Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

Date	**Tuesday 24 July 2018**	Time	**6.00pm**
Venue	**Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford TF3 4NT**		

Enquiries Regarding this Agenda:

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

AGENDA

1. **Apologies for Absence**

2. **Declarations of Interest**

3. **Minutes** — **Appendix A**
   To confirm the minutes of the Audit Committee held on 29 May 2018 — Page No: 3

4. **Treasury Management - 2017/18 Annual Report and 2018/19 Update** — **Appendix B**
   To receive the report of the Assistant Director: Finance and Human Resources — Page No: 7

5. **Report to those Charged with Governance 2017/18** — **Appendix C**
   To receive the report of KPMG — Page No: TO FOLLOW

6. **2017/18 Statement of Accounts** — **Appendix D**
   To receive the report of the Assistant Director: Finance & Human Resources and Chief Financial Officer — Page No: 22

Continued ...

7. **Publication of Information on Councillors who Traded with the Council during 2017/18** **Appendix E**
To receive the joint report of the Monitoring Officer and the Chief Financial Officer
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8. **Audit Committee Annual Report 2017/18** **Appendix F**
To receive the joint report of the Section 151 & Monitoring Officers
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9. **2018/19 - Internal Audit Update Report** **Appendix G**
To receive the report of the Audit & Governance Team Leader
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10. **Implementation of Red Report Actions**
To receive the verbal report of the ICT Service Delivery Manager

A

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 29 May 2018 at 6.00pm in Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford

Present: Councillors R J Sloan (Chair), I T W Fletcher, A D McClements, C F Smith, W L Tomlinson and D G Wright

In Attendance: K Clarke (Assistant Director: Finance & Human Resources) (Until 6:35pm), T Drummond (Principal Auditor), P Harris (Finance Manager: Corporate & Capital) (until 6.35pm), R Montgomery (Audit & Governance Team Leader), J Power (Organisational Delivery & Development Manager) (For item AUC-06), E Rushton (Principal Accountant) (until 6.35pm), S Worthington (Democratic & Scrutiny Services Officer)

AUC 01 Apologies for Absence

Councillor K S Sahota.

AUC 02 Declarations of Interest

None.

AUC 03 Minutes

Resolved – that the minutes of the meeting of the Audit Committee held on 30 January 2018 be confirmed and signed by the Chairman.

AUC 04 REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE

The Committee received the updated Terms of Reference outlining the responsibility of the Committee on behalf of the Council to oversee the Council's audit, governance and financial processes. There were minor changes to the Terms of Reference from previous years, due to changes in personnel. The Committee requested that 5.D of the report be changed to 'Meet Privately with the external auditor at least once per year'

Recommended – that the Terms of Reference attached to the report at Appendix A be agreed, with the amendment that the committee 'meet privately with the external auditor at least once per year' and RECOMMEND its adoption by Council at its meeting in July 2018.

AUC 05 EXTERNAL AUDIT REPORTS

A letter had been provided by KPMG on audit progress. It was acknowledged that the planning and interim audit work had been completed in line with the timetable set out in the detailed External Audit Plan, dated January 2018. The Committee noted that KPMG had not identified any significant issues.

The Fee Letter outlined Grant Thornton's to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd.'s published work programme and fee scales. The planned audit and certification fees for 2018/19 had been presented.

AUC 06 <u>REVIEW OF STRATEGIC RISK REGISTER</u>

The Organisational Delivery & Development Manager provided an update to the Committee on the Strategic Risk Register. The approach to identifying risk had been reviewed and the updated strategy had been circulated to members.

Members noted the unknown impact of risks around Brexit, and it was acknowledged that the Register was updated at least twice per year. Members also commented on the identified risk around effective information governance.

<u>Resolved</u> that the Committee notes the strategic risks contained within Appendix A of the Report.

Jon Power left the meeting at 6.27pm.

AUC 07 <u>DRAFT STATEMENT OF ACCOUNTS 2017/18</u>

The Finance Manager: Corporate & Capital presented the draft Statement of Accounts to the Committee. It was noted that the deadline for the publication of accounts had been brought forward. In regards to the related party declarations, which had been raised as an issue by the external auditor in previous years, only 3 declarations remained outstanding, which was a significant improvement on previous years.

In response to a question, the Finance Manager advised that the majority of the format in the accounts was prescribed and there had been no major changes in the information required for inclusion.

Ken Clarke, Pauline Harris and Ed Rushton left the meeting at 6.35pm.

AUC 08 <u>THE ANNUAL GOVERNANCE STATEMENT 2017/18 AND UPDATE LOCAL CODE OF GOOD GOVERNANCE</u>

As required under the Accounts and Audit Regulations 2015, the Annual Governance Statement for 2017/18 had been produced. The statement included an action plan to ensure improvements to existing governance arrangements continued.

<u>Resolved</u> that –

a) the Annual Governance Statement 2017/18, attached at Appendix A (including Annex 1) to the report be approved;

b) the information in the report be noted.

AUC 09 2017/18 INTERNAL AUDIT UPDATE REPORT INCLUDING INTERNAL AUDIT PLAN 2018/19

The Internal Audit report for the period of 1st January 2018 to 27th April 2018 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.

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

Members raised their significant concerns regarding the Audit of the Wireless Network and requested that the Service Delivery Manager attend the next Committee. Members also raised concern regarding the Deprivation of Liberty Safeguards (DOLS) Audit, and requested that a senior manager from this service area attend a future committee.

A discussion was held regarding the Audits for My Options Comfort Fund and Discharge from Hospital.

Resolved that the report be noted.

AUC 10 INTERNAL AUDIT, INFORMATION GOVERNANCE & CALDICOTT GUARDIAN ANNUAL REPORT 2017/18

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

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

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

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

In respect of Information Governance, the Audit & Governance Team Leader advised that the number of requests under the Freedom of Information Act 2000 had decreased by 15% in 2017/18, and of these requests 80% were responded to within the statutory deadline.

The number of data breach incidents had shown a slight decrease in 2017/18 from previous years. Members acknowledged that the new General Data Protection Regulations (GDPR) were in place and significant resources had been put in place to support staff to ensure the implementation of the regulations. Work had also been completed with the voluntary sector and other organisations around GDPR.

Resolved that-

a) the Internal Audit, Information Governance & Caldicott Guardian Annual Report for 2017/18 be noted

b) The 2018/19 IG Work Programme be approved

AUC 11 CORPORATE ANTI-FRAUD & CORRUPTION POLICY – 2017/18 ANNUAL REPORT AND POLICY UPDATE

The Committee received the report which included annual information in respect of the Corporate Anti-Fraud and Corruption activity for 2017/18 to enable monitoring of the policies operation. The report provided information for 2017/18 on counter fraud and investigation activities within the Investigation Team (Revenues), Internal Audit and Public Protection. The report also included the requirements of the Local Government Transparency Code on publication of data regarding fraud arrangements.

Resolved that –

a) the 2017/18 Annual Report on Corporate Anti-Fraud and Corruption activity be noted; and

b) the updated Corporate Anti-Fraud & Corruption policy be agreed and to RECOMMEND its adoption by Council.

AUC 12 OUTLINE OF BUSINESS 2018/19

The Committee noted the outline of business for future meetings. The Committee noted there was a need for an additional meeting of Audit Committee in October 2018.

The meeting ended at 7.42pm

Chairman: ....

Date: ....

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 24 JULY 2018

TREASURY MANAGEMENT - 2017/18 ANNUAL REPORT AND 2018/19 UPDATE

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

B

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

The report updates members on the outcome of Treasury Management activities for 2017/18 and details the position for 2018/19 to date.

2017/18 Treasury Outturn

The treasury portfolio ended the year with net indebtedness of £236.8m (borrowing: £256.7m less investments: £19.9m (excluding NuPlace Share capital). Base rate was increased from 0.25% to 0.50% on 2 November 2017and remained there for the rest of 2017/18. It is predicted to increase slowly during 2018/19 and later years.

The borrowing strategy for 2017/18 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate. Borrowing was £36.7m higher at 31 March 2018 compared to 31 March 2017, investments were unchanged (excluding NuPlace share capital). The net increase in net indebtedness was due to capital expenditure, including income generating schemes such as NuPlace and the Property Investment Portfolio as well as various highways schemes which have increased the value of Council assets. After adjusting for conversion of former Local authority schools to academy status, the value of the Council's fixed assets increased by £47.8m during 2017/18. Short term borrowing was used during the year at favourable interest rates generating a significant benefit for the Council's budget.

The investment strategy for 2017/18 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 0.25% against a benchmark return of 0.23%.

Overall, treasury delivered a net over-achievement of £2.75m against the budget set for 2017/18. The majority of the saving relates to the benefit of low interest rates on the levels of temporary borrowing we held during the year.

2018/19 Update

The strategy for 2018/19 remains consistent with that of the previous year. Investment opportunities will be reviewed as they arise and we will seek to gain maximum benefit within the agreed risk parameters. There are currently no long term investments, which reduces counter-party risk and also reduces net interest costs as longer-term borrowing costs tend to be greater than we are able to earn on new investments.

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

Total borrowing was £256.7m at 31/3/18 and has reduced slightly to £255.7m as at 31 May 2018. Investments were £28.8m at 31 May 2018.

2. **RECOMMENDATIONS**

Audit Committee Members are asked to:-

2.1 note the contents of the report

2.2 note the performance against Prudential Indicators.

3. ***SUMMARY IMPACT ASSESSMENT***

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

		through provision of support to the Audit Committee**.**”
OTHER IMPACTS, RISKS AND OPPORTUNITIES	Yes/~~No~~	The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.
IMPACT ON SPECIFIC WARDS	~~Yes~~/No	

4. **PREVIOUS MINUTES**

Council 2 March 2017
Audit Committee 27 June 2017
Audit Committee 30 January 2018
Council 1 March 2018

PART B – ADDITIONAL INFORMATION

5. **BACKGROUND**

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

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

6. **2017/18 ANNUAL REPORT**

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

- 2017/18 Portfolio position;
- Economic Climate and Other Information
- the borrowing strategy for 2017/18;
- the borrowing outturn for 2017/18;
- compliance with treasury limits;
- investments strategy for 2017/18;
- investments outturn for 2017/18;
- debt rescheduling;
- Shropshire Council debt
- overall outturn position
- leasing

7. 2017/18 PORTFOLIO POSITION

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

	31 March 2018		31 March 2017	
	Principal £m	Rate %	Principal £m	Rate %
Borrowing	(256.702)	2.22	(220.048)	2.36
Investments (excluding NuPlace share capital)	19.937	0.25	19.943	0.26
Net Indebtedness (ex NuPlace)	**(236.765)**		**(200.105)**	
Investment in NuPlace share capital	8.950		6.450	
Net Indebtedness	**(227.815)**		**(193.655)**	

There was continued temporary borrowing, repayment of £2.3m PWLB during 2017/18 as well as new PWLB borrowing of £60m. Temporary borrowing was £102.2m at 31 March 2018 (including £5.1m PWLB maturing in 2018/19). The capital programme was funded from a combination of borrowing, capital receipts, grants and other external contributions; this has resulted in an increase in net indebtedness during the year. Prudential borrowing increased in 2017/18 due to planned capital expenditure approved as part of the capital programme. Investments at 31/3/18 included £8.95m share capital in NuPlace.

The Adopted Treasury Strategy was to:-

- Monitor long term borrowing opportunities determined by the prevailing markets.
- Borrowing short term to meet cash flow requirements;
- Hold investments of £10m to comply with MIFID II;
- investing short term to meet cash flow requirements.
- Reduce the volatility of investment returns while maintaining adequate flexibility in arrangements.
- To achieve optimum return on investments commensurate with proper levels of security and liquidity.

9. ECONOMIC CLIMATE AND OTHER INFORMATION

9.1 **Economic background:** 2017/18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% during 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Financial markets: The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively. Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20 year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit background: In the first quarter of the financial year, UK bank credit default swaps (CDS) reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat. The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities. Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

Money Market Fund regulation: The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments: The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade). Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing. Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable. S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position. Moody's downgraded Rabobank's long-term rating due to its view on the bank's profitability and the long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors. S&P also upgraded the long-term rating of ING Bank to A+.

Other developments: In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.
In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

Local Authority Regulatory Changes
Revised CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code have been incorporated into Treasury Management Strategies and monitoring reports.
The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.
The Authority is in the process of preparing its Capital Strategy. This will be presented to Council later in the year.
In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy.

MHCLG Investment Guidance and Minimum Revenue Provision (MRP): In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP). Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans"

(e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.
The definition of prudent MRP has been changed to "put aside revenue over time to cover the CFR"; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

MiFID II: As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.
The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

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9.2 The Council has continued to maintain short duration and relatively low level of investments during 2017/18. This reduces exposure to investment risk.

9.3 We have closely followed investment guidance issued by our Treasury Advisors in relation to credit ratings, financial standing and duration and take advice on borrowing strategies and options.

10. BORROWING 2017/18

10.1 Original Economic Projections

The Expectation for Interest Rates – When the budget was set for 2017/18 the "average" City view anticipated that Bank Rate would remain at 0.25% until 2020 before starting to rise gradually back towards more normal levels, though Bank Rate would take a long time to return to a normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. .

10.2 Outturn 2017/18

During 2017/18 the Monetary Policy Committee (MPC) was initially focused on helping the economy to recover, but with inflation rising. The base rate began the year at 0.25%.

Base rate was increased to 0.50% on 2 November 2017 and the MPC has indicated that it will rise slowly through 2018/19 and later years. However the expected increase by the bank in May 2018 did not materialise, due to the performance of the economy. An increase in now expected in August.

Borrowing and Investment Rates in 2017/18

The overnight investment rate fell after the cut in base rate and picked up after the base rate increase in November.

Treasury Borrowing and Rescheduling

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

During the year we borrowed new PWLB loans totalling £60.0m at the certainty rate and we had maturities totalling £2.3m.These new loans were a mixture of Equal Instalments of Principal and Maturity loans.

PWLB Repayments & Discounts

No loans were repaid early or rescheduled during the year.
An analysis of the maturity structure of our debt is shown below. The maturing in less than 1 year includes £5.097m of PWLB loans.

Analysis of Debt Maturity as at 31st March

	2018 £'000	%	2017 £'000	%
Maturing in less than 1 year	102,176	39.8	119,175	54.2
Maturing in 1-2 years	5,098	2.0	2,097	0.9
Maturing in 2-5 years	12,793	5.0	4,793	2.2
Maturing in 5-10 years	18,741	7.3	5,241	2.4
Maturing in more than 10 years*	117,894	45.9	88,742	40.3
	256,702	100.0	**220,048**	100.0

* this includes £45m LOBO (Lenders Option Borrowers Option) loans that are potentially callable at certain points before the maturity date. There is therefore the potential that these loans would have to be replaced sooner exposing the council to the prevailing market at that time. To-date, none of our LOBOs have been called before maturity and current expectations are that calls in the foreseeable future are unlikely.

Debt Performance

As highlighted in section 7 the average debt portfolio rate has fallen over the course of the year from 2.36% to 2.22%. This is due to the continued high level of use of temporary borrowing being undertaken in 2017/18.

11. COMPLIANCE WITH TREASURY LIMITS

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

12. INVESTMENTS 2017/18

12.1 Strategy

Internally Managed Investments - The authority currently manages the majority of its investments in-house and invests within the institutions complying with its counterparty limits and credit rating requirements. All investments are short term related to cash flows in order to minimise counterparty risk and to minimise overall treasury management costs. During 2017/18 the Council Invested £4.98m in Money Market Funds, these provide greater diversification of credit risk and achieve a slightly higher return than our investments in call accounts.

Investment Strategy - The agreed short term investment strategy for 2017/18 was to achieve optimum return on investments commensurate with proper levels of security and liquidity.

12.2 Outturn 2017/18

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

	Average Investment	Rate of Return (net of fees)	Benchmark Return *
Internally Managed			
Investments	£23.090m	0.25%	0.23%

*overnight rate

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

13. SHROPSHIRE COUNCIL DEBT

The Council makes an annual contribution (£1.349m in 2017/18) towards Shropshire Council costs on pre disaggregation debt (i.e. pre unitary inception) - interest paid averaged 5.27% last year. The rate of interest paid on this is managed by Shropshire and is considerably higher than the rate payable by Telford & Wrekin Council on its borrowing.

14. OVERALL OUTTURN FOR 2017/18

The net overall position is summarised in the table below. The sound overall position has resulted from a mix of cash flow benefits plus pro-active treasury management activities. The budget reflected the position when the budget was set, the underspend has been achieved through active management of borrowing and the low interest rates prevailing for the year. Overall a net saving of £2.75m was made against budget for the year which is summarised below:

Summary of Outturn Position

	Estimate £m	Outturn £m	Variance £m
Interest Received	(0.15)	(0.06)	0.09
Debt Management & Recharges	0.05	0.08	0.03
MRP saving from change of policy re PFI	(2.32)	(2.32)	0.00
Capitalisation of Interest	(0.21)	(0.03)	0.18
Shropshire County Council	1.35	1.35	0.00
Interest Paid	6.92	3.87	(3.05)
Net Position	**5.64**	**2.89**	**(2.75)**

15 LEASING

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

The final drawdown for 2017/18 was completed in March. The drawdown consisted of a finance lease from Cranmer Lawrence totalling £0.464m and funded the purchase of vehicles over five years at an interest rate of 1.46%.

16. 2018/19 UPDATE

The remainder of this report deals with the current financial year based largely on information to 31 May 2018.

16.1 Strategy

The strategy for 2018/19 is to continue to keep investments as short term, where possible, to reduce the need to borrow thus reducing investment exposure and maximising overall returns to the revenue account. We will review investment opportunities if they arise and also review borrowing opportunities as we progress through the year and look to take advantage of advantageous interest rates where appropriate. 2018/19 and 2019/20 will see the Council continue to invest in significant regeneration projects including highways and building homes and commercial property for rent as part of the approved Housing Investment Programme. In order to comply with MiFID II the Council will maintain a minimum investment balance of £10m.

16.2 Interest Rates

Base rate began the year at 0.50% and has remained there. The current expectation is that there will be an increase August 2018.

16.3 Prudential Regime

This Council agreed its required indicators at Council on 2 March 2018. There have been no breaches of the indicators and none have been amended. The Council set itself an Operational limit for external debt of £409m for 2018/19 and an Authorised limit of £430m. Our total borrowing outstanding as at 31/05/18 (including PFI) is £309m which is within both limits.

16.4 **Borrowing**

We have taken two New PWLB loans during in 2018/19 both are 50 year Maturity loans and for £10m at rates of 2.27% and 2.25% and have had £0.5m maturing to date. In total we have £5.1m maturing during 2018/19.

16.5 **Internally Managed Investments**

The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the overnight deposit rate. For the period to 31 May 2018 some £608m worth of investments have been made in our overnight call accounts. Rates have ranged from 0.25% to 0.40%. As at 31 May 2018 internal investments stood at £28.837m.

Potentially the Council can place up to £15.0m with any Counterparty. At the end of May the greatest exposure with a single counterparty was £8.317m with Lloyds Bank (28.8% of the portfolio). £7.8m was invested with a non UK sovereign institution. A detailed breakdown is shown in Appendix 2.

The Council also has investments in money market funds which gives increased diversification of counter-party risk and slightly higher yield whilst retaining a high degree of liquidity. The amount invested in money market funds at 31st May 2018 is £4.98m

16.6 **Non UK Sovereign Counterparty Limits**

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

17 **Background Papers**

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

Report prepared by:
Bernard Morris, Finance Team Leader (Capital & Treasury)
Tel. (01952) 383702

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2016/17	2017/18	2017/18
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	**£m**	**£m**	**£m**
	Actual Outturn	**Original Estimate**	**Actual Outturn**
Capital Expenditure			
TOTAL	73.7	76.8	85.5
Ratio of financing costs to net revenue stream			
General fund	3.67%	6.60%	3.85%
Net borrowing requirement			
brought forward 1 April	164.1	195.2	220.0
carried forward 31 March	220.0	235.0	256.7
in year borrowing requirement	+55.9	+39.8	+36.7
Capital Financing Requirement as at 31 March			
TOTAL	367.8	417.5	420.8
Annual change in Cap. Financing Requirement			
TOTAL	+32.2	+40.3	+43.0
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**
Increase in council tax (band D) per annum (not cumulative)	27.01	1.84	1.84

PRUDENTIAL INDICATOR	2016/17	2017/18	2017/18
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£m**	**£m**	**£m**
	final	**original**	**final**
Authorised limit for external debt -			
borrowing	330	350	350
other long term liabilities	62	61	61
TOTAL	392	411	411
Operational boundary for external debt -			
Borrowing	310	330	330
other long term liabilities	60	60	60
TOTAL	370	390	390
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing / investments	100	100	100
Upper limit for variable rate exposure			
Net principal re variable rate borrowing / investments:-	30%	30%	30%
Upper limit for total principal sums invested for over 364 days (per maturity date)	95%	95%	95%

Maturity structure of fixed rate borrowing during 2017/18	lower limit	upper limit
under 12 months	0%	70%
12 months and within 24 months	0%	30%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

Summary of Investments at 31 May 2018

	Sovereign Credit Rating	Individual credit Rating	Total £m	%
Call Accounts				
Lloyds	UK AA	F1 A+ support 5 viability a	8.317	28.8
Svenska Handelsbanken	SWE AAA	F1+ AA support 5 viability aa	7.770	26.9
Santander	UK AA	F1 A support 5 viability a	7.770	26.9
Other Investments				
Money Market Funds	N/A	AAA	4.980	17.4
Total			**28.837**	**100.0**

Call Accounts Non UK holding £7.8m (Limit £15m)
Please note. Part of the Money Market Funds are invested in non UK sovereigns. At 31st May 2018 this amounted to 92.2% of these funds – around £4.6M.

External Audit ISA260 Report 2017/18

Telford and Wrekin Council

24 July 2018

Summary for Audit Committee

This document summarises the key findings in relation to our 2017-18 external audit at Telford and Wrekin Council ('the Authority').

This report covers our on-site work which was completed in March, and June to July 2018, on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.

Financial statements	**Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.** Based upon our initial assessment of risks to the financial statements (as reported to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see page 10): — **Valuation of PPE (Property, Plant & Equipment)** – No issues were noted with respect to the Authority's approach to, or accounting for, the valuation of PPE; — **Pensions Liabilities** – The Authority's pension liability is appropriately accounted for, and has been determined using reasonable actuarial assumptions; and — **Faster Close** – As noted above, the Authority produced draft accounts by the new earlier deadline of 31 May, and we anticipate issuing an unqualified audit opinion by the earlier deadline of 31 July. We are pleased to report that we have not identified any audit misstatements. We identified a small number of presentational adjustments. Details of these are set out at Appendix 3. We have raised two recommendations (see Appendix 1).
Organisational and IT control environment	We have identified no significant issues regarding the Authority's organisational control environment. One low risk recommendation has been identified in respect of IT controls, regarding IT password controls. See page 4.
Review of internal audit	Our review and re-performance of the work of internal audit, undertaken to inform our risk assessment and audit work, identified no issues. See page 5.
Controls over key financial systems	We consider controls over the Authority's key financial systems to be sound overall. Any issues identified have been raised in the appropriate internal audit reports and therefore are not reproduced in this report. See page 6.
Accounts production	No issues were noted in respect of the production of the draft accounts for the new earlier deadline of 31 May. In addition, we consider that all of our prior year audit recommendations have been implemented. See pages 8 and 9.

Summary for Audit Committee (cont.)

Value for money arrangements	We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. **We therefore anticipate issuing an unqualified value for money opinion.** We set out our assessment of those areas requiring additional risk based work in our *External Audit Plan 2017/18* and have updated this assessment during our interim visit. As a result of this we have identified the following significant VFM audit risk: — **Delivery of Budgets** – The Authority has underspent its 2017/18 budget by £0.150 million, and has set out savings plans for future years to enable it to set a balanced budget for 2018/19. Detailed savings are still required to be found in future years. We consider the Authority's plans appropriate. See further details on pages 18 to 23.
Exercising of audit powers	We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or that the public should know about. We have not identified any matters that would require us to issue a public interest report. In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.
Acknowledgements	We would like to take this opportunity to thank officers and Members for their continuing help with the audit process.

Section one

Control Environment

Organisational and IT control environment

We have identified no significant issues with the Authority's organisational and IT control environment and consider that the overall arrangements that have been put in place are reasonable.

We have identified one area for further improvement below.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses, this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

The Authority relies on information technology ("IT") to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations. Our IT specialist auditors have completed systems controls work over the Authority's finance system (Agresso), benefits system (Northgate) and payroll system (PSE).

Key findings

We consider that your organisational and IT controls are effective overall, but identified one area for further improvement:

— Password policy enforcement: the Authority's password policy was not correctly enforced for all criteria on the systems tested.

This recommendation is set out in further detail in Appendix 1.

Review of internal audit

We have reviewed the work of internal audit as part of our risk assessment and planning work. We have identified no issues with the work of internal audit.

Background

United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. Additional guidance for local authorities is included in the Local Government Application Note on the PSIAS.

Work completed

The scope of the work of your internal auditors and their findings informs our audit risk assessment.

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards (ISA610) require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

The Public Sector Internal Audit Standards define the way in which the internal audit service should undertake its functions. Internal audit completed a self-assessment against the PSIAS in 2016.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them in order to confirm that their conclusions were sound. We only review internal audit work that has relevance to our audit responsibilities, to effectively scope out other internal audit work from our findings. Our review of internal audit work does not represent an external review against PSIAS, which internal audit are required to commission at least every five years.

Key findings

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit Committee and regular meetings during the course of the year, we have not identified any significant issues which would prevent us from relying on internal audit's work for 2017/18 for our risk assessment and planning.

Controls over key financial systems

The controls over all of the key financial systems are sound overall.

Work completed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

Based on our work, and the work of your internal auditors, we have determined that the controls over the key financial systems are sound overall.

Where weaknesses were noted, internal audit included recommendations in their reports as appropriate. Our interim audit letter, presented to the Audit Committee in May 2018, noted that there were a small number of matters noted through our interim work. As this work did not identify any control deficiencies that were not reported by Internal Audit to management and, where relevant, to Audit Committee, we have not reproduced these recommendations in this report. Any individual control deficiencies identified were not significant in nature, and did not affect the timing or nature of our planned audit procedures.

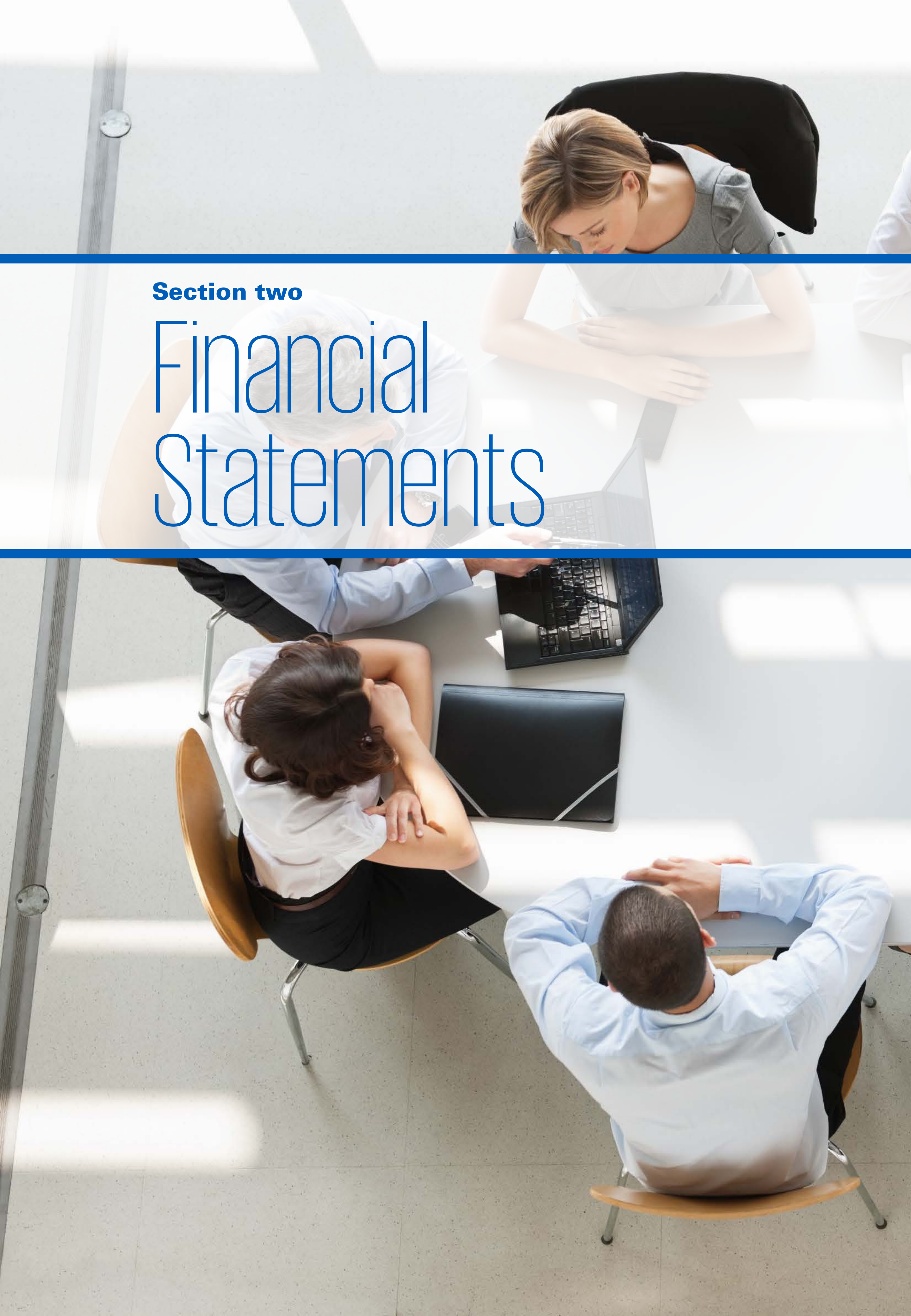
We have reported control deficiencies that were identified through other procedures, including our IT controls audit work and final audit visit in respect of the financial statements, elsewhere within this report.

Aspect of controls	Assessment
Property, Plant and Equipment	3
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure	2
Payroll	2
Housing benefits expenditure	2
Business rates income	3
Council tax income	3
Journal entries	3

Key	
1	Significant gaps in the control environment
2	Deficiencies in respect of individual controls
3	No deficiencies identified

Section two

Financial Statements



Accounts production and audit process

Auditing standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

The Authority's overall process for the preparation of the financial statements was suitable to allow the Authority to meet the earlier deadline for production of the accounts.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2016/17*.

Accounts practices and production process

The Authority incorporated a number of measures into its closedown plan to further improve the project management of this complex process. This included revision of the closedown timetable to further manage deadlines for completion of the accounts. Specifically, the Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerged.

We consider that the overall process for the preparation of your financial statements is adequate.

We also consider that the Authority's accounting practices are appropriate.

Going concern

The financial statements of the Authority have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority to continue as a going concern.

Further commentary on the Authority's arrangements in place to secure the effective delivery of budgets is included at Section Three to this report.

Implementation of recommendations from prior year

We raised a total of three recommendations in our ISA 260 Report 2016/17. The Authority has implemented all of the recommendations relating to the financial statements in line with the timescales of the action plan. The table below sets out the Authority's progress against higher priority recommendations. Further details are included in Appendix 2.

One high priority recommendation was reported in our ISA 260 Report 2016/17, as follows:

Issue	Progress
Related party disclosures The authority experienced delays in obtaining related party declarations from members in 2016/17.	At the outset of our 2017/18 audit, the Authority had received all but two of the required declarations. This is a significant improvement from the same time in 2017,when 29 were outstanding. All declarations have been received by the Authority at the time of this report.

Completeness of draft accounts

We received a complete set of draft accounts on 30 May, which is before the statutory deadline.

Accounts production and audit process (cont.)

Quality of supporting working papers

We issued our Accounts Audit Protocol to your Finance team on 30 January 2018. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. This helps the Authority to provide audit evidence in line with our expectations.

We worked with management to ensure that working paper requirements were understood and aligned to our expectations. We are pleased to report that this has resulted in good quality working papers with clear audit trails.

Response to audit queries

The time taken by officers, including those outside of the core finance team, to deal with our audit queries was satisfactory.

Group audit

To gain assurance over the Authority's group accounts, we review the consolidation of the Authority's subsidiary, Nuplace Limited, into the financial statements, KPMG LLP are also the external auditors of Nuplace Limited.

There are no specific matters to report pertaining to the group audit.

We are also pleased to report that there were no issues to note in relation to the consolidation process.

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA ('Delivering Good Governance in Local Government') published in April 2016.

For the year ending 31 March 2018, the Authority has reported a deficit on provision of services of £57m. The impact on usable General Fund reserves has been an increase of £0.15m, due to a positive actuarial remeasurement of the defined benefit pension liability. The Authority has used £2m of capital receipts against its revenue expenditure. The underlying deficit before the use of capital receipts is £59.0m.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

Management override of controls

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

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

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

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

02

Fraudulent revenue recognition

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

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements.

Specific audit areas

Significant Audit Risks – Authority

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

Risk:	**Valuation of PPE** The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.
Our assessment and work undertaken:	We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach. In addition, we considered movements in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values had moved materially over that time. In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate. We also assessed the valuer's qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions). As a result of this work we determined that the assumptions used by the valuer were appropriate. No issues were noted with the carrying value of properties, or the accounting entries used to record these valuations within the financial statements. We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 15.

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:	**Pension Liabilities** The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Shropshire County Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and the actuarial methodology that produces the Authority's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.
Our assessment and work undertaken:	As part of our work we reviewed the controls that the Authority has in place over the information sent directly to the Pension Fund. The Pension Fund is responsible for submitting the information to the Scheme Actuary. We also liaised with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. We also evaluated the competency, objectivity and independence of Mercer, the Scheme Actuary. We also assessed the controls with respect to the management review of assumptions used in the valuation report and accounts. We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Mercer. In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements. In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. We have also requested assurance from the Pension Fund auditors over the controls over fund assets. As a result of this work we determined that the assumptions used by the actuary were appropriate. The pension liability has been appropriately accounted for in the financial statements. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018, however, revised deadlines apply that require draft accounts by 31 May and final signed accounts by 31 July.

These changes represent a significant change to the timetable that the Authority has previously followed. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.

In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (e.g. valuers, actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work on time;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.

Our assessment and work undertaken:

We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work to the interim visit in order to streamline the year end audit work.

We received draft financial statements in advance of the statutory deadline of 31 May 2018. The quality of this draft was consistent with that of prior years. The accounts included the necessary information from third parties, such as valuers and actuaries. As reported in further detail on pages 14 and 15, we have identified no issues with the Authority's accounting estimates and judgements.

We identified no issues with the production or quality of the financial statements and supporting working papers in line with the revised deadlines.

Judgements

We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

Level of prudence

0	1	2	3	4	5	6
Audit Difference	Cautious		Balanced		Optimistic	Audit Difference
	Acceptable Range					

Subjective area	2016-17	2017-18	Commentary
Provisions	2	2	The Authority continue to hold a number of provisions on their balance sheet, the most significant of which relate to the Single Status Provision for schools (£3.43m) and non-schools (£12.42m), and business rates appeals (£3.80m).The Authority has continued to hold the existing provision for Single Status until an agreement for settlement of the liability is formally concluded. The Authority is continuing to make progress towards the implementation of single status – but this is a long-standing issue and we encourage the Authority to make further efforts to resolve the uncertainties. We consider the provision disclosures to be proportionate.
Minimum Revenue Provision	5	5	In line with the prior year, the Authority is taking a partial "MRP holiday" in order for total provisions historically made to fall in line with the cumulative requirements under its new calculation approach in relation to both PFI assets and historic borrowing. The current year underlying Minimum Revenue Provision charge is consistent with 2016/17, with a small increase of £72k relating to the lease element. MRP will increase in future periods from 2019/20 once the Authority has fully utilised the amount set aside for the MRP holiday, as shown in the table below, and the Authority will need to make budgetary cash savings elsewhere to cover the projected MRP increase in 2019/20. The Authority has noted that costs will increase as part of its budget pressure projections for future years.

£m	2016/17	2017/18	2018/19	2019/20
Gross	2.768	3.146	3.552	3.686
Reduction	(2.768)	(3.146)	(2.718)	-
Net	**-**	**-**	**0.834**	**3.686**
Lease	0.395	0.467	0.344	0.208

Judgements (cont.)

Subjective area	2016-17	2017-18	Commentary
Valuation of pension assets and liabilities	3	3	The Authority continues to use Mercer to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation. The actual assumptions adopted by the actuary fell within our expected ranges as set out below:
Property Plant & Equipment	3	3	The Authority's property, plant and equipment balance largely consists of other land and buildings (£286.7m), with infrastructure assets (£161.8m), vehicles, plant, furniture and equipment (£12.0m) and assets under construction (£11.0m) comprising the remainder of the balance. The Authority has followed the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ('the Code') during the year. The Authority also continues to obtain valuations outside of the rolling five year programme where appropriate, including annual valuations of the Property Investment Programme. Management have considered, in consultation with the valuations team, whether the valuations obtained as at 1 April 2017 remain appropriate as at the reporting date of 31 March 2018, and have confirmed this to be the case. We consider this disclosure to be proportionate.

Assumption	Actuary Value	KPMG Value	Assessment
Discount rate	2.60%	2.50%	4
Pension increase rate	2.20%	2.16%	3
Salary increases	CPI + 1.5%	CPI + 0% to 2.0%	3
Life expectancy Males aged 45/65 Females aged 45/65	 25.3 / 23.1 28.6 / 26.3	 23.5 / 22.1 25.4 / 23.9	2

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 24 July 2018.

Audit differences

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

Materiality (see Appendix 4) for this year's audit was set at £4.5 million. Audit differences below £0.225 million are not considered significant.

We did not identify any material misstatements. We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We have set out details of significant presentational adjustments in Appendix 3, which the Authority have addressed.

Annual governance statement

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that:

— It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA; and

— It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

We have reported comments to management in respect of its format and content which the Authority has agreed to amend where significant.

Narrative report

We have reviewed the Authority's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Telford and Wrekin Council for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and the Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 6 in accordance with ISA 260.

Management representations

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

Other matters

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017-18 financial statements.

Section three

Value for Money Arrangements

Specific value for money risk areas

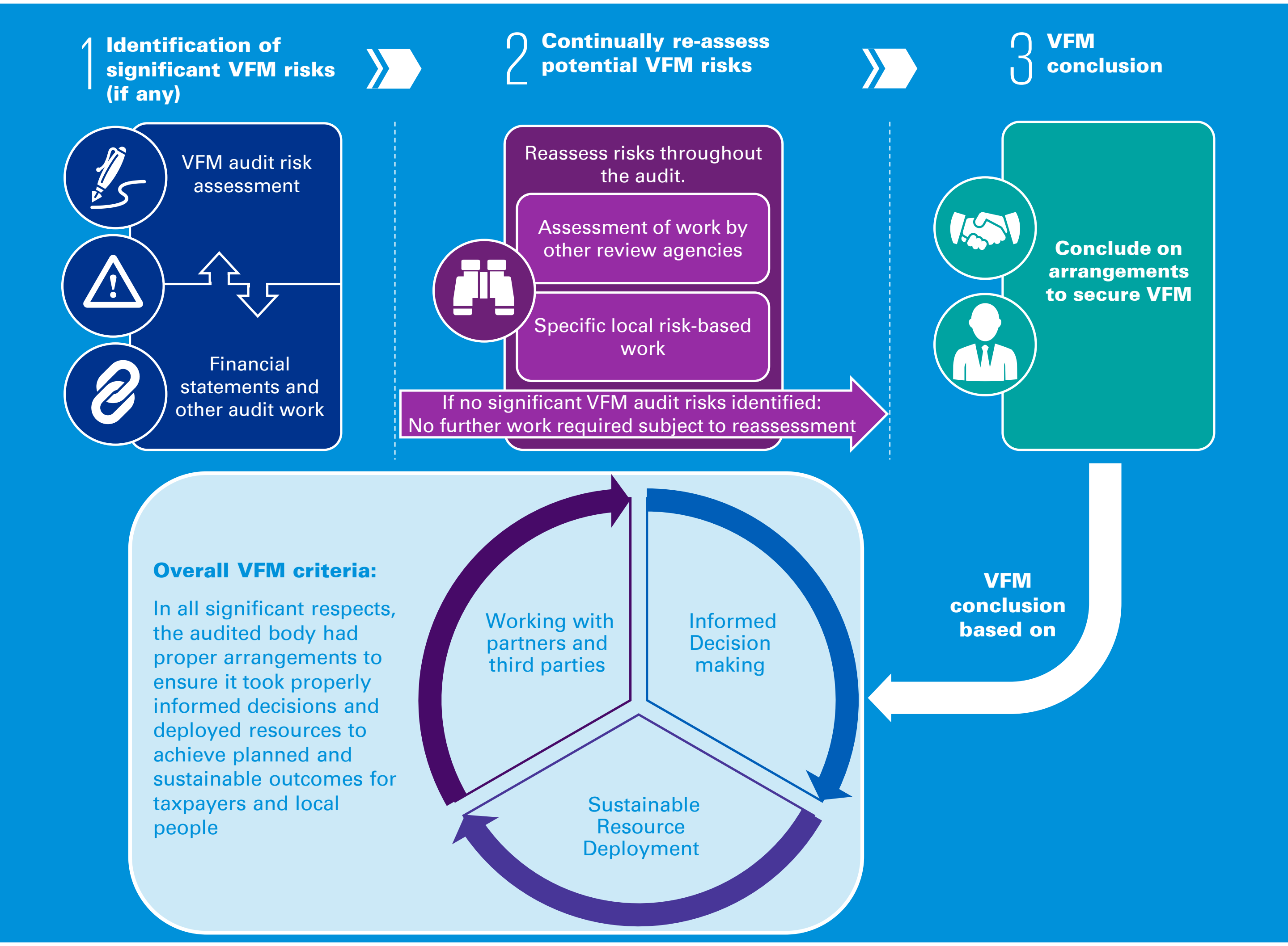
Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

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

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

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Specific value for money risk areas (cont.)

The table below summarises our assessment of the individual VFM risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

Applicability of VFM Risks to VFM sub-criteria			
VFM Risk	**Informed decision making**	**Sustainable resource deployment**	**Working with partner and third parties**
Delivery of budgets	✓	✓	✓

In consideration of the above, we have concluded that in 2017-18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.

Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017-18,* we have identified one risk requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

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

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

Risk:

Delivery of budgets

The Authority's proposed budget for 2018/19 will be presented to the Council in March 2018, to include individual proposals for the delivery of the overall savings requirement. In addition, we anticipate the budget papers will identify further savings required over the period 2019/20 and 2020/21 to address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.

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

Our assessment and work undertaken:

The Authority reported a slight underspend on its net expenditure budget for 2017/18 of £0.15 million. This enabled the General Fund balance to increase by this amount to £4.8 million as of 31 March 2018. In addition, earmarked general fund reserves increased by £14.6 million to £70.1 million. The 2017/18 outturn was reported to Cabinet on 31 May 2018.

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. In particular, the Authority has faced ongoing pressures around the delivery of Adult Social Care and Children's Safeguarding and Early Help budgets due to continued pressures on both volume and unit costs.

The provisional Local Government Finance Settlement announced by the Secretary of State for Communities and Local Government on 19 December 2017, and this will see the Authority's Revenue Support Grant cut by over 23% (£4.3m) next year with a further cut of more than 30% in 2019/20.

The Authority's budget for 2018/19 is balanced, and includes savings of £7.6 million in year, all of which have been identified. These savings are in addition to the £13.8 million made by the Authority for 2017/18, which were on top of previously identified recurring savings made in prior years. The budget details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, totalling between £20 million and £25 million by 2020/21.

(Continued overleaf)

Specific value for money risk areas (cont.)

Significant VFM Risks (cont.)

Our assessment and work undertaken (cont.):

Delivery of budgets (cont.)

We have considered how the Authority has ensured informed decision making through reporting of financial information to Cabinet and Council. Through review of papers and discussions with officers we have also obtained an understanding of the key assumptions made within the 2018/19 budget, as well as considering the appropriateness of those assumptions.

Contingencies totalling £6.9 million are also built into the budget, comprising a base revenue contingency of £3.8 million; an inflation contingency of £2.1 million; and a contingency of £1 million for Children's Safeguarding and Early Help and Adult Social Care pending implementation of a cost improvement programme in 2018/19.

We also note that the Authority has budgeted for a significant programme of asset sales over the period to 2021, including £10.9 million in 2018/19. The Authority has identified appropriate mitigations for non-achievement of these disposals, which is prudent particularly in the context of historic difficulties in achieving asset sales.

The budget includes a pay increase assumption of 2.7% for 2018/19 and 2019/20, which is in line with the national pay award to reflect changes in spinal points and the impact of the National Living Wage.

The Authority has achieved financial benefit in recent years through its approach to treasury management, with around £2.7 million contribution in 2017/18 as a result of reduced interest costs achieved by use of short term borrowing. This level of contribution cannot be automatically assumed in future years as the Authority intends to lock into longer term borrowing which would have higher, but fixed rates, of interest. The Authority will also start to feel the impact of higher Minimum Revenue Provisions as set out on page 14.

The Authority, as outlined in Service and Financial Planning 2018/19 to 2019/20 report presented to Cabinet on 15 February 2018, will seek to raise additional revenue through a council tax increase of 3.2% in both 2018/19 and 2019/20, but this increase by itself will not offset the funding reductions imposed elsewhere. We note that any increase (or not) in council tax has a compounding effect on the Authority revenue in future years as further annual increases are applied.

Our work has also considered the ongoing impact of new income streams developed by the Authority. The draft Nuplace financial statements show a profit before tax of £0.343 million for 2017/18, and the Authority also benefits from recharging some fixed costs (such as relevant staff salaries) to the company. The Authority reported that income of £1.238m was received from Nuplace in 2017/18, and has budgeted to deliver a further £17.1m capital expenditure on Nuplace housing schemes during 2018/19.

Local authorities do not know what their overall funding settlement will be from 2020/21 onwards. This presents yet another unknown in already uncertain times in the wider economy as the UK prepares to leave the European Union. The Authority's current strategy has been to try and maintain strong reserves, but clearly this has presented a challenge given the pressure caused by successive funding reductions that have occurred since 2010/11. The Authority's own reporting has quantified that by 2020/21 these ongoing savings will have amounted to £140 million. In the absence of future funding security, reliance on drawing down reserves and other methods such as borrowing would not be a sustainable option, as recognised in the Authority's Service and Financial Planning reports.

(Continued overleaf)

Specific value for money risk areas (cont.)

Significant VFM Risks (cont.)

Our assessment and work undertaken (cont.):

Delivery of budgets (cont.)

Decisions about future local authority funding are expected from Government. This includes how much local business rates an authority can keep and how local business rates will be distributed in the future (currently being looked at as part of the Fair Funding Review), as well as proposals for long-term and sustainable solutions for adult social care. The timing of when such decisions will be made is unclear but is unlikely to take place until 2019 as part of the next Spending Review which will set the total amount of government funding available for local authorities.

Without such funding, increasingly difficult decisions around savings plans will continue, including looking at the ways in which services are delivered. Further consideration may need to be given to potential income generating activities and associated risks.

Our 2017-18 VFM conclusion, as stated on page 19, has considered whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people, as well as how the Authority worked with partners and third parties.

Conclusion

We concluded that proper arrangements were in place during the year. However we note that in the absence of any clarity over future funding arrangements and sources of revenue, it will be an increasing challenge in the future for the authority to continue to make the necessary savings and demonstrate that it has been able to make proper arrangements.

Appendices

Appendix 1:

Key issues and recommendations

Our audit work on the Authority's 2017-18 financial statements has identified a number of issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management's responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority Rating for Recommendations

1	**Priority One:** Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk. Recommendations Raised: 0	2	**Priority Two:** Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. Recommendations Raised: 1	3	**Priority Three:** Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. Recommendations Raised: 1

No.	Risk	Issue & Recommendation	Management Response
1	2	**Completeness of the contracts register** As part of our work over contract expenditure, we compared the largest suppliers by expenditure to the Authority's contracts register, as published on its website. This analysis identified six supplier contracts that were not listed on the contracts register. ***Risk*** The Authority does not meet its obligations under the Local Government Transparency Code 2015 to make contract information publicly available. ***Recommendation*** The Authority should ensure that its published contracts register is updated to include the identified suppliers, and complete an additional check to ensure that no further contracts are incorrectly excluded from the register.	We fully understand the importance of ensuring that our Contracts Register is kept up to date. We will brief all Service Delivery Managers and ensure that a reminder is issued every quarter. ***Responsible Officer*** Jonathan Eatough – Assistant Director: Governance, Procurement and Commissioning ***Implementation Deadline*** 30 August 2018

Appendix 1:

Key issues and recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response
2	3	**Enforcement of password policy** Our IT controls testing identified that, for each system tested, certain password parameters for were not in line with the parameters outlined in the Authority's Password Policy. As an additional control, however, users must first sign on to the system via another set of controls, and as there is a double layer of access authorisation we consider the risk to be mitigated. ***Risk*** Insufficiently secure passwords are enforced, leading to a higher risk of unauthorised system access. ***Recommendation*** The Authority should enforce system password parameters in line with its policy, or update its policy to reflect the variances in system password parameters.	It should be noted that dual sign-on is in operation i.e. employees need a password to access the corporate network prior to accessing individual applications which reduces any risk. ICT are working on all applications to see how they can bring them up to the standards in the corporate policy. This however requires input from system suppliers as their functionality doesn't allow the complexity of password set out in our corporate policy. Changes to the Agresso password have recently been approved and work on the other systems will continue. If necessary, the corporate policy may need to be updated to reflect the capabilities of different systems. ***Responsible Officer*** Fliss Mercer – Assistant Director: Commercial Services ***Implementation Deadline*** March 2019

Appendix 2:

Follow-up of prior year recommendations

The Authority has implemented all of the recommendations raised through our previous audit work.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17* and re-iterates any recommendations still outstanding.

Number of recommendations that were	
Included in the original report	**3**
Implemented in year or superseded	**3**
Outstanding at the time of our interim audit	**-**

No.	Risk	Issue & Recommendation	Management Response	Status as at July 2018
1	**1**	**Related party declarations** At the time of concluding our on-site audit visit, the Authority was still awaiting 29 out of 66 related party declarations. We understand from management that, following an exercise by the Authority to request outstanding declarations, 4 declarations remain outstanding at the time of issuing our report. Related Party Declarations need to be completed and returned on a timely basis so that the Authority is aware where such relationships may exist. Identification of related parties is important, not just to enable disclosure in the accounts, but to ensure that the Authority can demonstrate that it is making decisions free from influence and demonstrate value for money. ***Recommendation*** The Authority should ensure that related party declarations are completed and returned on a timely basis, and that these declarations are used to inform the register of interests and accounts disclosures.	Councillors will be reminded that it is their duty to declare any interests and that we are required by Regulation to include this information in the Statement of Accounts. Additional reminders will also be issued earlier in the process. ***Responsible Officer*** Ken Clarke, AD: Finance & HR; Bernie Morris, Finance Team ***Implementation Deadline*** March 2018	We have received copies of all related party declarations required from members and officers. We note that management circulated a detailed guidance note to all individuals required to declare interests with a deadline of 6 April 2018. We consider this recommendation to have been implemented.

Follow-up of prior year recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response	Status as at July 2018
2	2	**2017/18 Early Closedown** Over recent years the Finance team has demonstrated a strong track record of achieving closure of the accounts. 2017/18 represents the first year of the earlier deadline of 31 May for the first Draft accounts to be made available, and 31 July for approval and publishing of the accounts, brought forward from 30 September. ***Recommendation*** The Authority should plan to bring forward its Audit Committee meeting to receive the accounts, further evaluate where the year end timetable could be streamlined and ensure audit requirements are met to facilitate an earlier audit in 2017/18. Ideally the Authority should move to more rigorous closedowns of all account areas (such as capital) on a monthly basis.	The provisional meeting timetable for 2018/19 includes an Audit Committee meeting before the end of May to receive the draft accounts. Considerable work has already been undertaken to accelerate the SOA timetable and the 2016/17 draft accounts were complete on the 7 June. Although challenging, some further adjustments will be made to meet 31 May deadline for the 2017/18 draft accounts. Discussions have already taken place about taking a different approach to the audit next year with more work being undertaken at the interim audit stage, or earlier. Finance staff will assist as far as possible in ensuring a smooth audit with the aim of publication of the final accounts by the 31 July deadline. ***Responsible Officer*** Pauline Harris –Finance Manager; Bernie Morris – Finance Team Leader ***Implementation Deadline*** Now to 31 May 2018	As detailed on pages 8 and 9, we consider that the Authority's approach to the accounts production process is adequate. Draft accounts were produced by the deadline of 31 May, and working papers are of suitable quality. We consider this recommendation to have been implemented.

Follow-up of prior year recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response	Status as at July 2018
3	3	**Completeness of valuation information** We identified one instance where incomplete information was provided to the valuer, resulting in an incorrect valuation and audit difference. ***Recommendation*** The Authority should ensure that there is a robust process in place to ensure that all relevant information is provided to the valuer in advance of the valuation being made.	The error occurred due to a missing completion certificate which resulted in the capital spend relating to the asset being incorrect on the valuer's spreadsheet. Going forward the new Fixed Assets Module will produce a list of assets to be valued, this will include the capital expenditure to date and should ensure that an error of this nature does not occur again. Valuers will also be able to access the module to check capital spend. ***Responsible Officer*** Bernie Morris, Finance Team Leader; James Dunn, SDM Estates & Investments ***Implementation Deadline*** 30 September 2017	We have reviewed the Authority's five year revaluation programme, as well as revaluations made in year to confirm that this is consistent with the fixed asset register. No issues were noted. We consider this recommendation to have been implemented.

Appendix 3:

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

We are pleased to report that we have identified no significant adjusted or unadjusted misstatements within the financial statements.

Presentational adjustments - Authority

We identified a number of presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

Whilst the majority of these adjustments were not significant, we identified one adjustment of a more significant nature as follows:

Table 1: Presentational adjustments – Authority

No.	Basis of audit difference
1	Inclusion of disclosure note of the movements within earmarked reserves, in line with the CIPFA Code of Practice paragraph 3.4.2.57.

Materiality and reporting of audit differences

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

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in January 2018.

Materiality for the Group and Authority accounts was set at £4.5 million which equates to around one percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

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

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

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

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.225 million for the Authority.

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

Appendix 5:

Required communications with the Audit Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	We have identified no adjusted differences as a result of our audit of the Authority's financial statements.
Unadjusted audit differences	We have identified no unadjusted differences as a result of our audit of the Authority's financial statements
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We have set out our assessment of the Authority's internal control environment, including confirmation that there were no significant deficiencies identified, in Section one of this report (see pages 3 to 6). We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than any deficiencies identified in this report.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Members or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

Appendix 5:

Required communications with the Audit Committee (cont.)

Required Communication	Commentary
Other information	No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement. These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.
Our declaration of independence and any breaches of independence	No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence. See Appendix 6 for further details.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 15.
Significant matters discussed or subject to correspondence with management	There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.

Appendix 6:

Declaration of independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF TELFORD AND WREKIN COUNCIL

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

— General procedures to safeguard independence and objectivity;

— Independence and objectivity considerations relating to the provision of non-audit services; and

— Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, audit directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

— Instilling professional values

— Communications

— Internal accountability

— Risk management

— Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Declaration of independence (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
PSAA scale fee	117,119	117,119
Additional work over Group accounts	815	815
Audit of controlled entities (Nuplace Ltd)	9,850	9,850
Response to 2015/16 elector question (fee raised in 2016/17)	-	4,570
Total audit services	**127,784**	**132,354**
Allowable non-audit services – Teachers Pensions return	3,500	3,500
Audit related assurance services	-	-
Mandatory assurance services – Housing Benefit Subsidy return	9,239	7,155
Total Non Audit Services	**12,739**	**10,655**

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.1:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

We confirm that all non-audit services were reported to the audit committee or equivalent.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table on the following page.

Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Audit-related assurance services				
Grant Certification – Teachers Pensions Return	The nature of these audit-related services is to provide independent assurance on this return. As such we do not consider them to create any independence threats. **Self-interest:** These engagements are performed under externally specified work programs. The work has no perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit. **Self-review:** The financial information included in the grant claim submissions is not extracted from the financial statements, but is compiled separately. The work is undertaken at various points throughout the year and is not linked to the financial statements reporting process. Therefore, it does not impact on our opinion and we do not consider that the outcome of this work will be a threat to our role as external auditors. **Management threat:** All decisions are made by the Council. **Familiarity:** This threat is limited given the scale, nature and timing of the work. **Advocacy:** We do not act as advocates for the Council in any aspect of this work. **Intimidation:** Not applicable	Fixed Fee	3,500	3,500
Mandatory assurance services				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on the return. As such we do not consider it to create any independence threats. **Self-interest:** These engagements are performed under externally specified work programmes. The work has no perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit. **Self-review:** The financial information included in the grant claim submissions is not extracted from the financial statements, but is compiled separately. The work is undertaken at various points throughout the year and is not linked to the financial statements reporting process. Therefore, it does not impact on our opinion and we do not consider that the outcome of this work will be a threat to our role as external auditors. **Management threat:** All decisions are made by the Council. **Familiarity:** This threat is limited given the scale, nature and timing of the work. **Advocacy:** We do not act as advocates for the Council in any aspect of this work. **Intimidation:** Not applicable	Fixed Fee	9,239	9,239

Appendix 6:

Declaration of independence (cont.)

Appropriate approvals have been obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Ian Pennington

Director, KPMG LLP

Appendix 7:

Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £117,119 plus VAT (£117,119 in 2016/17), which is consistent with the prior year.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for August 2018. The planned scale fee for this is £9,239 plus VAT (£7,155 plus VAT in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements amount to £3,500 plus VAT (£3,500 plus VAT in 2016/17), see further details below.

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
Accounts opinion and value for money work		
PSAA Scale fee (Telford and Wrekin Council)	117,119	117,119
Additional fee in relation to group consolidation	808	808
Additional fee in relation to 2015/16 elector question	-	4,570
Total audit services	**117,927**	**122,497**
Mandatory assurance services		
Housing Benefits Certification (work planned for August 2018)	9,239	7,155
Total mandatory assurance services	**9.239**	**7,155**
Audit-related assurance services		
Teachers' Pension Return (work planned for October 2018)	3,500	3,500
Total audit-related assurance services	**3,500**	**3,500**
Total non-audit services	**12,739**	**10,655**
Grand total fees for the Authority	**130,666**	**133,152**

The key contacts in relation to our audit are:

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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 24 JULY 2018

2017/18 STATEMENT OF ACCOUNTS

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

LEAD CABINET MEMBER – CLLR LEE CARTER

PART A) SUMMARY REPORT

1.1 This report informs Members of the outcome of the audit of the Council's accounts for 2017/18 and presents the Statement of Accounts for approval.

1.2 The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice which continues to add a level of complexity.

1.3 In accordance with the Accounts and Audit (England) Regulations 2015, the Chief Financial Officer certified the draft statement of accounts prior to the 31 May. These were presented to Audit Committee on the 29 May 2018, made available for public inspection and provided to the external auditors to undertake the audit of accounts. As required by regulation, the final statement of accounts is now presented to members for approval, prior to publication. This Committee has delegated authority to approve the council's final audited Statement of Accounts.

1.4 It is anticipated that KPMG, the Council's external auditors will give the accounts an unqualified audit opinion and their Auditor's Report is included in the Statement of Accounts.

1.5 There are no financial adjustments required as a result of the audit and the outturn position remains as reported to Cabinet on 31 May 2018. The majority of the changes identified are presentational which have been agreed and included in this final version.

1.7 Following approval the Statement of Accounts will be published on the Council's web site.

2.0 RECOMMENDATIONS

2.1 That Members approve the 2017/18 Statement of Accounts attached in the Appendix.

2.2 That delegated authority be granted to the Assistant Director: Finance & HR to make any final changes required to the Statement of Accounts prior to publication.

3.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Cooperative Council priorities?	
	Yes	Delivery of all cooperative council priorities depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan.
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	To publish audited accounts by the end of July 2018.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The financial impacts are detailed throughout the report.
LEGAL ISSUES	No	The Statement of Accounts have been prepared in accordance with the 2017/18 Code of Practice on Local Authority Accounting and the 2015 Accounts and Audit Regulations.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	Borough Wide

PART B) ADDITIONAL INFORMATION

4.0 INFORMATION

4.1 The 2017/18 outturn position was reported to Cabinet on the 31 May 2018. In accordance with the Accounts and Audit (England) Regulations 2015, the Council is required to prepare formal Statement of Accounts in a prescribed format, following International Financial Reporting Standards. The Chief Financial Officer certified the draft statement of accounts at the end of May. These were then made available for public inspection and provided to the external auditors to undertake the audit of accounts.

4.2 The final overall underspend of £0.15m (-0.1% of net budget) is the same as previously reported to members in May.

4.3 A number of changes, mainly presentational, have been made to the accounts during the course of the audit after discussion with KPMG. None of these has impacted on the General Fund Balance position previously reported. They include:

- Note 42 Grant Income – has been updated to include some “other grants” previously not separately identified;
- The Reconciliation of the Single Entity and Group Positions – has been updated to agree with the Consolidated I&E Account;
- Note 15a, Fixed Asset Valuation – an additional internal valuer’s name has been added and the RICS Valuation Standards reference updated to 2015;
- Reference to the Independent Inquiry into Child Sexual Exploitation has been included in the Narrative Report;
- Note 24 – Treasury Related Financial Instruments – commentary has been added to outline the Council’s strategy of taking advantage of current low interest rates on short-term borrowing and close monitoring, with Arlingclose, to manage exposure to interest rate risk.
- Note 30 – further information has been included in relation to Usable Reserves;

4.4 Following the issue highlighted in 2016/17, the process for completing and returning Related Party Declaration forms was changed for 2017/18 and it is pleasing to report that all Related Party Declaration forms were received before the closure of the audit.

4.5 As in previous years, it has been necessary to include a provision against potential costs relating to single status in the 2017/18 accounts. Working closely with the unions, the process for the next stage of implementation, joint consistency panels, has been agreed and will take place during the 2018/19 financial year. However, this progress does not mean that the current assumptions regarding potential liability can or should be reviewed or changed.

4.6 The final statement of accounts including all agreed amendments is attached in the Appendix.

4.7 An unqualified audit report is anticipated.

4.8 To comply with International Auditing Standards, the external auditor will also present the Annual Governance report, including recommendations, to the Audit Committee which comments on the final accounts audit

5.0 <u>IMPACT ASSESSMENT</u>

There is no further information to add.

6.0 <u>PREVIOUS MINUTES</u>

Cabinet – Service & Financial Planning Report – 31 May 2018
Audit Committee – Draft Statement of Accounts – 29 May 2018

7.0 BACKGROUND PAPERS

2017/18 Draft Statement of Accounts
2017/18 Outturn Report
General Ledger Reports
2017/18 Code of Practice on Local Authority Accounting
Accounts and Audit (England) Regulations 2015

Report Prepared by: Pauline Harris, Finance Manager, Tel: 01952 383701

Telford & Wrekin Council

Statement of Accounts

2017/18

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Telford & Wrekin Council

Statement of Accounts

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Financial Statements

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".

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

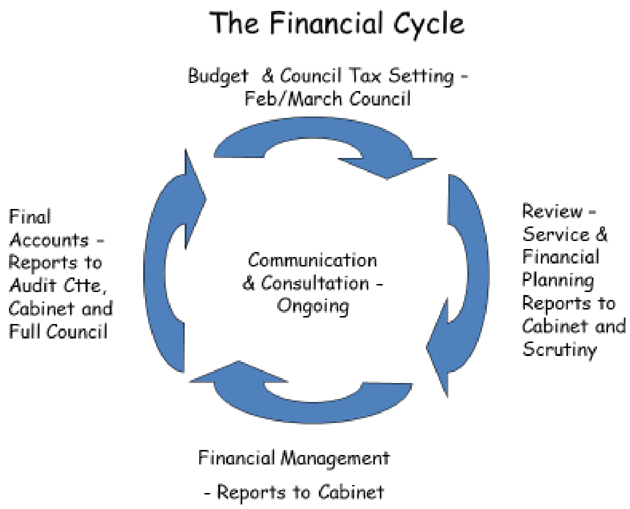
The Borough has a diverse manufacturing sector, a flourishing tourism sector and research and development facilities. There is a strong focus on manufacturing with other important sectors being advanced engineering, food and drink, construction, education and retail.

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 [2,063.6 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	2,014	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

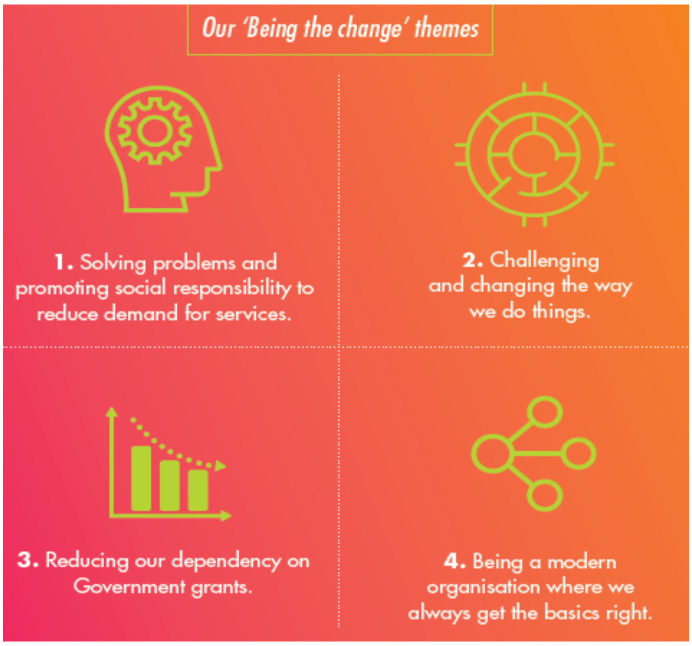
The 2017/18 Annual Governance Statement is included within the Statement of Accounts – see page 28. The Statement outlines that the Council has adhered to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that 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

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

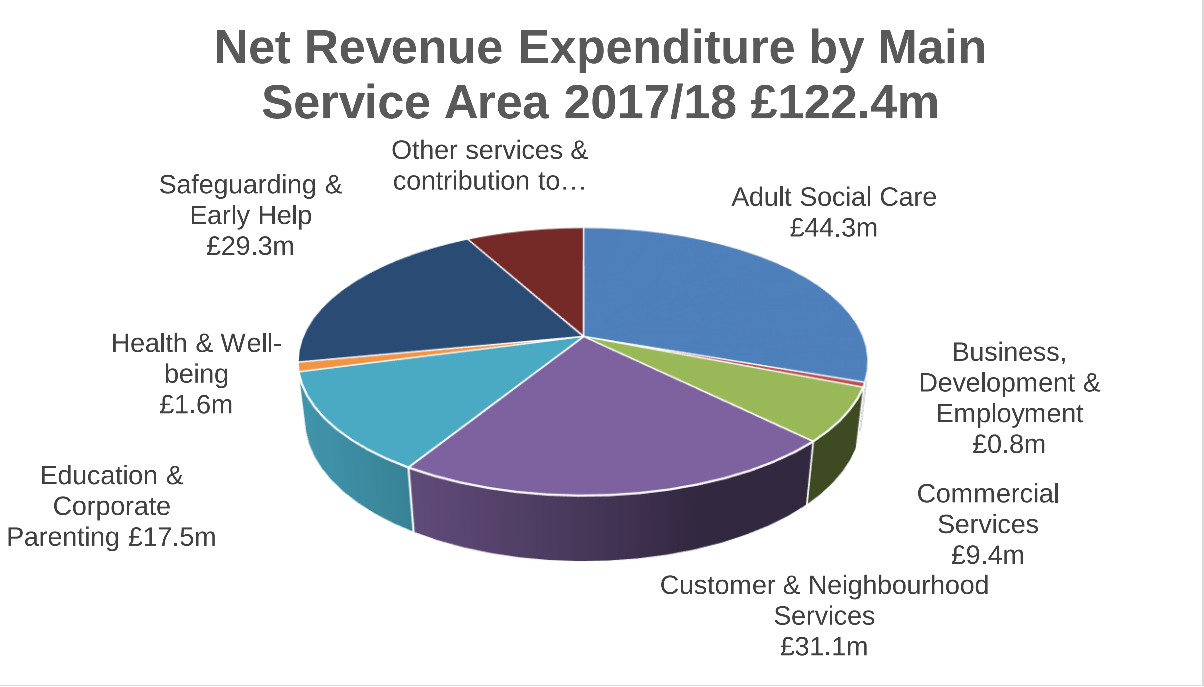
Final net service expenditure for 2017/18 was £121.044m compared to a budget of £121.194m, an underspend of £0.15m (or -0.1%). This was also after making a number of provisions to support priorities and sustain the financial position going forward. Given the context of the Council having to make £14m 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.

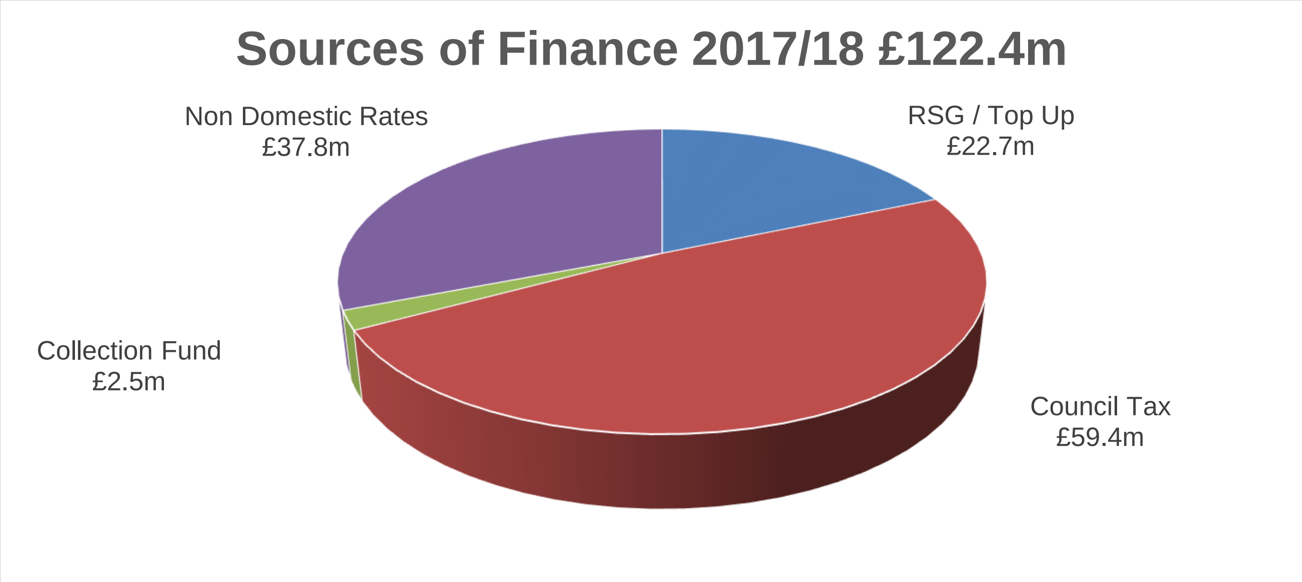
Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Overall Totals (see page 13)	121.194	121.044	-0.150
Funding Variance	0.000	1.161	1.161
Contribution to (+)/from (-) balances	0.557	0.000	-0.557
Service Outturn (see page 12)	121.751	122.205	0.454
Funded by :			
Council Tax, Revenue Support 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.





The outturn position has resulted in a general fund balance of £4.051m and a special fund balance of £0.756m, giving a overall 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 41)	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
Business, Development & Employment	
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
Finance & HR	
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

borrowing was undertaken in 2017/18 to manage the risk of interest rate exposure. **Human Resources** – additional external income generated from the provision of services and project work for external clients both within and outside the Borough.	 -0.100
<u>Cooperative Council Team</u> There were no variations over £100k to report for the year.	
<u>Children's Safeguarding & Early Help</u>	
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.	+2.478
Staffing (Safeguarding) – included the cost of agency social workers during the year. The Service has a number of strategies to attract and retain permanent staff with the aim of reducing this cost in 2018/19.	+0.119
Legal – the increased level of activity and complexity led to an increase in court fees and the use of barristers.	+0.118
Assessments – underspends reflect the creation of an in house service offering mother and baby assessments which reduced the requirement for residential placements.	-0.315
Independent Review Staffing – difficulties recruiting during the year led to the use of agency staff which resulted in an overspend.	+0.119
<u>Education & Corporate Parenting</u>	
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.	+0.180
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.	+0.398

<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
Commercial Services	
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
Corporate Items	
Purchase rebates – rebates from corporate contracts.	-0.130

In April 2018 Cabinet, at the request of full Council, determined to initiate an independent inquiry into child sexual exploitation within the Borough. There is no timetable for this process to be completed as yet but a provisional estimate of £350,000 has been set aside, in an ear marked reserve, to meet the costs of the Inquiry.

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:

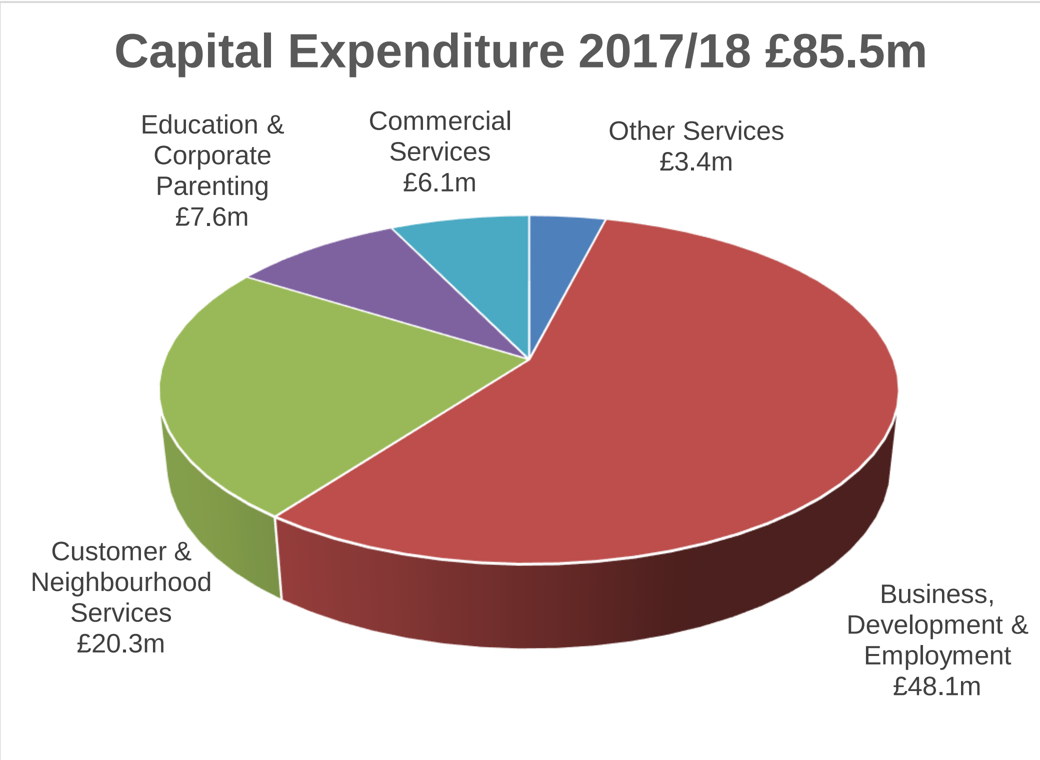
Policy Area	**2017/18 Approved Budget £m**	**2017/18 Expenditure £m**
Adult Social Care	1.15	0.72
Health & Wellbeing	0.39	0.34
Business, Development & Employment	52.20	48.09
Customer & Neighbourhood	22.41	20.27
Education & Corporate Parenting	10.23	7.57
Commercial Services	7.91	6.14
Governance, Procurement & 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**

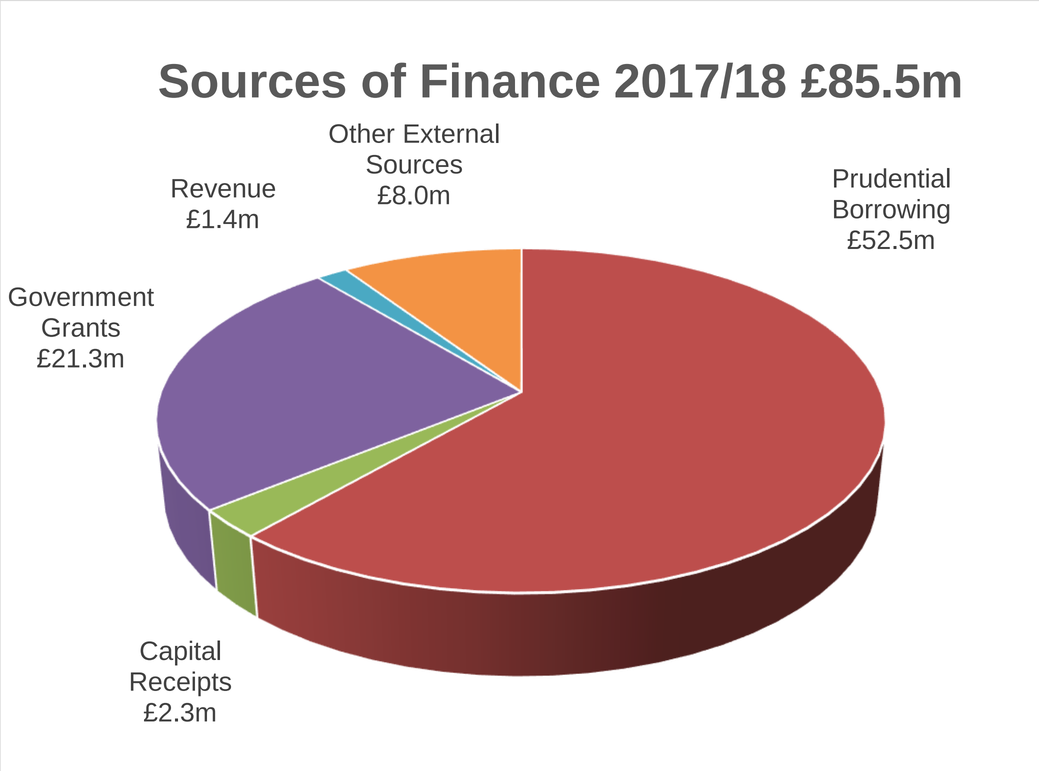
The Council has ready access to borrowings from both the Money Markets and Public Works Loans Board (PWLB), who also act as a lender of last resort to Councils (although it would not provide funding to a Council whose actions are unlawful).

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. Whist 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 earnt 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.

By 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 232 occupied as at 31 March 2018.
- 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 Surplus	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. 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 123 complies with the requirements of the Accounts and Audit Regulations 2015.

Ken Clarke MBA CPFA,
Assistant Director
Dated: 24th July 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: 24th July 2018

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 regulations[1] 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

[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 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 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 have continued to provide updates on systems, financial management and the implementation of the cost improvement plan during the year to Members including the Audit Committee. To support the revised target operating model Adult Social Services has 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 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: 19th July 2018

Cllr Shaun Davies
Leader of the Council

Dated: 19th July 2018

Cllr Rob Sloan
Chair of Audit Committee

Dated: 24th July 2018

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 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	"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 Service and work force planning sessions took place in early 2018 and this has also been used to feed into the annual audit planning. Consultation on savings for 2018/19 and 2019/20 proposals will continue.
2.	Preparations for the revised external audit arrangements.	AD Finance & Human Resources/ AD Governance, Procurement & Commissioning	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. 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. Tender exercise underway for the recruitment of External Auditor to undertake benefit subsidy claim. This is due to be completed by June 2018.
3.	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	Managing Director & AD Finance & Human Resources	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. Human Resources policies have been prioritised and are being revised and renegotiated in line with these priorities. Corporate Workforce Development Plan has been agreed by SMT. AD's workforce plans are in place. Future Leaders programme is underway.

No	Action	Lead Officer	Comments
	organisational requirements. Review of Human Resources policies and procedures to support the priorities and organisational change. 121 framework to be adhered to across the Council		Top 10 L&D needs are being delivered. Leadership & Management programme to commence April 2018. New approach to apprenticeships is in place. 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. Future Leaders have devised a new 121 framework to be used in 18/19 .
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	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. 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. 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). 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 The Brokerage and Contract teams will focus upon driving out further efficiencies through effective procurement. The Council will continue to develop the usage and governance of the Better Care Fund. 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.

No	Action	Lead Officer	Comments
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) engage and supports the implementation of the GDPR information governance requirements within their service areas.	SIRO/SMT & SDM's	Information on requirements has been provided to SMT and has been updated. SMT have agreed a GDPR implementation plan which will be discussed at all management teams over the next few months. An intranet page has been developed and Learning & Development are supporting Ollie modules based on guidance produced. May 2018. This year's certification process shows that service areas are reviewing their processes to ensure compliance with GDPR.
7.	Ensure that the website contains relevant current information and is kept up to date.	AD Customer & Neighbourhood Services	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. It has also been identified that Service areas are reviewing webpages to ensure they are GDPR compliant
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.

Auditors' Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELFORD AND WREKIN COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Telford and Wrekin Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Cash Flow Statement(s), the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 27, the Chief Financial Officer is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Telford and Wrekin Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Telford and Wrekin Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Telford and Wrekin Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of Telford and Wrekin Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Ian Pennington
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Dated:

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				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**	**SERVICE**	**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)	**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. (See note 24 for detail on interest rate risk).

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 are defined as 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 included in the accounts and 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 Reporting Period

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 or disclosed in a note.

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.

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 doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £3.0m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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.	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 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.	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 Reporting Period

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 £000	Net Change for the Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £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 £000	Individual Schools Budget £000	Total £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 £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
(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. Further information is contained in note 1(h) of the Accounting Policies.

The Council's share of the deficit on the Local Government Pension Scheme 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)	**Benefit Obligation 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	**Plan Assets 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 due 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	Sensitivity 2	Sensitivity 3	Sensitivity 4
		+0.1%p.a. discount rate	+0.1%p.a. inflation/ pensions	+0.1%p.a. pay growth	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)**

2017/18	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
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:				
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)

2017/18	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Employer's pensions contributions and direct payments to pensioners payable in the year	(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
Adjustment primarily involving the Capital Grants Unapplied Account:				

2016/17 Comparative figures	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
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**
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 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**

	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
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
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**

	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
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, David Scrimgeour MRICS and Marc Jones MRICS, all Registered Valuers of Telford & Wrekin Council.

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

The valuations were carried out in accordance with the requirements of the RICS Valuation Standards 2015 (UK) Edition, IVS 300, FRS 102 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 £000	**Fair Value £000**		**Carrying Amount £000**	**Fair Value £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 Arlingclose 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 £000s	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
	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 can be found in the table on page 80:

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.

In line with our Treasury Strategy, the Authority has taken advantage of low level of interest on short-term borrowing in order to reduce cost. The Authoity will continue to engage with our external treasury advisor, Arlingclose, to monitor interest rates and lock into long term borrowing when it is prudent to do so.

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 £000	Borrowing £000	Net Total £000	1% Movement £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 additional 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 £000	Earmarked General Fund Reserves* £000	School Balances £000	Revenue Grants & Other Balances £000	Capital Grants Unapplied £000	Total Usable Reserves £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**

Analysis of Earmarked General Fund Reserves

	Opening Balance £000	Payments £000	Receipts £000	Closing Balance £000
Environmental Mtce. & Improvements (Pride)	1,500	-281	1,000	2,219
Estate carparking & additional residential parking	750	-6	310	1,054
Footway programme funding	1,400	-387	0	1,013
Business Rates Retention reserve	0	-1,250	3,750	2,500
Capacity Fund & Invest to Save	6,445	-1,230	3,200	8,415
Capital Funding reserve	1,461	-239	183	1,405
Hadley PFI Sinking Fund	1,088	-10,333	10,578	1,333
HCA Land Deal funds	1,803	-344	4,462	5,921
Pride in our Community reserve	4,155	-435	0	3,720
Severence Fund	1,750	0	1,001	2,751
Self Insurance Fund	2,113	-137	471	2,447
Treasury Management reserve	0	0	1,150	1,150
Waste Contract reserve	1,541	-312	0	1,229
Reserves earmarked as part of medium term Service and Financial Planning	13,719	-19	3,760	17,460
Other reserves below £1,000,000	17,804	-6,717	6,411	17,498
Total	**55,529**	**-21,690**	**36,276**	**70,115**

	Opening Balance £000	Payments £000	Receipts £000	Closing Balance £000
Previous Year	**45,456**	**-4,234**	**14,306**	**55,529**

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

2016/17 £000		2017/18 £000
(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	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
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 (REFCUS)	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, some of which would be classed as REFCUS.

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 previous change in methodology 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	12,742
208,876	**Total**	**216,504**

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**

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
£100,000 - £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 (£0.223m in 2016/17) and Net Assets of £11.96m (£6.646m in 2016/17). The Council produces Group Accounts in relation to NuPlace and these can be found on page 107.

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

Expenditure	**Chargeable 2017/18 £000**	**Non-Chargeable 2017/18 £000**	**Total Building Control 2017/18 £000**
Employee Expenses	70	116	186
Support Services	83	92	175
	153	208	361
Income			
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. Income Collectable from Business Rate Payers

	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. Allocation of Fund Balance (Council Tax)

	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. Allocation of Fund Balance (NDR)

	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.

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				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**	**SERVICE**	**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**

	2016/17	2017/18
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 41)	57,031
(302)	Deficit/(Surplus) contained within Subsidiary Accounts	(277)
442	Removal of Trading Surpluses from Single Entity Accounts	563
8,169	**Deficit in Group Accounts (Page 109)**	**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	
66,045		73,887	
	Current Liabilities		
(19,873)	Provisions (Note 7)	(20,290)	
(119,175)	Short term Borrowing	(102,176)	
(58,990)	Creditors (Notes 8)	(65,931)	
(198,038)		(188,397)	
(131,993)	**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 £000		2017/18 £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 £000	Earmarked General Fund Reserves £000	School Balances £000	Revenue Grants & Other Balances £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £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 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
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**

2016/17 £000		2017/18 £000
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. 31st 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	The Chartered Institute of Public Finance and Accountancy.
CIPFA/SOLACE	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	Actual Expenditure and Income within a particular year.
Pension Fund	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.
Special Purchaser	A particular buyer for whom a certain asset has special value because of advantages arising from its ownership that would not be available to general buyers in the market.
Trading Services	A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users.
Variance	The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend.
Virement	A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 24th JULY 2018

PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2017/18

JOINT REPORT OF THE MONITORING OFFICER AND THE CHIEF FINANCIAL OFFICER

1 PURPOSE

1.1 To present to the Audit Committee the information to be published in respect to Councillors who traded with the Council during 2017/18.

2 RECOMMENDATIONS

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

3 SUMMARY

3.1 To improve transparency it was agreed in autumn 2012 that details of Councillors who have an interest in companies that receive a payment from the Council, for example a directorship, should be separately reported to the Council through the Audit Committee.

3.2 This information is collected as part of the final accounts process and this report represents information for 2017/18.

3.3 This information will be published on the Council's website following presentation to the Audit Committee.

4 PREVIOUS MINUTES

4.1 Council's Constitution Committee 4th September 2012
Council 19th September 2012 (2011/12)
Audit Committee 28th January 2014 (2012/13)
Audit Committee 16th September 2014 (2013/14)
Audit Committee 15th September 2015 (2014/15)
Audit Committee 20 September 2016 (2015/16)

5 BACKGROUND AND INFORMATION

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

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

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

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

5.4 Only two Councillors were associated with companies (either owners or Directors) who received payments from the Council in 2017/18. These were:

- Councillor Stephen Burrell - £326,259 in respect to the company Peace of Mind Homecare. Councillor Burrell is a Director of this company.

- Councillor Joy Francis - £193,857 in respect to the companies Tortoise Day Nursery and Smiley faces Day Nursery. This relates to payment of nursery funding on behalf of the Government. Councillor Francis is the owner of Tortoise Day Nursery and Managing Director of Smiley Faces Day Nursery.

6 OTHER CONSIDERATIONS

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

7 BACKGROUND PAPERS

Localism Act 2011
Co-operative Council Commissions Report 2012

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

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 24 JULY 2018
COUNCIL 20 SEPTEMBER 2018

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AUDIT COMMITTEE ANNUAL REPORT 2017/18

JOINT REPORT OF THE SECTION 151 OFFICER & MONITORING OFFICER

1 PURPOSE

1.1 To present to the Council an Annual Report on the 2017/18 operations of the Audit Committee.

2 RECOMMENDATIONS

2.1 That members note the contents of the annual report 2017/18.

3 SUMMARY

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

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

3.2 As the key assurance Committee of the Council it is best practice that an Annual Report is presented to the Council on the operations of the Committee during the municipal year (May 2017 – April 2018). The structure of the report is based on the terms of reference and includes a summary of the business conducted by the Committee during the period (attached as Appendix A).

3.3 There were 3 meetings of the Audit Committee in 2017/18 each with comprehensive agendas. In addition to the scheduled meetings, there is also the opportunity to call additional meetings whenever required by Members between the scheduled meetings in June, September and January.

4 PREVIOUS MINUTES

4.1 Audit Committee - 15th September 2015; 20th September 2016; 19th September 2017
Council - 1st October 2015, 24 November 2016, 23rd November 2017

5 INFORMATION – AUDIT COMMITTEE 2017/18

5.1 Internal Audit

5.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the Public Sector Internal Audit Standards (PSIAS - effective from April 2013) and Constitution, highlighting any areas requiring attention by Members.

5.1.2 The Internal Audit Plan for 2017/18 was approved by the Committee at the June 2017 meeting and the Internal Audit Charter for 2017/18 was approved by the Committee at the January 2018 meeting.

5.2 External Audit

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

5.3 External PSIAS Assessment

5.3.1 Members were given a verbal update on the External Auditor procurement.

5.4 Governance

5.4.1 The Annual Governance Statement 2016/17 was approved at the June meeting after consideration of the supporting information.

5.4.2 The January meeting reviewed the Council's Strategic Risk Register.

5.4.3 The 2016/17 Information Governance annual report was presented to the Committee in June 2017. An Information Governance update report was provided for April – July 2017 at the September meeting. This included an update from the Caldicott Guardian.

5.5 Treasury Management

5.5.1 The Committee received the annual report 2016/17, in year updates for 2017/18 and reviewed the 2018/19 strategy prior to approval by Cabinet.

5.6 Statement of Accounts 2016/17

5.6.1 The Statement of Accounts was approved by the Committee following external audit at the September 2017 meeting. As in previous years the approval meeting was preceded by a training session with key Finance staff who explained the statements and the changes that had occurred during 2016/17.

5.6.2 There was an update to the September 2017 meeting in respect to the Council's capital receipts position.

5.7 Anti-Fraud & Corruption

5.7.1 The annual report on the Anti-Fraud & Corruption Policy and Policy update was received in June 2017.

5.8 General

5.8.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution.

5.9 Conclusions for 2017/18 and the future 2018/19

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

5.9.2 The Committee recognises that the Council is continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2017/18. Most notable are the organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	Internal reports to the Committee consider any appropriate equalities/diversity issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Environmental Impact	Internal reports to the Committee consider any appropriate sustainability issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Legal Implications	The work undertaken by the Audit Committee during the year 2017/18 assists in ensuring that the Council complies with the statutory requirements set out in the Accounts and Audit Regulations 2015.
Links with Corporate Priorities	The Audit Committee contributes to good governance and the assurance framework. The work of the Committee links to all Council priorities.
Risks and Opportunities	The Audit Committee has an assurance role in the management of the Council's risks and opportunities. The Chairman of the Committee is responsible for the management of the risks and opportunities associated with the committee but supported by appropriate officers.
Financial Implications	The Section 151 officer has a responsibility to ensure that the council has effective internal audit arrangements in place. This report helps to demonstrate that this is the case. There are no financial implications arising from this report. The Audit Committee and support arrangements are fully funded from within existing budgets.
Ward Implications	The operations of the Audit Committee encompass all Council activities and all Council locations. Therefore all Council Wards are affected by its operations.

7 BACKGROUND PAPERS

Audit Committee Papers 2017/18 (including minutes)
Constitution
Constitution Committee, Full Council – appropriate agenda's, papers and minutes

Report by Suzanne Dodd, Governance & Legal SDM 383255

AUDIT COMMITTEE ACTIVITY 2017/18 APPENDIX A

Area	Activity
Internal Audit	Internal Audit Annual Report 2016/17 Quarter 4 2016/17 Update report Internal Audit Plan 2017/18 Quarter 1 2017/18 Update report Quarter 2 2017/18 Update report Quarter 3 2018/18 Update report Changes to Internal Audit Charter for 2018/19
External Audit	External Audit Fee Letter 2017/18 KPMG Interim Report 2016/17 Annual Governance Report 2016/17 Annual External Audit Letter 2016/17 External Audit Plan Letter 2017/18 Grant Report 2016/17 Appointment of External Auditors for April 2018 Onwards
Governance	Annual Governance Statement (AGS) 2016/17 Half yearly progress on the 2016/17 AGS Action Plan Review of the Strategic Risk Register September 2017 Information Governance Annual Report 2016/17 Information Governance Update Report April to July 2017 Information Governance Work programme 2017/18 Caldicott Guardian Annual Report 2016/17 Publication of Information on Councillors who Traded with the Council during 2016/17 Audit Committee Annual Report 2016/17
Treasury Management	Treasury Management – 2016/17 Annual report and 2017/18 update Treasury Management Outturn report 2017/18 & 2018/19 update report Draft 2018/19 Treasury Management Strategy and update 2017/18 Verbal presentation from Councils Treasury Advisors on implications for Council of the UK's exit from the EU
Statement of Accounts	Draft Statement of Accounts 2017/18 Approval of the audited Statement of Accounts 2016/17 Capital receipts update September 2017
Fraud & Corruption	2016/17 Annual Report on Corporate Anti-Fraud & Corruption Policy and Policy update
General	Terms of Reference reviewed Results of Survey of Effectiveness of the Audit Committee Outline Audit Committee Business 2017/18

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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 24th July 2018

2018-19 INTERNAL AUDIT UPDATE REPORT

REPORT OF THE AUDIT & GOVERNANCE TEAM LEADER

1 PURPOSE

1.1 To update members on the work of Internal Audit for the period 30/4/18 to 30/6/18

2 RECOMMENDATIONS

2.1 That members of the Audit Committee note the information contained in this report in respect to audit work between 30 April 2018 to 30 June 2018

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 2018/19 in respect to audit reports between 30/4/18–30/6/18.

4 PREVIOUS MINUTES

Audit Committee: 31 January 2017
27 June 2017
19 September 2017
30 January 2018
29 May 2018

5 INTERNAL AUDIT UPDATE

5.1 This report provides information on the work of Internal Audit from 30 April 2017 to 30 June 2018 and provides an update on the progress of previous audit reports issued (August 2015 – April 2018)

5.2 The key focus for the team during this period 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 April 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 amber/red reports issued this period

5.4 Appendix 1 shows 7 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
Stirchley Recreation Centre	+15%	A lot of analysis work undertaken and an extensive work programme.
School Catering	+22%	4 schools visited and testing took longer than expected to ensure that everything cross referenced.
Setting up Home Grant	+56%	Lots of additional testing and analysis undertaken to try and reconcile the allocation of grant money back to Agresso.

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 2 amber reports issued during this period. A summary of each report is provided in Appendix 4. For these Amber reports management actions and time scales were agreed to implement the recommendations. Follow ups are planned and the results will be reported to the Committee in October.

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

Audit Area	Days	Explanation
My Options (Young Peoples Services)	12	30 days allocated for 3 pieces of work in the service area 2 still to complete

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	Wellington Leisure Centre	Amber	n/a	Follow up in progress
2	ICT – Wireless Network Management Arrangements	Red/ Yellow	n/a	Follow up to be undertaken as part of ICT 2018/19 audit plan

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 Audit & Governance Team Leader 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 period

Benefits Subsidy

5.10 The appointment to undertake this audit work is carried out separately to the Councils main audit contract. Following a procurement exercise Grant Thornton have been awarded the contract to audit the benefit subsidy. This contract will start from April 2019 for them to audit the 2018/19 benefit work.

The Benefits Team have notified the Department for Work and Pensions as required by their 4th July 2018 deadline.

6 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	Financial monitoring is currently showing that Audit, IG, Insurance & Investigations are operating within budget for 2018/19. There are therefore no financial implications arising from adopting the recommendations of this report.
Ward Implications	The work of the Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

BACKGROUND PAPERS

Annual Audit Plan 2018/19 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

APPENDIX 1

FINAL REPORTS ISSUED 30 APRIL 2018 – 30 JUNE 2018

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Stirchley Recreation Centre	Yellow	November 2018	8.00	9.2	+15%
ICT Strategy and Risk Management *	Yellow	November 2018	8	8	n/a
ICT Active Directory & Single Sign on *	Yellow	November 2018	12	12	n/a
School Catering	Green	n/a	8.25	10.06	+22%
Oakengates Nursery School	Green	n/a	8.25	7.44	-0.90%
My Options Young Peoples Services – Purchasing & Procurement	Amber	October 2018	30 days for 3 pieces of work in the service area 2 still to complete	18.5	To be reported on once all work is complete
Setting up Home Grant	Amber	October 2018	7	10.91	+56%

* Work undertaken by specialist third party contractor under framework contract

APPENDIX 2

AUDIT WORK UNDERTAKEN FOR THIS PERIOD (30/4/18 – 30/6/18) FOR A PERIOD OF 1 DAY OR MORE

AUDIT AREA	DAYS
Advice & Consultancy including org change	3
Commercial Projects	2
Council Tax & NNDR (2018-19)	4
Direct Payments	4
Follow ups	3
John Randall	6
Ladygrove Primary School	7
My Options (Young Peoples Services)	12
Oakengates Children’s Centre	7
Ombudsman Complaints	3
Planning Income	2
Red & Amber Follow up - Core Groups	1
Red & Amber Follow up - deprivation of Liberty Safeguards	3
Red & Amber Follow up - Discharge from Hospital	2
Red & Amber Follow up - My Options (Comfort Funds)	1
School Catering	2
Setting up Home Grant	7
Southall School	7
Treasury Management (2018-19)	2

STATUS ON FINAL REPORTS ISSUED AUGUST 2015 TO 30/4/18 AS AT 30/6/18 **APPENDIX 3**

Audit	Original Opinion	Updated Opinion	Previous Comments	Status as at 30/06/2018
Ski & Snowboard Centre	Red	Yellow	2nd Follow up in progress	2nd follow up completed moved to yellow, 3rd follow up due December 2018
Wellington Leisure Centre	Amber	n/a	n/a	Follow up in progress
Arthog	Amber	Yellow	2nd follow up complete remains Yellow	3rd follow up due August 2018
Additional Payments to Foster Carers	Amber	Yellow	Follow up in progress	Second follow up completed moved to Yellow further follow up to be completed after October 2018 once policy has been approved
Nuplace	Amber	Yellow	First follow up completed moved to Yellow	Second follow up completed remained yellow 3rd follow up due November 2018
Off Contract Agency Staff	Amber	Yellow	Follow up in progress April 2018	Follow up complete moved to yellow 2nd follow up due November 2018
Children's Arrangement orders	Amber	Green	3rd follow up undertaken, remains amber	4th follow up completed May 2018 moved to Green. No further follow ups to be undertaken
My Options	Yellow	Green	Follow up in progress	Follow up completed May 2018, now a green grading
William Reynolds Primary	Yellow	Green	Follow up in progress April 2018	Follow up completed May 2018, now a green grading
Madeley Nursery	Yellow	Green	Follow up in progress	Follow up completed May 2018, now a green grading
Personal Transport Budget	Yellow	Green	Follow up in progress	Follow up completed May 2018, now a green grading
St Marys Catholic Primary	Yellow	n/a	Follow up due May 2018	Follow up in progress
Coalbrookdale & Ironbridge	Yellow	Green	Follow up due May 2018	Follow up completed June and now a green grading

STATUS ON FINAL REPORTS ISSUED AUGUST 2015 TO 30/4/18 AS AT 30/6/18 **APPENDIX 3**

REPORTS REPORTED TO MAY 2018 AUDIT COMMITTEE

Audit	Original Opinion	Updated Opinion	Status as at April 2018
Deprivation of Liberty Safeguards (DoLS).	Red	Yellow	1st Follow up completed. 2nd follow up due December 2018
ICT – Wireless Network Management Arrangements	Red/ Yellow	n/a	To be undertaken as part of ICT 2018/19 audit plan
Crudgington Primary	Amber	Green	Follow up undertaken June and moved to a green grading
Core Groups	Amber	Yellow	2nd Follow Up due December 2018
Discharge From Hospital	Amber	Yellow	2nd Follow Up Due December 2018
Sales ledger (2017-18)	Yellow	n/a	To be followed up as part of annual 2018-19 audit
HR / Payroll (2017-18)	Yellow	n/a	To be followed up as part of annual 2018-19 audit
ICT Change Release Management	Yellow	n/a	Follow up to be undertaken October 2018
St Luke's Primary School	Yellow	n/a	Follow up to be undertaken July 2018
ICT – Help Desk	Yellow	n/a	Follow up to be undertaken August 2018
Purchase Ledger	Yellow	n/a	To be followed up as part of annual 2018-19 audit
ICT Hosting – Libraries & Schools MIS	Yellow	n/a	Follow up to be undertaken September 2018
Meadows Primary	Yellow	n/a	Follow up to be undertaken September 2018
Housing Benefit & Council tax support (2017-18)	Yellow	n/a	To be followed up as part of annual 2018-19 audit
Concessionary Travel	Green	n/a	Green audit therefore no follow up due
General Ledger (2017-18)	Green	n/a	Green audit therefore no follow up due
My options Comfort fund	Amber	Yellow	1st follow up undertaken in June, changed to a yellow grading.

MY OPTIONS YOUNG PEOPLE SERVICES (PURCHASING & PROCUREMENT)

1. Management Summary

An audit review commenced[1] in April 2018, to provide an opinion on the risk, governance and control environment for My Options Young Peoples Services Purchasing & Procurement 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.

AUDIT OPINION	MANAGEMENT SUMMARY
Limited	**Based on objectives tested *(See Appendix 2)*, 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.** **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.** **This audit was undertaken at the request of the service area following the A2A, 1CAN2, Kreative Kids, Club 17 & Playschemes services for Young People being transferred into My Options. The audit was requested to assess current historical processes and assist the service area with the subsequent review and streamlining of these processes**
AREAS OF PARTICULAR CONCERN	**RECOMMENDATION RISK RATING**

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

At the time of the audit the findings determined that a GPC card and the associated PIN was being shared between 2 staff members, this was brought to the attention of the Commercial and Business Support Manager and this practice was ceased with immediate effect	**High** / **1** ; **Medium** / **11** ; **Low*** / **2** ***See advisory points on Appendix 1***

SETTING UP HOME GRANT

1. Management Summary

An audit review commenced[2] in April 2018, to provide an opinion on the risk, governance and control environment for Setting up Home Grant 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.

AUDIT OPINION	MANAGEMENT SUMMARY
AMBER	**Based on objectives tested *(See Appendix 1)*, there is a sound system of control but there is evidence of non-compliance with some of the controls**. **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.**
AREAS OF PARTICULAR CONCERN	**RECOMMENDATION RISK RATING**
At the time of the audit the findings determined that there were concerns regarding the inability to reconcile Protocol expenditure to Agresso.	High: 3 Medium: 5 Low*: 0

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