 2017
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 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> <p>Any governance issues arising from other external reviews during 2017/18 will be monitored by senior management.</p>	<p>The 'Getting to Good' Service Improvement Plan is monitored via regular work stream leads meetings and Children's Safeguarding & Early Help Management Team.</p> <p>Progress against the actions in the plan was reported and evidenced to our Ofsted Regional Lead Inspector in October 2017.</p> <p>A progress report will be presented to Children & Young People Scrutiny Committee in 2018 (date to be agreed)</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 & Development are supporting Ollie modules based on guidance produced. May 2018</p>	<p>A number of reports have been presented to SMT on GDPR.</p> <p>SMT have agreed the IG Teams suggestion on implementing GDPR requirements</p> <p>An intranet page has been set up on GDPR and training is available.</p>

No	Action	Lead Officer	Original Comments	Status as at December 2017
7.	Ensure that the website contains relevant current information and is kept up to date.	AD Customer & Neighbourhood Services	<p>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.</p> <p>On-going during 2017/18.</p>	<p>The Web Team are planning to relaunch the process for website authoring in the new year (February 2018) by asking SDM's to nominate a single officer for their service area who will become the Web Editor.</p> <p>This person will have dual responsibility for the internet and intranet sites for their service area, as well as being their social media champion.</p> <p>The role will involve them regularly reviewing website content, and working with web authors to update and improve content.</p> <p>A new programme of training will be developed for the Web Authors once identified.</p>
8.	Continue to develop and implement appropriate governance arrangements to support commercial projects.	Managing Director & SMT	<p>Governance processes in place and robust business cases and funding approvals are required for all activities.</p> <p>On-going during 2017/18.</p>	On-going as previous comment.

Delivering Good Governance in Telford & Wrekin Council

Local Code 2017

Definition:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

In order for the Members and Employees¹ of Telford & Wrekin to deliver good governance whilst working to achieve the Council's objectives they must **act in the public interest at all times.**

PUBLIC INTEREST PRINCIPLES - Acting in the public interest requires a commitment to and effective arrangements for:

- A. Behaving with integrity, demonstrating strong commitment to ethical values (including the Council's values²), and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement (including with individual citizens, service users and institutional stakeholders)

Achieving good governance also requires a commitment to and effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining and planning the actions necessary to optimise the achievement of the intended outcomes
- E. Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Member and officers.
- F. Managing risks, performance and data through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and assurance (including audit) to deliver effective accountability.

¹ Employees include partners, joint arrangements and volunteers.

² Fairness & Respect: Ownership: Openness & Honesty; Involvement

The Governance Framework that supports this Code

The key elements of the systems and processes that comprise the authority's governance framework (which is underpinned by the Council's values) includes:

- Community Strategy - Shaping Our Future – Telford & Wrekin's Journey to 2020 - approved by Council on 2 May 2013;
- The Council's Medium Term Plan which outlines the Council's ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Co-operative Council principles and clear vision and values for the Council and the Community. "Being the Change: One Year On – Seeing the Change and Being the best we can" – identifies where changes have been made and outlines future changes;
- Clear governance arrangements to manage the Council's change programmes and restructuring occurring across the Council and key capital projects;
- Designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services & Director of Adult Social Services (Director of Children's & Adults Services), Director of Public Health and Scrutiny Officer;
- The Council's Information Governance arrangements include a Caldicott Guardian and an Information Governance Framework sponsored by a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- The Performance management framework and data quality systems. These provide reports to SMT³, Cabinet and Scrutiny;
- A Legal Services team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- The Adults and Children's Safeguarding Boards and their associated accountability with an independent Chair;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group Managers/Team Leaders;
- Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium-term planning including the supporting financial planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's Human Resources function and workforce /organisational development procedures⁴ are supported by clear recruitment processes. These are followed up by on-line induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on-going training and development;
- Member and Officer⁵ Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council's communication, consultation and engagement strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;

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

⁴ Further development work has continued on these to reflect Organisational Development, the Councils priority of Business Supporting, Business Winning Council and increased Commercial activities.

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

- The Leader and Deputy Leader of the Cabinet are the lead members responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and strategic risks are reviewed by SMT and agreed by the Cabinet;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- A process for the completion and approval of business cases for use of the Capacity fund, Invest to Save fund and use of consultants;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and External Audit guidance and is monitored by the Audit Committee;
- Internal audit operates to the Public Sector Internal Audit Standards and on a risk basis reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The Audit & Governance Team Leader operates to meet the requirements of the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
- Anti-Fraud and Corruption, Speak Up and Prosecution policies support the Council's governance processes and anti-fraud and corruption culture;
- The Council has processes and documents to support governance and reporting arrangements for partnerships;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management;
- Governance awareness and training for members within their member development programme and for officers through induction, Ollie and Staff news (updates/reminders on any revised governance arrangements, including information governance).

1 PURPOSE

- 1.1 To update members on the work of Internal Audit for the period 1/1/18 to 27/4/18.
- 1.2 For members to consider and approve the Internal Audit Plan 2018-19

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information contained in this report in respect to audit work between 1 January 2018- 27th April 2018
- 2.2 That members of the Audit Committee approve the Internal Audit Plan 2018/19 attached as Appendix 5

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 2017/18 in respect to audit reports between 1/1/18 – 27/4/18 and the Internal Audit Plan for 2018/19 for approval by the Committee.

4 PREVIOUS MINUTES

Audit Committee: 30 June 2016
 20 September 2016
 31 January 2017
 27 June 2017
 19 September 2017
 30 January 2018

5 INTERNAL AUDIT UPDATE

- 5.1 This report provides information on the work of Internal Audit from 1st January – 27th April 2018 and provides an update on the progress of previous audit reports issued (August 2015 – January 2018)
- 5.2 The key focus for the team during the quarter was the completion of the audit plan including the fundamental systems audits.
- 5.3 The following internal audit update report appendices are attached:
 - i) **Appendix 1** – List of final reports issued this period with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.
 - ii) **Appendix 2** – List of all work undertaken this period of 1 day or more.

- iii) **Appendix 3** - Previous graded reports from August 2015 to January 2018 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 4**– Summary of the 4 Amber & 2 Red reports issued this period.

5.4 Appendix 1 shows 17 reports were issued this period. 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
Deprivation of Liberty Safeguards (DoLS).	+39.07%	Audit scope was bigger than originally planned and testing was complex. New SDM in post so spent time going through audit process and agreeing report
Core Groups	+ 69.5%	Complex testing which required sitting with individual managers, included a feedback meeting with the SDM and AD.
My Options Comforts Fund	+184.75%	There were four different funds to review which was unknown when the days were allocated it was thought only to be one
St Luke's RC Primary	-10.2%	School very organised with documentation available on arrival
Purchase Ledger	+14.4%	Development of auditor as it was the first time she had audited this area. Also additional KPMG requirement that all reports produced by the service area, to be used for audit testing, had to be witnessed by the Auditor to ensure parameters were correct.
Housing benefit / council tax support & Concessionary travel	- 21.67%	Key staff were made available for audit testing and to pick up issues which assisted in getting the testing and reports completed timely.

The reasons for the variances are as explained above and the scopes and time allocations for 2018/19 audits will be informed by this information and will be closely monitored.

5.5 From Appendix 1 there were 4 Amber and 2 Red reports issued during this period. A summary of each report is provided in Appendix 4. For these Red/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 to the Committee in July.

5.6 Areas of more than 10 days from Appendix 2 are explained below:

Audit Area	Days	Explanation
Benefits 2017/18	11	Fundamental audit, this time was within the budgeted time planned for this work.
Core Group	10	Planned work as agreed by SDM & AD, this time was within budgeted time.
General Ledger 2017/18	23	Fundamental audit, this time was within the budgeted time planned for this work.
HR & Payroll 2017/18	13	Fundamental audit, this time was within the budgeted time planned for this work.

- 5.7 From Appendix 3 the position on reports which remain Red/Amber after a follow up has been undertaken are as shown in the table below

No	Area Audited	Original Grade	Revised Grade	Current position/comments
1	Setting Up home Grant (Leaving Care)	Amber	Amber	Postponed at request of SDM due to turnover of key staff. New audit currently in progress
2	Children's Arrangement orders	Amber	Amber	3rd follow up completed – remains an amber. Further follow up currently in progress
3	Ski & Snowboard Centre	Red	Amber	2 nd Follow up in progress

- 5.8 All other areas reported on in this update report but not highlighted to members are either improving or the follow ups are in progress or planned. Internal Audit is confident and has been assured by management that controls have and will continue to improve in all areas where recommendations have been made. There are no other issues to bring to the attention of the Committee at this time.

Quality Assurance and Improvement Programme

- 5.9 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 during this quarter.

6 INTERNAL AUDIT PLAN 2018/19

- 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 standards¹ 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 2018. 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.

¹ Public Sector Internal Audit Standards

- 6.4 The annual plan is attached as Appendix 5 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 2018/19 (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 2018/19 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.
- 6.5 The planned resources for 2017/18 were 990 which included 46 days specialist ICT audit work. The resources for 2018/19 are 827 plus 53 days specialist ICT audit work (total resources 880). This reduction is due to the retirement of the Audit SDM.
- 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.

The 2018/19 plan has been drawn up based on the audit resources available for 2018/19. 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.

- 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

AREA	COMMENTS
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	The draft financial outturn for 2017/18 is currently showing that Audit, IG, Insurance & Investigations have operated within budget for 2017/18. There are further savings expected in 2018/19 but these have been planned for and the restructure in 2017 contributed significantly towards the achievement of these savings. Therefore, the plan will be delivered from the staff resources available within budget, therefore, there are 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 2017/18 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: Tracey Drummond Principal Auditor. Telephone 383105

FINAL REPORTS ISSUED 1st JANUARY TO 27th April 2018

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Deprivation of Liberty Safeguards (DoLS).	Red	July 2018	14	19.47	+39.07%
ICT – Wireless Network Management Arrangements	Red/ Yellow	April 2018	7 - TIIA*	7	0
Core Groups	Amber	July 2018	8	13.56	+ 69.5%
My Options Comforts Fund	Amber	July 2018	4	11.39	+184.75%
Crudgington Primary	Amber	July 2018	8.25	8.47	+2.66%
Discharge From Hospital	Amber	July 2018	12	13.09	+9.08%
Sales ledger (2017-18)	Yellow	18-19 audit	25	24.27	- 2.92%
HR / Payroll (2017-18)	Yellow	18-19 audit	25	22.60	- 9.6%
ICT Change Release Management	Yellow	October 2018	10 - TIIA	10	0
St Lukes RC Primary	Yellow	July 2018	8.25	7.41	-10.2%
ICT – Help Desk	Yellow	August 2018	8 - TIIA*	8	0
Purchase Ledger	Yellow	As part of 2018-19 audit	25	28.60	+14.4%
ICT Hosting – Libraries & Schools MIS	Yellow	July 2018	8 - TIIA*	8	0
Meadows Primary	Yellow	September 2018	8.25	7.95	-3.63%
Housing Benefit & Council tax support (2017-18)	Yellow	18-19 audit	30	23.5	- 21.67%
Concessionary Travel	Green				
General Ledger (2017-18)	Green	n/a	30	32.60	+ 8.67%

* Work undertaken by specialist third party contractor under framework contract

**AUDIT WORK UNDERTAKEN FOR THIS PERIOD (1/1/18 – 27/4/18) FOR A PERIOD OF 1 DAY
OR MORE**

AUDIT AREA	DAYS
A2A	2
Advice & Consultancy including org change	6
Benefits 2017/18	11
C & A Programme Board	1
Core Group	10
Corporate Governance (AGS)	2
Crudgington Primary School	8
Deprivation of Liberties Safeguards	5
Direct Payments	2
Discharge from Hospital	4
ESF Funding Agreement	2
Follow ups	6
General Ledger - Fixed Asset Module	1
General Ledger 2017/18	23
HCA Land Deal - Profit Share / Review Processes	3
HR & Payroll 2017/18	13
Housing Investment Project - Governance / Assurance review	1
Leisure Working Papers	1
Meadows Primary	8
Millbrook School Fund (Advice)	1
My Options - Comforts fund	9
Ombudsman Complaints	8
Planning / Governance Arrangements	3
Procedures for trading Co / Commercial Projects	6
Purchase Ledger 2017/18	4
Sales Ledger 2017/18	8
School Catering	7
Setting up Home Grant	1
Strengthening Families Grant	2
Stirchley Rec	6

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 27/4/18
Setting Up home Grant (Leaving Care)	Amber	Amber/ New audit 17/18	To be undertaken 2017/18 plan	Audit postponed at request of SDM but now in progress
Direct payments follow up (Personal budgets)	Red	Yellow/ New audit 17/18	New audit to be undertaken December 2017	Audit in progress
Supervision Policy Review	Amber	Yellow	2 nd follow up complete moved to yellow 3 rd follow up to be completed	3 rd follow up grade Yellow. No further follow ups to be undertaken
Children's Arrangement orders	Amber	Amber	Follow up to be undertaken September	3 rd follow up undertaken, remains amber
Assistive Technology	Yellow	Yellow	1 st follow up completed remains yellow further follow up to be completed	3 rd follow up complete remains Yellow. No further follow up.
Transition Process	Yellow	yellow	2 nd follow up complete remains Yellow	complete
Anti-Virus Arrangements*	Amber	Green	1 st follow up complete regraded to yellow. 2 nd follow up planned January 2018	Followed up in January, now complete

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 27/4/18
Control of Privileged User and Tools*	Amber	green	1 st follow up complete remained amber. 2 nd follow up planned January 2018	Followed up in January, now complete
Software Licensing*	Yellow	Yellow	Follow up in progress	Complete – No further follow up to be undertaken
Arthog	Amber	Yellow	2 nd follow up due Jan 2018	2 nd follow up completed and remained yellow. 3 rd follow up due August 2018
John Fletcher of Madeley	Yellow	Green	Follow up due September 2017	complete
Additional Payments to Foster Carers	Amber		Postponed at request of SDM due to turnover of key staff	Follow up in progress
Nuplace	Amber	Yellow	First Follow up completed and moved to a yellow grading	Second follow up in progress
Children in Care Personal Savings	Amber	Amber	1 st follow up complete remains amber, further follow up to be completed	2 nd follow up completed January and now yellow. No further follow up to be undertaken
ICT Disaster Recovery	Yellow Amber	Yellow	1 st follow up complete remained yellow. 2 nd follow up planned February 2018	Completed third follow up in January 2018 & moved to a green grading
Records Management	Yellow	Yellow	Follow up in progress	Follow up remained a yellow but no further follow up
Contract Review - Information And Advice Services Between Borough Of Telford & Wrekin And Telford & Wrekin Citizens Advice Bureau (My Choice)	Yellow	Green	Follow up due end of December 2017	Follow up completed in February & moved to a green
Hollinswood Primary	Yellow	Green	Follow up due January 2018 (due late December delay due to school holidays)	Follow up completed in January 2018 & moved to a green

Holmer Lake Primary	Yellow	Green	Follow up due January 2018 (due late December delay due to school holidays)	Follow up completed in January 2018 & moved to a green
Customer Contact Centre	Yellow	n/a	Follow up due end of December 2017	

UPDATE ON REPORTS ISSUED QUARTER 2 & 3– REPORTED TO JANUARY 2018 AUDIT COMMITTEE


Audit	Original Opinion	Updated Opinion	Status as at April 2018
Ski & Snowboard Centre	Red	Amber	2 nd Follow up in progress
Off Contract Agency Staff	Amber		Follow up in progress April 2018
Wellington Leisure Centre	Amber		Follow up due May 2018
High Ercall Primary	Yellow	Green	
My Options	Yellow		Follow up in progress
William Reynolds Primary	Yellow		Follow up in progress
Madeley Nursery	Yellow		Follow up in progress
Transfer of libraries	Yellow	N/A	No follow up due
Transfer of markets	Yellow	N/A	No follow up due
Cash Collection Gypsies & Travellers	Yellow		Followed up as part of annual Cash Collection audit 2018/19
Personal Transport Budget	Yellow		Follow up due June 2018
St Marys Catholic Primary	Yellow		Follow up due May 2018
Coalbrookdale & Ironbridge	Yellow		Follow up due May 2018

AMBER & RED REPORTS ISSUED BETWEEN JANUARY 2018- 27/4/18

Management Summary – DEPRIVATION OF LIBERTY SAFEGUARDS (DOLS)

An audit review commenced¹ 17 August 2017, to provide an opinion on the risk, governance and control environment for Deprivation of Liberty Safeguards (DoLS) and to contribute to the service areas objectives and improvement of processes. This Internal Audit opinion will contribute to the Annual Internal Audit opinion which informs the Council’s Annual Governance Statement.

We would like to thank all staff who provided support and assistance during the audit.

<p>AUDIT OPINION</p> <div style="text-align: center; margin-top: 20px;">  <p style="font-size: 2em; color: white; margin: 0;">Poor</p> </div>	<p>MANAGEMENT SUMMARY</p> <p>Based on objectives tested (See <i>Appendix 2</i>), The system of control is weak and there is evidence of non-compliance with the controls that do exist</p> <p>Recommendations have been made to improve processes, support the achievement of service objectives and the management of risk. These are set out in section 3.</p>						
<p>AREAS OF PARTICULAR CONCERN</p> <p>At the time of the audit the findings determined that there were several areas of particular concern. Areas included the inability to meet the demands of the service and as a result failing to fulfil our statutory obligations for undertaking both standard and urgent assessments.</p>	<p>RECOMMENDATION RISK RATING</p> <table style="margin-left: auto; margin-right: auto; text-align: center;"> <tr> <td style="background-color: red; color: white; padding: 5px;">High</td> <td style="background-color: yellow; padding: 5px;">Medium</td> <td style="background-color: lightgreen; padding: 5px;">Low*</td> </tr> <tr> <td style="background-color: #cccccc; padding: 5px;">8</td> <td style="background-color: #cccccc; padding: 5px;">4</td> <td style="background-color: #cccccc; padding: 5px;">5</td> </tr> </table> <p><small>*See advisory points on Appendix 1</small></p>	High	Medium	Low*	8	4	5
High	Medium	Low*					
8	4	5					

¹ In accordance with PSIAS Code of Practice for Internal Audit in Local Government

Management Summary – WIRELESS NETWORK MANAGEMENT

An audit review commenced² on 29th August 2017, to provide an opinion on the risk, governance and control environment for Wireless Network Management Arrangements and to contribute to the service area’s objectives and improvement of processes. This Internal Audit opinion will contribute to the Annual Internal Audit opinion which informs the Council’s Annual Governance Statement. The audit objectives were agreed by Vikas Attri, ICT Education Services Architect (Scope attached as Appendix 1). It should be noted that the management of client devices connecting to the wireless network has not formed part of this review.

The use of mobile devices and wireless networks has increased dramatically in recent years. A wireless network has many more vulnerabilities than a traditional wired network. Unlike wired networks, wireless network transmissions can travel well beyond building perimeters. An unauthorised individual therefore no longer needs to gain physical access to the inside of a building to maliciously connect to a network. It is therefore important to proactively safeguard the network against security attack by being aware of the risks that wireless networks and equipment can pose and by adopting a comprehensive risk management strategy to effectively address them.

As well as the Council’s Corporate Wireless Network, ICT’s Infrastructure Design and Support team provide wireless networks to schools (Education Wireless Network) and to guests. The team also provides support for the wired network which the wireless network is integrated with. A number of schools have engaged the services of a third party provider to install and manage access points connected the Education Wireless Network. The arrangements under which the third party operates within the schools was considered outside the scope of this audit however the third party service provider completed a “**3rd Party Supplier Questionnaire**” in **May 2017** and this has been referred to in this report and used in the overall evaluation ICT’s wireless network management arrangements.

It should be noted that ICT have already taken action with regard to a number of the recommendations made in this report.

We would like to thank all staff who provided support and assistance during the audit.

AUDIT OPINION

Reasonable

MANAGEMENT SUMMARY

Based on objectives tested (*See Appendix 2*) the audit opinion has been divided to reflect

- a) The adequacy of the **general management processes**, where there is a sound system of control but there is evidence of non-compliance with some of the controls, and

² In accordance with PSIAS Code of Practice for Internal Audit in Local Government

Poor

b) The management of **third party processes**, where the system of control is weak and there is evidence of non-compliance with the controls that do exist.

Recommendations have been made to improve processes, support the achievement of service objectives and the management of risk. These are set out in section 4.

AREAS OF PARTICULAR CONCERN

1. Lack of evaluation and transparency of third party management and security processes.
2. Lack of specific wireless security policy.
3. Use of an insecure wireless security protocol.
4. Lack of a formalised wireless risk and vulnerability management process.
5. Lack of formalised procurement and deployment standards.

RECOMMENDATION RISK RATING


High	Medium	Low
5	9	1

Management Summary - DISCHARGE FROM HOSPITAL

An audit review commenced³ in September 2017, to provide an opinion on the risk, governance and control environment for Discharge from Hospital and to contribute to the service areas objectives and improvement of processes. This Internal Audit opinion will contribute to the Annual Internal Audit opinion which informs the Council's Annual Governance Statement.

We were unable to undertake any testing in relation to the following control as the service area were not able to provide a report from which a sample could be taken, therefore we are unable to provide an audit opinion: - *Where longer term recovery and rehabilitation is required: A Care Act Assessment has been completed. Care in excess of 6 weeks is funded only in exceptional Circumstances.*

We would like to thank all staff who provided support and assistance during the audit.


<p>AUDIT OPINION</p> <div style="text-align: center; margin-top: 20px;">  <p style="font-size: 24px; margin: 0;">Limited</p> </div>	<p>MANAGEMENT SUMMARY</p> <p>Based on objectives tested (See Appendix 1), 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.</p> <p>Recommendations have been made to improve processes, support the achievement of service objectives and the management of risk. These are set out in section 3.</p>						
<p>AREAS OF PARTICULAR CONCERN</p> <p>At the time of the audit the findings determined that there were no areas of particular concern.</p>	<p>RECOMMENDATION RISK RATING</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="background-color: red; color: white; padding: 5px; text-align: center;">High</td> <td style="background-color: yellow; padding: 5px; text-align: center;">Medium</td> <td style="background-color: lightgreen; padding: 5px; text-align: center;">Low*</td> </tr> <tr> <td style="background-color: #cccccc; padding: 5px; text-align: center;">1</td> <td style="background-color: #cccccc; padding: 5px; text-align: center;">8</td> <td style="background-color: #cccccc; padding: 5px; text-align: center;">0</td> </tr> </table>	High	Medium	Low*	1	8	0
High	Medium	Low*					
1	8	0					

³ In accordance with PSIAS Code of Practice for Internal Audit in Local Government

Management Summary – CORE GROUPS

An audit review commenced⁴ in November 2017, to provide an opinion on the risk, governance and control environment for the Core Groups process and to contribute to the service areas objectives and improvement of processes. This Internal Audit opinion will contribute to the Annual Internal Audit opinion which informs the Council’s Annual Governance Statement.

We would like to thank all staff who provided support and assistance during the audit.


<p>AUDIT OPINION</p> <div style="text-align: center; margin-top: 100px;">  <p style="font-size: 2em; color: black;">Limited</p> </div>	<p>MANAGEMENT SUMMARY</p> <p>Based on objectives tested (<i>See Appendix 1</i>), 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.</p> <p>Recommendations have been made to improve processes, support the achievement of service objectives and the management of risk. These are set out in section 3.</p> <p>8 recommendations were made in the previous 2016-17 audit, 4 of which have been reiterated, these have been highlighted as reiterated against individual recommendations made in section 3.</p> <p>We would like to take the opportunity to thank the Team Managers for their time and co-operation with the testing undertaken for this audit. These Managers took the time to explain minutes and reports in detail, and were open and accepting to all comments made by the auditor. It was also noted that although 2 of the Team Managers were new to their posts they were very knowledgeable in the processes which should be followed, which will in turn assist with the improvement of this grade</p>						
<p>AREAS OF PARTICULAR CONCERN</p> <p>At the time of the audit the findings determined that there were no areas of particular concern.</p>	<p>RECOMMENDATION RISK RATING</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="background-color: red; color: white; padding: 5px; text-align: center;">High</td> <td style="background-color: yellow; padding: 5px; text-align: center;">Medium</td> <td style="background-color: lightgreen; padding: 5px; text-align: center;">Low*</td> </tr> <tr> <td style="background-color: #cccccc; padding: 5px; text-align: center;">2</td> <td style="background-color: #cccccc; padding: 5px; text-align: center;">6</td> <td style="background-color: #cccccc; padding: 5px; text-align: center;">0</td> </tr> </table>	High	Medium	Low*	2	6	0
High	Medium	Low*					
2	6	0					

⁴ In accordance with PSIAS Code of Practice for Internal Audit in Local Government

Management Summary – MY OPTIONS COMFORT FUNDS

An audit review commenced⁵ in January 2018, to provide an opinion on the risk, governance and control environment for My Options Comforts Funds and to contribute to the service areas objectives and improvement of processes. This Internal Audit opinion will contribute to the Annual Internal Audit opinion which informs the Council’s Annual Governance Statement.

We would like to thank all staff who provided support and assistance during the audit.

<p>AUDIT OPINION</p> <div style="text-align: center; margin-top: 50px;">  <p style="font-size: 24px; font-weight: bold;">Limited</p> </div>	<p>MANAGEMENT SUMMARY</p> <p>As part of the testing for this audit four comforts funds were reviewed: Lakewood Court Wellbeing Centre Skills & Enterprise Hub Southwood</p> <p>Based on objectives tested (<i>See Appendix 2</i>), there is a sound system of control but there is evidence of non-compliance with some of the controls.</p> <p>Recommendations have been made to improve processes, support the achievement of service objectives and the management of risk. These are set out in section 3</p>						
<p>AREAS OF PARTICULAR CONCERN</p> <p>At the time of the audit the findings determined that a particular area for concern was that there was no access to a bank account which contained a significant amount of funding which had been donated for the benefit of customers of the service area.</p>	<p>RECOMMENDATION RISK RATING</p> <table style="margin-left: auto; margin-right: auto; text-align: center;"> <tr> <td style="background-color: red; color: white; padding: 5px;">High</td> <td style="background-color: yellow; padding: 5px;">Medium</td> <td style="background-color: lightgreen; padding: 5px;">Low*</td> </tr> <tr> <td style="background-color: lightgray; padding: 5px;">4</td> <td style="background-color: lightgray; padding: 5px;">9</td> <td style="background-color: lightgray; padding: 5px;">6</td> </tr> </table> <p><i>*See advisory points on Appendix 1</i></p>	High	Medium	Low*	4	9	6
High	Medium	Low*					
4	9	6					

⁵ In accordance with PSIAS Code of Practice for Internal Audit in Local Government

Management Summary – CRUDGINGTON PRIMARY SCHOOL

An audit review commenced⁶ on 7th March 2018, to provide an opinion on the risk, governance and control environment for Crudgington Primary and to contribute to the schools objectives and improvement of processes. This Internal Audit opinion will contribute to the Annual Internal Audit opinion which informs the Council’s Annual Governance Statement.

We would like to thank all staff who provided support and assistance during the audit.

<p>AUDIT OPINION</p> <div data-bbox="125 552 943 778" style="border: 1px solid black; border-radius: 15px; background-color: #FFD700; text-align: center; padding: 20px;"><h1>Limited</h1></div>	<p>MANAGEMENT SUMMARY</p> <p>Based on objectives tested (<i>See Appendix 2</i>), 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.</p> <p>Recommendations have been made to improve processes, support the achievement of service objectives and the management of risk. These are set out in section 3</p>						
<p>AREAS OF PARTICULAR CONCERN</p> <p>At the time of the audit the findings determined that there were no areas of particular concern.</p>	<p>RECOMMENDATION RISK RATING</p> <table border="1" data-bbox="1234 943 1771 1086"><tr><td style="background-color: red; color: white; text-align: center;">High</td><td style="background-color: yellow; text-align: center;">Medium</td><td style="background-color: green; text-align: center;">Low*</td></tr><tr><td style="text-align: center;">0</td><td style="text-align: center;">17</td><td style="text-align: center;">3</td></tr></table> <p><i>*See advisory points on Appendix 1</i></p>	High	Medium	Low*	0	17	3
High	Medium	Low*					
0	17	3					

⁶ In accordance with PSIAS Code of Practice for Internal Audit in Local Government

Audit Plan 2018/19

Line	Audit Area	Service Area	AD	BTC	Risk rating	Quarter
	General ledger, assets & capital accounting - fixed					
1	asset module late May/early June	Finance & Human Resources	KC	A,B,D	H*	Qtr 3/4
2	P2P (creditor payments)	Finance & Human Resources	KC	A,B,D	H*	Qtr 2/3
3	Cash collection	Finance & Human Resources	KC	A,B,D	H*	Qtr 2
4	Treasury Management	Finance & Human Resources	KC	A,B,D	H*	Qtr 1
5	Payroll/HR (compliance of old and new systems)	Finance & Human Resources	KC	A,B,D	H*	Qtr 3 & 4
6	PSE upgrade (Support with implementation and audit checks/verifications)	Finance & Human Resources	KC	A,B,D	H	As required
7	Council Tax/NNDR	Finance & Human Resources	KC	A,B,D	H*	Qtr 1/2
8	Sales Ledger	Finance & Human Resources	KC	A,B,D	H*	Qtr 2/3
9	Liquid Logic Finance Module (Controc)	Finance & Human Resources	KC	A,B,D	H	QTR 4
10	New print & postage contract	Finance & Human Resources	KC	A,B,D	M	QTR 2
10	Debt recovery process (inc. Legal recovery)	ALL AREAS	all	A,B,D	H	QTR 2
11	Early help assessment & support plan framework	Children safeguarding	JB	A,B,D	M	Qtr 4
12	Intervention to support foster carers to achieve placement objectives	Children safeguarding	JB	A,B,D	M	Qtr 3
13	Embedding of the family solutions principles	Children safeguarding	JB	A,B,D	M	Qtr 3
14	Increase the number of children who achieve permanency	Children safeguarding	JB	A,B,D	H	Qtr 4
15	Special Guardianship	Children safeguarding	JB	A,B,D	M	Qtr 1
16	Parenting Assessments	Children safeguarding	JB	A,B,D	H	Qtr 2
17	Safeguarding & The care Act	Adult social care	SD	A,B,D	H	Qtr 3

	Effectiveness of new operational model - Community Early Help & Community Social Work (MC)	Adult social care	SD	ALL	M	Qtr 3
18						
19	Reduce number of people in residential care by developing housing schemes	Adult social care	SD	A,B,D	M	Qtr 4
20	Partnership Working	Adult social care	SD	A,B,D	M	Qtr 4
21	Pooled Budgets	Adult social care	SD	A,B,D	H	Qtr 3
22	Quality assurance framework	Adult social care	SD	A,B,D	M	Qtr 3
23	File audits	Adult social care	SD	A,B,D	M	Qr 1
	Business Continuity - review of updated process & plans	Health & Well-Being - all areas	LN	A, B, D	H	Qtr 3
24						
25	My options - young people services	Health & Well-Being	LN	A, B, D	H	Qtr 1
26	Healthy Child Programme	Health & Well-Being	LN	A, B, D	M	Qtr 3
27	Substance Misuse	Health & Well-Being	LN	A, B, D	M	Qtr 2
28	Shared lives	Health & Well-Being	LN	A, B, D	M	3 or 4
29	Staff retention	Health & Well-Being	LN		H	Qtr 2
	Building capacity in the voluntary sector - £700k - review of usage	Co-operative Council	RP	ALL	M	Qtr 4
30						As
31	Troubled families grant	Co-operative Council	RP	B,D	M	required
32	Telford 50 & telford 20	Co-operative Council	RP	all	M	Qtr 4
33	Workforce strategy	Co-operative Council - ALL SERVICE AREAS	RP	A, B, D	M	Qtr 2
34	Management & Leadership programme	Co-operative Council	RP	all	L	Qtr 2
	Housing Benefits & Local council tax support - to include Welfare reform & universal credit (Include new blue badge system)	Customer & Neighbourhood Services	AA	ALL	H*	Qtr 3
35						

36	Bus subsidy grant	Customer & Neighbourhood Services	AA	A, B, D	L	As required
37	H&S Management System Implementation - project assurance	Customer & Neighbourhood Services	AA	A, B, D	M	Qtr4
38	Schools (17 schools)	Education & Corporate Parenting	HL	B,D	M	ALL
39	ESF Skills funding agreement - audit checks so errors below 5% - EXTERNAL FUNDING ALSO LEP	Business, Development & Employment	KK	B,C,D	M	Qtr 3
40	National Careers Contract	Business, Development & Employment	KK	A, B, D	M	Qtr 4
41	Telford Land deal processes (Incl income)	Business, Development & Employment	KK	all	M	Qtr 1
42	BIT governance audit - Compliance with council policies	Business, Development & Employment	KK	A, B, D	M	Qtr 3
43	APT planning	Business, Development & Employment	KK	A, B, D	M	
44	Leisure Centres	Commercial Services	FM	ALL	M	Qtr 3
45	IT audits - see separate worksheet	Commercial Services	FM	ALL	H/M	As agreed
46	Sponsorship of council assets	Commercial Services	FM		L	Qtr 2 / 3
47	Homelessness reduction act	commercial Services	KK	all	H	Qtr 4
48	Housing Investment Project Nuplace- maintenance periods & money laundering policy	Commercial Services / BDE	KK	A,C	M	As required
49	Procurement - contract process review and monitoring to include Modern Slavery reporting	Governance, Procurement & Commissioning	JE	ALL	H	Qtr 3/ 4
50	Decommissioning guidance - are we complying with the guidance	Governance, Procurement & Commissioning	JE	B,D	M	Qtr 3
51	Money laundering Act 2017	Governance, Procurement & Commissioning	JE		H	Qtr 3 /4
52	Elections	Governance, Procurement & Commissioning	JE		M	Qtr 3

IT Audits:

2018/19 AUDIT AREAS

Back up & Storage	7 days
3rd party access incl wired & wireless network follow up	7 days
new Social Care System PIR review	16 days
Anti virus	8 days
GDPR	8 days
Single sign on :	7 days

53
days

PRIORITIES	
1	Put our children and young people first
2	Protect and create jobs as a 'Business Supporting, Business Winning Council'
3	Improve local people's prospects through education and skills training
4	Protect and support our vulnerable children and adults
5	Ensure that neighbourhoods are safe, clean and well maintained
6	Improve the health and wellbeing of our communities and address health inequalities

7	Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing
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BEING THE CHANGE (BTC)	
A	Focusing on solving problems and promoting social responsibility and action to manage and reduce demand for services
B	Challenging & changing, reviewing and reimagining the way we do things
C	Reducing our dependency on Government grants
D	Being a modern organisation with modern practices and where we always get the basics right.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 29th May 2018

INTERNAL AUDIT, INFORMATION GOVERNANCE & CALDICOTT GUARDIAN ANNUAL REPORT 2017/18

JOINT REPORT OF THE AUDIT & GOVERNANCE TEAM LEADER AND CALDICOTT GUARDIAN

1 PURPOSE

- 1.1 To present the 2017/18 Internal Audit, Information Governance (IG) & Caldicott Guardian Annual Report to the members of the Audit Committee and to seek their agreement to the 2018/19 IG Work Programme.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Internal Audit, Information Governance & Caldicott Guardian Annual Report for 2017/18
- 2.2 That members of the Audit Committee agree the 2018/19 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 15th September 2015 – Caldicott Guardian Annual Report 2014/15

Audit Committee 30th June 2016 – Annual Internal Audit, IG and Caldicott Guardian Annual Report 2015/16

Audit committee 27th June 2017 – Annual Internal Audit, IG & Caldicott Guardian Annual report 2016/17

5 2017/18 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 2017/18 were 990 days which included 48 days specialist ICT audit provision provided by the Staffordshire framework contract. The planned resources were affected by the Audit & Governance restructure, which came into effect in June 2017 and saw the departure of the Audit Services Delivery Manager and temporary part time Auditor. The team achieved 95% of the planned work but several items have been rescheduled into the 2018/19 plan due to delays in the introduction of new processes following restructures and the change in timetable for the implementation of various IT upgrades. Based on the work undertaken during the year (areas attached as **Appendix 1**) 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.

5.1.4 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.

5.1.5 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 2017/18 with comparisons with 2016/17 and 2015/16 shown in brackets.

Number of Recommendations made by Type 2017/18 (2016/17 & 2015/16)

No. of Audit Reports & Grading	Total number of recommendations	Financial Regulation	Legal	Policy and/or Procedure	Best Practice
52 (71,65) 13 (3,7) Green 29 (50, 34) Yellow 8 (17, 18) Amber 2 (1,2) Red	413 (682, 726)	82 (162, 147)	41 (40,48)	280 (445, 484)	10 (35,56)

Gradings - Green = good; Yellow = reasonable; Amber = limited; Red = poor

5.1.6 52 audit reports were issued during 2017/18, 19 less than 2016/17. Out of the 52 reports 25% (4% 11% were green (good), 56% (70% 56%) were yellow (reasonable), 15% (24% 30%) were amber (limited) and 3% (2% 3% were red (poor). The percentage for green reports has increased but yellow and amber have decreased. There has been very little change with the percentage of red reports issued from previous years.

5.1.7 30% of the recommendations were legal/financial regulation and this was the same in 2016/17 and 27% in 2015/16. 68% of the recommendations were policy and procedure compared to 65% in 2016/17 & 67% in 2015/16. This demonstrates very little change in the categories of recommendations being made.

5.1.8 There are a number of reasons why less audit reports were produced in 2017/18, these include:

- The scope of the individual audits reviewed during each audit year are more focused and complex to address the Council's changing risks and priorities.
- Increased number of days allocated to individual audits therefore reducing the actual number of audit reports issued.
- The audit restructure from June 2017 resulted in the Principal Auditor taking on more management responsibility

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 1st 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 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.

5.2.3 Improvements to audit processes and procedures are continually being reviewed and updated to ensure compliance with the standards.

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 2017/18 required by the External Audit and they have indicated that the work is of a good standard and that they can place reliance on it.

5.3.2 Grant Thornton (UK) LLP are the appointed External Auditor for the council from 2018/19.

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. We have looked to make changes to improve our adherence to the Standards and we have investigated and implement new/alternative ways of service delivery. Following consultation with auditees and Senior Management we have produced revised formats for the audit scope and audit report which makes both documents easier to read and focuses on service risk. We share best practice with other local authorities and regularly attend local network groups.

5.4.2 The Audit & Governance Team Leader and Principal Auditor regularly attend the Local Authority Chief Auditors Network (LACAN). 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 average feedback is shown in the table below compared to the last 2 years.

POST AUDIT QUESTIONNAIRE FEEDBACK 2017/18 compared 2016/17

Question		2016/17 From top score of 5	2017/18 From top score of 5	Difference 16/17 to 17/18
Pre- Audit Arrangements		4.8	4.7	-0.1
Audit Visit		4.7	4.9	+0.2
Communication		4.3	4.6	+0.3
Report		4.7	4.6	-0.1
Is audit a positive support – Yes		100%	100%	No change

The team's customer performance has remained extremely high during 2017/18 with the average score being 4.7 or more. There has been a 0.1 overall increase between the average scores reported 2016/17 and 2017/18.

We have identified and addressed any improvements required to our processes throughout the year. Our customer feedback has been positive and any specific issues have been addressed at the time of the audit with the SDM involved. 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 2017/18 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.

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 (General Data Protection Regulations or UK equivalent post 25 May 2018)** – 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 set a benchmark of 90% for responding to FOI requests within the 20 working day statutory deadline for responding to requests.
- 6.6 See table below for figures relating to FOI performance for the year 1 April 2017 to end of March 2018 compared with the same period for the previous year:

	17/18	16/17	% Increase / Decrease
Number of FOI requests received	1064	1226	-15%
Average number of FOI requests received per month	89	99	-11%
% of FOI requests responded to within statutory deadline	80	81	-1%
Average time taken (days) to respond to each request	14	11	+21%

As can be seen from the figures in the table above, the Council's performance in responding to FOI requests within statutory deadlines decreased marginally (down 1%) from 2016/17.

In addition to the above the Council received 29 requests (59 in 16/17) 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% (86% also in 16/17) of these requests were responded to within the 20 day deadline.

- 6.7 In this period IG have received and responded to 11 appeals from requestors who were not satisfied with the response they received to their FOI request. This compares to a total of 10 appeals in 2016/17.
- 6.8 During this period IG did not receive any complaints/referrals from the Information Commissioner (ICO) in respect to complaints made to them by FOI/EIR requestors parties.
- 6.9 Between 1 April 2017 and 31 March 2018 the Council received 32 Subject Access Requests (SAR's), this compares to 62 requests for the same period in 2016/17. 69% of SAR's received have been processed within the 40 calendar day deadline (89% of SAR's processed within deadline for 2016/17). There are a number of reasons why the volume of SAR's received has dropped and also the corresponding response rate including:
- More information requests received being treated as 'business as usual' requests
 - SAR requests received are more complex and larger in nature in respect to volume of paperwork per request
 - The restructure in Audit & Governance
 - The use of resources to support the introduction of GDPR
 - Long term absence of staff member

It should be noted that the size and complexity of subject access requests increases year on year. For the 32 requests responded to in 2017/18, the IG Team had to read and redact over 20,000 pages of mainly sensitive personal social care information. The largest individual request required 438 Documents to be read (17,000 pages) 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 received 2 complaints/referrals from the ICO during 2017/18 in respect to its late processing of subject access requests.

6.10 The IG Team also supports schools (T&W schools and out of area schools/public organisations) with their information rights requirements. This has been expanded to encompass GDPR requirements in 17/18. This is a traded service to schools.

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 33 data breaches had occurred (34 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	33 (31 in 16/17)	33
Accidental release of personal information verbally	0 0 in 16/17)	0
Documents containing sensitive information left in an insecure location	0 (1 in 16/17)	0
Information lost or stolen	0 (2 in 16/17)	0
TOTAL	33 (34 in 16/17)	33

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

There has been a small decrease in the number of confirmed data breaches in 17/18 (following increase of 36% in 16/17 on the previous year). 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 lessons learnt highlighted by data breach investigations to all services across the Council.

6.15 The council have self-reported 1 data breach to the ICO in February 2018, this investigation is ongoing.

6.16 Out of the 33 confirmed data breaches investigated, appropriate formal disciplinary action has/or will be taken in 1 case. Disciplinary action will range from written warning to possible dismissal.

6.17 The IG Team has used considerable resource in 2017/18 to support Council Services in implementing actions to ensure they comply with the introduction of GDPR on 25 May 2018. This support has included:

- IG have published 6 GDPR related articles for staff news / managers briefing (from 21/3/17 to date)
- IG/ODD have created 9 GDPR Ollie training modules
- IG have created 7 sets of guidance notes available on Ollie/intranet
- 1896 Ollie GDPR modules have been completed to date
- 110 individual staff members attended face to face training
- A member training session has been delivered
- 6 meetings of GDPR Sponsor groups have taken place
- IG/Procurement created new terms and conditions for contracts
- IG have created a new income stream which has far exceeded set income targets

To help and support organisations that contribute/support Council services the following work/actions have been undertaken:

- 1 free training session provided to CVS and other voluntary bodies – over 50 attendees
- 2 free training sessions provided to Shropshire Partners in Care (SPIC) – over 100 attendees
- 1 free training session to Telford Food Bank
- 2 training/awareness sessions provided to parish councils/voluntary sector with over 150 attendees.
- Provided a commercial offer to schools/parishes in relation to GDPR services

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 2017/18 IG work programme was agreed at the June 2017 Audit Committee. Progress to date in respect to this programme is shown attached as Appendix 2.

6.19 Appendix 3 details the proposed IG work programme for 2018/19 for approval.

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. An update on the progress made in completing the CG action plan was provided to the Audit Committee in June 2017.
- 7.2 In 2017/18 Sarah Dillon, AD Adult Social Care, became the Council's registered Caldicott Guardian (CG). As part of Sarah's role she has created an amended CG action plan which encompasses any actions outstanding from the previous CG and includes some new areas. A report will be provided to the Audit Committee in January 2019 outlining the current position of the action plan. A copy of this action plan can be found on Appendix 4.

7.2 The Caldicott Guardian has undertaken a number of additional activities/actions during 2017/18. A summary of actions is detailed below:

- Completion of Caldicott Guardian training and enrolment on the national register
- Assurance on the completion of the N3 toolkit completion and submission
- Ensuring appropriate actions are undertaken to ensure compliance with GDPR in Adult Social Care including staff training
- Sign off of data sharing agreements with Shropshire and Telford Hospitals (SaTH) and the South Staffordshire and Shropshire Foundation Trust (SSSFT)
- Ensuring the project to replacement the adult and children social care systems is progressing satisfactorily
- Reviewing issues with the Council's Secure Communication System and ensuring follow up action is undertaken including system changes and additional guidance being given to staff

9 CONCLUSIONS FOR 2017/18

- 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 2017/18.
- 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 2018/19 and beyond which could affect the team's activities e.g. :-
- a) The continued pressure on the Council's budget strategy for 2018/19 and beyond;
 - b) Changes in any information rights legislation and guidance particularly 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 has new External Auditors (Grant Thornton) for the audit of the 2018/19 accounts. (KPMG will complete the 2017/18 under the existing contract);
 - f) 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 2018/19 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 (note The Local Audit (Public Access to Documents) Act 2017 extends public inspection rights to journalists) 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"> • define the nature of internal auditing within the UK Public Sector; • set basic principles for carrying out Internal Audit in the UK Public Sector; • establish a framework for providing internal audit services in respect of organisational processes and operations; • facilitate the development of an effective Quality Assurance and Improvement Programme and; • define a mandatory Code of Ethics. <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>Caldicott Guardians were introduced into social care with effect from 1 April 2002, under Local Authority Circular LAC (2002)2 dated 31 January 2002. A</p>

	<p>Caldicott Guardian is a senior person responsible for protecting the confidentiality of people's health and care information and making sure it is used properly.</p> <p>All NHS organisations and local authorities which provide social services must have a Caldicott Guardian.</p> <p>Caldicott Guardians are required to be registered on the publicly available National Register of Caldicott Guardians. SD 11.05.18</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	<p>The service areas within the Internal Audit, Information Governance, Fraud Investigation and Caldicott Guardian teams/roles operated within their expenditure budget allocation of £470k for 2017/18. The budget for 2018/19 has been reduced across all the teams by around £60k. The teams were restructured early in 2017/18 financial year and have delivered savings in 2017/18 ahead of 2018/19 financial year and are expected to be operating within budget in that year.</p> <p>The implications for a data breach could result in fines of £500,000 under current rules, however under GDPR fines can be levied up to a maximum of 20 million euros. 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 direct financial implications anticipated from adopting the recommendation of this report.</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

Report by
Rob Montgomery, Audit & Governance Team Leader, 383103
Tracey Drummond, Principal Auditor, 383105
Sarah Dillon – AD Adult Social Care (Caldicott Guardian), 380038

Work undertaken during 2017/18 to provide assurance

Audited areas	Days
A2A	2
Advice & Consultancy including org change	33
Benefits 2017/18	22
Bus Subsidy Grant	3
C & A Programme Board	1
Cash Collection (2017-2018)	18
Coalbrookdale & Ironbridge Primary School	8
Core Group	13
Corporate Governance (AGS)	13
Council tax / NNDR (2017 - 2018)	53
Crudgington Primary School	8
Deprivation of Liberties Safeguards	19
Direct Payments	2
Discharge from Hospital	13
Dothill Primary School	7
E-Payments / BACS / PCI	1
ESF Funding Agreement	2
Follow up - Supervision Policy review (16/17)	6
Follow ups - general	28
General Ledger - Fixed Asset Module	6
General Ledger 2017/18	32
HCA Land Deal - Profit Share / Review Processes	3
HR & Payroll 2017/18	22
Headway replacement system (Arcus)	3
High Ercall Primary School	8
Hollinswood Primary School	8
Holmer Lake Primary School	8
Housing Investment Project - Governance / Assurance review	1
Insurance	1
Intermediaries / Agency Workers (HMRC Toolkit requirements)	6
Lakewood Centre Imprest	1
Lawley Primary School	7
Leisure - Central Admin	1
Leisure Working Papers	4
Madeley Nursery	7
Madeley Parish Council	2
Meadows Primary	8
Millbrook School Fund (Advice)	1
Moorfield Primary	1
My Choices	1
My Options	4
My Options - Comforts fund	9
National Fraud Initiative	3
Newport Infants	1

Nuplace	3
Oakengates Town Council	1
Off Contract Agency Workers	8
Old Park Primary School	7
PSE Upgrade	1
PSIAS External Assessment	1
Permit scheme - Utilites working on the Highways	1
Personal Transport Budget	6
Planning / Governance Arrangements	10
Pride in the High Street & Monitoring	2
Procedures for trading Co / Commercial Projects	6
Procurement inc GPC	2
Property Services/Facilities Management/BIT Op's review	1
Purchase Ledger 2017/18	33
Review of Contracts	5
Review ICT application audit programme	2
Risk Management 2017/18	3
Sales Ledger 2017/18	24
School Catering	7
School Funds	3
Setting up Home Grant	2
Ski Centre	5
Ski Centre Follow Up	2
Sports Development (Active & Creative Communities)	1
St Lukes RC Primary School	7
St Marys Primary School	8
St Patricks RC Primary School	9
Stengthing Families Grant	3
Stirchley Rec	6
Telford 50 advice & Consultancy	1
Telford Bike Hub	1
Tell us Once	4
Tibberton	1
Transfer of Facilities (Markets,Community C. & Libraries)	6
Transport Grant Certification	2
Transport Policy	1
Treasury Management (2017 - 2018)	10
Wellington Civic Leisure Centre	13
West Rd / Granville House Follow Up	1
William Reynolds Primary School	8
Wrockwardine Wood Infants School	7

Information Governance (IG) Work Programme 2017/18- Position as at 31/03/18

No	Task	Completion date	Position at 31/3/18
1	Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO.	Ongoing	Ongoing
2	Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income.	Ongoing	Ongoing
3	Keep the T&W commercial website up to date to support the above.	Ongoing	Ongoing
4	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing	Ongoing
5	Support service areas to address any information security risks that arise.	Ongoing	Ongoing
6	Support information sharing/production of sharing agreements.	Ongoing	Ongoing
7	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications.	Ongoing	Ongoing
8	GDPR Action Plan – implement IG actions and refresh plan.	Ongoing	Ongoing
9	Review arrangements on Information Asset Owners including Information Asset Registers.	End of April 17	Complete
10	Agree and deliver an IG training and awareness programme.	Agree programme (with SIRO) – End May 17 Deliver programme throughout 17-18	Complete
11	Review compliance with ICO Privacy Notices Code of Practice (for GDPR).	End of June 17	Complete as part of GDPR work
12	Review compliance with Privacy Impact Assessments Code of Practice (for GDPR).	End of August 2017	Complete as part of GDPR work
13	Report to the Audit Committee on progress against the work programme and any issues arising.	September 2017	Complete
14	Review compliance with Subject Access Code of Practice (for GDPR)	End of November 2017	Complete as part of GDPR work
15	Implementation of classification scheme.	End of December 2017	Ongoing as part of ICT development

16	Review compliance with the Anonymisation Code of Practice (for GDPR)	End of January 2018	Complete as part of GDPR work
17	Review compliance with Data Sharing Code of Practice (for GDPR)	End of March 2018	Complete as part of GDPR work
18	Review and update the Corporate Information Security Policy (CISP)	End of March 2018	Complete as part of GDPR work
19	Create outstanding policies from the IG security framework and disseminate changes across the Council.	End of March 2018	Ongoing
20	Complete N3 connection assessment for central government.	End of March 2018	Complete
21	Implement findings of the IG related audits	As required in each audit report	Complete

Information Governance (IG) Work/Compliance Programme 2018/19

No	Task	Target Completion date
1	Administer FOI/EIR/DPA/GDPR 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 Data Protection 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 and update the Corporate Information Security Policy (CISP)	End of March 2019
10	Create outstanding policies from the IG security framework and disseminate changes across the Council.	End of March 2019
11	Complete N3 connection assessment for central government.	End of March 2019
12	Implement findings of the IG related audits	As required in each audit report

Caldicott Guardian Action Plan 2018/19

Recommendation	Target date
1. Examine our existing arrangements, and lead by example with our local partners to make it easier to share information (introduction)	Ongoing
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
3. Explain and apologise for every personal data breach, with appropriate action agreed to prevent recurrence (5)	As required
4. 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)	Ongoing – part of GDPR work
5. Make clear what rights the individual has open to them, including any ability to actively dissent (7)	As per 4. above
6. Ensure that social care providers use the Information Governance Toolkit (12)	Ongoing
7. Strengthen leadership on information governance (15)	Regular meetings between CG and SIRO and supporting officers within the Council to monitor progress.
8. Ensure that the information provided to inform citizens about how their information is used does not exclude disadvantaged groups (19)	As per 4. above
9. Use the revised Caldicott principles in all relevant information governance material and communications (25)	As per 4. above
10. Investigate, manage, report and publish personal data breaches and ensure that commissioned bodies are investigated, managed, reported and published appropriately (6)	Ongoing
11. Share annual report with Audit Committee and an annual in year update	Ongoing
12. Address recommendations arising from Information Governance Toolkit submission.	Ahead of next submission
13. To review the use of the Secure Communication System and look at alternatives	Ongoing
14. As part of project board continue Liquid Logic system through to implementation	October 18

1. PURPOSE

- 1.1 For the Audit Committee to:
- a) Consider the 2017/18 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 2017/18 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 A.

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 2017/18 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix A is an updated policy for members to agree and recommend on for adoption by the Council.

4. PREVIOUS MINUTES

- 4.1 Audit Committee 16th September 2014 – Annual Report 2013/14 and Policy Update
Audit Committee 30th June 2015 – Annual Report 2014/15 and Policy Update
Audit Committee 28th June 2016 – Annual Report 2015/16 and Policy Update
Audit Committee 27th June 2017 – Annual Report 2016/17 and Policy update

5. INFORMATION - ANNUAL REPORT 2017/18

- 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 2017/18 on counter fraud and investigation activities within the Investigation Team, Internal Audit and Public Protection. The Committee should note that the Council's 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. The table below is a summary of these requirements together with the corresponding information on the council's fraud arrangements.

	Requirement Description	T&W Arrangements
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	<p>Currently there is 1 counter fraud specialist working in the Investigation Team. There will also be an additional Assistant Investigation Officer in 18/19. However, throughout 2017/18 there were 2 counter fraud specialists equating to 1.95 FTE.</p> <p>Other council services undertake investigations into fraud, for example Public Protection. 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.</p>
3	Number (absolute and FTE) of professionally accredited counter fraud specialists	Currently 1 counter fraud specialist works in the Investigation Team. During 2017/18 there were two counter fraud specialists, equating to 1.95 FTE.
4	Total amount spent by the authority on the investigation and prosecution of fraud	<p>The cost of the Investigation Team for 2017/18 was £113,172.75 (costs include staff, postage, printing, telephones, mileage, computer software and all other investigation related costs).</p> <p>As stated on point 2 above other areas do undertake investigations but</p>

		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. HOUSING BENEFIT AND COUNCIL TAX SUPPORT

The Housing Benefit and Council Tax Support caseload has decreased again over the last 12 months, from 17,822 (live cases) at 31 March 2017 to 17,484 at 31 March 2018. The government's Welfare Reforms and the introduction of Universal Credit in the area since June 2015 are the main factors. Universal Credit replaces six working age benefits including Housing Benefit although the roll out is currently limited to those with specific circumstances and was temporarily halted by the government from 1 January 2018. The Telford area is due to go Full Service Universal Credit on 14 November which will see more customers claiming Universal Credit. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled.

- 7.1 The review of claims in 2017/18 mainly concentrated on changes in earnings or occupation pensions received from the Department for Work and Pensions via their optional Real Time Information files.
- 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. Customers are now seen on an appointment only basis – those wishing to make a claim complete an online form and book an appointment to see a Benefit Assessment Officer. At the appointment the Officer asks further questions and verifies the customer's identity, income and capital documents. They also explain 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.
- 7.3 In May 2017 we went live with the DWP's Wider use of Real Time Information, which has latterly been re-named the more descriptive Verification of Earnings and Pensions. This allows the Benefits Team to check the current wage / occupational pension data of a vast majority of customers / partners when they make a new claim or if they have a change of circumstance. The team are finding this a valuable tool and several cases have already been referred to the DWP's Single Fraud Investigation Service as the information that the customer has provided has not matched that held by HM Revenues and Customs.
- 7.4 The Benefits Team now gets a wealth of information from the DWP's Automated Transfer to Local Authority Systems (ATLAS) regarding changes in a customer's state benefits or tax credits. Whilst ATLAS does not capture every change and it is still the customer's responsibility to report changes it does mean that we obtain the vast majority of such changes in this way. This has allowed the proactive work to be concentrated on getting the earning and Occupational Pension details of customers up to date. In total 2,525 matches from the Optional Real Time Information downloads were checked and a further 108 proactive reviews were undertaken. Weekly Council Tax Support savings were made of just under £2,460 which equates to an annual saving of £127,898. Overpaid Housing Benefit totalling £550,750 was also identified from this proactive work.

7.5 Benefits Data Matching

- 7.5.1 The latest National Fraud Initiative (NFI) 2016/17 (released in January 2017) has been completed. The Benefit Service reviews the recommended matches. Unfortunately the NFI

does not just report on mismatches so it would be very resource intensive to look at each and every match when most do not highlight a discrepancy. Feedback has been given to the Cabinet Office regarding this. If when looking at the match, or indeed when looking at any claim, fraud is suspected then cases are referred to the Council's Investigation Team to look at the Council Tax Support claim or DWP's Single Fraud Investigation Service (SFIS) as we no longer have the powers to investigate Housing Benefit fraud. In addition to NFI matches the Benefit Service reviews and completes matches issued to it via the DWP's Housing Benefit Matching Service (HBMS) each month and the team also actioned the monthly mandatory Real Time Information (earnings and occupational pensions) which were received in addition to the optional files.

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. THE INVESTIGATION TEAM

8.1 The Investigation Team sit within Audit and Governance and have responsibility for investigating fraud error and irregularity across the authority. The move towards becoming a corporate fraud team is still relatively new but the team have already achieved notable success. In June 2017 the team was reduced to two Investigation Officers, equating to 1.95 Full Time Equivalents. However, it must be noted that due to illness one officer was on restricted duties or absent for significant periods of 2017/18. The team is currently operating with one full time officer who is an Accredited Fraud Officer, although recruitment is underway for an Assistant Investigation Officer. The cost of the Investigation Team for 2017/18 was £113,172.75.

8.2 Referrals to the Investigation Team come from various sources. However, moving forward a new online reporting mechanism covering all areas of fraud will be available to use both internally and externally. This will also accompany a new online whistleblowing reporting form. The Investigation Team have responsibility for whistleblowing referrals.

8.3 A high proportion of the Investigation Team's work comes from investigating revenues matters. This includes Council Tax Support, Single Person Discount, council tax liability issues and National Non-Domestic Rates. The table below details the savings made by the Investigation Team for 2017/18. 174 investigations were conducted into revenues matters in 2017/18, with 104 being positive. The total value of savings identified in this area were £59,925.05. Although the Investigation Team has no jurisdiction to investigate Housing Benefit, the team recorded any Housing Benefit savings that occurred as a result of their investigation into a Council Tax Support award. This resulted in a saving of £144,219.63 in Housing Benefit due to the Investigation Team's involvement.

8.4 Significant progress was made in the area of Adult Social Care fraud and irregularity. This has not just been in the number of cases from this area that the team looked into but also in the relationship which has been developed between the Investigation Team and the Adult Social Care service. During 2017/18 10 cases involving Adult Social Care were investigated. Two of these were high profile matters. One case was a joint investigation with the Police and resulted in a perpetrator being sentenced to 12 months in prison due to a £82,000 theft involving a vulnerable adult who was the victim. The total saving to the Council in that matter was £29,560. The second case involved the recovery of £59,142.86 in incorrectly paid funds in respect of a service user placed in London. The refund coming after a lengthy and complicated investigation. In total £114,036.08 was saved by the Investigation Team in the area of Adult Social Care.

- 8.5 The Investigation Team looked at a further 11 matters across the authority, this included anything reported internally through the Speak Up Policy. One matter resulted in a prosecution for a person attempting to obtain a Discretionary Travel Pass by using false documentation.
- 8.6 The Investigation Team will look to undertake commercial work in the future by primarily offering services to schools and parishes. In 2017/18 an investigation was undertaken on behalf of a school in a complicated disciplinary matter. The school paid £425 to use the Investigation Team in this matter and the Head Teacher provided extremely positive feedback for the service provided.

Investigation Team Savings 2017/18

Fraud Area	Savings
Council Tax/Revenues Matters	£59,925.05
Adult Social Care	£114,036.06
Blue Badge	£500 (national notional figure)
Housing Benefit	£144,219.63
Payment for commercial Investigation	£425
Total	£319,605.74

8.7 National Fraud Initiative (NFI)

- 8.7.1 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.
- 8.7.2 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. The Investigation Team act as administrators for the NFI within the authority.
- 8.7.3 The 2016/17 matches have been completed. The total savings identified through the NFI were £59,295.39. The majority of this was through Single Person Discount matches with the savings in that area equating to £49,943.80.
- 8.7.4 The authority is about to part take in an additional data match through the NFI in relation to National Non-Domestic Rates. This will hopefully identify fraud, error and unregistered businesses in our area and across the midlands.

9. INTERNAL AUDIT

- 9.1 Internal Audit has a preventative role in ensuring that systems and procedures are in place to prevent and deter fraud, bribery and corruption. They assist Managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud. Their annual audit plan can include spot checks and unannounced visits to assist in the detection and prevention of fraud.
- 9.2 There is no specific time allocated to audit for proactive fraud work as this is consumed within the days allocated for general audit assignments. Proactive fraud days are now allocated to the Investigation Team.

9.3 Internal Audit also provides continuous advice and guidance to Managers to assist them in the prevention of fraudulent activity.

10. PUBLIC PROTECTION

10.1 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.

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

10.3 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).

10.4 Anti-Fraud responsibilities

10.4.1 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.

10.5 Environmental Health

10.5.1 Fraud can occur in a number of areas that the Environmental Health service covers. The prevention and detection of unfit and debased food through inspection, sampling and intelligence is part of the team's role. In 2018/19 18 food samples were taken as part of the Food Standards Agency (FSA) program. Of these 18 samples, 5 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.

10.5.2 Fraudulent use of health and identification marks is another area that the team investigate. All Approved Premises within the borough are checked to ensure they are applying the health mark appropriately when they are inspected. Inspectors will routinely check for health marks on animal products in retail establishments.

10.5.3 Rogue landlords is a high profile area of focus for the team. They look into identifying fraudulent practices relating to tenant deposits – landlords/agents must ensure that tenants deposits are protected using a third party deposit service, failure to do so is an offence. The team act upon intelligence and complaints from members of the public.

10.6 Licensing Service

10.6.1 Within the Licensing Service there are a number of areas of fraud that are investigated in addition to their other duties. These are listed below:

- 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.
- Street Collections, Charity collections - Identification, detection and enforcement of fraudulent collections

10.7 Trading Standards Service

10.7.1 The Trading Standard Service use specific legislation to help tackle fraud across the Borough. This includes:

- Intellectual Property crime – covering 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.

10.7.2 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 18/19.

10.7.3 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 along with interested partners. The service is an active partner in the Telford & Wrekin Safeguarding Adults Board Financial abuse group which main aims are to educate and inform our residents of the many forms of financial abuse and help to reduce and protect vulnerable adults.

10.7.4 Trading Standards have prioritised work around illicit tobacco and alcohol and works closely with HMRC, sharing intelligence, carrying out joint operations focussed on the supply of illicit products. In 2017/18 Trading Standards seized 24,220 Cigarettes and 13.25kg of tobacco illegal cigarettes from a local shop following intelligence in a joint raids with West Mercia Police.

10.8 Regional Investigations Team (Formerly Scambusters)

10.8.1 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

11. PUBLICITY

- 11.1 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.
- 11.2 Internally cases of note are included within weekly team brief notes. These are issued to all relevant staff.
- 11.3 When any significant intervention or prosecution occurs then the relevant Assistant Director and Cabinet member are briefed accordingly. Any lessons learnt are shared within the relevant team meetings.
- 11.4 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.

12. TRAINING AND AWARENESS

- 12.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council’s Anti-Fraud and Corruption Policy.
- 12.2 Staff within Revenues & Benefits (R&B) receive Fraud Awareness training as part of periodic refresher training. The Department for Work and Pensions also provide Benefit Officers with training in relation to Housing Benefit fraud.
- 12.3 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/Whistleblowing policies are included in induction for new employees.

13. CHALLENGES FOR 2018/19

- 13.1 The potential challenges for 2018/19 remain the same as last year in respect of reduced resources across the authority increasing the opportunities for internal and external fraud.
- 13.2 However, the introduction of new fraud reporting and whistleblowing mechanisms will hopefully provide greater fraud reporting and identification capability.

14. ANTI-FRAUD & CORRUPTION POLICY UPDATE

- 14.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 28 June 2017 and was approved by Council on 20 July 2017. The Anti-Fraud & Corruption Policy is reviewed annually to coincide with the annual report (unless urgent changes are required in between).
- 14.2 The updated Policy is attached as Appendix A. Changes in the policy largely relate to the role of the Investigation Team and the new online Fraud Reporting form to allow referrals relating to all fraud types against the Council to be made internally and externally direct to the Investigation Team. Previously, this was only available for Single Person Discount, Council Tax Support and Blue Badge fraud.

15. 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	<p>The Accounts and Audit Regulations 2011 require the Council to ensure 'that the financial management of the body is adequate and effective and that the body has a sound system of internal control'. The anti-fraud documents help to fulfil this requirement.</p> <ul style="list-style-type: none"> • The Council will have full regard to relevant legislative requirements, including without limitation: • The Fraud Act 2006 • Bribery Act 2010 • Section 151 Local Government Act 1972 • Section 5 Local Government & Housing Act 1989 Contracts Regulations 2015 • Accounts and Audit Regulations 2011 • The Council Tax Reduction scheme (Detection and Enforcement) (England) Regulations 2013 • Local Government Finance Act 1988 • Regulation of Investigatory Powers Act 2000 • Terrorism Act 2006 • Proceeds of Crime Act 2002 • Police and Criminal Evidence Act 1984 • Companies Act 2006 • Localism Act 2011 • The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
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.

16. 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 Andrew Hollis - Investigations Officer – 01952 383899; Tracey Drummond – Principal Auditor – 01952 383105; Rebecca Owen-Jones-Benefit Assessment Group Manager – 01952 383881; Anita Hunt – Public Protection Manager (Trading Standards and Licensing) – 01952 381998; Timothy Bage – Public Protection Manager (Environmental Health) 01952 380437

TELFORD & WREKIN COUNCIL - ANTI-FRAUD AND CORRUPTION POLICY 2018

1. INTRODUCTION

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

2. CULTURE

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

3. PREVENTION & DETERRENCE

3.1 MEMBERS

- 3.1.1 All members of the Council have a duty to the citizens of the Borough to protect the Council and public money from any acts of fraud, bribery or corruption. This is achieved through the Anti-

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

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

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

Fraud and Corruption Policy, compliance with the Code of Conduct for Members, the Council's Constitution⁴, relevant legislation and any other protocols and procedures adopted by the Council.

3.2 EMPLOYEES

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

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

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

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

3.3 MEMBERS & EMPLOYEES

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

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

3.4 INVESTIGATION TEAM AND INTERNAL AUDIT

3.4.1 The Investigation Team within Audit and Governance investigates cases of suspected financial irregularity, fraud, bribery or corruption⁷, in accordance with agreed procedures. This includes any whistleblowing referrals. Depending on the nature of the allegation, the matter could be referred on to the Police, if it is felt that it requires police involvement. The team will also pursue the appropriate action against a perpetrator. The team works closely with outside organisations, such as West Mercia Police and the Department for Works and Pensions to help tackle the issue of fraud.

3.4.2 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

⁴ Including Financial Regulations and Standing Orders

⁵ Assistant Director Finance, Audit & Information Governance

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

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

(see Annex 2). Internal Audit liaises with management to recommend changes in procedures to improve controls, reduce risks and prevent losses to the Authority.

3.5 BENEFITS AND COUNCIL TAX DISCOUNTS/EXEMPTIONS WITHIN TELFORD AND WREKIN COUNCIL

3.5.1 Benefits administration is recognised nationally as being complex and difficult to administer. This results in the scheme being prone to error and abuse. The Authority is committed to tackling poverty but it must also ensure that the administration of Housing Benefit and Council Tax Support 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. This is also appropriate to the Revenues Service when awarding any discount or exemption on a council tax or business rate account. The Revenues & Benefits Service operates within legislation, government guidance and local procedures with the aim of improving the quality and accuracy of benefit determinations and to both prevent and reduce the incidence of fraud.

3.5.2 From 1 June 2015 the 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 Investigation Team within Audit and Governance remain responsible for investigating Council Tax Support fraud.

3.6 DATA MATCHING

3.6.1 The Council participates in all mandatory Data Matching exercises most notably the National Fraud Initiative (NFI). In respect to Benefits there are also regular external exercises and the introduction of real time information to enable data matches from HRMC. In addition internal data matching exercises are undertaken at various times, for example matching council tax records with TLC cards. All exercises adhere to Data Protection requirements under the existing Data Protection Act 1998 and the replacement legislation, the General Data Protection Regulations 2018 (GDPR or equivalent legislation).

3.7 EXTERNAL AUDIT

3.7.1 Independent External Audit is an essential safeguard of the stewardship of public money. External auditors will continue to operate through a Code of Practice that is designed to test (amongst other things) the adequacy of the Council's financial systems, the arrangements for preventing/limiting the opportunity for fraud and the arrangements for the detection of fraud, bribery and corruption. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. Where External Audit is required to undertake an investigation they will operate within legislation and their codes of conduct.

3.8 OTHER AGENCIES

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

3.9 CONTRACTORS/SUPPLIERS AND THE PUBLIC

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

3.10 PROSECUTION AND RECOMPENSE

3.10.1 To support this policy the Council has a Corporate Prosecution Policy which is complemented by the Revenues and Benefits Sanction and Penalty Policy. The corporate policy is designed to

clarify and ensure consistency in the Council's action in specific cases and to deter others from committing offences against the Authority. The Revenues and Benefits Sanction Policy ensure that Revenues and Benefits prosecutions are undertaken within the requirements of the relevant legislation.

- 3.10.2 Any sanction against Housing Benefit will be taken by the Department for Work and Pensions. Although authorisation for administration penalties (fine as an alternative to prosecution) will still have to be provided by the appropriate person within Telford and Wrekin Council.
- 3.10.3 In addition or instead of prosecution, the Council will seek to recover any money or assets fraudulently/corruptly obtained from the Council.

3.11 DISCIPLINARY OR OTHER ACTION

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

3.12 PUBLICITY

- 3.12.1 The Council's Corporate Communications Team will optimise the publicity opportunities associated with anti-fraud, anti-bribery and anti-corruption activity within the Council. Information will be publicised in respect to prosecutions and other appropriate cases as a deterrent.
- 3.12.2 Fraud reporting will be made easier by the new internal and external reporting channels, promoting both online and telephone referrals to the Investigation Team. This will complement the updated Whistleblowing Policy.
- 3.12.3 Internally, where the Council can learn from incidents the relevant points will be communicated to members and employees.
- 3.12.4 Any notifications received by the Council of possible regional/national frauds, scams or alerts will be communicated to employees and members, as appropriate.
- 3.13.5 All anti-fraud, anti-bribery and anti-corruption activities, including the update of this policy⁸, will be publicised in order to make employees, members and the public aware of the Council's commitment to taking action on fraud, bribery and corruption, when it occurs.

4. REPORTING DETECTION AND INVESTIGATION

- 4.1 All suspected fraud, bribery and corruption irregularities (except Housing Benefit fraud) are required to be reported to the Investigation Team within Audit and Governance. This can be done through the online reporting form, via telephone, in writing and in person. The telephone number is 01952 383839. Any whistleblowing referral can be made to the same team, there is a separate online referral form and telephone number for this, 83115.
- 4.2 Any referral for suspected Housing Benefit fraud can be made direct to the Department for Work and Pensions by using the national fraud hotline 0800 854440 or online reporting mechanism. Any

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

internal referral for Housing Benefit fraud that has occurred from processing an application by Benefit staff can be made using the recognised reporting form which can be passed to the Investigation Team to refer to the Department for Work and Pensions through established channels.

- 4.3 Internal Audit plays an important role in the detection of fraud. Included in their audit plan 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

5. AWARENESS AND TRAINING

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

DEFINITIONS OF FRAUD, BRIBERY & CORRUPTION

Fraud is defined by the Audit Commission as:-

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

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

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

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

It also created new offences:

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

Corruption is defined by the Audit Commission as:-

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

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

Bribery is defined under the Act as:-

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

EXAMPLES OF THE TYPES CONCERNS that should be raised:

- * A criminal offence
- * A failure to comply with a statutory or legal obligation
- * Improper or unauthorised use of public or other official funds
- * A miscarriage of justice
- * Maladministration, misconduct or malpractice
- * Discriminatory behaviour
- * Endangering an individual’s 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 2018/19**



DATE OF MEETING	ITEM	RESPONSIBLE OFFICER
29/5/18	1. Review of TOR for the Committee	SD/RM
	2. KPMG Interim Report 2017/18	KPMG
	3. External Audit Fee letter 18/19	GT
	4. 2017/18 Annual Governance Statement	RM
	5. Draft Statement of Accounts 2017/18	KC/PH
	6. 2017/18 Internal Audit Update Report, Internal Audit Plan 2018/19 & 2018/19 IG Work Programme	RM/TD
	7. 2017/18 Annual Internal Audit, Information Governance and Caldicott Guardian Report & 2018/19 Work Programme	RM/TD
	8. 2017/18 Anti-Fraud & Corruption Annual Report and updated Policy 2018/19	RM
	9. Outline of Business 2018/19	SD/RM
24/7/18	1. Treasury Management Outturn 2017/18 and Update 2018/19	PH
	2. Report to those Charged with Governance 2017/18	KPMG
	3. Audited Annual Statement of Accounts 2017/18	KC/PH
	4. Publication of Information on Councillors who Traded with the Council during 2017/18	PH/RM
	5. Annual Customer Feedback Report and assurance on lessons learnt 2017/18	AA/LH
	6. Strategic Risk Register	JP
	7. Audit Committee Annual Report 2017/18	SD/RM
	8. 2018/19 - Internal Audit & IG Activity Update Report	RM/TD
	9. Capital receipts update (exempt item)	KK
29/1/19	1. Treasury Management – update from Arling close	Arling Close
	2. External Audit Annual Audit Letter	GT
	3. External Audit Plan 2018/19	GT
	4. External Audit Grants Report	GT
	5. External Audit Plan	GT
	6. Draft Treasury Management Strategy 2019/20 and update 2018/19	KC
	7. Internal Audit Activity Report and Update to Internal Audit Charter 2019/20	RM/TD
	8. Updated position of the AGS Action Plan 2017/18	JP