AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Monday, 27th June 2011 at 6.00 pm in the Reception Suite, Civic Offices, Telford

PRESENT: R.K.Austin (Vice-Chairman acting as Chairman for the meeting), I.T.W.Fletcher, R.J.Sloan, W.L.Tomlinson and C.R.Turley.

Officers: P.Clifford (Corporate Director), J.Eatough (Head of Governance), P.Harris (Corporate Finance Manager), J.Marriott (Audit & Assurance Service Delivery Manager) and A.Roberts (Democratic Services Officer).

Also Present: A.Cardoza and A.Bunting – KPMG External Auditors.

AUC-1 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 22nd March 2011 be confirmed and signed by the Chairman.

AUC-2 APOLOGIES FOR ABSENCE

D.G.Davies (Chairman)

AUC-3 DECLARATIONS OF INTEREST

Councillor I.T.W.Fletcher declared a personal interest in relation to minute reference AUC-9 in that he was a member of the Management Committee of the Priorslee Community Centre. He also declared a personal interest in connection with minute reference AUC-11 as he was a governor of Adams Grammar School.

Councillor W.L.Tomlinson declared a personal interest in relation to minute reference AUC-9 in relation to the Shawbirch Community Centre.

AUC-4 REVIEW OF THE TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

The Audit & Assurance Service Delivery Manager reminded members verbally that it had been agreed through the Constitution that every Committee would at its first meeting following the Annual Council Meeting review the committee's terms of reference. Members were advised that no amendments to the terms of reference were proposed currently but once the revised arrangement in respect to local public were confirmed they would be further reviewed. Accordingly, it was;

RESOLVED – that following the review that had been conducted by the Audit & Assurance Service Delivery Manager and the consideration by the Committee it was formally agreed that no amendments to the Terms of Reference of the Audit Committee were required.

AUC-5 KPMG INTERIM AUDIT REPORT – 2010/11

The report from KPMG was received which summarised their key findings that had arisen from the interim audit work in relation to the 2010/11 financial statements.

The Committee was informed that during February – March 2011 KPMG had completed their planning and control evaluation work. This work included a review of the Council's general control environment including the IT systems; testing of certain controls over the Council's key financial; an assessment of the Internal Audit function and its work; review of the Council's accounts production process and a review of the Council's work to restate the 2009/10 financial statements under IFRS.

The report outlined a summery of the headline messages within Section 2 of the report and Section 3 outlined KPMG's key findings from their interim work in relation to the 2010/11 financial statements. Members were further referred to their recommendations within Appendix 1 of the report. The Committee were also informed of KPMG's review of the Council's implementation of their prior recommendations.

Members were informed that KPMG had assessed the controls over the key financial systems were generally sound. However, it was reported that there were some weaknesses in relation to non-pay expenditure and financial reporting (in relation to journals).

The Committee were also advised of their key findings in connection with their review of Internal Audit, where it was assessed that Internal Audit fully complied with the Code of Practice for Internal Audit in Local Government. It was reported that no significant issues had been identified and that they were able to place full reliance on Internal Audit's work on the Council's key financial systems.

Councillor Tomlinson commented that he was pleased to see that there were no major issues outlined within the report. He did enquire in relation to the implementation of the new Financial System as to whether KPMG had undertaken any work in respect to the system's implementation. By way of response the meeting was informed that they were not directly involved with the implementation of Agresso which was due to "go live" on 4th July. Councillor Fletcher enquired as to whether the implementation of the new financial system had been placed on the Strategic Risk Register, particularly in his view that this would be considered as containing elements of high risk. The Corporate Director advised that it was not considered as such a strategic item but was included in the key strategic risk in respect to resources (including financial resources). Members were informed that there was a Project Risk Register.

<u>RESOLVED</u> – that the contents of the KPMG Interim report for 2010/11 be noted.

AUC-6 KPMG AUDIT PLAN AND FEE LETTER – 2011/12

The Committee received the Annual Audit Fee Letter – 2011/2012 that had been received from KPMG. Members were referred to the letter that outlined the audit work that would be undertaken by KPMG for the 2011/12 financial year together with the fee that was proposed to be charged to the Council. The proposals for the anticipated work were based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission. Members were further informed that as KPMG had not completed the audit for 2010/11 the audit planning process for 2011/12 including the risk assessment would be continued as the year progressed with the fees being reviewed and updated as necessary.

The Committee was informed that the Audit Commission had published its work programme and scale of fees for 2011/12. The letter stated that the Audit Fee was based on a fee that was charged by reference to a scale of fees dependent on the size and complexity of the Council, and that based on this the indicative fee for 2011/12 was £258,480 (plus VAT). Members were informed that this proposed fee was a significant reduction of 10% when compared to the previous fee of £287,200 that had originally been planned for 2010/11.

The letter further indicated that the 2011/12 scale fee reflected significant reductions from the new approach to the Value for Money audit which had resulted in a reduction of the volume of work had reduced compared to the previous use of resources scored judgements regime. Fees had also been reduced because a number of the additional audit costs associated with the introduction of the IFRS were not present in the ensuing year.

Members were referred to Appendix 1 of the letter which outlined a number of assumptions upon which the indicative fee had been based. KPMG also advised the Committee that the setting of the proposed figure was also based on a similar level of risk that had been identified for 2010/11, except for the IFRS system implementation. KPMG indicated that a separate audit plan for the 2011/12 financial statements would be issued later in the year, which would identify the planned audit processes and, if required any changes to the fee. Any further changes would be reported to the Audit Committee in due course.

The Committee was informed that the proposed fee would exclude any additional work which it may be agreed that KPMG would undertake, which would be subject to further discussions. In connection with certification of the 2011/12 grants and returns the estimated fee was an additional £35,000. The final fee in this respect would depend on a number of factors that could not be predicted with any certainty at this stage but would include the number and nature of the schemes which would require certification.

<u>RESOLVED</u> – that the Audit Plan and Fee Letter – 2011/12 as prepared by KPMG – External Auditors be noted.

AUC-7 KPMG VALUE FOR MONEY AUDIT PLAN – 2010/11

The report of KPMG was received which sought to describe how the new Value for Money (VFM) Audit approach would operate. The report also set out KPMG's revised risk assessment for their VFM conclusion. The Committee were informed on the Audit Commission's Code of Audit Practice (the Code). This Code summarised the responsibilities into two objectives on which they were required to review and report on the Council's use of resources and the financial statements.

Members were advised as to the VFM audit approach and how it was structured around two criteria as outlined within the report. This criteria replaced the previous ten criteria/key lines of enquiry under the previous UoR audit regime.

In connection with the assessment of identified risks it was outlined as how these risks would impact on their VFM assessment. The risks that had been identified were Managing with less; Restructuring and Service Review Programme; Capital Programme; Single Status and the Railfreight Terminal.

The report indicated that due to the current economic climate the financial environment in which the public sector operated had changed significantly with the state of the public finances and the scale of funding cuts had led to increased pressure on public spending. In response to this the Audit Commission had introduced a new approach to local VFM work at these bodies which had previously been subject to a UoR assessment. It was now required to focus the audit on planning work based on consideration of the significant risks of giving a wrong conclusion (audit risk) and undertake only as much work that was appropriate to enable them to provide a safe VFM conclusion.

KPMG advised the Committee that the VFM audit would draw heavily on other audit work that was undertaken which was relevant to their VFM responsibilities together with the results from last year's VFM audit. From this initial work they would then form an assessment of the residual audit risk to identify the areas where more detailed VFM work was required. The report also contrasted the differing sections of the VFM audit.

<u>RESOLVED</u> – that the Value for Money Audit Plan for 2010/11 as prepared by KPMG – External Auditors be noted.

AUC-8 <u>TREASURY MANAGEMENT – 2010/11 ANNUAL REPORT AND 2011/12 TO DATE</u>

The report of the Head of Finance was received which sought to update members on the 2010/11 Treasury Management outturn and details of the current position for 2011/12 to date.

The Committee were advised that the Annual report was outlined within paragraphs 7-16 of the report that had been submitted. The Committee were also referred to the outline of the portfolio outturn position as at 31st March 2011, which had resulted in the total debt outstanding at £130.905m and total investments at a level of £75.678m which had resulted in a the level of indebtedness being £55.227m.

The report outlined that the Council had a Treasury Management Strategy which set out how to monitor borrowing opportunities determined by the prevailing markets; reduce the volatility of investment returns while maintaining flexible arrangements and achieving an optimum return on investments commensurate with proper levels of security and liquidity.

Members were advised as to the Council's response to the current economic climate in that 2010/11 had seen continued problems with both sovereign and individual bank credit ratings. It was noted that the Base rate remained at 0.5% throughout the whole of 2010/11, and whilst the UK economy had come out of recession the recovery to date had been sluggish. As a result the Council had withdrawn money from the external fund managers and the Council had no funds with any external fund managers. These fund were invested internally thus reducing the need for extra borrowing, reduce investment risk and volatility.

In relation to borrowing the Committee was advised of the Council strategy which had been based on taking a pragmatic approach to the use of PWLB (prior to the Government's decision to increase rates) thereby spreading interest rate risk and thus taking advantage of rate movements when deemed appropriate. Members were referred to the table within the report that detailed the breakdown of the varying debt maturity as at 31st March 2011.

During the year it was confirmed that the Council had operated within the Treasury Limits and Prudential Indicators as set out in the Council's Treasury Policy Statement and the Annual Treasury Statement at all times. Appendix 1 of the report indicated that there had been no breaches of the limits during the year.

In relation to investments it was noted that the Council had previously made investments both internally and externally. In connection with the externally managed investments the Council had previously employed 3 fund managers at the beginning of 2009/10. It was reported that this had subsequently been reduced to one fund manager and that during 2010/11 it had been decided to withdraw funds held by the final fund manager with the result that all of the Councils investments were managed internally. Members noted that the rate of return that had been achieved with the internal investments of 3.63% far exceeded the rate of return of the external fund manager of 1.12% (gross of fees).

In relation to the Shropshire Council Debt Members were advised that an annual contribution was made with £2.14m being paid in 2010/11 towards the former County Council costs on pre disaggregation debt. The Committee noted that the interest paid averaged 5.19%, which was significantly higher than the rate payable by Telford & Wrekin on its own borrowings. A number of Members commented on the Shropshire Council debt and that the debt repayments were high and questioned as to how long the debt would remain. The Committee was informed that the length remaining was approx 20 years. Councillor Tomlinson enquired as to whether the Council could borrow elsewhere at a more competitive rate. The meeting was advised that the Council could however a premium charge would be applied and that any cost benefit would be minimal, accordingly it had been decided to leave the current loan in place.

The Committee was referred to the table that indicated the net overall position for 2010/11, with the sound overall position resulting from a mix of cash flow benefits plus pro-active treasury management activities. The budget reflected the position when the budget was set, with the underspend being achieved through active management of debt principal and the low interest rates prevailing for the year. Overall a net saving of just over £1.2m was made against budget for the year.

The remainder of the report dealt with the current financial year based largely on information to 31 May 2011. Members were informed that in the current economic climate, the strategy for the next few months was to review investment opportunities as they arose. The Council would also review borrowing opportunities throughout the year and seek to take advantage of the advantageous interest rates if possible.

Members received an update on interest rates. The Committee were reminded that the Base rate began the year at 0.5% and had remained there. The expectation was that either in late 2011 or early 2012 interest rates would begin to rise again, but this was dependent on how the economy would progress. Any increase was unlikely in the short term and most city forecasters did not expect an increase until September 2011 at the earliest.

The Committee was reminded that the Council had agreed the required indicators at Council on 3 March 2011. It was noted that there had been no breaches of the indicators and none had been amended. The Council set itself an Operational limit for external debt of £310m for 2011/12 and an Authorised limit of £330m, the current total borrowing outstanding of £118m was well within both limits.

In relation to the investment strategy for the year was to gain maximum benefit at minimum risk whilst achieving as a minimum, the 7 day deposit rate. For the period to 31 May 2010 some £328m worth of investments had been made from overnight deposits up to 21 days, with the Rates achieved ranging from 0.25% to 0.75%.

Finally the Committee was referred to Appendix 2 of the report that outlined the investments that had been made with individual Counterparties. At the end of May the greatest exposure with a single counterparty was £20.0m with Barclays, Royal Bank of Scotland and Lloyds TSB (just over 25.9% of the portfolio). The highest sovereign exposure to non UK sovereigns was 6.5% with Belgium.

<u>RESOLVED</u> – that the content of the report, the Council's response to the Economic Climate and the performance against Prudential Indicators be noted.

AUC-9 <u>INTERNAL AUDIT REPORT ON PROPERTY LEASES</u>

The report of the Audit & Assurance Service Delivery Manager was received which sought to inform members of the results of the recently completed audit report in relation to the leasing of Community Centres within the Borough.

The Committee was advised that following the presentation of the Dawley Town Hall audit report it had already been concluded that an audit should be undertaken in relation to the leasing arrangements for other community centres owned by the Council.

Members were referred to the contents of this report which highlighted the good practice areas that had been identified and the summary of the conclusions and the overall opinion of Internal Audit following completion of the audit.

Councillor Tomlinson welcomed the report but took the opportunity of providing by way of background to the situation that had occurred at Shawbirch Community

Centre. Councillor Fletcher provided background information in connection with the similar situation that had arisen at Priorslee Community Centre.

RESOLVED – that the Final Audit Report in connection with the Leasing of Community Centres be noted.

AUC-10 THE ANNUAL GOVERNANCE STATEMENT – 2010/11

The report of the Head of Governance was which sought the Committee's review and approval of the Annual Governance Statement 2010/11 which would accompany the 2010/11 annual accounts. Members were informed that the statement was agreed at the Cabinet meeting held on 21st June and then signed by the Leader and the Chief Executive.

The Committee was informed that under the Accounts and Audit (England) Regulations 2011 the Council was required to produce an Annual Governance Statement and it was best practice that the Statement should be signed by the Leader and Chief Executive of the Council. Members were referred to the Annual Governance Statement for 2010/11 as attached at Appendix A to the report and which had been developed based on the requirements of the regulations and CIPFA/Solace guidance. The statement further included an action plan at Annex 1 which ensured that the Council would continue to improve the existing governance arrangements.

It was further reported that the action plan attached to the 2009/10 statement (implemented during 2010/11) had been reviewed, updated and was presented to the Audit Committee in November 2010 and the position as at 31st March 2011 was attached as Appendix B to this report. The Annual Governance Statement outlined that the Council had adhered to its Local Code of Corporate Governance, continually reviewing procedures to maintain and demonstrate good corporate governance and that it had in place robust systems of internal control. The Council can be assured that during 2010/11, including since the commencement of organisational changes in January 2010 the existing governance framework had continued to support proper governance.

The Committee was advised that the required assurance for the annual governance statement was provided by all areas of the Council and externally by the following: Leader and Chief Executive – who sign the statement; Senior management – Corporate Directors, Assistant Chief Executive and Heads of Service; the Chief Financial Officer; the Monitoring Officer; Elected Members – Scrutiny arrangements, Standards Committee, Audit Committee and other Regulatory Committees; Internal Audit; Partners; External Audit; and other external inspection agencies. There ws further information to support this report and provide assurance attached in Appendix C to the report.

The 2010/11 Annual Governance Statement set out the Council's governance arrangements that operated during the period and measured the effectiveness of them. Unitary elections took place on 5th May 2011 and new councillors were elected. A new administration was elected at the Annual Council meeting on 26th May 2011. It was expected that the new administration would make changes to the

Council's governance arrangements during 2011/12 which would be included in the 2011/12 statement. It was noted that the new administration had already proposed a review of the statutory Director of Children's Services role.

RESOLVED – that the Annual Governance Statement 2010/11 as attached at Appendix A to the report be approved and the information contained within the report be noted

AUC-11 INTERNAL AUDIT 2010/11 QUARTER 4 UPDATE REPORT AND ANNUAL REPORT

Members considered the report of the Audit & Assurance Service Delivery Manager which sought to update members on the work of Internal Audit during quarter four – January – March 2011 and to present the 2010/11 Annual Report.

The Committee was reminded that it received a quarterly update of the work of Internal Audit and this report included the update report for quarter four – January to March 2011. Members were informed that this report included the Annual Report on the Internal Audit activity for 2010/11 to continue to demonstrate good governance and support the Annual Governance Statement.

The report provided information on the work of Internal Audit during January to the end of March 2011 and also provided an update on the progress of previous audit reports issued (April 2009 to December 2010). It was reported that Internal Audit activity during this period had focussed on completion of the audits set out in the Internal Audit Plan including the final areas of work for the external auditor. There had also been unplanned work during the period including the co-ordination of the requirements for the publication of information in respect to expenditure over £500 and requests for specific reviews from senior officers.

Members were referred to the various appendices attached to the report which included a List of final reports issued in quarter four graded – red, amber, yellow or green. This report also included details of budgeted time, actual time and percentage variance at Appendix A; a list of all work undertaken for quarter four of 1 day or more at Appendix B; details of the previous graded reports from April 2009 to December 2010 with their current status, at appendix C; and a summary of the Amber reports issued quarter 4 at Appendix D.

Further details of the report areas listed within the report were provided by the Audit & Assurance Manager.

The Committee was also referred to the section of the report which comprised the Annual Internal Audit report for 2010/11. Members were advised that the Council's Section 151 officer's statutory obligation under the Accounts and Audit (England) Regulations 2011 was to provide assurance on the systems of internal control as provided by the work of internal audit. The purpose of this Annual Report was to provide this assurance in accordance with the current Council's assurance framework.

The system of internal control helped the Council to manage and control the risks which could affect the achievement of its priorities and objectives rather than eliminate them completely. Internal Audit and the other assurance processes therefore provided reasonable and not absolute assurance of the adequacy and effectiveness of the systems of internal control within the Annual Governance Statement.

The planned Internal Audit resources for 2010/11 were 1309 days plus 70 days specialist ICT audit provided under contract (from an external provider). The actual resources available were 1188 due to restructuring and maternity leave. However an external contractor had been used to provide 95 days to cover the majority of the resource shortfall (total days therefore 1283 – 26 days less than planned).

Based on the work undertaken during the year the main areas of which were outlined within the report and the implementation by management of the agreed recommendations it could be reported again that Internal Audit could provide reasonable assurance that the systems of internal control within these areas of the Council were operating adequately and effectively when reviewed during the year.

It was noted by the Committee that 68 reports were issued during 2010/11, which was a lower total than in the previous two years as a result of the complexity of the areas reviewed and reduction in resources. Members were informed that out the 68 (79) reports 78% (85%) were green (good) or yellow (reasonable). There was a corresponding increase of amber (limited) reports but no red (poor) reports. Summary amber reports and explanations had been reported to the Committee with detailed reports being circulated to members of the Committee prior to the meeting. The majority of areas had already implemented many of the recommendations but it was noted that ICT were in the process of implementation due to staffing resources and reorganisation.

There had been a 49% increase in Financial Regulation/DCSF recommendations which indicated an increase in none adherence to key controls. This was reflected in the increase in the number of Amber reports. Where Financial Regulation/DCSF or legal recommendations were made management agreed short implementation timescales or had already implemented the action by the time the final report was agreed. There had been a reduction in policy and procedure recommendations of 9% and a 59% decrease in the number of best practice recommendations.

A revised requirement of the Accounts and Audit (England) Regulations 2011 was for an annual review of internal audit rather than as previously an annual review of “the system of internal Audit”. The Council had taken the criteria from the existing assessment and used them to review internal audit for 2010/11. Members were referred to Appendix G which outlined how the review had been undertaken, the results and the resulting action plan.

The Committee were also referred to the part within the report that dealt with external review. Members noted that KPMG had been the Council’s External Auditors since 1st April 2007. It was reported that there was continuous liaison between Internal and External Audit to ensure that Internal Audit was undertaking appropriate work upon which the External Auditor could rely and reduce the external audit fee. Internal Audit had delivered all the work for 2010/11 upon which External Audit placed reliance. In order to place reliance on the work of Internal Audit the External Auditor assessed the performance of Internal Audit each year against the CIPFA Code. KPMG had undertaken the 2010/11 review and the report was due by the end of June 2011. Although there had been no indication from KPMG of any adverse findings and the Council had implemented the minor actions from the previous review. In addition KPMG had also reviewed the Council against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010) and provided positive feedback.

The Committee also received information as to how Internal Audit had achieved local performance targets. Members were advised that Internal Audit had completed all the work for the External Auditor and therefore achieved the target of 100%. The Committee was further informed that if this work had not been completed on time and to an acceptable standard it was possible that the External Auditor would have undertaken some or all of the work at a considerably higher cost to the Council. The unit had also completed 92% of the other planned work and achieved the target set. It was noted that this achievement was an improvement on the last 2 years and was commended given that the team went through a restructure which was implemented in October 2010.

During the year to improve the team's efficiency, effectiveness and productivity team development and training sessions had been held. At these sessions and continually during the year the audit team had investigated and implemented new/alternative ways of service delivery (practices, use of technology, procedures and standard documentation) based on customer feedback, sharing best practice with other local authorities and service providers.

The team had also in addition to efficiency and productivity improvements, achieved 23.3% staff savings (target 20%) and 20% non-staff savings to assist the Council in meeting the budget gap. Internal Audit is a member of the CIPFA benchmarking club (membership of 147 local authorities). Members were informed that a report had been presented to the Audit Committee in November 2010 providing the results which showed that Internal Audit compared positively against other unitary authorities. Using this and qualitative data from the benchmarking club additional areas for improvement had been identified and included in the 2011/12 Service Action Plan.

The details of received customer feedback received via post audit questionnaire feedback was detailed in Appendix F of the report.

In conclusion the Committee was advised of the various impending changes as outlined within the report that would be faced by Internal Audit in 2011/12 that might have an effect on internal audit activity.

RESOLVED – that the information contained within the Internal Audit Quarter 4 Update Report and the contents of the 2010/11 Internal Audit Annual Report be noted

AUC-12 OUTLINE OF AUDIT COMMITTEE BUSINESS FOR 2011/12

Members received a programme of proposed business items for consideration by the Committee for the 2011/12 Civic Year. Members were referred to the revised timetable that had been produced since the dispatch of the agenda, which outlined the proposed training sessions that would be provided throughout the current Civic Year.

RESOLVED – that the outline of business for the forthcoming meetings of the Audit Committee for the 2011/12 Civic Year be noted

The meeting ended at 7.10 p.m.

Chairman:

Date:

Telford & Wrekin Council

Statement of Accounts

2010/11

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Explanatory Foreword

1. INTRODUCTION

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis and has resulted in the restatement of various balances and transactions and the introduction of new statements. This has created a further level of complexity for readers to overcome. However, the information contained within these accounts is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

The Statement of Accounts features four main statements reporting on the Councils core activities:

the Movement in Reserves Statement
the Comprehensive Income and Expenditure Statement,
the Balance Sheet and,
the Cash Flow Statement

The purpose of each is briefly described within this foreword and they are each followed by notes explaining the statements and any specific restatements required as a result of the introduction of IFRS.
The main statements are supplemented by:

the Collection Fund Account,

The Council's accounts for the year 2010/11 are set out in the remainder of the report. They consist of:-

... **The Movement in Reserves Statement -** which brings together recognised movements in and out of Reserves including the General Fund Balance;

... **The Comprehensive Income and Expenditure Account -** covering revenue income and expenditure during the year on all Council services;

... **The Balance Sheet** - which sets out the financial position of the Council on 31st March 2011;

... **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties;

... **The Notes to the Core Financial Statements -** which provide further information supporting the financial statements;

... **The Collection Fund** - the statutory account in which income from business rates, council tax and government grants is held temporarily, pending payment of precepting authorities;

These accounts are supported by the Statement of Responsibilities and, which follow this foreword plus various notes to the accounts which includes the Statement of Accounting Policies and provide further detailed information on specific items.

2. FINANCIAL CONTEXT

2.1 Introduction

This section of the Statement of Accounts summarises the background to the Council's accounts for 2010/11. In particular it sets out

- An overview of the budget process for 2010/11
- Issues highlighted during 2010/11
- The final outturn for 2010/11
- A commentary on 2011/12

2.2 An Overview of the Budget 2010/11

The Council's 2010/11 budget was set in the context of a three year policy and planning strategy which covered the period 2010/11 to 2012/13. The budget is the financial expression of the Council's priorities and plans linked to funding allocations. The Council is a relatively low-spending Local Authority, which has a comparatively low level of Council Tax for its own services and the lowest for Unitary Services in the Midlands for both 2010/11 and 2011/12.

In December 2007 the Government announced the provisional 3 year settlement for 2009/10, 2010/11 and 2011/12. Capital allocations and Area Based Grant were also announced for the 3 year period. The Government's method of allocating resources between local authorities includes a mechanism designed to even out year-on-year volatility in the level of grant received by individual authorities – protecting grant losers and "damping" the effect of grant gains - Telford & Wrekin lost over £5m through this process in 2010/11.

Initial consideration of the Council's 2010/11 financial position took place at the Cabinet meeting in October 2009 and was followed by the strategy for consultation agreed at Cabinet in December 2009.

The final RSG settlement was announced in January 2010 and there was no change for the Council since the provisional settlement and a final budget strategy was approved at Council in March 2010 taking account of consultation responses.

The finally agreed budget package included a savings package of £5.2m and a range of investments which included an additional £1.675m into Adult Social Services to address increasing client numbers and the cost of care packages for the elderly and £1.9m invested in Children & Families services.

The Council agreed to use £0.980m from balances to support the budget for 2010/11. The Council Tax increase was an average of 1.9% for Council Services, with the average charge (Band B) for the Council's services being £854 per year.

The Council consulted widely on the budget proposals for 2010/11 which included a postal survey, 'Your Money, Your Views' consultation document, engagement events in the Borough

Towns and meetings with 11 external and internal stakeholder groups and in general feedback was supportive for the Council's approach towards the budget.

There was a very challenging outlook for public spending and following the General Election in May 2010 the Government announced in June that Local Government would be subject to mid-year grant cuts – the impact of Telford & Wrekin Council was £3.1m revenue and £1m capital grant cuts which had to be managed during the remainder of 2010/11.

The medium term planning period was one of unprecedented uncertainty – with the next Comprehensive Spending Review expected in Autumn of 2010 and 2011/12 being the first year of a new Revenue Support Grant Settlement.

2.3 Issues Highlighted During 2010/11

A summary of the monitoring presented to Cabinet during 2010/11 is shown in the table below.

Service Delivery Unit	Q1 Projected Variance £m	Q2 Projected Variance £m	Q3 Projected Variance £m	Outturn Actual Variance £m
Safeguarding	Analysis not available due to Council Restructure		1.620	1.501
School Improvement			0.274	0.980
Family & Community Services			-0.148	-0.636
Property & ICT			0.373	-0.010
Economy & Skills			-0.160	-0.201
Environmental Services			-0.609	-0.790
Housing & Planning			0.249	-0.121
Care & Support			0.732	0.375
Customer, Leisure & Libraries			-0.174	-0.245
Governance			-0.068	-0.208
Finance			-0.146	-0.151
Core Services			-0.478	-1.056
Council Wide			-1.521	0.478
Total Variation	-0.552	-1.290	-0.056	-0.084
Planned Use of General Balances				0.980
Underspend at Year End				-0.084
Actual Use of General Balances				0.896
Variances are shown as Over (+) /Under (-) spends before IAS 19 – pensions entries which are accounting entries required by legislation that do not alter the overall position.				

A summary of the key issues highlighted during the year is shown below:

Safeguarding

Children in Care: £1.518m overspend at year end - there were 269 children in care at the end of the year. Regular review meetings are in place to review all placements and additional funds of £1.4m have been included in the 2011/12 budget.

Agency Staff: £0.249m overspend at year end arising from the use of agency staff to cover vacancies and long term sickness absence.

Support for Children in Need/Legal Costs and Assessments: £0.164m overspend at year end relating to payments made to promote the welfare of children in need.

Underspends of £0.434m were also identified from across the whole service delivery unit towards the overspends

School Improvement

Specialist Education: £0.125m overspend at year end. Additional resources were allocated to this budget as part of the 2010/11 Education Budget strategy to ensure all current placements were fully funded. The overspend is a combination of new statements, additional support hours and the cost of out of county placements.

NNDR: £0.465m underspend at year end relating to reduced costs due to revaluation of school properties.

Primary schools delegated budgets: lower delegated amount due to in year conversion to academy status gave rise to a £0.138m benefit at year end.

Dedicated schools grant: £0.520m lower than budgeted at year end relating to reduced grant received due to academies, lower pupil numbers and rates revaluation.

Family & Community Services

Transport: £0.275m benefit at year end due to lower than budgeted charges from the Integrated Transport Unit for transport.

Underspends totalling £0.119m were also identified across the whole service area.

Property & ICT

Asset & Property Management: £0.349m shortfall at year end relating to rental income due to the continuing high level of voids.

Estates and Investment Management: in year savings of £0.156m were reported at year end.

ICT: £0.150m underspend at year end arising from active management of licensing requirements.

Economy & Skills

One Telford/Lifelong Learning: £0.135m underspend relating to savings from revised working practices

Environmental Services

Winter Maintenance Costs: £0.228m overspend at year end due to costs associated with the extreme weather conditions.

Engineers: £0.198m benefit at year end from increased fee income from work carried out on major capital projects.

Transport: £0.306m benefit at year end arising from bus contract re-tender exercise and fuel costs.

Waste: £0.120m overspend at year end due to increased waste receptacle replacement costs.

Waste: benefit of £0.148 at year end from contract penalty deductions.

Concessionary Travel: underspend of £0.151m at year end due to demographic impact.

Housing & Planning

Planning Fees: shortfall of £0.128m in planning fees at year end due to the downturn in the economy.

Care & Support

Purchasing budgets: an overspend of £0.668m reported at year end due to the reduction in continuing health care funding support to clients from the PCT. This has had the impact of increasing costs falling on the council for all client groups, particularly Adults with Learning Disabilities. Costs will rise further in the new year as the PCT continue their review of individual cases and full year impacts feed through of 2010/11 decisions.

Customer, Leisure & Libraries

Telford Ice Rink: a shortfall of £0.240 reported at year end due to Income levels being below target as a result of reduced usage and reduced secondary spend e.g. bar, café, vending machines which is also reflective of the national position. The overspend was offset by reduced expenditure and the good performance of Aspirations health and fitness gym across other leisure sites.

Revenues & Benefits: £0.223m benefit from additional admin. grant received to support workload which has increased by 20% while costs managed substantially within existing resources.

Governance

Income: income from chargeable works gave rise to a benefit of £0.121m at year end.

Core Services: £0.245m benefit from changing the provision of service following restructure in Organisational Improvement.

Planning Process Costs: an overspend of £0.275m relating to technical and legal advice in support of planning decisions

Treasury: £1.222m benefit from active treasury management, continuing low interest rates and capital programme re-phasing.

Council Tax / Housing Benefit Subsidy: £0.301m benefit relating to increased benefit subsidy performance.

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 2010/11 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 3 years: £12.4m for Council services and £3.1m relating to schools. The 4% is based on average settlements made by other unitaries and was the percentage used for the 2010/11 budget process.

2.4 Final Outturn for 2010/11

Revenue

Final net service expenditure was £127.028m (as detailed below) compared to a budget of £127.112, an underspend of £0.084m (or -0.07%). 2010/11 was a very challenging year, including managing in year revenue and capital grant cuts of £4m. Within the overall position provision was also made for £3.1m required as part of the 2011/12 budget strategy and £3.9m was set aside to meet one-off costs associated with the delivery of ongoing restructure savings.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Council 23/6/11	127.112	127.028	(0.084)
Funded by Council Tax, Revenue Support Grant and Non Domestic Rates	126.132	126.132	0
Contribution from Balances	0.980	0.896	(0.084)

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

Description	Expenditure £m	Income £m	Net Expenditure £m
Net Cost of Services	477,149	381,475	95,674
Trading Services	3.850	8.202	(4.352)
Pensions Adjustments under IAS 19	25.738	0.000	25.738
Interest Payable and Similar Charges	10.341	0.000	10.341
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(0.464)	0.000	(0.464)
Interest and Investment Income	0.000	2.762	(2.762)
Capital Grants	0.000	(45.519)	45.519
General Grants (ABG,LABGI,LPSA)	0.000	13.172	(13.172)
Remove Depreciation & Impairments, etc	(41.836)	0.000	(41.836)

Description	Expenditure £m	Income £m	Net Expenditure £m
from Net Operating Cost			
Gains and Losses on Disposal of Fixed Assets	1.115	0.000	1.115
Minimum Revenue Provision	6.011	0.000	6.011
Net Movement on Reserves	3.258	(2.318)	5.576
Total	**484.802**	**357.774**	**127.028**

Included within the income shown above are government grants totalling £227.802m, which when added to the government support through Non Domestic Rates and Revenue Support Grant (£70.537m) give a total level of government support of £298.339m. See also Charts 1, 2 and 3 at the end of this section.

The outturn position has resulted in a general fund balances of £2.973m and a special fund balance of £0.290m (see Note 51 to the Core Financial Statements), giving a consolidated balance of £3.263m. The total for all reserves and usable revenue balances held by the authority is £40.1m. The total amount available to support future budget strategies is estimated to be £4.28m.

INSTITUTE OF ACCOUNTING STANDARDS NOTE NO 19 – Retirement Benefits

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council's share of the Pension Fund has reduced by £54.3m; this has been as a result of changes in actuarial assumptions including the impact of using CPI instead of RPI. Looking forward, the estimated contributions expected to be paid into the local government pension scheme next year is £13m. The Government is currently undertaking a review of public sector pensions which will impact on future years.

Capital Accounting

Capital

The Council spent £74.690m on capital projects during the year, an underspend of £18m against budget, as detailed in the table below.

Priority Area	2010/11 Approved Budget £m	2010/11 Expenditure £m
Adult Care & Support	0.552	0.796
Active Lifestyles – Leisure & Culture	2.107	2.157
Housing, Regeneration & Prosperity	28.162	24.279
Children & Young People	41.213	33.042
Environment & Rural Areas	15.021	9.469
Community Protection & Cohesion	2.671	2.204
Efficient, Community Focussed Council	3.338	2.743
Total	93.064	74.690

Funded by:		
Borrowing		27.537
Capital Receipts		1.635
Government Grants		39.959
Revenue		0.523
Other External Sources		5.036
Total		74.690

The Council has a 28 year PFI contract in place for the building and servicing of school and leisure facilities at Hadley Learning Community and JIGSAW (which provides Education, Health and Social Care packages) for £289m. The costs of the contract will be met from a combination of government support, school contributions and council support. The Council has approved a budget strategy which makes provision for its commitments. In 2010/11 the authority made payments of £9,637,961 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.

Group Accounts

The Council has no significant relationships with other bodies that would necessitate the production of Group Accounts. The Council has examined the relationship with partners including West Mercia Supplies (see note 60 to the accounts) and have concluded that group accounts do not need to be prepared.

2.5 2011/12 Commentary

The Council has a rolling three-year financial planning process. This was updated formally by reports to the Council's Cabinet in November 2010, January 2011 and February 2011. The decisions on the medium term budget strategy at 3rd March 2011 Council, reflect the outcome of extensive consultation with a wide variety of stakeholders during the Autumn/Winter.

The provisional Revenue Support Grant settlement for 2011/12 was announced in December 2010 and final figures followed in January 2011 which were only £0.002m different for the Council. Government grants for day to day services were reduced by £13.6m in cash terms which equates to over 50% of the expected grant reductions that the Council will need to make over the 4 year CSR period. Grants will be reduced by a further £5m in 2012/13. Projections beyond 2012/13 have a high degree of uncertainty because of the planned review of the local government finance system.

The projected budget gap for 2011/12 was £20m and the strategy to meet this is: a savings package delivering £13.2m to general fund budgets; use of £1.4m general balances; use of £4m specific funds and £1.4m council tax freeze grant. In total the Council is using £9.2m one-off funds in 2011/12 which is due to the front-loaded impact of Government grant cuts and will be replaced by ongoing savings through a planned programme of service review and restructure savings.

The Council agreed to use £1.42m from its level of balances to support the budget for 2011/12. As a result, the Council Tax was held at 2010/11 levels for Council Services keeping the average charge (Band B) at £854 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,098).

Looking Ahead

Full Council approved the medium term financial strategy on the 3rd March 2011. Given the use of £9.2m one off resources in 2011/12, the further grant cuts of £5.3m announced for 12/13 and the under lying budget pressures facing the council, further cuts of around £20m will be required in 2012/13. There is an ongoing programme of service reviews and restructures underway which aims to deliver 20% savings across all Service areas together with other specific work streams, such as procurement, which are also focussed on the delivery of savings and will assist in achieving these 20% targets. Projections beyond 2012/13 are difficult because the Council only received a 2 year grant settlement pending a major review of the local government financial system and there are no details available yet about how this may impact on the Council. The financial climate ahead will, therefore, still be one of uncertainty and challenge.

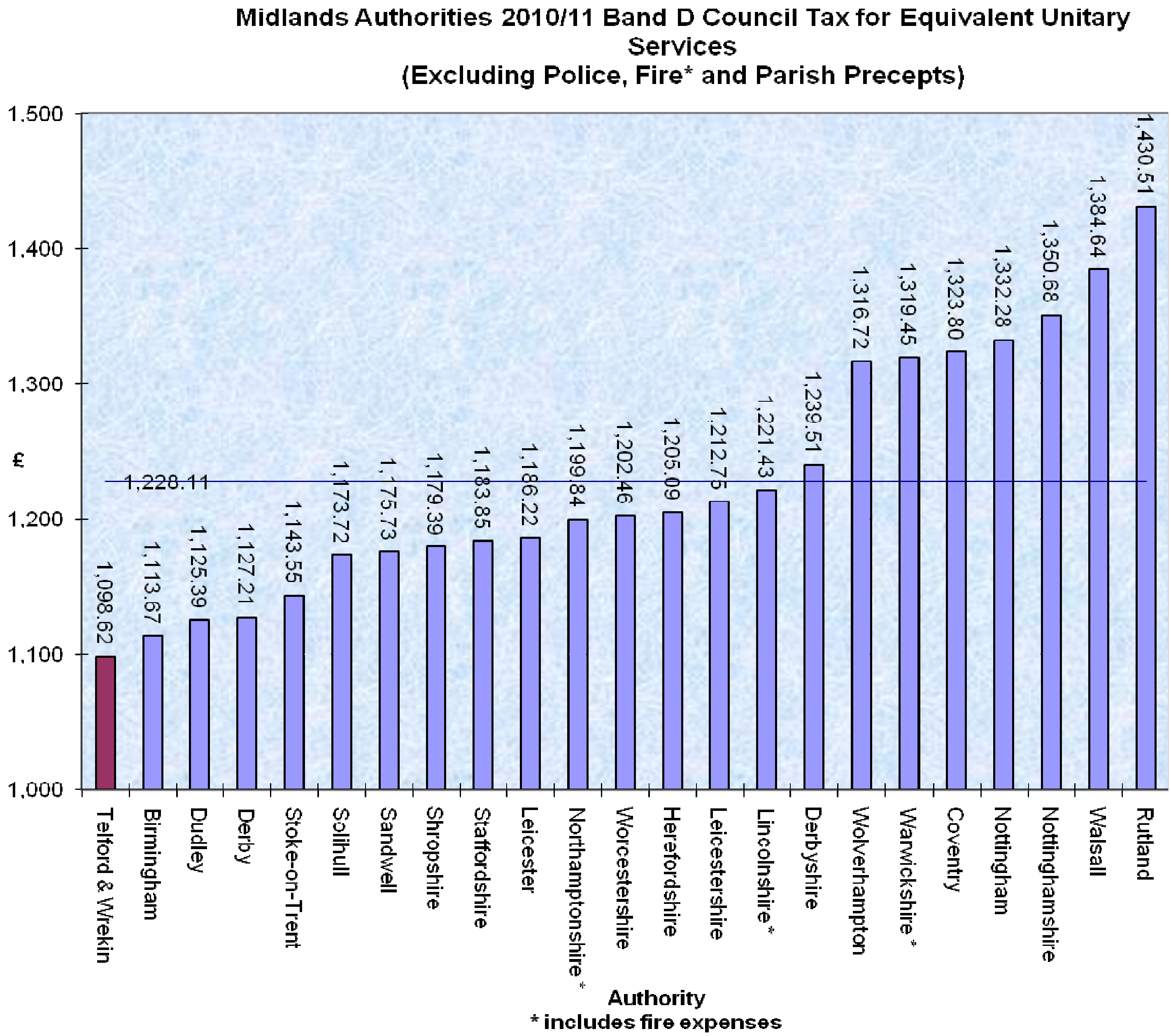
The new administration, elected in May 2011, is undertaking a high level review of the Council's 2011/12 Service & Financial Planning Strategy and proposals to revise the current strategy will be presented to Cabinet on the 26th July 2011 and will also feed into the 2012/13 strategy.

3. FURTHER INFORMATION

Further information is contained in the Council's Service & Financial Planning Strategy, which is available from the Corporate Finance Unit, Civic Offices, Telford, [contact Bernard Morris on (01952) 383702].

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website. Details of all purchases made by the Council costing over £500 have been published on the Council's web site since January 2011.

Chart 1



Midlands Authorities 2010/11 Band D Council Tax for Equivalent Unitary Services
(Excluding Police, Fire* and Parish Precepts)
£
1,500
1,400
1,300
1,200
1,100
1,000
1,228.11
1,098.62
1,113.67
1,125.39
1,127.21
1,143.55
1,173.72
1,175.73
1,179.39
1,183.85
1,186.22
1,199.84
1,202.46
1,205.09
1,212.75
1,221.43
1,239.51
1,316.72
1,319.45
1,323.80
1,332.28
1,350.68
1,384.64
1,430.51
Telford & Wrekin
Birmingham
Dudley
Derby
Stoke-on-Trent
Solihull
Sandwell
Shropshire
Staffordshire
Leicester
Northamptonshire *
Worcestershire
Herefordshire
Leicestershire
Lincolnshire *
Derbyshire
Wolverhampton
Warwickshire *
Coventry
Nottingham
Nottinghamshire
Walsall
Rutland
Authority
* includes fire expenses

Chart 2

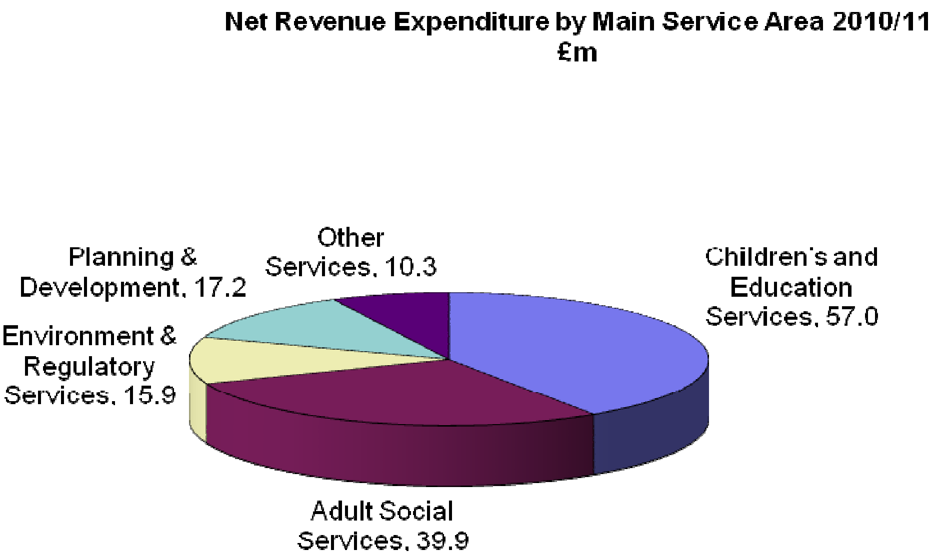


Chart 3

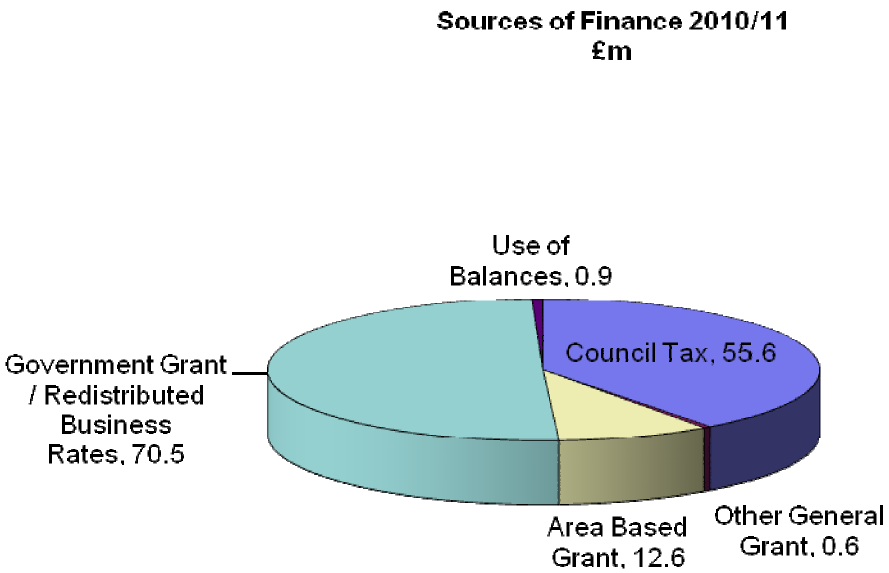


Chart 4

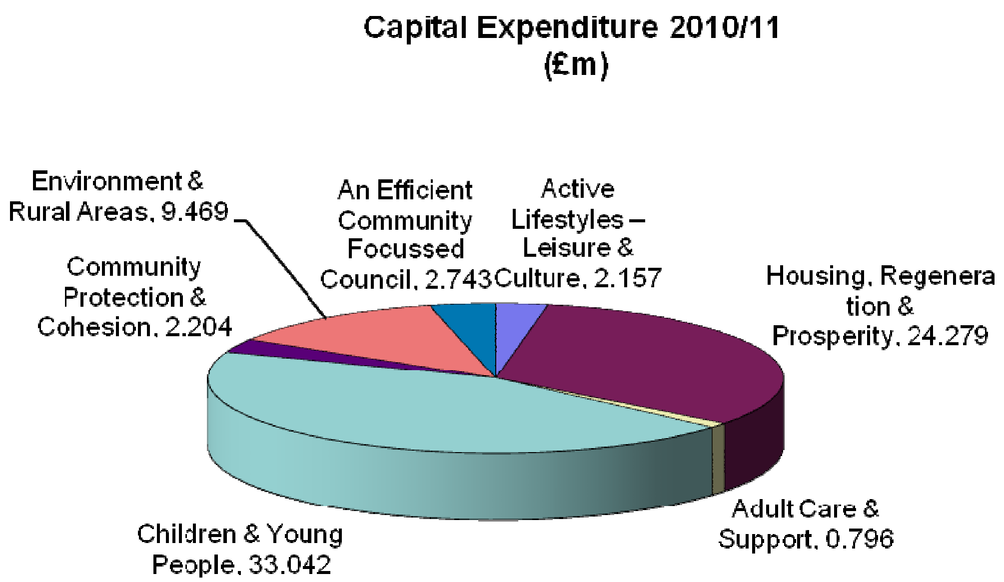
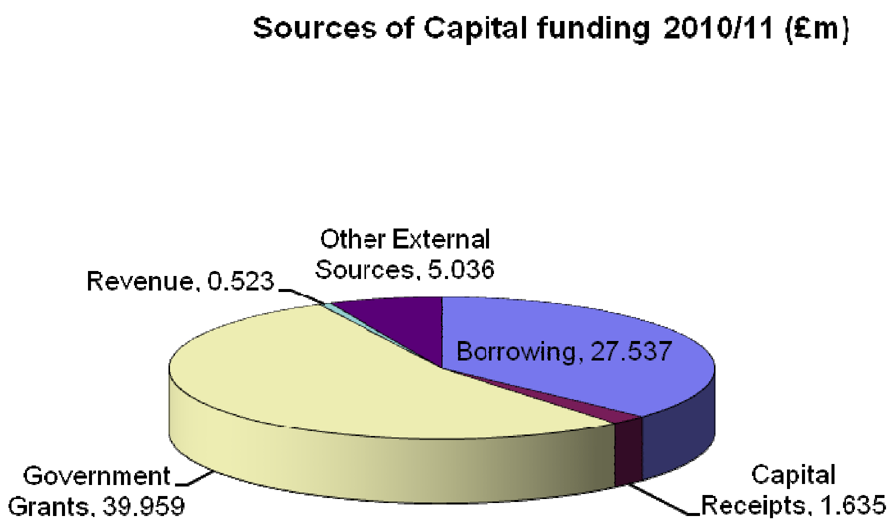


Chart 5



Statement Of Responsibilities

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director : (Chief Finance Officer);
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

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 Great Britain ('the Code of Practice') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

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

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

The Chief Finance Officer has also:

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

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I hereby certify that the Statement of Accounts on pages 2 to 95 complies with the requirements of the Accounts and Audit Regulations 2003 as amended.

Paul Clifford CPFA,

Corporate Director

Dated : 20 September 2011

APPROVED BY AUDIT COMMITTEE

The Statement of Accounts was approved at a meeting of the Audit Committee on 20 September 2011

Councillor

Chair of Audit Committee

Dated : 20 September 2011

ANNUAL GOVERNANCE STATEMENT 2010/11

1. Standards of Governance

1.1 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.

2. Scope of Responsibility

2.1 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.

2.2 To this end the Council has approved and adopted a local code of corporate governance which was last updated in May 2008 to ensure that it was consistent with the principles of the CIPFA/SOLACE (see glossary) Framework Delivering Good Governance in Local Government. Within this code and to meet its responsibilities, the Council (members and officers) are 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.

2.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

3. The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

a) identify and prioritise the risks to the achievement of the Council's policies, priorities and objectives;
b) evaluate the likelihood of those risks being realised;
c) evaluate the impact should they be realised; and
d) manage them efficiently, effectively and economically.

3.3 The governance framework has been in place at the Council for the year ended 31st March 2011 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2011/12 and beyond to support good governance, revised service delivery and organisational change.

4. The Governance Framework

4.1 The key elements of the systems and processes that comprise the authority's governance framework include:

- Vision 2026 – Transforming Telford & Wrekin: From New Town to Modern City, the Community Strategy, the Council's Priority Plans which outline the Council's ambitions and priorities based on stakeholder feedback and these inform the service planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- "One Council, One Team, One Vision" principles document and clear governance arrangements to manage the implementation of the restructure programme;
- Clear governance arrangements to manage the Council's change programmes occurring across the Council and key capital projects;
- The Council has designated statutory officers – Head of Paid Service (Chief

[1] Regulations 4(2), 4 (3) and 4(4) of the Accounts and Audit (England) Regulations 2011

Executive), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services and Scrutiny Officer;

- The Council's Information Governance Framework including data and information security and sharing policies and procedures;
- The Performance management framework and data quality systems. These provide regular monitoring reports to SMT[2], Cabinet and Scrutiny. There is also a Cabinet Member who is the member lead for performance;
- Legal Services ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- CMT meet weekly as does SMT with regular management meetings with Service Delivery Managers and Group/Team Leaders;
- Policy Forum[3] – where CMT and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's human resources and workforce/organisational development procedures[4] are supported by clear recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development;
- Member and Officer Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council's communication and consultation strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The Cabinet Member for Efficient, Community Focussed Council is the lead member responsible for Corporate Governance and Risk Management[5]. The key officer for Corporate Governance is the Chief Executive. The corporate risk management function has integrated risk management into the service and financial planning process including the provision of appropriate awareness and training for officers and members;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and robust budget monitoring process provides sound financial management and regular reporting of financial management information;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit review controls based on risk to provide assurance and recommendations for improvement and the Audit & Assurance Manager has been measured by external Audit against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010);
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
- The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
- Projects are managed, as appropriate, within the PRINCE 2 methodology. This includes risk identification and

[2] Senior Management Team – Chief Executive, Corporate Directors, Assistant Chief Executive and Heads of Service

[3] This governance arrangement may change during 2011/12 due to the change in administration

[4] Further development work is required on some of these during 2011/12

[5] Again this will change for 2011/12 under the new administration

management. Projects use the Corporate Risk Management methodology as appropriate for the management and reporting of their risks.

- Awareness and training for members within their member development programme and for officers through induction, the e-news, Managing Ethically module and update sessions on any revised governance arrangements (including information governance).

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) by 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 performance information and financial management 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 arrangements were reviewed in 2008/09 and changes were implemented from 1st January 2009. These revised arrangements were the subject of an external post implementation review during January/February 2010 and detailed changes were developed following Annual Council in May 2010 and adopted at full Council in June 2010.The Scrutiny function was informally overseen by the Scrutiny Chairman's Forum and each Committee was led by a member of the administration. The Council's Scrutiny function continues to review the decision making process and areas of concern. The subjects for the areas of concern are informed by community consultation, direct feedback to members from within the community and the results of review and inspection (both external and internal) and areas of policy being developed by the Council and Executive. The scrutiny arrangements have been the subject of a further review following the May 2011 elections and further revisions were agreed at the Annual General Meeting on 26th May 2011.

5.4 Internal Audit plan their work on the outputs from the Council's risk management and performance management processes, external inspection reports, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance arrangements and internal control system. During 2010/11 the Internal Audit team achieved 92% 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 systems of internal control.

5.5 Internal Audit report on a quarterly basis and annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Risk Owners (Cabinet Members and Corporate Directors) and Heads of Service to attend to provide assurance on the management of risks and implementation of recommendations. The Audit Committee has also reviewed the benchmarking process and information of Internal Audit.

5.6 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. This was to meet the recommendations of the Audit Commission Report – "Risk & Return" published in late March 2009 (as a result of the collapse of the Icelandic Banks). Members of the Committee are kept up to date through awareness training on the state of the markets that influence/affect delivery of the strategy.

5.7 The Audit Committee reviewed their effectiveness during January 2010 and chose not to make any changes at that time. This exercise will be repeated during 2011/12 following the appointment of the new Audit Committee. This review will include the consideration of a need to appoint any suitably experienced and qualified co-optees/members "independent" of the Council .

5.8 The Council's performance management framework has systems and procedures which drive continuous improvement in performance. This has been reviewed and will be further developed to reflect the Government's Single Data List.

5.10 In November 2010 the Governance Unit headed by the Monitoring Officer was reorganised, alongside all units of the Council as part of reorganisation and budget savings. The Governance Unit now comprises Legal Services, Democratic Services, Scrutiny Services, Internal Audit, Risk Management, Information Governance, Health & Safety (including Civil Resilience) and Procurement. This demonstrates that the functions within governance are an important part of the Council operations and support mechanisms.

5.11 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work is required to update the Constitution and management procedures and this is included in the action plan attached to this statement (Annex 1).

5.12 The Council recognises the importance of Information Governance and has taken significant steps to improve the security of its IT, paper and handling processes to meet the compliance requirements for Data Handling in Government. This included (summarised in paragraph 5.9) bringing the Information Governance standard setting and compliance responsibilities into a new team of Audit & Assurance[6] and reorganising resources to provide increased resources to support these information governance responsibilities.

5.13 There have been 10 data losses reported to Audit & Assurance since October 2010 when formal records were maintained of data breaches. In the main the data losses reported were low/medium risk and the impact contained. There were no reported breaches of privacy during 2010/11. All data losses are investigated by Audit & Assurance and improvements identified are implemented by the relevant service area or Council wide (if appropriate) to minimise similar future data losses.

5.14 All appeals against the Council's decisions with regard to access to information have been dealt with successfully under our internal appeals process. There are no Information Commissioner's Office investigations into the Council in relation to the Freedom of Information Act, Environmental Information Regulations or Data Protection Act. However, the Council through its assurance processes did identify some weakness in the Safeguarding (Children) procedures in respect to the security and processing of personal data. An improvement programme has been agreed and implementation is well underway. Further actions are due to be completed during 2011/12 and these are included in the action plan in Annex 1.

5.15 Infrastructure upgrades during the year have further improved security and data handling. The Council has continued to monitor the implementation of the actions from the review of the security arrangements against ISO27001.

5.16 The annual review by Internal Audit of the key systems, corporate governance and risk management arrangements have reported that at the time of the reviews the internal control systems were operating subject to minor recommendations identified.

5.17 The Corporate Directors, Assistant Chief Executive, Heads of Service 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.

5.18 The requirements under the Accounts and Audit (England) Regulations 2011 have changed and a review of internal audit rather than the system of internal audit is now required. To meet the revised

[6] The Audit & Assurance Team is responsible for Internal Audit, Risk Management, Information Governance and contributing to the development of the Council's governance arrangements.

requirements the previous categories have been used and the review will be presented to the Audit Committee as part of the Internal Audit Annual Report 2010/11.

5.19 The External Annual Audit Letter 2009/10 included in its headlines that:

- Use of Resources - In May 2010 the Government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This included work for UoR scored assessments at local authorities. However, there is no change to the requirement in the statutory Code of Audit Practice for auditors to issue a VFM conclusion. At the time of the announcement, the vast majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion. The Authority has improved in most areas of the assessment and there were no significant issues arising from our work on specific risks. We issued an unqualified value for money conclusion for 2009/10. This means that we are satisfied that you have put into place proper arrangements for securing economy, efficiency and effectiveness in your use of resources.
- Financial Statements - We issued an unqualified opinion on your accounts on 30 September 2010. This means that we believe the accounts give a true and fair view of the financial affairs of the Council and of the income and expenditure recorded during the year.

5.20 The Council was assessed by the Care Quality Commission in 2009/10 on Safeguarding Adults and Choice and Control for Older People but the report was not published until June 2010. The Council was assessed as performing well in both respects with a promising capacity to improve.

5.21 The Council was assessed by the Care Quality Commission in respect to Social Services' responses to People's First Contact with them. This took place during December 2009 and August 2010 and involved approximately 50 calls a mystery shopper which recorded a satisfaction rating under 3 core themes:

- Access and facilitation
- Exploring and assessing needs
- Provision of information, advice and support

Within each theme were a number of assessments whose scores were combined to give an overall score for the theme. The theme scores were then combined to give an overall Local Authority rating. Overall Telford & Wrekin are rated as a "Best Performing" authority for the first contact services and this ranking is just outside the top 10 in England.

5.22 In late March 2011 Ofsted carried out an inspection under section 138 of the Education and Inspections Act 2006. This contributes to the annual review of the Council's children's services which Ofsted will award later in 2011. The inspection identified two areas of strength and several areas of practice which met with statutory requirements; there were some areas for development identified. Ofsted had previously identified areas of development during their inspection of contact, referral and assessment arrangements in May 2010. Progress was found in all areas except for one.

5.23 In response to the results of the external reviews outlined in paragraph's 5.18 - 5.21 the Council has noted the areas for development and incorporated them into existing work programmes and plans.

5.24 The 2010/11 Annual Governance Statement sets out the Council's governance arrangements that operated during the period measure the effectiveness of them. Unitary elections took place on 5th May 2011. The new administration will make changes to the Council's governance arrangements during 2011/12 which will be included in the 2011/12 statement. The new administration has already proposed a review of the statutory Director of Children's Services role.

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

5.26 The Audit Committee will continue to monitor the action plan during the year.

Victor Brownlees

Chief Executive
Dated 27th June 2011

Councillor Kuldip Sahota

Leader
Dated: 27th June 2011

ANNEX1

ACTION PLAN FOR 2010/11 AGS TO BE IMPLEMENTED 2011/12

No	Action	Lead Officer	Comments	Date
1.	Strategic management of organisational change and the development of the new administrations governance requirements. Strategic management of the implementation of the revised governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance).	CMT (plus the Monitoring Officer)	Understanding the revised governance requirements and confirming their legality. Confirming the requirements are incorporated into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members.	Ongoing 31/03/12
2.	Managing Decision making: a) Implementation of the Strong leader model; b) Implementation of the revised governance staff structure; c) Embedding the new administration; d) Clarifying officer/member roles & responsibilities including delegations e) Developing Member/officer relationships including revised standards regime f) Continued development and implementation of transparency agenda. g) Other constitution changes to reflect the revised organisational structures & ways of working h) Preparations for the revised external audit arrangements.	Head of Governance	This action develops further the implementation of previous actions in respect to the Constitution and has been updated to include the implementation or preparation of key governance areas including embedding the new administration, the implementation of the Governance Unit restructure the requirements of the Localism Act and revised external audit arrangements.	Some action will be completed during 2011/12 and others will still be in development and progress by 31/03/12.
3.	• Review of our Workforce Development priorities and delivery • Continue to review and update the management competencies and skills required in the revised organisation. Review of HR policies and processes to support the organisational changes.	Chief Executive (VB)	Work continues to develop the people aspects of the revised One Council One Team One Vision and appropriate cultures to support good governance.	31/03/12
4.	Implement action plans from external assessments and inspections.	Assistant Chief Executive & appropriate Heads of Service.	Action plans to address relevant governance issues from external assessments/ inspections have been and will be included in appropriate priority/service area plans.	Ongoing but by 31/03/12
5.	Data and information security: a) Continue the development & implementation of ICT service continuity & resilience within the ICT infrastructure. b) Implement the transfer of the administration and management of	Head of Property & ICT, Head of Governance and Head of Safeguarding	Deadlines: a) Completion of work from 2010/11 b) This change has arisen out of a review of the freedom of information arrangements within the	Dates: a) 31/10/11 b) 31/10/11

No	Action	Lead Officer	Comments	Date
	the Council's information right's legislation to Governance. c) Continue the implementation of revised systems & procedures for safeguarding.		Council and will be implemented in the second quarter of 11/12 c) This is the continuation and completion of work commenced during 2010/11 which was identified during internal and external reviews.	c) 31/03/12

Auditors' Report

Will be added once the audit is completed

Will be added once the audit is completed

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 and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	7,041	25,342	1,363	4,332	38,078	(6,795)	31,283
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	(18.939)	0	0	0	(18,939)	0	(18,939)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(34,417)	(34,417)
Total Comprehensive Income and Expenditure	(18,939)	0	0	0	(18,939)	(34,417)	(53,356)
Adjustments between accounting basis & funding basis under regulations (Note 7)	21,090	0	(1,327)	(790)	18,973	(18,973)	0
Net Increase /(Decrease) before Transfers to Earmarked Reserves	2,151	0	(1,327)	(790)	34	(53,390)	(53,356)
Transfers to/ from Earmarked Reserves (Note 8)	(5,033)	2,405	0	0	(2,628)	2,628	0
Increase/Decrease in 2009/10	(2,882)	2,405	(1,327)	(790)	(2,594)	(50,762)	(53,356)
Balance at 31 March 2010 carried forward	4,159	27,747	36	3,542	35,484	(57,557)	(22,073)

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	23,371	0	0	0	23,371	0	23,371
Other Comprehensive Income and Expenditure	0	0	0	0	0	47,799	47,799
Total Comprehensive Income and Expenditure	23,371	0	0	0	23,371	47,799	71,170
Adjustments between accounting basis & funding basis under regulations (Note 7)	(18,252)	0	(24)	(524)	(18,800)	18,800	0
Net Increase/Decrease before Transfers to Earmarked Reserves	5,119	0	(24)	(524)	4,671	66,599	71,170
Transfers to/from Earmarked Reserves	(6,015)	6,100	0	0	85	(85)	0
Increase/Decrease in 2010/11	(896)	6,100	(24)	(524)	4,656	66,514	71,170
Balance at 31 March 2011 carried forward	3,263	33,847	12	3,018	40,140	8,957	49,097

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.

	2009/10 Gross Expenditure £'000	2009/10 Income £'000	2009/10 Net Expenditure £'000	2010/11 Gross Expenditure £'000	2010/11 Income £'000	2010/11 Net Expenditure £'000	Notes
SERVICE							
Children's and Education Services	187,009	153,237	33,772	199,521	176,158	23,363	*33*
Adult Social Services	63,730	27,733	35,997	68,147	29,033	39,114	
Environment & Regulatory Services	19,824	3,268	16,556	18,349	2,652	15,697	
Cultural and Related Services	18,459	8,430	10,029	21,189	11,393	9,796	
Planning & Development	16,771	4,650	12,121	14,974	6,839	8,135	
Highways & Transportation	19,607	11,311	8,296	17,268	8,699	8,569	
Housing Services	67,924	67,337	587	75,720	72,973	2,747	
Court & Probation Services	297	3	294	286	0	286	
Contribution re Former County Council Debt	2,352	0	2,352	2,140	0	2,140	
Corporate & Democratic Core	4,388	0	4,388	4,035	0	4,035	
Central Services Provided to the Public	53,074	43,358	9,716	53,376	47,357	6,019	
Exceptional Item - Pensions Gain	0	0	0	0	26,371	(26,371)	*42*
Non Distributed Costs	2,306	0	2,306	2,036	0	2,036	
Net Cost of Services	**455,741**	**319,327**	**136,414**	**477,041**	**381,475**	**95,566**	*26*
Other Operating Expenditure			169			5,807	*9*
Financing and investment income and expenditure			17,361			18,027	*10*
Taxation & Non Specific Grant Income			(135,005)			(142,771)	*11*
(Surplus) or deficit on provision of services			**18,939**			**(23,371)**	
Surplus or deficit on revaluation of Property, Plant and Equipment Assets			(16,677)			(9,919)	
Surplus or deficit on revaluation of Available for sale financial assets			167			0	
Actuarial Gains/Losses on Pension assets/liabilities			50,927			(37,880)	*42*
Other Comprehensive Income & Expenditure			34,417			(47,799)	
Total Comprehensive Income and Expenditure			**53,356**			**(71,170)**	

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 2009 £'000	***31 March 2010 £'000***		**31 March 2011 £'000**	**31 March 2011 £'000**	***Notes***
245,087	*271,239*	Property, Plant & Equipment		303,682	*12*
54,447	*53,853*	Investment Properties		49,269	*13*
0	*0*	Intangible Assets		754	*49*
45,033	*40,033*	Long Term Investments		40,033	*14,45,48*
337	*397*	Long Term Debtors		491	*14*
344,904	***365,522***	Total Long Term Assets		**394,229**	
		Current Assets			
443	*340*	Inventories	449		*15*
25,600	*21,862*	Debtors	21,094		*14,16*
97,871	*28,811*	Investments - (short term)	20,000		*14,45,48*
72	*800*	Assets held for sale	5,873		*18*
0	*0*	Landfill Allowances Asset Account	133		*61*
2,001	*5,323*	Cash and Cash Equivalents	15,824		*17*
125,987	*57,136*		63,373		
		Current Liabilities			
(878)	*(71)*	Provisions	(1,912)		*20*
(64,099)	*(10,052)*	Short term borrowing	(24,382)		*14,45*
(58,204)	*(66,044)*	Creditors	(81,262)		*14,19*

31 March 2009 £'000	31 March 2010 £'000		31 March 2011 £'000	31 March 2011 £'000	Notes
(0)	*(0)*	Landfill Allowances Liability Account	(130)		*61*
(20)	*(0)*	Bank overdraft	(335)		*17*
(123,201)	*(76,167)*		(108,021)		
2,786	***(19,031)***	**Total Net Current Assets/(Liabilities)**		**(44,648)**	
(125,024)	*(113,024)*	Less Long Term Borrowing		(106,523)	*14,45*
(65,423)	*(63,830)*	Less Long Term Creditors (PFI & Finance Leases)		(62,151)	*14*
(119,169)	*(176,634)*	Less Pensions Liability		(122,295)	*42*
(6,791)	*(15,076)*	Capital Grants Receipts in Advance		(9,515)	*34*
31,283	***(22,073)***	**Net Assets**		**49,097**	
38,078	*35,484*	Usable Reserves		40,140	*8*
(6,795)	*(57,557)*	Unusable Reserves		8,957	*22*
31,283	***(22,073)***			**49,097**	

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.

2009/10		2010/11
£000		£000
18,939	Net (surplus) or deficit on the provision of services	(23,371)
(130,574)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 62)	(53,679)
92,614	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 63)	66,412
(19,021)	Net cash flows from Operating Activities (Note 23)	(10,638)
(55,772)	Investing Activities (Note 24)	12,441
71,451	Financing Activities (Note 25)	(11,969)
(3,342)	Net increase or decrease in cash and cash equivalents	(10,166)
1,981	Cash and cash equivalents at the beginning of the reporting period	5,323
5,323	**Cash and cash equivalents at the end of the reporting period (Note 17)**	15,489

Notes to the Accounts

1. Accounting Policies

a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (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 International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). The are further supplemented by International Public Sector Accounting Standards (IPSAS) and United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) comprising the Application of Statements of Standard Accounting Practice (SSAPs) Financial Reporting Statements (FRSs) and pronouncements of the Urgent Issues Task Force (UITF).

b) Concepts

These accounts have been prepared in accordance with the all pervading concepts of accruals and going concern, together with relevance, reliability, comparability, understandability and primacy of legal requirements as set out in the COP.

c) Accruals of Expenditure & Income

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and FRS 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) Area Based Grant

Area Based Grant is a shown on the Comprehensive Income and Expenditure Statement within Taxation and Non Specific Grant Income and is not allocated to services. 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 on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investments that are short-term, highly liquid investments held at the Balance Sheet date that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of changes in value. Under this definition investments held in call accounts would count as cash equivalents but fixed term investments and investments in notice accounts would not, as they are not readily convertible to cash.

f) Contingent Asset

A contingent asset is a possible asset that arises for a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. The Council does not recognise contingent assets, but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

g) Contingent Liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Council or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Council does not recognise a contingent liability but discloses its existence in the financial statements.

h) Employee Benefits

The accounting arrangements for Employee Benefits are covered by IAS 19. The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

The areas of remuneration that relates 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 is accounted for when absences occur.

Pensions Benefits
The Council participates in two formal pension schemes, the Local Government Pension Scheme, which is administered by Shropshire County Pension Fund, and the Teacher's Pension Scheme administered by the Teacher's Pension Authority.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

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 SSAP 24 are disclosed by way of a note to the Core Financial Statements.

It should be noted that with effect from April 1993 arrangements have been set in place to ensure that 100% funding is achieved.

In accordance with Financial Reporting Standard No 17 – *Retirement Benefits* (IAS 19) additional disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2010/11 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.

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 that has not been paid at the balance sheet date, a provision will be created in the accounts for that year.

i) Events After the Balance Sheet Date

Where a material post balance sheet event occurs which

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

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

j) Exceptional Items and Prior Period Adjustments

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the company, and which need to be disclosed separately by virtual 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 in error and show the impact on the accounts.

k) Financial Instruments

Investments are shown in the Balance Sheet at amortised cost. The council has some investments managed by external fund managers and these are held as fair value through profit or loss.

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 SSAP 9 at current value with an allowance made for obsolescent and slow-moving items. Any long term contracts in existence at 31 March are apportioned to the year in relation to when the work was carried out rather than the year in which the contract was completed.

o) Investment Properties

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:
(a) Use in the production or supply of goods or services or for administrative purposes; or
(b) Sale in the ordinary course of operations.

p) Landfill Allowances Schemes

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which applies only to WDAs in England and commenced operation on 1 April 2005. The scheme allocates tradable landfill allowances to each WDA in England. Landfill allowances are measured in the accounts at the lower of cost and net realisable value.

q) 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 37 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.

r) Non-current Assets Held for Sale

Assets will be 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

s) 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.

t) 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.

u) 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 £50,000. Property, plant and equipment are classified into the groupings required by the 2009 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 useable capital receipts.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW 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 the property, plant and equipment used under the contracts on the Balance Sheet.

The original recognition of these 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).

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

As at 31st March 2011 there were 5 significant contract in place. These total £31.0m and are detailed in the notes.

v) 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, although assets in the course of construction are not depreciated until they are brought into use. No depreciation is applied in the year of disposal.
* depreciation is calculated using the straight-line method after allowing for the residual value of the asset and its estimated life.
* depreciation is not provided for on Investment Properties.

w) Charges to Revenue in respect of Property, Plant and Equipment

General fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all property, plant and equipment used in the provision of services. The total charge covers the annual provision for depreciation and impairments. Where there is sufficient balance in the Revaluation Reserve, impairments are charged there, otherwise they are charged to the Revenue Account. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the income and expenditure account, below net operating expenditure.

x) Provisions

The Council sets aside provisions for specific future expenses which are likely, or certain, to be incurred, based on the best estimate available.

y) 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 18 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.

z) Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute (formerly deferred charges) represent 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.

aa) 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, the difference is reclaimed. The figures included in the statement of accounts exclude VAT except in infrequent circumstances where it is not reclaimable.

ab) Direct Revenue Financing of Capital Expenditure

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2009/10, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

ac) Interest on surplus funds and balances

All interest earned on surplus cash or funds and balances is taken to the General Fund, except appropriate interest that is credited to the school balances, section 106 agreements, commuted sums, insurance provision (Ex Shropshire Council) and certain Adult & Consumer Care balances.

ad) Capital Receipts

Capital receipts from the disposal of assets are held in the useable capital receipts account until such time as they are used to finance other capital expenditure or to repay debt.

ae) 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 by setting aside 4% of the principal outstanding in relation to assets funded from government allocations. For assets funded from prudential borrowing, 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.

af) 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.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 *Heritage Assets*. The Council is required to disclose the impact of any change in standards not yet implemented. The Council would have no heritage assets under the accounting standard and therefore has no impact on the statement of accounts.

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 yet 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 2011 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 would increase by £0.6m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £37.5m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had reduced by £26.4m as a result of the change to use CPI as the basis for future increases in pensions rather than RPI.
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £26.029m. The Council has set aside a bad debts provision of 19.0% (£4.935m) in relation to these. It is our view that this level of provision is sufficient.	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £1.3m 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, which is a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the	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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	process in not yet complete and it has been necessary to include a provision against the potential costs in the 2010/11 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 4 years: £12.1m for Council Services and £3.1m for Schools. The 4% is based on average settlements made by other unitaries and was the % used for the 2010/11 budget process.	there will be an impact on general fund balances and future Council Tax increases.

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

5. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items are set out in the notes.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director on 20 September 2011. 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 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2010/11	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	20,870	0	0	(20,870)
Revaluation losses on property, plant and equipment	1,356	0	0	(1,356)
Movement in the market value of Investment Properties	6,061	0	0	(6,061)

Revenue expenditure funded from capital under statute	**19,299**	**0**	**0**	**(19,299)**
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	**3,404**	**0**	**0**	**(3,404)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	**(6,011)**	**0**	**0**	**6,011**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(44,994)**	**0**	**44,994**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	**0**	**0**	**(45,518)**	**45,518**
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	**(1,611)**	**1,611**	**0**	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	**0**	**(1,635)**	**0**	**1,635**
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	**464**	**0**	**0**	**(464)**
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 42)	**(3,456)**	**0**	**0**	**3,456**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(13,003)**	**0**	**0**	**13,003**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different	**(544)**	**0**	**0**	**544**

from council tax income calculated for the year in accordance with statutory requirements				
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	**(87)**	**0**	**0**	**87**
Total Adjustments	**(18,252)**	**(24)**	**(524)**	**18,800**

2009/10 Comparative Figures	**General Fund Balance**			**Movements in Unusable Reserves**
	£000			**£000**
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	**20,925**	**0**	**0**	**(20,925)**
Revaluation losses on property, plant and equipment	**4,205**	**0**	**0**	**(4,205)**
Movement in the market value of Investment Properties	**3,892**	**0**	**0**	**(3,892)**
Revenue expenditure funded from capital under statute	**9,183**	**0**	**0**	**(9,183)**
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	**233**	**0**	**0**	**(233)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	**(5,359)**	**0**	**0**	**5,359**
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	**(16,940)**	**0**	**16,940**	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account	**0**	**0**	**(17,730)**	**17,730**
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	**(1,626)**	**1,626**	**0**	**0**

Expenditure Statement				
Use of the Capital Receipts Reserve to finance new capital expenditure	**0**	**(2,953)**	**0**	**2,953**
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	**406**	**0**	**0**	**(406)**
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 42)	**19,717**	**0**	**0**	**(19,717)**
Employer's pensions contributions and direct payments to pensioners payable in the year	**(13,179)**	**0**	**0**	**13,179**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**(367)**	**0**	**0**	**367**
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	**479**	**0**	**0**	**(479)**
Total Adjustments	**21,090**	**(1,327)**	**(790)**	**(18,973)**

8. Transfers to/from Earmarked Reserves & Balances

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 2010/11.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	7,041	18,587	3,340	3,415	1,363	4,332	38,078
Movement / Use of reserves during 2009/10	(2,882)	752	1,154	499	(1,327)	(790)	(2,594)
Balance at 31 March 2010 carried forward	4,159	19,339	4,494	3,914	36	3,542	35,484
Movement / Use of reserves during 2010/11	(896)	4,824	335	941	(24)	(524)	4,656
Balance at 31 March 2011 carried forward	3,263	24,163	4,829	4,855	12	3,018	40,140

9. Other Operating Expenditure

2009/10		2010/11
£000		£000
2,889	Parish council precepts	2,923
(2,720)	Gains/losses on the disposal of non-current assets	2,884
169	Total	5,807

10. Financing and Investment Income and Expenditure

2009/10		2010/11
£000		£000
10,396	Interest payable and similar charges	10,341
10,396	Pensions interest cost and expected return on pensions assets	8,919
(3,493)	Interest receivable and similar income	(2,762)
33	Income and expenditure in relation to investment properties and changes in their fair value	1,526
29	Other investment income and expenditure	3
17,361	Total	18,027

11. Taxation and Non Specific Grant Incomes

2009/10		2010/11
£000		£000
(57,427)	Council tax income	(59,062)
(100)	Collection Fund Surplus/Deficit	(0)
(54,773)	Non domestic rates	(61,593)
(10,063)	Area Based Grant	(12,553)
(12,642)	Revenue Support Grant	(8,944)
(0)	Other grants and contributions	(619)
(135,005)	**Total**	**(142,771)**

12. Property , Plant and Equipment

Movements on Balances

Movements in 2010/11:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1/4/2010	247,054	3,062	29,825	100	3,552	283,593	56,947
Additions	21,942	4,958	11,424	0	15,809	54,133	425
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,823	0	0	0	0	6,823	623
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,529)	(1,006)	(662)	0	0	(15,197)	(407)
derecognition – disposals	(3,553)	0	0	0	0	(3,553)	0
assets reclassified (to) /from Assets Under Construction	2,548	0	0	0	(2,548)	0	0
assets reclassified (to)/from Held for Sale	(4,913)	0	0	0	0	(4,913)	0
assets reclassified (to) /from Investment Properties	0	0	0	0	(1,004)	(1,004)	0
At 31 March 2011	256,372	7,014	40,587	100	15,809	319,882	57,588
Accumulated Depreciation and Impairment							
at 1 April 2010	9,174	1,292	1,888	0	0	12,354	959
depreciation charge	4,455	1,566	970	0	0	6,991	973
depreciation written out to	(3,128)	0	0	0	0	(3,128)	(101)

the Revaluation Reserve							
derecognition – disposals	**(17)**	**0**	**0**	**0**	**0**	**(17)**	**0**
At 31 March 2011	**10,484**	**2,858**	**2,858**	**0**	**0**	**16,232**	**1,831**
Net Book Value							
at 31 March 2011	**245,888**	**4,156**	**37,729**	**100**	**15,809**	**303,682**	**55,757**
at 31 March 2010	**237,879**	**1,770**	**27,938**	**100**	**3,552**	**271,239**	**55,988**
Information on Assets Held at 31/3/11							
Nature of Holding							
Owned	190,131	3,428	37,729	100	15,809	**247,197**	
Leased	0	728	0	0	0	**728**	
PFI	55,757	0	0	0	0	**55,757**	
Total	**245,888**	**4,156**	**37,729**	**100**	**15,809**	**303,682**	

Comparative Movements in 2009/10:

	Other Land & Buildings	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total Property, Plant and Equipment**	**PFI Assets Included in Property, Plant and Equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
At 1/4/2009	244,185	2,449	20,364	100	0	992	**268,090**	53,433
Additions	16,526	4,183	9,737	0	0	3,552	**33,998**	119
Donations	0	0	0	0	0	0	**0**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4,247	0	0	0	0	0	**4,247**	3,395
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(17,524)	(3,552)	(275)	0	0	0	**(21,351)**	0
derecognition – disposals	(106)	0	0	0	0	0	**(106)**	0
assets reclassified (to) /from Assets Under Construction	550	0	0	0	0	(550)	**0**	0
assets reclassified (to)/from Held for Sale	(825)	0	0	0	0	0	**(825)**	0
assets reclassified (to) /from Investment Properties	0	0	0	0	0	(442)	**(442)**	0
At 31 March 2010	247,053	3,080	29,826	100	0	3,552	**283,611**	56,947
Accumulated Depreciation and								

Impairment								
at 1 April 2009	20,754	894	1,355	0	0	0	**23,003**	2,537
depreciation charge	4,347	416	663	0	0	0	**5,426**	959
depreciation written out to the Revaluation Reserve	(15,881)	0	(130)	0	0	0	**(16,011)**	(2,537)
derecognition – disposals	(46)	0	0	0	0	0	**(46)**	0
At 31 March 2010	**9,174**	**1,310**	**1,888**	**0**	**0**	**0**	**12,372**	**959**

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

- Other Land and Buildings – 30–60 years
- Vehicles, Plant, Furniture & Equipment – 10% to 35% of carrying amount
- Infrastructure – 25 years

Capital Commitments
At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £31.0m. Similar commitments at 31 March 2010 were £7.9m. The major commitments are:

- Abraham Darby Sports & Learning Community – £18.62m
- Wellington Civic Centre – £5.14m
- Madeley Academy – £2.47m
- Dawley Ground Remediation – £2.43m
- Southwater Enabling and External Works – £2.34m

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.

12a. Fixed Asset Valuation

The freehold & leasehold properties that comprise the Authority's Property Portfolio have been valued at 1st April 2010 by an internal valuer – A. Fox, MRICS - on the basis below in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. 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 £50,000 are excluded from the register.
Plant and machinery are included in the valuation of the buildings where they form an integral part of the asset, for example swimming pool filtration equipment and specialist equipment at the Ice Rink. All other vehicles, plant, furniture and equipment are valued at historic cost, less depreciation, as a proxy for current value.
Properties regarded by the Authority as operational are valued on the basis of open market value for the existing use or, where this can not be assessed because there was no market for the asset, the depreciated replacement cost.
Properties regarded by the Authority as non-operational are valued on the basis of open market value.
Community assets acquired since the introduction of capital accounting are valued at cost. Other community assets are valued on a nominal basis. This list differs from the Context Sheet in the Council's Corporate Asset Management Plan, which only lists properties where the Council has a direct repairing liability.

Investment Properties are valued annually and their current value is £46.097m, 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
2006/07	40,331
2007/08	45,823
2008/09	48,354
2009/10	40,867
2010/11	59,882
Total	235,257

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

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:-

- newly acquired assets are depreciated from the start of the year, although assets in the course of construction are not depreciated until they are brought into use. No depreciation is applied in the year of disposal.
- depreciation is calculated using the straight-line method after allowing for the residual value of the asset and its estimated life.
- depreciation is not provided for on Investment Properties.

12b .Information on Assets held

Fixed assets owned by the Council include the following:-

	2009/10 (Nos.)	2010/11 (Nos.)
Operational Assets		
Hostels	3	3
Houses for Homeless	17	17
Offices	26	25
Depot and workshop	1	1
Community centres	12	12
Business Development Centre	1	0
Parks and recreation	315.2ha	301.2 ha
Amenity Sites	3	3
Off-Street car parks	28	29
Bus Stations	4	4
Theatres	1	1
Cemeteries	3	3
Ice Rink	1	1
Leisure Centres	4	5
Swimming Pools	2	2
Changing Rooms/ Pavilions	12	12
Nursery Schools	1	1
Schools	54	54
Outdoor Activity Centre	1	1
Special Schools	4	4
Learning Communities	1	1
Child Development Centre	1	1

	2009/10	2010/11
	(Nos.)	(Nos.)
Joint Service Facility	1	1
First Point Centre	1	1
Pupil Referral Unit	1	1
Youth Centres	5	5
Libraries	8	8
Elderly Persons Homes	3	3
Toilets	11	11
Children's Centres	2	2
Group Homes	23	23
Residential Homes	2	6
Training/Day Centres	7	7
Emergency Planning Centre	1	1
Traveller Sites	2	2
Allotments	10	10
Visitor Information Centre	1	1
Land associated with assets (ex parks)	619Ha	635Ha
Other land holdings	128.7Ha	127.1Ha
Caretakers bungalows	4	4
Ski Slope Centre	1	1
Play Areas	113	116
Golf Courses	73ha	73ha
School Playing Fields	12	12
Academy School	0	1
Non Operational Assets		
Smallholdings	1	1
Offices	24	24
Retail	30	31
Industrial Estates	29	31
Misc Ground Rents	47	39
Assets Held for Sale - Current	1	7
Surplus Assets	50	44
Woodlands	5	5
Assets Under Construction	2	10
Sites for Regeneration	16	21
Misc Rents	50	66

13. 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:

	2009/10	**2010/11**
	£000	**£000**
Rental income from investment property	(9,699)	(8,172)
Direct operating expenses arising from investment property	5,840	3,637
Net (gain)/loss on revaluation of properties	3,892	6,061
Net (gain)/loss	33	1,526

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:

	2009/10	2010/11
	£000	£000
Balance at start of the year	**54,447**	**53,853**
Additions	**2,856**	**1,161**
Disposals	**0**	**(688)**
Revaluation Increases/Decreases met from net surplus /deficit on provision of services	**(3,892)**	**(6,061)**
Transfers:		
- to/from Property, Plant and Equipment	**442**	**1,004**
Balance at end of the year	**53,853**	**49,269**

14. Financial Instruments

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

	Long Term			Current	
	2009/10	2010/11		2009/10	2010/11
	£000	£000		£000	£000
Investments					
Loans and receivables	40,033	40,033		9,000	20,000
Financial assets at fair value through profit and loss	0	0		19,811	0
Total investments	40,033	40,033		28,811	20,000
Debtors					
Financial assets carried at contract amounts	0	0		21,862	21,094
Total Debtors	0	0		21,862	21,094
Borrowings					
Financial liabilities at amortised cost	113,024	106,523		10,052	24,382
Total borrowings	113,024	106,523		10,052	24,382
Other Liabilities					
PFI and finance lease liabilities	63,830	62,151		1,995	2,062
Other Creditors	0	0		64,049	79,200
Total Other Liabilities	63,830	62,151		66,044	81,262

Income, Expense, Gains and Losses

	2009/10			2010/11		
	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	10,396	0	10,396	10,341	0	10,341
Total expense in Surplus or Deficit on the Provision of Services	**10,396**	**0**	**10,396**	**10,341**	**0**	**10,341**
Interest income	0	(3,493)	(3,493)	0	(2,762)	(2,762)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(3,493)**	**(3,493)**	**0**	**(2,762)**	**(2,762)**
Net gain/(loss) for the year	**10,396**	**(3,493)**	**6,903**	**10,341**	**(2,762)**	**7,579**

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:

	2009/10			2010/11	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	£000	£000		£000	£000
Financial liabilities	123,076	133,559		130,905	140,665
Long-term creditors	63,830	63,830		62,151	62,151

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 2011) arising from a commitment to pay interest to lenders above current market rates.

	2009/10			2010/11	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
	£000	£000		£000	£000
Loans and receivables	73,844	80,595		60,033	67,190
Long-term debtors	397	397		491	491

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest above current market rates.
Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

15. Inventories

The council had inventories that totalled £0.449m at 31/3/11 and £0.340m at 31/3/10. These mainly consist of stocks at Leisure Centres, Catering Stocks and Design and Print stocks.

16. Debtors

	2009/10 £'000	2010/11 £'000
Amounts falling due in one year:		
Government Departments	*5,548*	1,648
General Debtors	*18,696*	21,743
Car Leasing to Employees	*83*	67
Collection Fund	*2,134*	2,571
	26,461	26,029
Provision for doubtful debts	*(4,599)*	(4,935)
Total	***21,862***	**21,094**

17. Cash and Cash Equivalents

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

2009/10		2010/11
£000		£000
214	Cash held by the Authority	179
109	Bank current accounts	0
5,000	Call Accounts	15,645
5,323	**Total Cash and Cash Equivalents**	15,824
0	**Bank Account Overdrawn**	(335)
5,323	**Net Cash Position for Cash Flow Purposes**	15,489

18. Assets Held for Sale

	Current	
	2009/10	2010/11
	£000	£000
Balance outstanding at start of year	**72**	**800**
Reclassified from - Property, Plant and Equipment	**825**	**4,913**
Revaluation gains	**90**	**0**
Impairment losses met from the revaluation reserve	**(25)**	**(50)**
Assets sold	**(162)**	**0**
Acquisitions	**0**	**210**
Balance outstanding at year-end	**800**	**5,873**

19. Creditors

	2009/10 £'000	2010/11 £'000
Government Departments	*2,191*	13,634
Sundry Creditors	*54,726*	61,377
Receipts in advance	*9,127*	6,251
Total	***66,044***	**81,262**

20. Provisions

	2010/11 Opening £'000	Transfers/ Receipts in year £'000	Transfers/ Payments in year £'000	2010/11 Closing £000
Restructure Provision	71	1,912	71	1,912
Total	**71**	**1,912**	**71**	**1,912**
2009/10	*878*	*0*	*807*	*71*

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2009/10. A provision to meet the one off costs associated with the re-structure was made in the 2009/10 accounts, this has been partly used during 2010/11 and the balance is expected to be used in 2011/12.

21. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

22. Unusable Reserves

2009/10 £000		2010/11 £000
34,545	Revaluation Reserve	43,501
0	Available for Sale Financial Instruments Reserve	0
85,734	Capital Adjustment Account	88,790
1,678	Financial Instruments Adjustment Account	1,214
7	Deferred Capital Receipts Reserve	3
(176,634)	Pensions Reserve	(122,295)
882	Collection Fund Adjustment Account	1,426
(3,769)	Accumulated Absences Account	(3,682)
(57,557)	**Total Unusable Reserves**	8,957

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.

	2009/10 £'000	**2010/11 £'000**
Balance Brought Forward	*18,772*	34,545
Impairments and downward revaluations of assets not charged to the Surplus/Deficit on provision of services	*(4,278)*	(1,114)
Upwards Revaluations	*8,609*	11,033
Depreciation Revaluations	*12,340*	366
Disposals	*(162)*	(405)
Depreciation	*(736)*	(924)
Balance Carried Forward	***34,545***	**43,501**

Available for Sale Financial Instruments Reserve
The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009/10		2010/11
£000		£000
167	Balance at 1 April	0
(167)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
0	Balance at 31 March	0

Capital Adjustment Account
The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.
The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

		2009/10	2010/11
		£'000	£'000
Balance Brought Forward		*94,107*	85,734
Charges for depreciation and impairment of noncurrent assets		*(25,468)*	(28,217)
Revaluation losses on Property, Plant and Equipment			
Revenue Expenditure funded from Capital under Statute		*(9,183)*	(19,299)
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 Account		*(106)*	(4,241)
Adjusting amounts written out of the Revaluation Reserve			
Capital financing	- Capital receipts	*3,167*	1,635
	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	*17,858*	45,518
Capital grants and contributions unapplied		*0*	1,649
Minimum Revenue Provision		*5,359*	6,011
Balance Carried Forward		***85,734***	**88,790**

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 20X2 will be charged to the General Fund over the next 14 years.

2009/10		2010/11
£000		£000
2,084	**Balance at 1 April**	1,678
23	Premiums/Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(429)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	(464)
1,678	**Balance at 31 March**	1,214

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.

2009/10		2010/11
£000		£000
119,169	**Balance at 1 April**	176,634
50,927	Actuarial gains or losses on pensions assets and liabilities	(37,880)
1,435	Added Years	1,176
18,282	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	(4,632)
(13,179)	Employer's pensions contributions and direct payments to pensioners payable in the year	(13,003)
176,634	**Balance at 31 March**	122,295

Deferred Capital Receipts Reserve

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

2009/10		2010/11
£000		£000
19	**Balance at 1 April**	7
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(12)	Transfer to the Capital Receipts Reserve upon receipt of cash	(4)
7	**Balance at 31 March**	3

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.

2009/10		2010/11
£000		£000
515	**Balance at 1 April**	882
367	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	544
882	**Balance at 31 March**	1,426

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. There were no transactions in 2009/10 or 2010/11 in the Unequal Pay Back Pay Account and there was a nil balance at both 1 April 2009 and 31 March 2011.

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.

2009/10		2010/11
£000		£000
3,290	**Balance at 1 April**	3,769
(3,290)	Settlement or cancellation of accrual made at the end of the preceding year	(3,769)
3,769	Amounts accrued at the end of the current year	3,682
3,769	**Balance at 31 March**	3,682
479	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	(87)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities includes the following items:

2009/10		2010/11
£000		£000
(4,017)	Interest received	(634)
10,441	Interest paid	10,386

24. Cash Flow Statement – Investing Activities

2009/10		2010/11
£000		£000
45,638	Purchase of property, plant and equipment, investment property and intangible assets	71,357
0	Purchase of short-term and long-term investments	11,000
3	Other payments for investing activities	1
(1,507)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,638)
(74,060)	Proceeds from shot-term and long-term investments	(19,811)
(25,846)	Other receipts from investing activities	(48,468)
(55,772)	**Net cash flows from investing activities**	12,441

25. Cash Flow Statement – Financing Activities

2009/10		2010/11
£000		£000
(198,947)	Cash receipts of short- and long-term borrowing	(52,815)
5,771	Other receipts from financing activities	(3,595)
(367)	Appropriation to/from Collection Fund Adjustment Account	(544)
264,994	Repayments of short- and long-term borrowing	44,985
71,451	**Net cash flows from financing activities**	(11,969)

26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Service Delivery Units. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Authority's principal [directorates] recorded in the budget reports for the year is as follows:

Service Delivery Unit Income and Expenditure

2010/11	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Safeguarding (Adults & Children)	6,987	15,089	22,076	530	2,329	2,859	19,217
School Improvement	93,792	41,281	135,073	6,594	125,818	132,412	2,661
Family & Community Services	13,772	13,628	27,400	3,846	10,339	14,185	13,215
Property & ICT	11,837	20,782	32,619	36,250	37	36,287	(3,668)
Economy & Skills	1,319	2,267	3,586	596	674	1,270	2,316
Environmental Services	5,622	34,589	40,211	11,626	1,524	13,150	27,061
Housing & Planning	4,825	7,619	12,444	6,846	336	7,182	5,262
Care & Support (Adults & Children)	12,812	58,908	71,720	6,651	26,754	33,405	38,315
Customer Services, Leisure & Libraries	9,763	11,672	21,435	10,976	2,537	13,513	7,922
Governance	2,883	3,038	5,921	5,394	48	5,442	479
Finance	4,132	81,097	85,229	11,155	74,930	86,085	(856)
Core Services and Council Wide Items	11,500	15,588	27,088	10,530	1,454	11,984	15,104
Total	179,244	305,558	484,802	110,994	246,780	357,774	127,028
Less items in above table but not shown under provision of services in			(36,229)			(23,761)	(12,648)

statement of accounts							
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			**28,468**			**47,462**	**(18,994)**
Provision of services in the statement of accounts			**477,041**			**381,475**	**95,566**

Due to the restructure of the Council during 2010/11 no comparable information is available for 2009/10.

Items within "Less items in above table but not shown under provision of services in statement of accounts" General grants including Area Based Grant reported on service lines during year but shown as general grants in the accounts, trading services not shown within provision of services in accounts, interest received shown separately in statements, IAS 19 adjustments not reported to Management Team, reserves and adjustments for support service recharges.

Items within "Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts" include items not reported to Management Team but shown in the statement of accounts under provision of services such as, impairment of assets, revenue expenditure financed from capital under statute, PFI adjustments, accumulated absences and revenue grants.

27. 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. No operations were acquired or discontinued during the period.

28. Market Undertaking, Industrial Units and former DSO trading activities

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

	2009/10 £'000	**2010/11 £'000**
Income from Stallholders' Rents and charges	*7*	30
Expenditure	*(36)*	(33)
(Deficit)/Surplus taken to General Fund	***(29)***	**(3)**

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

	2009/10 £'000	2010/11 £'000
Income from rents	*8,843*	7,576
Other income	*856*	596
Net gains/(losses) on revaluation of property	*(4,554)*	(5,881)
Direct operating expenses	*(5,178)*	(3,817)
(Deficit)/Surplus taken to General Fund	***(33)***	**(1,526)**
Total Trading Accounts	***(62)***	**(1,529)**

The council also operated former direct service organisation services as internal trading accounts, these are charged directly to services.

Trading Unit	Turnover £'000	Surplus / (Deficit) £'000
Commercial Catering	4,013	(8)
Building Cleaning	3,121	85
Total	**7,134**	**77**

29. Pooled Budgets

During 2010/11 the Council was involved in the following pooled budgets in conjunction with Telford & Wrekin Primary Care Trust for improving life chances of all children, young people, adults and older people with learning difficulties and their families and for Integrated Community Equipment.

Pooled Budgets where Telford & Wrekin is the host.

Learning Disability Development Fund

To improve the service for users through closer working between the National Health Service and the Council. The Council's contribution to this budget for 10/11 is £157k

	2009/10 £000	2010/11 £000
Expenditure	*198*	223
Income	*238*	223

Delayed Discharges Pooled Budget

To promote independence for older people through developing a range of services that are delivered in partnership between primary and secondary health care, local government services and the independent sector. The Council's contribution to this budget is £292k.

	2009/10 £000	2010/11 £000
Expenditure	*292*	292
Income	*292*	292

Intermediate Care Pooled Budget

To improve intermediate care services for users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £51k.

	2009/10 £000	2010/11 £000
Expenditure	*325*	321
Income	*323*	330

Joint Commissioning Scheme

To ensure an effective and integrated approach to commissioning for health and social care services, which is service user focussed and reflects local need. The Council's contribution to this budget is £182k (Adults) - £245 (Childrens).

	2009/10 £000	2010/11 £000
Expenditure	*995*	872
Income	*1064*	1007

ALD Pooled Budget

Funding Transferred to Local Authorities from PCT to help with Valuing People, Healthcare for All, World Class Commissioning. The Local Authority contribution is £9,192k.

	2009/10 £000	2010/11 £000
Expenditure	*6,499*	16,358
Income	*8,401*	15,708

Stafford Park Pooled Budget (previously known as Revolution)

Provide a 'Young Person centred' environment with opportunities and support services that will help all service users achieve the five outcomes central to the Children Act 2004. The Council's contribution to this budget is £114k.

	2009/10 £000	2010/11 £000
Expenditure	*168*	155
Income	*159*	156

Pooled Budgets where Telford & Wrekin PCT is the host.

Integrated Community Equipment Services

To improve the service for equipment users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £59k.

	2009/10 £000	2010/11 £000
Expenditure	*59*	59

Income	*81*	81

Substance Misuse

To promote a partnership approach to the development of local systems of effective drug misuse treatment. The Council's contribution to this budget is £0.

	2009/10 £000	**2010/11 £000**
Expenditure	*1,280*	1,289
Income	*1,271*	1,285

30. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

2009/10		**2010/11**
£000		**£000**
663,774	Allowances	**651,371**
12,009	Expenses	**12,409**
675,783	Total	**663,780**

31. Officers' Remuneration

Post Holder Information (Post title)	*Notes*	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£	£
Chief Executive (Victor Brownlees)	*Note 1*		155,513	0	0	155,513	25,349	180,862
Corporate Director			118,971	0	0	118,971	19,380	138,351
Corporate Director			118,897	0	0	118,897	19,380	138,277
Assistant Chief Executive			107,519	0	0	107,519	17,533	125,052
Social Care Specialist		82,304	32,668	0	0	32,668	5,329	37,997
Head of Finance		82,304	32,675	0	0	32,675	5,329	38,004
Head of Customer & Leisure Services		82,304	32,693	0	0	32,693	5,329	38,022
Head of Safeguarding (Adults & Children)		80,689	31,385	0	0	31,385	5,120	36,505
Head of Family & Community Services		82,304	32,034	0	0	32,034	5,224	37,258
Head of Property & ICT		82,304	32,001	0	0	32,001	5,244	37,245
Head of School Improvement		80,869	31,392	0	0	31,392	5,120	36,512
Head of Governance		82,304	32,668	0	0	32,668	5,329	37,997
Head of Environmental Services		82,304	32,678	0	0	32,678	5,329	38,007
Head of Care & Support (Adults & Children)		82,304	32,036	0	0	32,036	5,224	37,260
Head of Housing & Planning		82,304	32,668	0	0	32,668	5,329	37,997
Head of Economy & Skills		80,689	31,410	0	0	31,410	5,120	36,530
Posts Pre Restructure								
Corporate Director	*Note 2*	113,485	51,047	30,000	0	81,047	8,324	89,371
Interim Corporate Director	*Note 3*	108,084	18,013	0	0	18,013	2,936	20,949
Single Status Project Director	*Note 4*	80,689	40,573	62,676	0	103,249	3,323	106,572

Post Holder Information (Post title)	*Notes*	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2010/11	Pension contributions	Total Remuneration including pension contributions 2010/11
Head of Adult Social Care Delivery	*Note 5*	80,869	48,603	0	0	48,603	7,928	56,531
Head of Finance	*Note 5*	80,689	48,693	0	0	48,693	7,928	56,621
Head of Customer & Leisure Services	*Note 5*	80,869	48,712	0	0	48,712	7,928	56,640
Head of Safeguarding & Corporate Parenting	*Note 5*	77,451	46,651	0	0	46,651	7,610	54,261
Head of Regeneration & Housing	*Note 5*	79,073	47,639	0	0	47,639	7,769	55,408
Head of Property & Design	*Note 5*	79,073	46,943	0	0	46,943	7,769	54,712
Head of Learning & Achievement	*Note 5*	77,451	46,661	0	0	46,661	7,610	54,271
Head of Governance	*Note 5*	80,869	48,603	0	0	48,603	7,928	56,531
Head of Environmental services	*Note 5*	80,869	48,691	0	0	48,691	7,928	56,619
Head of Adult Social Care Commissioning	*Note 5*	79,073	47,642	0	0	47,642	7,769	55,411
Head of Planning & Transport	*Note 5*	80,689	48,603	0	0	48,603	7,928	56,531
Head of ICT & Procurement	*Note 4*	79,073	68,927	52,231	0	121,158	7,769	128,927
Head of Economic Development	*Note 5*	77,451	46,686	0	0	46,686	7,610	54,296
Head of Early Intervention	*Note 4*	77,451	66,264	25,000	0	91,264	7,645	98,909
Head of Community Protection	*Note 4*	80,689	73,925	61,515	0	135,440	8,768	144,208
			1,780,084	231,422	0	2,011,506	277,138	2,288,644

Notes:

The roles shown in bold represent the current Senior Management Team.

1) Includes payments for Returning Officer duties

2) This Director left the Council on 12 September 2010. This post was held vacant pending the council restructure.

3) This post was an interim post pending the Council re-structure and the post holder left on 31 May 2010.

4) Head of Service post for part year until council restructure took place.

5) Head of service post deleted as part of Council restructure.

Senior Officer Remuneration 2009/10

Post Holder Information (Post title)	*Notes*	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
		£	£	£	£	£	£	£
Chief Executive	*Note 6*	149,000	99,855		547	100,402	15,277	115,679
Interim Chief Executive	*Note 6*	128,786	30,327		151	30,478	4,640	35,118
Corporate Director	*Note 7*	110,786	11,019		133	11,152	1,686	12,838
Corporate Director	*Note 8*	108,084	93,617		717	94,334	14,314	108,648
Corporate Director			112,343		416	112,759	17,191	129,950
Corporate Director			118,897		781	119,678	18,191	137,869
Interim Corporate Director	*Note 10*	108,084	72,052		604	72,656	11,025	83,681
Assistant Chief Executive	*Note 11*	88,000	19,622		151	19,773	3,004	22,777
Single Status Project Director			80,860		323	81,183	12,345	93,528
Head of Adult Social Care	*Note 12*	80,689	26,894		302	27,196	4,115	31,311
Head of Adult Social Care Delivery			80,629		871	81,500	12,345	93,845
Head of Finance	*Note 13*	80,689	10,857		151	11,008	1,660	12,668
Head of Finance			80,783		810	81,593	12,298	93,891
Head of Customer & Leisure Services			79,197		902	80,099	12,098	92,197
Head of Safeguarding & Corporate Parenting		77,451	75,248		237	75,485	11,516	87,001
Head of Regeneration & Housing			77,393		707	78,100	11,850	89,950
Head of Property & Design			77,318		899	78,217	12,097	90,314
Head of Learning & Achievement			75,833		836	76,669	11,603	88,272
Head of Governance			80,213		21	80,234	12,281	92,515
Head of Environmental Services			80,048		902	80,950	12,345	93,295

Post Holder Information (Post title)	Notes	Annualised Salary (for part year posts only)	Salary (Including Fees & Allowances)	Termination costs	Benefits in Kind	Total Remuneration excluding Pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
Head of Adult Social Care Commissioning			77,415		906	78,321	11,850	90,171
Head of Planning & Transport			80,629		830	81,459	12,346	93,805
Head of ICT & Procurement			77,451		92	77,543	11,850	89,393
Head of Economic Development			75,836		906	76,742	11,603	88,345
Head of Early Intervention			75,751		720	76,471	11,590	88,061
Head of Community Protection			80,629		870	81,499	12,345	93,844
Head of Policy, Performance & Partnership	*Note 9*	80,689	62,746		755	63,501	9,591	73,092
			1,913,462	0	15,540	1,929,002	293,056	2,222,058

Notes:

The roles shown in bold represent the current Senior Management Team.

6)Mr Victor Brownlees was in this Corporate Director's post until May 2009 when he became Interim Chief Executive and was then appointed permanently as Chief Executive.

7) Corporate Director in post part year.

8) Interim Corporate Director.

9) The Assistant Chief Executive post was appointed to in January 2010 and the Head of Policy, Performance & Partnership was deleted as part of the Council re-structure.

10) This Head of Service was in post part year and moved into the Interim Corporate Director post. This post was then deleted as part of the Council re-structure.

11) This Head of Service was in post part year and moved into the Corporate Director post.

12) Head of Service in post part year; post deleted as part of the Council re-structure.

13) Head of Service in posts part year until the Council re-structure took place.

The following table excludes Senior Officers shown above.

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 were:

	Number of Employees 2009/10	**Number of Employees 2010/11**
£50,000 - £54,999	*74*	77
£55,000 - £59,999	*40*	52
£60,000 - £64,999	*18*	27
£65,000 - £69,999	*8*	6
£70,000 - £74,999	*3*	2
£75,000 - £79,999	*1*	3
£80,000 - £84,999	*3*	2
£85,000 - £89,999	*0*	2
£90,000 - £94,999	*1*	0
£95,000 - £99,999	*1*	0
£100,000 - £104,999	*2*	2
£105,000 - £109,999	*0*	1
£115,000 - £119,999	*0*	0
£140,000 - £149,999	*1*	0
£190,000 - £194,999	*0*	1

The 2010/11 figures include 103 school based employees (94 in 2009/10). The 2010/11 figures include 9 employees (7 in 2009/10) who became redundant or retired during the year (including the person in the £190,000 to £194,999 band). Please note those bands with nil in both years have been excluded.

32. External Audit Costs

The Council's accounts have been audited by KPMG in 2009/10 and 2010/11. In 2010/11 the Council incurred the following fees relating to external audit and inspection:

	2009/10 £000	**2010/11 £000**
Fees payable to KPMG with regard to external audit services	255	270
Fees payable to Audit Commission in respect of statutory inspection	17	32
Fees payable to KPMG for the certification of grant claims and returns	76	35
Fees payable in respect of other services provided by the appointed auditor, for 2010/11 includes £2,000 paid to the Audit Commission in relation to the National Fraud Initiative	2	49

33. Disclosure of deployment of Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children Schools and Families, the Dedicated Schools Grant (DSG) which is within Children & Education Services in the Income & Expenditure Account. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. 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 2010/11 are as follows:

Schools Budget Funded By Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010/11			**99,001**
Brought forward from 2009/10			0
Carry forward to 2010/11 agreed in advance			0
Agreed budgeted distribution in 2010/11	11,560	87,441	99,001
Actual Central Expenditure	(11,202)		(11,202)
Actual ISB deployed to Schools		(87,441)	(87,441)
Local authority contribution for 2010/11	0	0	0
Carry Forward to 2011/12	**358**	**0**	**358**

34. Grant Income

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

2009/10 £000		2010/11 £000
	Credited to Taxation and Non Specific Grant Income	
12,642	Revenue Support Grant	8,944
54,773	Non Domestic Rates	61,593
10,063	Area Based Grant	12,553
0	Other grants	619
77,478	**Total**	83,709
	Credited to Services	
96,111	Dedicated Schools Grant	98,643
11,804	Standards Fund	11,876
56,286	Mandatory Rent Allowances Subsidy	60,300
13,321	Council Tax Benefits Subsidy	14,122
5,257	Schools Standards Grant	5,309
6,209	Sure Start	5,827
16,224	Other grants	18,553
205,212	**Total**	214,630

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. The balances at the year-end are as follows:

2009/10		2010/11
£000		£000
	Capital Grants Receipts in Advance	
5,282	National Growth Point	6,396
4,629	Homes & Communities Agency	474
1,847	Standards Fund	782
894	Other grants	1,045
2,424	Primary Care Trust	768
0	Other contributions	50
15,076	**Total**	9,515

35. Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26 on reporting for resources allocation decisions. Grant receipts are shown in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 30. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

The Council 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 Council.

During the year transactions with related parties arose as follows:

Councillor Stephen Burrell – his company, Peace of Mind Homecare, provided services to the Council through service contracts and received £534,340 in 2010/11.

Officers

No interests were disclosed.

Other Public Bodies [subject to common control by central government]

The Authority has a pooled budget arrangement with Shropshire Primary Care Trust. Transactions and balances outstanding are detailed in Note 29.

36. 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.

	2009/10	2010/11
	£'000	£'000
Opening Capital Financing Requirement	*186,708*	205,613
Capital Investment		
Property, Plant & Equipment	*33,249*	53,266
Investment Properties	*2,856*	1,161
Assets Held for Sale	*0*	210
Intangible Assets	*0*	754
Revenue Expenditure funded from Capital under Statute	*9,183*	19,299
Leased Vehicles	*338*	69
Sources of Finance		
Capital Receipts	*(3,167)*	(1,635)
Finance Leases	*(337)*	79
Government Grants and Other Contributions	*(17,858)*	(45,518)
Revenue Provision (NB: includes MRP)	*(5,359)*	(6,011)
Closing Capital Finance Requirement	*205,613*	227,287
Movement for Year	*18,905*	21,674
Explanation of movements in the year		
Increase in underlying need to borrow (supported by Government financial assistance)	*6,368*	4,563
Increase in underlying need to borrow (unsupported by Government financial assistance)	*12,537*	17,111
Increase/(decrease) in Capital Financing Requirement	*18,905*	21,674

The main items of capital expenditure during the year related to improving schools (including sports & learning communities, roads, local housing improvement grants and ICT Broadband/VOIP/Business Transformation, Borough Towns Initiative, Woodside, Sutton Hill and Street Lighting.

At 31-3-2011 there was 5 significant contracts in place with outstanding commitments of £31.0m, as detailed in note 12.

The Council entered into a PFI transaction in March 2007 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW 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 2010/11 the Authority made payments of £9,637,961 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.

37. Leases

Finance Leases

During 2010/11 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £241,675. Finance lease rentals of £392,481 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	Next Year £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
Outstanding Obligations	324.579	658.419	24.287	1,007.285

The aggregate amount of finance charges in respect of finance leases was £59,233 for 2010/11 (£63,773 for 2009/10)

The Council operates a deminimus level of £50,000 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 6 to the accounts the value of assets held within Vehicles, Plant and Equipment are shown.

Operating Leases

During 2010/11 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £61,237 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

	Next Year £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
Outstanding Obligations	25.085	36.413	0	61.498

Hire Purchase Contracts

During 2010/11 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 income received from these properties for 2010/11 amounted to £8,172,000 (£8,843,000 for 2009/10). See also note 28 Trading Accounts and note 13 in respect of the valuation of these assets as Investment Properties.

38. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Jigsaw. We have assets held of £55.8m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £63.4m as at 31st March 2011 (£64.9m as at 31st March 2010). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.4m in to the interest paid for 2010/11 (£5.5m 2009/10). Amounts due are shown in the table below:-

	2009/10				2010/11			
	Service	Lifecycle	Interest	Finance Lease	Service	Lifecycle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	*1,905*	*325*	*5,401*	*1,760*	1,535	750	5,300	1,805
2 to 5 years	*7,709*	*1,779*	*20,551*	*7,178*	7,720	2,006	20,112	7,500
6 to 10 years	*8,370*	*4,888*	*23,540*	*12,004*	7,891	5,698	22,982	12,872
11 to 15 years	*8,117*	*6,883*	*20,500*	*16,673*	8,820	6,555	19,673	17,850
16 to 20 years	*9,630*	*7,342*	*15,403*	*23,466*	10,493	6,902	14,046	24,635
21 to 25 years	*13,652*	*4,522*	*6,584*	*29,540*	11,018	3,504	4,465	24,200

39. Impairment Losses

During 2010/11, the Authority has recognised impairment losses of £21,258 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.

40. Termination Benefits

The Authority is currently under going a comprehensive restructure and as a result 59 employees (18 in 2009/10) had their contracts terminated, incurring costs of £2.268m (£1.082m in 2009/10). These terminations will produce savings to the Council well in excess of these figures in the coming years. Included within this are sums paid to directors and heads of service as disclosed in Note 35.

41. 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 42 to the Core Financial Statements.

The Teacher's Pension Scheme is also technically a Defined Benefits Scheme. However, the Scheme is unfunded and the Department for Education uses 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.

In 2010/11 the Council paid an employer's contribution of £6,375,741 (£6,796,603 in 2009/10) representing 14.1% of Teacher's pensionable pay into the Teachers Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quinquennial actuarial valuations, the last review being at 31st March 2011. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £6,375,741 (£6,796,603 in 2009/10) representing 14.1% of pensionable pay.

The Council also pays employer's contributions in relation to the Local Government Pension Scheme administered on our behalf by Shropshire Council. These are disclosed in the Note 42.

42. Defined Benefit Pension Schemes Participation in Pension Schemes

In accordance with International Reporting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 18 of the Accounting Policies, the Council participates in two formal schemes, the Local Government Pension Scheme, and the Teacher's Scheme. The Council is not required to record information related to the Teacher's Scheme as the assets and liabilities of the fund cannot be attributed to individual authorities. The Local Government Pension Scheme is administered by Shropshire Council and is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Overall the deficit on the Council's share of has reduced by £54.4m; this has been as a result of changes to scheme benefits and improved asset values. The estimated contributions expected to be paid into the local government pension scheme next year is £13.003m.

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Shropshire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change has reduced the IAS19 benefit obligations. This has resulted in a reduction in past benefit of £26.371m and this has been included in the Comprehensive Income & Expenditure Account as a separate line.

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

	2009/10 £000	**2010/11 £000**
Present Value of Funded Benefit Obligations	*(437,985)*	(408,225)
Present Value of Unfunded Benefit Obligations	*(10,140)*	(8,548)
Total Present Value of Benefit Obligations	*(448,125)*	(416,773)
Fair Value of Pension Fund Assets	*271,491*	294,478
Surplus/(Deficit)	*(176,634)*	(122,295)

Change in Benefit Obligation during year.

	2009/10 £000	**2010/11 £000**
Benefit Obligation at Beginning of Year	*(317,604)*	(448,125)
Current Service Cost	*(7,886)*	(12,820)
Interest on Pension Liabilities	*(22,487)*	(25,199)
Member Contributions	*(4,647)*	(4,549)
Past Service Cost	*(361)*	26,166
Actuarial Gain or (Loss) on Liabilities	*(108,364)*	35,079
Curtailment Cost	*(1,074)*	(971)
Benefits / Transfers Paid	*14,298*	13,646
Surplus / (Deficit) at End of Year	*(448,125)*	(416,773)

Change in Plan Assets during year.

	2009/10 £000	**2010/11 £000**
Fair Value of Plan Assets at Beginning of Year	*198,435*	271,491
Expected Return on Plan Assets	*12,091*	16,280
Actuarial Gain or (Loss) on Assets	*57,437*	2,801
Employer Contributions	*13,179*	13,003
Member Contributions	*4,647*	4,549
Benefits / Transfers Paid	*(14,298)*	(13,646)
Surplus / (Deficit) at End of Year	*271,491*	294,478

Statement of Gains and Losses

	2009/10 £000	*%*	**2010/11 £000**	**%**
Actuarial Gain/(Loss)	*(50,927)*	*11.4% of liabilities*	37,880	*9.1% of liabilities*
Actual Return on Plan Assets	*69,528*		21,957	
Experience Gains/(Losses) On Assets	*(57,437)*	*21.2% of assets*	2,801	*0.7% of assets*
Experience Gains/(Losses) On Liabilities	0	*0.0% of liabilities*	10,586	*2.5% of liabilities*

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

	2009/10		**2010/11**	
	£000	*%*	**£000**	**%**
Equity Investments	*171,311*	*63.1%*	192,000	65.2%
Government Bonds	*35,565*	*13.1%*	33,570	11.4%
Other Bonds	*29,050*	*10.7%*	29,448	10.0%
Property	*11,674*	*4.3%*	11,190	3.8%
Cash/Liquidity	*12,217*	*4.5%*	15,018	5.1%
Other	*11,674*	*4.3%*	13,252	4.5%
Total	*271,491*	*100%*	294,478	100%

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 is appropriate to each of the asset classes weighted by the proportion of the assets in the particular asset class. The rates are shown in the table below:

	2009/10	2010/11
Equity Investments	*7.5%*	7.5%
Government Bonds	*4.5%*	4.4%
Other Bonds	*5.2%*	5.1%
Property	*6.5%*	6.5%
Cash/Liquidity	*0.5%*	0.5%
Other	*7.5%*	7.5%

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 31st March 2010 and updated for the following 12 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31.03.2013, but the full analysis won't be available until later that year. The main assumptions used in the calculations are:

	2009/10	2010/11
- rate of inflation (RPI)	*3.3%*	3.4%
- rate of inflation (CPI)	*2.8%*	2.9%
- rate of increase in salaries	*5.05%*	4.4%
- rate of increase in pensions	*3.3%*	2.9%
- proportion of employees opting to take a commuted lump sum	*50%*	50%
- rate for discounting scheme liabilities	*5.6%*	5.5%
- longevity at 65 for current pensioners		
Male	*21.2*	21.9
Female	*24.1*	24.6
- longevity at 65 for future pensioners		
Male	*22.2*	23.3
Female	*25.0*	26.1

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 advantage of this change to the pension scheme.

Scheme History

	2006/07 £000	*2007/08 £000*	*2008/09 £000*	*2009/10 £000*	2010/11 £000
Present Value of Liabilities	*(337,648)*	*(375,240)*	*(317,604)*	*(448,125)*	(416,773)
Fair Value of Assets	*262,125*	*252,947*	*198,435*	*271,491*	294,478
Surplus/(Deficit) on scheme	*(75,523)*	*(122,293)*	*(119,169)*	*(176,634)*	(122,295)
Gains and Losses on Assets	*(0.6)%*	*9.0%*	*36.4%*	*(21.2%)*	(0.7%)
Gains and Losses on Liabilities	*0.0%*	*0.0%*	*0.0%*	*0.0%*	2.5%

Pensions Asset/Liability Account

	2009/10 £000	2010/11 £000
Opening Balance	*(119,169)*	(176,634)
Past Service Cost - Added Years	*(1,435)*	(1,176)
Current Service Cost	*(7,886)*	(12,820)
Interest Cost	*(22,487)*	(25,199)
Return On Assets	*12,091*	16,280
Payments to Pension Fund	*13,179*	13,003
Past Service Gain – Benefit Change	*0*	26,371
Actuarial Gain or (Loss)	*(50,927)*	37,880
Closing Balance	*(176,634)*	(122,295)

Pensions Reserve

	2009/10 £000	2010/11 £000
Opening Balance	*119,169*	176,634
Past Service Cost - Added Years	*1,435*	1,176
Charging Pensions Costs Payable	*(13,179)*	(13,003)
Reversing Out IAS 19 Items	*18,282*	(4,632)
Actuarial (Gain) or Loss	*50,927*	(37,880)
Closing Balance	*176,634*	122,295

43. Contingent Liabilities

At 31 March 2011, the Authority had no material contingent liabilities:

44. Contingent Assets

At 31 March 2011, the Authority had no material contingent assets.

45. Nature and Extent of Risks Arising from Financial Instruments

Fair Value of Assets & Liabilities

Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

We have worked in conjunction with Sector our treasury advisors to produce the following portfolio valuation

	Nominal/ Principal	Fair Value
	£000	£000
Financial Assets		
Fixed Term Deposits	60,000	67,157
Other	33	33

	60,033	67,190
Financial Liabilities		
Money Market Loans (LOBO's)	60,052	57,840
PWLB Loans	63,023	74,995
Temporary Loans	7,830	7,830
	130,905	140,665

The assets and liabilities are shown in the balance sheet at Nominal/Principal cost. What the above table shows is that the fair value of our assets (investments) is greater than that shown on the balance sheet due mainly to accrued interest. Conversely, the fair value of our liabilities is more than the amount held on the balance sheet due mainly to the penalties we would incur if we wanted to redeem our liabilities early.

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

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, we have used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

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

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

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

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

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

- Interest is calculated using the most common market convention, ACT/365

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

Exposure to Risk
The authority's activities expose it to a variety of financial risks:
- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum short term rating of A+, a minimum long term rating of F1+, a minimum support rating of 3, a minimum individual rating of C and a minimum sovereign rating of AA-. In conjunction with our treasury advisors these are overlaid with credit default swaps to produce a lending list governing both value and length of investment. The authority has a policy of not lending more than 20% of its surplus balances to one institution.
The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2011 £000s	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31 March 2010 %**	**Estimated maximum exposure to default and uncollectability £000s**
	A	B	C	A * C
Deposits with banks and financial institutions	60,000	0.0	0.0	0
Other	33	0.0	0.0	0
Debtors	26,029	12.0	19.0	4,935
Total	86,062	3.5	5.7	4,935

The Council has not experienced any defaults with any of the above counterparty types in the last 10 years. No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council has a number of long term (greater than 1 year) investments, the majority of these are with UK banks that are within the UK Government Guarantee Scheme and pose no risk of default. The current market conditions are unprecedented and our position will be continually monitored.

Liquidity risk
As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.
The maturity analysis of financial liabilities is as follows:

	2009/10 £'000	2010/11 £'000
Maturing in 1-2 years	*15,001*	6,001
Maturing in 2-5 years	*15,002*	13,002
Maturing in 5-10 years	*5*	4,505
Maturing in more than 10 years	*83,016*	83,015
	113,024	**106,523**

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 Income and Expenditure Account or STRGL. 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 Statement of Total Recognised Gains and Losses.
The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of £0 of its net borrowings and investments in variable rate loans (i.e. variable rate borrowing will not exceed variable rate investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.
The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

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

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

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

The **Available-for-Sale Reserve** is a new revaluation reserve introduced 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 2011 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	(35,645)	12,881	(22,764)	227.6
Fixed	(40,033)	118,024	77,991	0.0
Total	(75,678)	130,905	55,227	227.6

A 1% change in interest rates would have an impact on the budget of £127,600, this is as a result of that at 31st March 2011 we had more variable investments than variable borrowing. As the most likely next move in interest rates is upwards then this should lead to a net increase in investment income. Other considerations that the Council is managing ongoing are maturity profiles for both investments and borrowing.

Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)			Total Outstanding 2009/10 £'000	*2010/11 £'000*
Public Works Loan Board	2.58	-	8.875	53,024	46,523
Money Market Loans (LOBOs)	0.80	-	4.50	60,000	60,000
				113,024	**106,523**

An analysis of loans by maturity is:

	2009/10 £'000	*2010/11 £'000*
Maturing in 1-2 years	*15,001*	6,001
Maturing in 2-5 years	*15,002*	13,002
Maturing in 5-10 years	*5*	4,505
Maturing in more than 10 years	*83,016*	83,015
	113,024	**106,523**

	2010/11 £'000	*2009/10* *£'000*
Total Long Term Borrowing	*113,024*	106,523
Temporary Borrowing	*10,052*	24,382
Total Borrowing	***123,076***	**130,905**

In total fixed and temporary borrowing increased by £8m, from £123.076m to £130.905m during the year. This was entirely due to some temporary borrowing in late March, which was repaid in early April.

46. Area Based Grant

Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant in 2008/09. Previously, LAA grant was treated as Service Income and therefore reduced the overall Net Cost of Services in the Income and Expenditure Account. However, ABG is different as it is non ring-fenced i.e. there are no conditions on its use. It 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 ABG received by the Council in 2010/11 was £12.553m.

47. Income & Expenditure Account Deficit.

For 2010/11 the accounts show a surplus on the Income and Expenditure Account of £23.263m. The actual use of General Fund Balances was £0.896m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which form part of the Movement in Reserves Statement and summarised below:

Surplus on Income & Expenditure Account	£23.371m
Plus:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	£0.323m
Less:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£19.014m
Changes in Reserves	£5.576m
Actual Use of General Fund Balances	£0.896m

48. Investments

In total our investments have increased by £1.8m as a result of positive cashflow in late March.

The Council has a number of long term investments in external organisations, totalling £40.033m. The majority (£40.000m) relates to fixed term investments with banks. Investments are shown in the Balance Sheet at market value.

The council also has a number of short term investments totalling £20.000m. These have reduced over the year as the number of fund managers was reduced to zero. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

The element of our investments that are managed by fund managers is as follows;

	2009/10	**2010/11**
	£000	**£000**
Investec Asset Management	*19,811*	0
Total	***19,811***	**0**

The remainder of the investment sum is managed in house and includes a range of other investments such as callable deposits.

Summary of Investments

Category	***2009/10***	**2010/11**
	£000	**£000**
Long Term Investments		
Fixed Term Deposits	*40,000*	40,000
Other	*33*	33
Total Long Term	***40,033***	**40,033**
Short Term Investments		
Fixed Term Deposits	*9,000*	20,000
Fund Managers	*19,811*	0
Total Short Term	***28,811***	**20,000**
Cash & Cash Equivalent Investments	***5,000***	**15,645**
Total Investments	***73,844***	**75,678**

Fund Managers have been valued at "fair value through profit and loss", supranational bonds as an available for sale asset at fair value and all other investments are valued as "loans and receivables". See also note 10 on fair value.

49. 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 Authority is in the process of replacing it's Financial Management System, with the system still being under development at 31st March 2011, it is accounted for as an intangible asset under construction and has therefore not be depreciated in 2010/11.

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

	2009/10	2010/11
	£000	£000
Balance at start of the year		
- Gross Carrying Amount	0	0
- Accumulated Amortisation	0	0
Net Carrying Amount at Start of Year	0	0
Additions		
- Purchases	0	754
Amortisation for the Period	0	0
Net Carrying Amount at Year End	0	754
Comprising		
- Gross Carrying Amount	0	754
- Accumulated Amortisation	0	0
Total	0	754

50 Usable Capital Receipts Reserve

	2009/10 *£'000*	2010/11 £'000
Opening balance	*1,363*	36
Capital receipts received during year	*1,626*	1,611
Less		
Capital receipts used for financing during year	*(2,953)*	(1,635)
	36	**12**

The useable capital receipts reserve represents the capital receipts available to finance capital expenditure. The balance is already earmarked to fund an element of the committed capital programme.

51 Special Fund Revenue Account

	2009/10 Net Expenditure £'000	2010/11 Gross Expenditure £'000	2010/11 Income £'000	2010/11 Net Expenditure £'000
EXPENDITURE ON SERVICES				
Cemeteries	*105*	148	122	26
Highways – footway lighting	*723*	721	30	691
Total expenditure on services	***828***	**869**	**152**	**717**
INCOME				
Council Tax	*(815)*			(820)
(Surplus) or deficit for year	***13***			**(103)**
Special Fund				
Balance at beginning of the year	*200*			187
Surplus or (deficit) for year	*(13)*			103
Balance at end of year	***187***			**290**

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.

52. 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:-

	2009/10 £000	2010/11 £000
School Balances - Revenue	*3,103*	3,624
School Balances - Capital	*1,391*	1205
Total School Balances	***4,494***	**4,829**

53. Soft Loan

During the year the Council extended for 36 months a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 0.50% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. This is shown as a debtor on the Balance sheet at a fair value of £416,000 and a notional £84,000 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place which covers the full £500,000.

54. 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 £4.251m and the principal repayment in respect of the PFI lease was £1.760m giving a total provision of £6.011m in 2010/11 *(£5.359m in 2009/10).*

55. Building Control Account 2010/11

Expenditure	**Chargeable** **2010/11** **£'000**	**Non-Chargeable** **2010/11** **£'000**	**Total Building Control** **2010/11** **£'000**
Employee Expenses	236	147	383
Support Services	93	62	155
	329	209	538
Income			
Building Regulation Charges	354	201	555
	354	201	555
(Surplus)/Deficit	**(25)**	**8**	**(17)**
2009/10 (Surplus)/Deficit	***38***	***238***	***276***

56. 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 2010/11 expenditure on this totalled £19.299m and grant receivable amounted to £0.698m. 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.

57. Trust Funds

The Council acts as a Trustee for the Telford Trust, which provides the leisure facilities at Madeley Court Recreation Centre. The Trust is a separate legal entity whose full set of accounts are audited by independent auditors. In 2010/11 the accounts will be audited by Muras Baker Jones and we expect to receive an unqualified audit opinion.

THE TELFORD TRUST	***2009/10 £'000***	**2010/11 £'000**
Balance at 1st April	*466.169*	163.516
Income	*1,085.678*	1,070.124
Expenditure	*(1,119.331)*	(918.906)
Actuarial loss on defined benefit pension scheme	*(269.000)*	256.000
Balance at 31 March	***163.516***	**570.734**

The Council also operates a Common Good Fund which is used for various charitable purposes.

THE COMMON GOOD FUND	***2009/10 £'000***	**2010/11 £'000**
Balance at 1st April	*8.600*	8.600
Income	*0*	0
Expenditure	*0*	0
Balance at 31 March	***8.600***	**8.600**

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 2010/11 indicates the following:-

	General Fund		**Education**	
	2009/10 £'000	**2010/11 £'000**	***2009/10 £'000***	**2010/11 £'000**
Balance b/f	*1,025.879*	1,246.612	*1,33.,724*	1,186.724
Charges in the Year	*(412.192)*	(593.293)	*(150.000)*	(311.308)
Contributions	*632.925*	818.348	*0*	0
Balance c/f	***1,246.612***	**1,471.667**	***1,186.724***	**875.416**

The charges relate to additional premium costs and excesses and the contributions to interest. An analysis of the general fund reserve is as follows:

	General Provision		**Self Insurance**	
	2009/10 £'000	**2010/11 £'000**	***2009/10 £'000***	**2010/11 £'000**
Balance B/f	*571.662*	408.661	*454,217*	837.951
Charges In Year	(324.*936)*	(346.521)	*(87,256)*	(246.772)

Contributions	*161.935*	347.358	*470,990*	470.990
Balance c/f	**408.*661***	409.**498**	***837.951***	**1,062.169**

For 2010/11 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 and £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, liable and slander and officials indemnity claims.

59. Single Status

Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, which is a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process in not yet complete and it has been necessary to include a provision against the potential costs in the 2010/11 accounts, as was the case last year. The value of 4% of the relevant paybill has been included for the 4 years: £12.4m for Council Services and £3.1m for Schools. The 4% is based on average settlements made by other unitaries and was the % used for the 2010/11 budget process.

60. West Mercia Supplies Purchasing Consortium

West Mercia Supplies (WMS) is a Purchasing Consortium that was established in 1987. It is constituted as a Joint Committee, Telford & Wrekin Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Shropshire Council.

Telford & Wrekin Council has reviewed the accounting treatment that should be applied and has concluded that WMS 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 WMS' 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 2010/11 balances of WMS are included below, along with an analysis of this Council's share of those balances based on 21.3%. The WMS balance sheet has been provided by Shropshire Council, in their capacity as Section 151 Officer for West Mercia Supplies:

Extract from WMS Balance Sheet	**2010/11**	**T&W Share**
	£'000	£'000
Long Term Assets		
Property, Plant & Equipment	3,539	754
Intangible Assets	1	0
Long Term Debtors	1,733	369
Current Assets		
Inventories	3,182	678
Short Term Debtors	10,514	2,239
Cash and Cash Equivalents	403	86

Extract from WMS Balance Sheet	**2010/11**	**T&W Share**
	£'000	£'000
Current Liabilities		
Short Term Creditors	-10,174	-2,167
Long Term Liabilities		
Long Term Creditors	-1,733	-369
Other Long Term Liabilities	-3,704	-789
Total Assets Less Liabilities	**3,761**	**801**
Financed By		
Usable Reserves	-3,923	-836
Unusable Reserves	162	35
	-3,761	**-801**
Turnover	49,921	10,633

61. Landfill Allowances Trading Scheme (LATS)

The Landfill Allowances Trading Scheme was introduced in 2005/06 by the Department for Environment Food and Rural Affairs (DEFRA). Each Local Authority is given a landfill allowance for each year and either has to buy additional allowances if they exceed their limit or can sell any surplus allowances or carry forward for use in later years.

There are no allowances carrying forward from 2009/10 to 2010/11 and the value of allowances allocated and used for the year were valued at nil.

The values used for 2010/11 have been affected by the market for allowances which has been very low. We have decided that allowances are valued at £3.99 per tonne.
For 2010/11 this authority was allocated an allowance of 33,281 tonnes (valued at £0.133m) and used 32,647 tonnes (valued at £0.130m) of the allowance. This resulted in 634 tonnes (valued at £0.003m) of surplus allowances carrying forward to 2011/12.

The impact on the income and expenditure account is as follows. Environmental Services has additional expenditure of £130,261 and additional income of £132,791, a net income of £2,530 and this has reduced the overall deficit.

The impact on the balance sheet is as follows;

Liability to DEFRA for Landfill Usage

	2009/10 £'000	**2010/11 £'000**
Balance Brought Forward	*0*	0
Adjustment to previous year usage	*0*	0
Write out actual usage for previous year	*0*	0
Estimated usage for year	*0*	(130.261)
Balance Carried Forward	*0*	(130.261)

Landfill Allowances Asset Account

	2009/10 £'000	2010/11 £'000
Balance Brought Forward	*0*	0
Adjustment to pricing of Brought Forward Balance	*0*	0
Less Confirmed usage for previous year	*0*	0
Allowance for Year	*0*	132.791
Balance Carried Forward	*0*	132.791

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

2009/10		2010/11
£000		£000
(30,689)	Impairment and depreciation of property, plant and equipment and intangible assets	(28,249)
45	(Increase)/decrease in interest creditors	(45)
(7,142)	(Increase)/decrease in creditors	(9,246)
(5,002)	Increase/(decrease)in interest/dividend debtors	(6,606)
(7,786)	Increase/(decrease)in debtors	(225)
(103)	Increase/(decrease)in inventories	109
(6,538)	Pension Liability	16,459
807	Contribution (to)/from provisions	(1,841)
(106)	Carrying amount of non current assets sold	(4,224)
(74,060)	Carrying Amount of short and long term investments sold	(19,811)
(130,574)	**Total**	(53,679)

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

2009/10		2010/11
£000		£000
16,940	Capital grants credited to surplus or deficit on the provision of services	44,994
74,060	Proceeds from sale of short and long term investments	19,811
1,614	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,607
92,614	**Total**	66,412

Collection Fund Account

	2009/10 £'000	**2010/11 £'000**	*Notes*
Income			
Income from Council Tax	*57,168*	58,320	*1*
Transfers from the Council's General Fund			
– Council Tax Benefits	*13,472*	14,262	
– Transitional Relief	*0*	(1)	
– Discounts for prompt payment	*0*	0	
Income collectable from business ratepayers	*60,095*	61,420	*2*
Contributions			
- Towards previous year's Collection Fund deficit	*0*	0	
- Adjustment of previous years' community charges	*1*	0	
	130,736	**134,001**	
Expenditure			
Precepts and demands from Unitary, Fire, Police Authority and Parish Councils	*69,899*	71,803	*3*
Business Rates			
– Payment to national pool	*59,877*	61,202	
– Costs of collection	*217*	217	
Bad and Doubtful Debts/Appeals			
– Write Offs	*199*	88	
– Provisions	*(10)*	24	
Contributions			
- Towards previous year's estimated Collection Fund surplus	*100*	0	
- Adjustment of previous years' community charges	*0*	0	
	130,282	**133,334**	
Movement on fund balance (Increase)/Decrease	***(454)***	**(667)**	

Notes To Collection Fund Accounts

1. Council Tax Base for 2010/11

	Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings	*2009/10 Equivalent Band D Dwellings*
Band A	25,716	(3,807)	21,909	14,595	*14,600*
Band B	17,907	(2,004)	15,903	12,369	*12,251*
Band C	9,828	(970)	8,858	7,874	*7,787*
Band D	7,412	(293)	7,119	7,119	*7,079*
Band E	4,269	(248)	4,021	4,915	*4,841*
Band F	1,938	(107)	1,831	2,645	*2,603*
Band G	978	(58)	920	1,533	*1,528*
Band H	48	(16)	32	65	*64*
TOTAL	**68,096**	**(7,503)**	**60,593**	**51,115**	***50,753***
Adjustments for growth and losses				(511)	*(508)*
Taxbase for year				50,604	*50,245*
Average Council Tax for year				£1,418.92	*£1,351.64*

	2010/11 £'000	*2009/10 £'000*
Gross Yield	71,803	*69,876*
Less Benefits and Transitional Relief	(14,261)	*(13,472)*
Add increase in debit net of exemptions and relief's	778	*764*
	58,320	***57,168***

2. Income Collectable from Business Rate Payers

	2010/11 £'000	2010/11 £'000	*2009/10 £'000*
Effective non-domestic rateable value for year	160,575		*142,348*
Uniform Business Rate for year	41.4p		*48.5p*
Gross Yield for year		66,478	*69,039*
Less Reductions & Transitional Rate Relief		(5,058)	*(8,944)*
		61,420	***60,095***

The rateable value was £ 166,093,766 at 31.3.2011

3. Precepts on the Fund

	2010/11 £'000	*2009/10 £'000*
Telford & Wrekin Council	55,595	*54,172*
West Mercia Police Authority	9,044	*8,738*
Shropshire & Wrekin Fire Authority	4,241	*4,100*
Parish Councils	2,923	*2,889*
	71,803	***69,899***

4. Allocation of Fund Balance

	2010/11 £'000	*2009/10 £'000*
Telford & Wrekin Council	(1,422)	*(881)*
West Mercia Police Authority	(221)	*(136)*
Shropshire & Wrekin Fire Authority	(104)	*(64)*
	(1,747)	***(1,081)***

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
ABG	Area Based Grant
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
Best Value Performance Indicators (BVPI's)	A set of national performance indicators used to measure performance
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 budget 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 national pool of non domestic rates and the Council's own General Fund.
Comprehensive Income & Expenditure Account (CI&E)	Summarised income and expenditure during the year by service area
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
Revenue Expenditure funded from Capital under Statute (formerly	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

Deferred Charges)	stock issues, expenditure on properties not owned by the authority and amounts directed by the government.
Depreciation	The accounting term used to describe the write off of the reduction in value of a fixed asset due to wear and tear, passing of time
Dedicated Schools Grant (DSG)	Specific ring-fenced grant allocated by the Department for Education for the funding of schools
Discounts	The benefit obtained from re-scheduling debt
International Accounting Standard 19 (IAS19)	Accounting for Retirement Benefits – local authorities are required to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements. This creates a notional amount in the balance sheet and does not impact on council tax.
Damping	A method that is intended to provide stability in Local Authority funding. A "floor" guarantees a minimum increase in funding year on year for each authority. The cost of providing this minimum funding guarantee is funded by scaling back grant increases across other authorities.
Leases	A method of funding expenditure by payment over a defined period of time. An **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.
Local Area Agreement (LAA)	A Government initiative through which local authorities and partners deliver national outcomes in a way that reflects local priorities
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.
Outturn	Actual Expenditure 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 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 Formula Spending Share, 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 117	Refers to the aftercare required to be provided under Section 117 of the Mental Health Act 1983
Section 137	Section 137 of the Local Government Act 1972 gives authorities the power to undertake a limited amount of spending on activities for which it has no specific powers but which it considers 'will bring benefit to the area, or any part of it or some of its inhabitants'
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. For Telford & Wrekin this is the Corporate Director
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
Supranational Bonds	These are investments in Multilateral Development Bank Bonds which are very highly credit rated and safe bonds and are similar in nature to UK Government Gilts.
Trading Services	A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users.
Variance	The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend.
Virement	A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 20 SEPTEMBER 2011

2010/11 STATEMENT OF ACCOUNTS

REPORT OF THE HEAD OF FINANCE

PART A) SUMMARY REPORT

1.1 This report informs Members of the outcome of the audit of the Council's accounts for 2010/11 and presents the Statement of Accounts for approval.

1.2 In 2007 Central Government announced that the UK Public Sector would adopt International Financial Reporting Standards (IFRS), which are the accounting standards used across the commercial world. The 2010/11 Statement of Accounts are the first IFRS financial statements to be produced by Local Authorities.

1.3 The transition to IFRS has been very challenging as it includes changes to the financial statements, the notes and the prescribed accounting treatment for many items. It has also been necessary to re-state the 2009/10 balance sheet to provide comparative information.

1.4 In accordance with the Accounts and Audit (England) Regulations 2011, the Chief Financial Officer certified the draft statement of accounts prior to the 30th June. These were then 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 are now presented to members for approval, prior to publication. This Committee has delegated authority to approve the council's final audited Statement of Accounts.

1.5 KPMG, the Council's external auditors, have substantially completed their work and are in the final phase of the audit – an unqualified audit opinion is anticipated. As there are some audit areas still to complete delegated authority is requested so that the Head of Finance, in consultation with the Chairman of this Committee can finalise the statement of accounts, if the audit has not been finalised by the date of this meeting.

1.6 The audit has identified a number of changes to the accounts, which have been agreed and included in this final version. The outturn position of £0.083m underspend reported to Cabinet on the 21 June 2011 remains unchanged and none of the changes impact on the previously reported General Fund Balance.

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

2.0	**RECOMMENDATIONS**
2.1	**That Members approve the 2010/11 Statement of Accounts attached at Appendix I.**
2.2	**That, if the audit has not been fully completed by the date of this meeting, delegated authority be granted to the Head of Finance, in consultation with the Chairman of the Audit Committee, 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 Priority Plan objective(s)?	
	Yes	Delivery of all priority objectives depend on the effective use of available resources. Regular financial monitoring helps to highlight variations from plan.
	No	
TARGET COMPLETION/DELIVERY DATE	To publish audited accounts by the end of September 2011.	
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 2011 Code of Practice on Local Authority Accounting and the 2011 Accounts and Audit Regulations.
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	
IMPACT ON SPECIFIC WARDS	No	*Borough Wide*

4.0 PREVIOUS MINUTES

Cabinet – Service & Financial Planning Report – 21 June 2011
Council – Service & Financial Planning Report – 23 June 2011

5.0 INFORMATION

5.1 The 2010/11 outturn position was reported to Full Council on the 21 June 2011. In accordance with the Accounts and Audit (England) Regulations 2011, the Council is required to prepare formal Statement of Accounts in a prescribed format, which for 2010/11 is following International Financial

Reporting Standards. The Chief Financial Officer certified the draft statement of accounts at the end of June. These were then made available for public inspection and provided to the external auditors to undertake the audit of accounts.

5.2 The final overall underspend of £83,000 (-0.07% of net budget) is the same as previously reported to members in June.

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

(i) Changes to the treatment of Investment Property revaluations which have to go through the Income & Expenditure Account

Revaluation Reserve	DR	£2.807m
Capital Adjustment Account	CR	£2.807m
I & E Investment income/expenditure	DR	£1.471m
Movement in Reserves	CR	£1.471m
Revaluation Reserve	CR	£1.471m
Capital Adjustment Account	DR	£1.471m

(ii) Reclassification of a number of assets which had been shown as Assets Held for Sale and should have been Investment Properties

Balance Sheet – Investment Properties	DR	£3.173m
Balance Sheet – Assets Held for Sale	CR	£3.173m

(iii) A number of payments made in March relating to 2011/12 which were netting down creditors and needed to be shown as pre-payments

Balance Sheet – Assets – prepayments	DR	£1.615m
Balance Sheet – Liabilities –creditors	CR	£1.615m

(iv) Treatment of accrued annual leave classed as a provision (officers followed CIPFA guidance) but required to be a creditor accrual by KPMG - £3.682m equal adjustments to creditor accruals and provisions

Balance Sheet – Provisions	DR	£3.682m
Balance Sheet – Creditors	CR	£3.682m

(v) Treatment of the change in Priorslee Primary being transferred to an academy; shown as an impairment but should be a disposal - £1.192m equal adjustments to other operating expenditure (loss on disposal) and cost of services (impairment)

I & E Account – Loss on Disposal	DR	£1.193m
I & E Account - Impairment	CR	£1.193m

(vi) Property, Plant & Equipment – change to de minimus capital expenditure requiring recognition of groups of assets previously impaired in year:

I & E Account – impairments	CR	£11.992m
I & E Account - Depreciation	DR	£1.230m
Balance Sheet – Property, Plant, Equip.	DR	£10.762m
Balance Sheet – Movement in Reserves	DR	£10.762m
Capital Adjustment Account	CR	£10.762m

(vii) Reclassification of an asset under construction as an intangible asset requiring a movement between the two classes of asset

Balance Sheet – Property, Plant, Equip.	CR	£0.754m
Balance Sheet – Intangible Assets	DR	£0.754m

(viii) Pension costs – changes to treatment in 10/11 to ensure consistency with 9/10 and including expenditure in net cost of services

I & E Account – Pension Costs	DR	£1.176m
Movement in Reserves	CR	£1.176m

(ix) Treatment of capital grants – grants had been taken directly to reserves instead of being recognised in the Income & Expenditure Account first

I & E Account – Specific Grant Income	CR	£45.518m
I & E Account – Other Expenditure	DR	£0.022m
Movement in Reserves Statement	DR	£45.496m

The final statement of accounts including all agreed amendments is attached at Appendix 1.

5.4 We once again anticipate receiving an unqualified audit report.

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

6.0 BACKGROUND PAPERS

2010/11 Draft Statement of Accounts
2010/11 Outturn Report
2010/11 Budget Book
General Ledger Reports
2010/11 Code of Practice on Local Authority Accounting
Accounts and Audit (England) Regulations 2011

Report Prepared by: Pauline Harris, Corporate Finance Manager, 01952 383701
Bernie Morris, Finance Manager, 01952 383702

cutting through complexity™

Report to those charged with governance (ISA 260) 2010/11

Telford & Wrekin Council

20 September 2011

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

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

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Michael McDonagh, the appointed engagement lead to the **Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.**

Section one

Introduction

This report summarises:

- **the key issues identified during our audit of Telford & Wrekin Council's ('the Authority's) financial statements for the year ended 31 March 2011; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

We do not repeat matters we have previously communicated to you. In particular, we draw your attention to our *Interim Audit Report 2010/11*, presented to you on 27 June 2011, which summarised our planning and interim audit work

Financial statements

Our audit of the financial statements can be split into four phases:

Planning → Control Evaluation → Substantive Procedures → Completion

We previously reported on our work on the first two stages in our *Interim Audit Report 2010/11* issued in June.

This report focuses on the final two stages: substantive procedures and completion. It also includes any additional findings in respect of our control evaluation that we have identified since we issued our *Interim Audit Report 2010/11*.

Our final accounts visit on site took place between 4 July 2011and 29 July 2011, and has continued off-site into September 2011 as we worked with officers to complete the audit work. During this period, we carried out the following work:

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

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

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

We have also now completed our work in respect of the 2010/11 VFM conclusion. This included the work to address the specific risk areas identified in our *Audit Fee Letter 2010/11*.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2010/11 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

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

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	Our audit is currently ongoing and we will update you on our progress at the Audit Committee.
Audit adjustments	To date, our audit has identified a total of 11 audit adjustments with a total gross value of £114.6m. A number of these adjustments impact upon the surplus on provision of services for both 2009/10 and 2010/11 and also upon the net worth for 2010/11. These adjustments had no impact upon the General Fund balance in either year. The impact upon net worth relates to a reversal of impairments charged in relation to deminimis assets which, subsequent to our audit work, are have now been grouped and being held within Property, Plant & Equipment. These are now being depreciated over the life of the asset as opposed to having been fully impaired in the year of acquisition. This has also had a significant impact upon the surplus on provision of services. Additional changes to the surplus on provision of services have arisen primarily from the need to recognise income through the Comprehensive Income & Expenditure Account in relation to capital grants where the conditions are met during the year. Further significant adjustments were required in order to account for fair value movements on Investment Properties which has originally been incorrectly taken to the revaluation reserve and pension costs not recognised in the Comprehensive Income & Expenditure Account . As a result we have incurred additional costs over and above our normal audit and are currently in discussions with officers with regards to these. The net impact of the adjustments identified to date is to: ▪ Reduce the deficit on provision of services for 2009/10 by £20.2m ▪ Change the deficit on provision of services for 2010/11 to a surplus of £23.4m, a movement of £53.6m; and ▪ Increase the net worth of the Authority as at 31 March 2011 by £10.8m. We have included a full list of significant audit adjustments at Appendix 3. All of these were adjusted by the Authority. We have raised recommendations in relation to the matters highlighted above requiring the Authority to: ▪ Ensure that a more thorough review of the draft financial statements is undertaken by senior management so as to identify errors and presentation issues at an earlier stage; and ▪ Undertake a more robust review of the Code and IFRS on an annual basis in order to ensure that any changes are identified and that the technical knowledge of those involved in the preparation of the financial statements remains up-to-date. These recommendations are summarised in Appendix 1. In addition, we identified a number of presentational issues that required amendment which are summarised at Appendix 4. All of these were amended by the Authority.

Headlines (continued)

This table summarises the headline messages. The remainder of this report provides further details on each area.

Critical accounting matters	We have worked with officers throughout the year to discuss specific risk areas. We are working with the Authority to ensure the issues identified are appropriately addressed. There are two main issues that need to be resolved as part of the audit and we are continuing our work on these with the Authority's officers, these are as follows: ■ In relation to the IFRS requirements relating to componentisation of assets the Authority developed a policy based upon a set of thresholds. In 2010/11 the application of this policy to new and revalued assets has resulted in no componentisation being undertaken and we are still reviewing this as part of audit. However, should the same result occur in 2011/12 then the Authority will need to reconsider the policy and specifically the thresholds applied. ■ The Authority is currently operating two deminimis levels in relation to Capital Accounting. The first level allows any qualifying expenditure over £1,000 to be treated as capital expenditure whilst the second level results in any assets with a purchase cost of less than £50,000 being immediately impaired and removed from the Fixed Asset Register. In 2010/11 the value of additions and impairments arising from this approach, post audit differences, exceeded £9m and we are still reviewing the appropriateness of this as part of our audit. In relation to such thresholds the Code states that they should be harmonised.
Accounts production and audit process	Whilst we have noted an improvement in the general quality of supporting working papers we nevertheless did encounter a number of difficulties during our audit. In common with most local authorities, with the implementation of IFRS, and as a result we have identified a large number of presentational errors in the draft Accounts. However, as stated we acknowledge that 2010/11 has been a difficult year due to the implementation of a new Financial Ledger and the IFRS restatement; and in addition we acknowledge that due to the restructuring taking place throughout the year this too impacted on the accounts production process. Despite this, we consider that improvements are needed in order to strengthen the accounts production process. Recommendations relating to this have been included at Appendix 1. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. However, we identified a number of areas where the production of the accounts was not as technically robust as we had expected, and this will need to be improved .These areas included Investment Properties and Capital Grants. The Authority has implemented the majority of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to agreement of final adjustments, the issues detailed above, our internal quality review processes and receipt of the management representation letter. Before we can issue our opinion we require a signed copy of the management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Headlines (continued)

This table summarises the headline messages. The remainder of this report provides further details on each area.

VFM risk areas	We have considered the specific VFM risks we set out in our *VFM Audit Plan 2010/11*. Key findings from this work are: ■ The Restructuring Programme is operating to timetable and the Authority expects it to deliver the desired savings. ■ The implementation of Single Status has been delayed until 2014, with no contribution to the Single Status accrual being made in 2011/12. ■ The risks related to the Railfreight Terminal are mitigated through the terms of the arrangement meaning that the Authority has no obligation to contribute towards losses incurred by the operator.

Proposed opinion and audit differences

Our audit has identified a total of 11 audit adjustments with a total gross value of £114.606m

The impact of these adjustments is to:

- **Decrease the deficit on provision of services for 2009/10 by £20.182m;**
- **Change the deficit on provision of services for 2010/11 to a surplus of £23.371m, a movement of £53.574m; and**
- **Increase the net worth of the Authority as at 31 March 2011 by £10.795m.**

Proposed audit opinion

Our audit is currently ongoing and we will update you on our progress at the audit committee.

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.

Our audit identified a total of 11 audit adjustments with a total gross value of £114.61m.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2011.

There is no net impact on the General Fund balance as at 31 March 2011 as a result of audit adjustments identified.

Of the other audit adjustments we have identified, the most significant in monetary value are as follows:

- Income from Capital Grants where the attached conditions had been met during the year and not been recognised in the Comprehensive Income & Expenditure Account. The value of this income was £45.5m for 2010/11 (£17.9m for 2009/10). The income had already been taken to the appropriate reserves so there was no impact upon the Authority's Net Worth.
- From a review of capital expenditure under the £50,000 deminimis threshold a number of additional assets were identified for inclusion on the Fixed Asset Register. This resulted in impairments being reduced by £11.99m, additional depreciation of £1.2m and a net increase in Property Plant & Equipment of £10.76m.

Movements on the General Fund 2010/11

£m	Pre-audit	Post-audit
Surplus or (deficit) on the provision of services	(30.203)	23.371
Adjustments between accounting basis & funding basis under regulations	34.883	(18.252)
Transfers to/ from earmarked reserves	(5.576)	(6,015)
Increase/decrease in General Fund	**(0.896)**	**(0.896)**

Balance Sheet as at 31 March 2011

£m	Pre-audit	Post-audit
Property, plant and equipment	293.641	303.682
Other long term assets	86.621	90.547
Current assets	64.930	63.373
Current liabilities	(106.405)	(108.021)
Long term liabilities	(300.485)	(300.484)
Net worth	**38.302**	**49.097**
General Fund	3.263	3.263
Other reserves	35.039	45.834
Total reserves	**38.302**	**49.097**

Proposed opinion and audit differences (continued)

The wording of your Annual Governance Statement accords with our understanding.

We have provided a summary of significant audit differences in Appendix 3. These have been adjusted in the final version of the financial statements.

In addition, we identified a large number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2010 ('the Code')*. The Authority has addressed these issues.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Critical accounting matters

We have worked with officers throughout the year to discuss specific risk areas. The Authority has addressed the issues appropriately.

In our *Financial Statements Audit Plan 2010/11*, presented to you in March 2011, we identified the key risks affecting the Authority's 2010/11 financial statements.

In our *Interim Audit Report 2010/11* we commented on the Authority's progress in addressing these key risks. We highlighted that the work in relation to the IFRS Conversion was ongoing, as the restatement had not been finalised by the Authority, and that regular meetings were ongoing in relation to the implementation of Single Status.

We have now completed our testing of these areas and set out our final evaluation following our substantive work.

The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
IFRS Conversion	The preparation of financial statements under IFRS contains a number of significant differences compared to the previous financial reporting regime. The Authority will need to ensure that compliance with each standard is achieved.	We completed our audit of the IFRS restatement as part of our substantive testing in relation to the draft financial statements. A number of the audit differences identified in relation to the 2010/11 financial statements arose due to not correctly applying the requirements of IFRS. As a result of this, these differences required similar adjustments to be made to the IFRS restatements for 2008/09 and 2009/10. Details of the adjustments are included in the narrative provided in Appendix 3.
Financial Standing	The Authority faces a cut in grant funding of £13.6m in 2011/12 as central government's cuts to local authority funding are 'front-loaded'. Telford and Wrekin have responded to the challenge with a comprehensive review and restructure of its corporate management team and is in the process of a systematic review and restructure of its services. This, along with one-off savings and a £1.4m use of balances, has plugged the gap for the 2011/12 budget.	We are reporting our findings in relation to this issue in Section 4.

Critical accounting matters (continued)

As a result of our audit we have identified two key areas of risk that will need to be addressed going forward:

- **Review of the Fixed Asset Componentisation policy should there be no impact resulting from its application in 2011/12;**
- **Review of the Capital Accounting thresholds utilised by the Authority to ensure full compliance with the Code.**

Key audit risk	Issue	Findings
Equal Pay Claims	The Authority has yet to implement Single Status and has postponed its original implementation date. The Authority will need to also ensure that any provision in its accounts for the back pay costs element is made on the basis of the most accurate and up to date information.	We are continuing to meet with relevant senior staff in order to discuss the Authority's progress in relation to Single Status and will continue to do so in order to review the methodology adopted and their assessment of the need for any provision in the financial statements. The implementation of Single Status has been delayed until April 2014. In our *ISA 260 Report 2009/10* we raised a recommendation requiring the Authority to ensure they achieved implementation by June 2011. This has new been superseded by a new recommendation based upon the new implementation date.

In addition to the above we identified two further areas of risk that we are still working on with the Authority, and which will also require further consideration during 2011/12.

Key audit risk	Issue
Component Assets	The Authority has implemented a policy in relation to the IFRS requirements for component accounting. This policy is based upon the application of a series of thresholds relating to the asset's value and useful economic life. The application of this policy to additions and revalued assets in 2010/11 has resulted in no componentisation being undertaken, we are currently reviewing the appropriateness of this. If the same occurs in relation to the 2011/12 financial statements then the Authority should reconsider its policy.
Capital Accounting Deminimi	The Authority currently operates two deminimis levels in relation to Capital Accounting. This first allows any qualifying expenditure over £1,000 to be treated as capital expenditure whilst the second results in any assets with a purchase cost of less than £50,000 being immediately impaired and removed from the Fixed Asset Register. In 2010/11 the value of additions and impairments arising from this approach exceeded £9m and we are still carrying out audit work reviewing this. The Authority should review the thresholds in order to ensure that they comply fully with the Code which requires that they should be harmonised.

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers.

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

The Authority has implemented the majority of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.

Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	Whilst the Authority has improved the quality of its supporting working papers the level of adjustments identified is indicative of weaknesses in the accounts production process. Further improvements to the process should be achieved by ensuring that a robust review of the draft financial statements is undertaken by senior management, by allocating additional staffing to the process, and by undertaking a thorough more comprehensive of the Code on an annual basis We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 1 July 2011.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued in April 2011 and discussed with the Finance Manager, set out our working paper requirements for the audit. The quality of working papers provided was variable but met the standards specified in our *Accounts Audit Protocol* and evidenced an improvement on the prior year.
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time. In some cases, however, we experienced delays, specifically where the Authority's staff who prepared the working papers were not available during the audit. Where such difficulties were encountered, those staff who were available offered assistance in progressing the query as far as possible until the main contact returned.

As a result of the above we have raised a recommendation in respect of the review of the draft financial statements and the level of staffing allocated to the preparation of the financial statements. Details of these recommendations are included in Appendix 1.

Prior year recommendations

In our *Interim Audit Report 2010/11* we commented on the Authority's progress in addressing the recommendations in our *ISA 260 Report 2009/10.*

The Authority has now implemented the majority of the recommendations in our ISA 260 Report 2009/10 relating to the financial statements. The only exception to this in in relation to the implementation of Single Status due to the Authority delaying implementation until April 2014.

Appendix 2 provides further details.

Completion

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

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

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

In addition to the standard representations we are seeking specific representations in relation to the completeness of provisions and contingent liabilities.

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 & Wrekin Council for the year ending 31 March 2011, we confirm that there were no relationships between KPMG LLP and Telford & Wrekin Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 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 Section 151 Officer. We require a signed copy of your management representations before we issue our audit opinion.

In addition to the standard representations we are seeking specific representations in relation to the completeness of provisions and contingent liabilities.

For 2010/11 we are seeking a specific representation in relation to the completeness of provisions and contingent liabilities disclosed on the Balance Sheet.

Other matters

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

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc.);
- other audit matters of governance interest.

There are no others matters which we wish to draw to your attention.

New VFM audit approach

We follow a new VFM audit approach this year.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Overview of the new VFM audit approach

For 2010/11, auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit

The key elements of the VFM audit approach are summarised in the diagram below.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

The following pages include further details on the specific risk-based work.

Specific value for money risks

We have considered the specific VFM risks we set out in our *VFM Audit Plan 2010/11*.

Key findings are:

- **The Restructuring Programme is operating to timetable and the Authority expects it to deliver the desired savings.**
- **The implementation of Single Status has been delayed until 2014, with no contribution to the Single Status accrual being made in 2011/12**
- **The risks related to the Railfreight Terminal are mitigated through the terms of the arrangement meaning that the Authority has no obligation to contribute towards losses incurred by the operator.**

Our risk assessment was included in our *VFM Audit Plan 2010/11* and we set out our preliminary findings in respect of these risks in our *Interim Audit Report 2010/11*.

We have completed our work on these risk areas and summarise our findings below, together with any implications for our VFM conclusion.

VFM risk	Focus of work	Preliminary assessment
 	The Commission will be publishing a national study in May 2011 on the impact of the 2011/12 local government settlement on councils' finances. The study will examine the approaches taken by councils in responding to the need to make savings and to managing with less. To support the study, we are required to complete a survey which will capture: ■ information on the financial stability of the Council following the 2011/12 settlement, focusing in particular on the capacity of the Council's 2011/12 draft budgets to secure this stability; and ■ actions used by the Council to secure the necessary savings in its 2011/12 draft budget and any resulting implications for service provision. The information collected in the survey will be closely based on the financial resilience criterion of the value for money conclusion and forms a mandatory part of auditors' work programmes at all single-tier, county and district councils.	We reported on our work relating to the Audit Commission study as part of our *Interim Audit Report 2010/11*. The key findings from the report are repeated below and updated where necessary. As at February 2011, the Authority was forecasting to be within budget at year end. This was after setting aside £1.4 million from the restructure and operational efficiencies delivered in 2010/11 for the 2011/12 budget strategy. The year end position showed a reduced use of General Fund balances when compared to the budget. The Authority's Medium Term Financial Plan (MTFP) 2010-13 was based upon the provisional funding settlement it received, with an assumption that there would be a 5% reduction in its Revenue Support Grant and specific grants for both 2011/12 and 2012/13. The Authority has identified those areas with continued demand pressures and, through its financial planning processes, is protecting these areas from funding reductions. Furthermore, additional investment has been made were necessary, such as Adult Social Care which received £1.7 million of reinvested funding and Looked After Children which received an addition £1.4 million. However, it should be noted that we have not undertaken specific audit work to verify the delivery of savings and the Authority must ensure it has robust and appropriate monitoring and reporting mechanisms in operation over this key area.

Specific value for money risks

VFM risk	Focus of work	Preliminary assessment
Service Restructuring Programme	We will review the Council's restructuring programme and assess the robustness of proposals for delivering savings necessary to meet funding reductions. We will meet key officers to discuss the approach for restructuring, the impact on services and the capacity to deliver required savings.	The restructuring steering group which is led by a corporate director reports directly to the Corporate Management Team. The process is well established with direct links to the Authority's savings strategy and is aligned to work involved with Single Status. Union consultation is also being managed in a consistent and thorough way. Detailed, step-by-step, project plans have been created for each stage of the restructuring. Performance against these plans is monitored to ensure deadlines are met and that expected savings are realised. Of the total savings required, 40% will be realised from vacant posts, temporary positions and agency staff savings. Funding of £3.9m has been identified and set aside in relation to redundancies. From a review of the savings achieved to date and the performance monitoring of savings plans, at the current time the Authority would appear to be on track to deliver against the overall timetable and achieve its required savings. However, this is an area which we continue to monitor as part of our ongoing audit work.
Capital Programme	We will review the Council's capital programme and projections of capital receipts. We will discuss with key officers the likelihood of projected receipts materialising, and assess whether necessary action is being taken if projections of receipts change as a result of market conditions.	The newly elected Administration will undertake an immediate review of the capital programme with a view to reducing the Authority's exposure to prudential borrowing, and capital receipt dependency. No decisions will be taken to increase the medium/long term exposure until there is a clear pattern of receipts being delivered, in line with plans. The Authority is no longer moving to a new civic offices development. This has allowed for alternative developments to be undertaken. Current interest indicates that the value of external contributions from this and other capital sales will exceed the original planned value for capital receipts. The Authority is undertaking regular, internal, reviews of planned capital receipts to ensure they are still validly anticipated and the assumed value remains reasonable.

Specific value for money risks

VFM risk	Focus of work	Preliminary assessment
Single Status	We will discuss progress in its implementation plan with officers and review the likely financial implications as its pay modelling progresses.	Single Status is being project managed by Organisational Improvement, project scoping and activities are being aligned to the changes resulting from restructuring. Single Status has a well established steering group (led by the corporate director responsible for restructuring) and reports to the Corporate Management Team. There are bi-weekly negotiation meetings with the trade unions. The implementation of Single Status has been delayed until April 2014. In our *ISA 260 Report 2009/10* we raised a recommendation requiring the Authority to ensure they achieved implementation by June 2011. As a result this our prior year's recommendation has now been superseded by a new recommendation based upon the new implementation date of April 2014.
Railfreight Terminal	We will discuss with relevant officers progress made in securing major customers for the Railfrieght Terminal. We will review monitoring of the financial viability of the terminal and the robustness of projections for future use and income.	The Authority provide support and assistance to the Railfreight Terminal operator in seeking new customers through providing local knowledge. However, this is not the Authority's responsibility and resides with the Terminal Operator. The arrangement between the Authority and the Operator is such that the Authority does not receive an annual fixed rental from the lease, but will get a share of any profits in due course. The Authority does not have any obligation to contribute towards any losses incurred by the operator at any point during the lease.

Appendix 1: Key issues and recommendations

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

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year prior to the commencement of our substantive audit work.

Priority rating for recommendations		
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.	***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.	***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.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	(two)	Due to the Council-wide restructure programme , the on-going job evaluations and job specification finalisation the Authority decided to delay the implementation of Single Status until April 2014. Nevertheless, the Authority must now ensure it implements Single Status by April 2014 with appropriate monitoring of milestones through the year to ensure this is achieved. In addition, as implementation progresses, the Authority should ensure that it uses the most up to date information and relevant case law precedents, whilst taking into account any other changing circumstances so that it more accurately reflects the likely financial cost within its Medium Term Financial Strategy. The Authority needs to ensure that further slippage in implementing Single Status is avoided where possible.	The Council has a project plan and resources to meet the current target date of April 2014 and will monitor and take action in respect to any financial implications that may arise. The equal pay risk will be assessed during the pay modelling part of the implementation process. ▪ Meredith Evans – Corporate Director ▪ Ken Clarke – Head of Finance ▪ Debbie Germany – Project Manager ▪ On-going

Appendix 1: Key issues and recommendations (continued)

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
2	● (two)	As a result of our audit work we identified a large number of presentation issues, casting errors and instances where notes did not agree back to the primary statements. These issues are seen as being indicative on an insufficient level of independent review being undertaken in relation to the draft financial statements. The Authority should ensure that a robust review of the draft financial statements is undertaken so as to ensure that such issues are identified and addressed.	The financial statements were reviewed within the resources and time available to complete the draft Statement of Accounts so that they were available for the beginning of the audit. 2010/11 was a particularly challenging year with the transition to IFRS which was a significant change. Preparation of the accounts for 2010/11 coincided with the recruitment phase of the Finance restructure process so the additional resource allocated to corporate finance to support accounts preparation was not in post when the accounts were prepared. However, this post is now occupied and will be made available to assist with reviewing the draft accounts prior to audit for 2011/12. ▪ Ken Clarke - Head of Finance ▪ 2011/12 Financial Statements
3	● (one)	Our audit work highlighted that a substantial portion of the audit differences identified arose due to the changes arising following the move from UK GAAP to IFRS as implemented by the Code. The Authority should undertake a thorough review of the Code and IFRS is undertaken on an annual basis so as to ensure that any changes are identified and actioned in the preparation of the financial statements. In addition, in such key areas, the technical expertise within the Authority may require further improvement and the Authority should identify any knowledge and skill gaps within the team, and implement an action plan which includes provision of further training where required.	As part of the audit fee it had been agreed that KPMG would provide 15 consultancy days specifically to advise and assist with the transition to IFRS. Resources available to complete the Statement of Accounts are limited and the Council was relying on this technical input from KPMG to review working papers and disclosure notes and provide detailed guidance. This was planned to be a separate piece of work prior to the commencement of the audit and a number of documents had been sent to KPMG for review/comment. Whilst 8 days support was provided and was very helpful, 7 of the planned consultancy days were not provided ahead of the audit. Consequently, this meant that there were more findings during the audit. As previously mentioned, the restructure process has allocated additional resource which should assist accounts preparation for 2011/12 which will also be subject to much less change in accounting requirements than 2010/11 which has been an exceptional year.. ▪ Ken Clarke - Head of Finance ▪ 2011/12 Financial Statements

Appendix 1: Key issues and recommendations (continued)

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
4	(two)	Currently the responsibility for the preparation of the financial statements and supporting notes resides primarily with the Finance Manager. Due to the pressures involved with this, and the other responsibilities the Finance Manager has with the Authority, it will be necessary to ensure that additional support is offered. The Authority should ensure that additional staffing is allocated to the preparation of the financial statements. Such staffing should also be available to offer support through the audit process.	The new Finance Structure includes a part-time accountant providing support to the Finance Team Leader who prepares the accounts. In addition, reports will be developed in the new Financial Management System to streamline the production of information. It should be noted however that following the restructure process, the Finance team overall is 20% smaller which impacts on the capacity at year end. ▪ Ken Clarke - Head of Finance ▪ 2011/12 Financial Statements
5	(two)	Whist our discussions with Senior officers, the Leader and two Cabinet Members confirmed that financial monitoring is carried out, we consider that the unprecedented financial pressures would warrant more frequent formal monitoring of the Authority's finances than the current quarterly reporting to Members. The Authority should review if its current arrangements and formats for financial reporting remain appropriate in the context of the current financial pressures. This should consider specifically if : ▪ more frequency formal reporting is needed; ▪ a greater level of detail on the savings plans would be beneficial, such as an assessment of the risk attached to the delivery of specific proposals; and ▪ if the focus should be on gross rather than net budgets.	Although financial monitoring is only taken to Cabinet quarterly, lead Members and SMT receive regular updates in between. Finance Teams work closely with Heads of Service and their management team providing financial advice and guidance throughout the year – providing financial comments/implications to all reports going forward to Cabinet, working on re-structure and service review rationales, supporting the identification and delivery of savings and continually reviewing and updating the Council's rolling budget model/strategy. Savings proposals and the associated risks are reviewed in detail as part of the budget planning process. ▪ Ken Clarke - Head of Finance ▪ Ongoing

Appendix 2: Follow up of prior year recommendations

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2009/10.*

Where recommendations have not been implemented they have been included as new recommendations in Appendix 1.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2009/10* and re-iterates any recommendations still outstanding.

We identified one recommendation that had not been implemented. This related to the implementation of Single Status. Given the change in the Council's implementation date for Single Status we have replaced this with a new recommendation at Appendix 1.

Number of recommendations that were:	
Included in original report	4
Implemented in year	2
Superseded (see appendix 1)	1
Not accepted	1
Remain outstanding	0

Appendix 3: Audit differences

Key Corrected Audit Differences have been identified as follows:

- **Income from Capital Grants where the attached conditions had been met during the year and not been recognised in the Comprehensive Income & Expenditure Account.**
- **From a review of capital expenditure under the £50,000 deminimis threshold a number of additional assets were identified for inclusion on the Fixed Asset Register. This resulted in impairments being reduced by £11.99m, additional depreciation of £1.23m and a net increase in Property Plant & Equipment of £10.76m**

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 the Authority's 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.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Telford & Wrekin Council's financial statements for the year ended 31 March 2011. All of these adjustments have been corrected in the revised set of Financial Statements.

Impact					Basis of audit difference
Income and expenditure statement	Adjustments btw. accounting basis & statute	Assets	Liabilities	Reserves	
CR Specific Grant Income (£45.518m) DR Other Expenditure £0.022m	DR Movement in Reserves Statement £45.496m				Under the Code Capital Grants are recognised as income when any conditions attached to them have been recognised. The income is then transferred to either the Capital Adjustment Account or Capital Grants Unapplied dependent upon whether or not the expenditure has been incurred. Rather than recognising the income in the Comprehensive Income & Expenditure Account, the Authority had taken it directly to the relevant reserve. In addition, some movements in relation to PFI/Leases had also been taken directly to the appropriate reserve. We identified the same issue in relation to the 2009/10 restatement. The values are as follows: CR Specific Government Grants (£17.858m) CR Other Expenditure (£1.285m) DR General Fund 19.143m

Appendix 3: Audit differences (continued)

Impact					Basis of audit difference
Income and expenditure statement	Adjustments btw. accounting basis & statute	Assets	Liabilities	Reserves	
CR Impairment (£11.992m) DR Depreciation £1.230m	DR Movement in Reserves Statement £10.762m	DR Property Plant & Equipment £10.762m		CR Capital Adjustment Account (£10.762m)	The Authority operates two deminimis thresholds in relation to capital accounting. The combined effect of these thresholds is that any capital expenditure between £1,000 and £50,000 will be recognised as an addition and then immediately impaired to nil value. During 2010/11 the value of spend falling within this treatment was £21.188m. We requested the Authority to review the assets included within this spend in order to identify additional assets that could be grouped or otherwise recognised and retained on the Fixed Asset Register. As a result of this a number of additional assets were identified, resulting in a reversal of impairments and additional depreciation being recognised.
			DR Provisions £3.682m CR Employee Benefits & Payroll Payables (£3.682m)		The Authority had interpreted the IFRS transitional guidance issued by CIPFA to mean that the value of employee benefits accrued at year end, i.e. untaken annual leave, should be recognised as a provision. Whilst the wording of the CIPFA guidance indicated that this was an acceptable approach, the Code and IFRS require that an accrual be created rather than a provision. The same issues exists in relation to the restated balances for 2009/10 (£3.772m) and 2008/09 (£3.290m).

Appendix 3: Audit differences (continued)

Impact					Basis of audit difference
Income and expenditure statement	**Adjustments btw. accounting basis & statute**	**Assets**	**Liabilities**	**Reserves**	
		DR Investment Property £3.173m CR Assets Held for Sale (£3.173m)			We identified that during 2010/11 the Authority had reclassified two assets from Investment Property to Assets Held for Sale. Under IFRS once an asset is classified as Investment Property it remains such until it is disposed of or reclassified as either Inventory or Property, Plant & Equipment.
				DR Revaluation Reserve £3.309m CR Capital Adjustment Account (£3.309m)	The Authority has retained revaluation reserve balances in relation to Investment Properties. As part of the IFRS Restatement all such balances should have been transferred to the Capital Adjustment Account This adjustment impacts upon the IFRS restatements for 2008/09 and 2009/10 in addition to the balances as at 31 March 2011.
DR Investment Income / Expenditure £1.541m	CR Movement in Reserves Statement (£1.541m)			CR Revaluation Reserve (£1.541m) DR Capital Adjustment Account £1.541m	Where revaluation reserves were extant in relation to Investment Properties any in-year fair value losses on such assets had been taken to the Revaluation Reserve. Under IFRS all fair value movements on Investment Properties must be taken to the Comprehensive Income & Expenditure Account. There was a similar adjustment in relation to 2009/10 for an upwards fair value movement of £1,039 which was originally taken to reserves.

Appendix 3: Audit differences (continued)

Impact					Basis of audit difference
Income and expenditure statement	Adjustments btw. accounting basis & statute	Assets	Liabilities	Reserves	
		DR Prepayments £1.615m	CR Other Payables (£1.615m)		We identified that in preparing the Financial Statements the Authority had netted off prepayments against other creditors rather than including them within debtors.
DR Profit/Loss on Disposal of Non-Current Assets £1.193m CR Impairment (£1.193m)					During 2010/11 the Priorslee School became an Academy. As a result of this the school building no longer belonged to the Authority and required derecognition. The Authority gave effect to the derecognition by impairing the asset in question. The asset should have been treated as a disposal at nil value, with the carrying value being taken as a loss on disposal.
DR Pension Costs (Net Cost of Services) £1.176m	CR Movement in Reserves Statement (£1.176m)				In the relation to 2009/10 the Authority included the Added Years Pension Costs within the Net Cost of Services and then reversed it through the Movement in Reserves. For 2010/11 the value was taken straight to the reserves. A consistent approach, taking the expenditure to Net Cost of Services, should be adopted.

Appendix 3: Audit differences (continued)

Impact					Basis of audit difference
Income and expenditure statement	**Adjustments btw. accounting basis & statute**	**Assets**	**Liabilities**	**Reserves**	
		CR Property Plant & Equipment (£0.754m) DR Intangible Assets £0.754m			The Authority has recently implemented a new Financial Ledger system. Whilst this was not completed at 31 March 2011 a significant amount of spend had been incurred in relation to it. This spend had been capitalised as Assets Under Construction within Property Plant & Equipment. The nature of the asset involved, being a software package, is such that it should be recognised as an Intangible Asset.
CR Impairments (£0.033m)	DR Movement in Reserves Statement £0.033m	DR Property Plant & Equipment £0.033m		CR Capital Adjustment Account (£0.033m)	Through a review of the Fixed Asset Register we identified that assets which had been reclassified, as part of the IFRS restatement exercise, and then subsequently revalued at 31 March 2011 had not had the depreciation reversed out as part of the accounting for such revaluation. Further investigation identified that the value of the depreciation had been included within impairments for the year.
CR (£53.574m)	**DR £53.574**	**DR £12.410m**	**CR (£1.615m)**	**CR (£10.795m)**	**Total impact of adjustments**

Appendix 4: Presentational & Other Issues

Key Presentational Differences have been identified as follows:

- **The entries in the Other Comprehensive Income line as shown in the Comprehensive Income & Expenditure Account did not conform to the code and did not agree to the value shown in the Movement on Reserves Statement.**
- **The impact of the change from RPI to CPI for defined benefit pension schemes required disclosure as an exceptional item.**

The following table sets out a summary of the presentational differences that have been identified in relation to the draft financial statements.

Issue	Resolution
The Other Comprehensive Income shown on the Comprehensive Income & Expenditure Account included a number of entries which, under the Code, should not have been included. This arose due to a belief that the Statement should agree back to the movement on the General Fund rather than agreeing to the total movement in net worth. In the Movement on Reserves Statement the lines entitled Other Comprehensive Income and Total Comprehensive Income did not agree to the Comprehensive Income & Expenditure Account. This arose from the above issue and the need to ensure that the Statement reconciled back to the movements in reserve balances.	The entries in Other Comprehensive Income should relate only to those entries specifically named in the Code. For the Authority these would be: ■ Revaluation gains and losses on Property Plant & Equipment; ■ Revaluation gains and losses on Available for Sale Financial Instruments; and ■ Actuarial gains and losses. The Movement on Reserves Statement and the Comprehensive Income & Expenditure Account should agree.
The impact of the change from RPI to CPI estimating liabilities under the Local Government Defined Benefit Pension Scheme amounted to £26.371m. This amount had been included within the Non Distributed Costs line in the Net Cost of Services.	Given the value of the impact, the appropriate treatment was to include a separate line identifying an exceptional item as a result of the RPI/CPI change.
The Code requires that the names of all employees earning in excess of £150k should be disclosed in the financial statements. In the draft financial statements only post titles were used to identify senior management in this disclosure.	Whilst the use of post titles is generally acceptable the note required amendment in relation to the one individual earning in excess of £150k.
The note disclosing external audit costs referred to payments made to KPMG for statutory inspections. These inspections had been undertaken by the Audit Commission rather than KPMG. In addition, the note disclosed the fees for grant certification to be £17k rather than the £35k set out in our *Grant Certification Report 2009/10*.	The Note was amended to refer to the correct entities and include the correct values.
The narrative included in the financial statements included outdated references to changes in PFI accounting, the RPI/CPI change for pensions and the application of FRS	The narrative required amending and updating in relation to these issues, particularly so as to ensure that references to accounting standards were to IFRS.
A number of further casting mistakes and presentational issues were identified during the audit, including wording changes, removal of lines and notes with nil value for all relevant years, and the adoption of consistent formatting throughout the financial statements.	

Appendix 5: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

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

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

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

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

General procedures to safeguard independence and objectivity

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

Appendix 5: Declaration of independence and objectivity (continued)

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of Telford & Wrekin Council for the financial year ending 31 March 2011, we confirm that there were no relationships between KPMG LLP and Telford & Wrekin Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 6: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

In addition to the standard representations we are seeking specific representations in relation to the completeness of provisions and contingent liabilities.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Telford & Wrekin Council ("the Authority"), for the year ended 31 March 2011,for the purpose of expressing an opinion as to whether these:

i. give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the Authority's expenditure and income for the year then ended; and

ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
   - give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the Authority's expenditure and income for the year then ended; and
   - have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 require adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

   The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

Appendix 6: Draft management representation letter (continued)

7. The Authority has disclosed to you all information in relation to:
   a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and
   b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. Further, the Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

   Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.
10. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

    The Authority further confirms that:
    a) all significant retirement benefits, including any arrangements that:
       - are statutory, contractual or implicit in the employer's actions;
       - arise in the UK and the Republic of Ireland or overseas;
       - are funded or unfunded; and
       - are approved or unapproved,

       have been identified and properly accounted for; and
    b) all settlements and curtailments have been identified and properly accounted for.
11. The Authority confirms that it has provided you with all relevant information regarding the existence and completeness of any provisions and contingent liabilities.

This letter was tabled and agreed at the meeting of the Audit Committee on 20 September 2011

Yours faithfully,

Chair of the Audit Committee

Chief Financial Officer

Optional cc: Audit Committee

cutting through complexity™

TELFORD & WREKIN COUNCIL
AUDIT COMMITTEE: 20th September 2011.

Customer Feedback Performance Report (Compliments/Complaints/FOI's) 1st April 2010 to 31st March 2011

REPORT OF : Angie Astley, Head of Customer, Leisure and Libraries

1. SUMMARY FOR THE PERIOD 1ST APRIL 2010 TO 31st March 2011

1.1 The majority of the **575** compliments were addressed to our front line services, particularly those in Environmental Services, Adult Social Care Services, Leisure, Libraries & Customer Services.

1.2 For this period we received **800** corporate complaints, with the key areas being detailed in Section.3. of this report. **495 (62%)** of these complaints had elements of the concerns upheld. **639 (80%)** were responded to within 10 working days against a target set at the beginning of the year of **83%**.

1.3 For this period we received **126** statutory adult and child care complaints. **50** for Adult Services and **76** for Children Services.

26 (52%) of Adult statutory complaints had elements upheld. The majority that processed through the complaints procedure were responded to within timescales agreed with customers.

41 (53%) of Child statutory complaints had elements upheld. **27(35%)** were responded to within the 10 working day timescale.

1.4 The Council received **709** Freedom of Information (FOI) requests, **92** Data Protection (DP) requests and **22** Environmental Information Regulations (EIR) requests.

555 (78%) FOI's were responded to within 20 working days. Of the 83 data protection request due for response in this period **62(75%)** were responded to within 40 days. Of the 22 EIR's due 14**(64%)** were responded to within 20 working days. Details of the performance of each Service Area is contained in Appendix A.

1.5 For this period we received **274** Member enquiries, **171** MP enquiries and **258** Parish enquiries received via the Parish hotline. We responded to **231 (84%)** of Member enquiries, **127(75%)** of MP enquiries and **204 (79%)** of Parish enquires within 10 working days.

2. RECOMMENDATIONS

2.1 To note the information within this report

SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	The information within this report impacts on all council priorities.
	Will the proposals impact on specific groups of people?	
	No	The Corporate and Statutory feedback procedure is open to all customers..
FINANCIAL/VALUE FOR MONEY IMPACT	No	The costs associated with administering the complaints process is in the form of officer time. This is met from within existing budgets.
LEGAL ISSUES	No	There are no direct legal implications arising from this report, however compliance with the Freedom of Information Act 2000 , the Data Protection Act 1998 and the Statutory complaints procedure are legal requirements
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	The council's robust feedback mechanisms support the council to maintain its reputation by being responsive to our customers concerns and implementing service improvements as appropriate.
IMPACT ON SPECIFIC WARDS	No	No impacts but comments received from across the borough

3. INFORMATION

3.1 Detailed below are the key areas of customer complaints for this period. It should be acknowledged that there are relatively small numbers of complaints registered compared to the number of services provided by the Council on a daily basis. Analysis has indicated that on the whole, when customers do complain, there are elements where improvements could be made. The subsequent responses from the council show our willingness to make those improvements whether they are for the benefit of the individual or in some cases across the service as a whole.

3.2 **Refuse and Kerbside** received 136 complaints from the 68,000 properties (or 3.5m collections) that we are responsible for each year. Of those 107(78%) had elements upheld and were mainly about missed collections or bins/boxes not being put back. This information will continue to be used in monitoring the contract with TWS. During the extreme cold weather period 29th November 2010 to 14th January 2011 79 complaints regarding the Refuse and Recycling service were received compared to just 26 the previous year during the same period.

3.3 **Council Tax** received 80 complaints out of a possible 68,000 properties . 46 (57%) had elements upheld and were mainly about incorrect billing and comments around better communication.

3.4 **Leisure Services** received 50 complaints, from a possible 1.1 million customers who visit Leisure Services each year of which 41(83%) had elements upheld. The complaints in the main were around the poor state of some of our facilities eg changing rooms, and other concerns were in relation to changes to fitness class times.

3.5 **Looked after children in care** received 37 complaints of which 20 (54%) had elements upheld. The majority related to contact arrangements and being unhappy with decisions made. There are approximately 270 children and young people currently looked after at present.

3.6 **Traffic Management** received 32 complaints of which 14(43%) had elements upheld. The majority related to parking issues and concerns around traffic calming.

3.7 **Parks and Open spaces** received 27 complaints, 16 (59%) of which were upheld. The majority related to repair and maintenance issues.

3.8 **Corporate Contact Centre** received 25 complaints, from 136,000 customer enquiries dealt with each year of which 15 (60%) had elements upheld. The majority were about waiting times.

3.9 **Planning** received 23 complaints of which 10(43%) had elements upheld. The majority related to issues with planning applications.

3.10 **Benefits** received 23 complaints from the 19,000 current live benefit claims. These mainly relate to decisions made and records not being updated correctly. Of those 11 (48%) had elements upheld and individual remedial action was taken in each case.

3.11 **Safeguarding** received 16 complaints, 9 (56%) of which were upheld. The majority centred around lack of support and information.

4. SERVICE IMPROVEMENTS

4.1 Service Improvements

The majority of customer feedback received during this period was responded to on an individual basis, with limited trends identifying any need to implement service wide improvements or changes to council policy. However detailed below are some of the improvements made as a result of customer feedback;

4.1.1 Safeguarding Services

- Improvements to co-ordination and planning of placement moves for large sibling groups
- Improved quality of Care Plans for Court
- When temporary line management arrangements need to be made, timescales, responsibilities and handover are confirmed in writing.
- Introduction of random file audits happening regularly
- Quality Assurance and Dispute resolution procedure regarding handling of cases developed

4.1.2 Leisure

- A major Capital Investment into a brand new Leisure Centre and Library at Wellington has been prioritised and will be opening later this year and along with a new Leisure facility at Abraham Darby planned to Spring next year. This will bring about much improved leisure facilities and changing areas and will redress some of the complaints about current tired leisure facilities. Other recent improvements have been made to Newport pool to replace the roof which was leaking heavily and affecting our customers experience.

- Additional aerobic sessions have been put on to meet customer demand for classes also redressing complaints.

4.1.3 Environmental Services

- Environmental Services are currently rationalising the number of Customer Contact IT systems As part of these developments, all ‘customer’ processes have been reviewed and redesigned to ensure we deliver a positive customer experience and effective communication. The service area website pages have also been reviewed and redesigned to ensure accurate information is available and ‘online’ applications for certain services now available.

4.1.4 Refuse and Recycling

- A number of initiatives were employed during the cold weather snap in 2010 to reduce service disruption and customer complaints. These included suspension of the Green bin collections and redirection of the crews to collect refuse. Additional kerbside collection vehicles were sourced and utilised, and resources from our cleansing teams were diverted to collection duties. Service operating times were extended during this period including weekend working and in order to speed up the kerbside collection a temporary bulking station was set up at the Hill Lane compound, Madeley. This ensured that collection vehicles were unloaded quickly and efficiently to maximise collection time. Learning from this experience, the Waste team are currently revising the winter collection policy to ensure that customers are clear on collection priorities during periods of snow and ice in 2011/12. The New policy will be publicised via the website, the Refuse and Recycling Calendars and 'snowline'.

Report prepared by Helen Ward, Customer Quality Manager, 01952 382507

Appendix A

Top 10 areas of Complaint

Service	**No. Of Complaints**	**% with elements upheld**
Refuse and Kerbside	136	107 (78%)
Council Tax	80	46 (57%)
Leisure Services	50	41 (82%)
Looked after children	37	20 (54%)
Traffic Management	32	14 (43%)
Parks and Open Spaces	27	16 (59%)
Corporate Contact Centre	25	15 (60%)
Planning	23	10 (43%)
Benefits	23	11 (48%)
Safeguarding	16	9 (56%)

Appendix B

Response Performance For Each Service Area

Service Delivery Unit	Complaints Target 83% responded to in 10 working days	Complaints Partly / Fully Upheld	FOI / EIR target 85% responded to within 20 working days	DP target 86% responded to within 40 days
Economy & Skills	50% (2)	50% (1) Upheld	100% (1)	Zero Rc'd
Governance	60% (11Rc'd;10 due)	10% (1) upheld 20% (2) partly upheld	80% (51 Rc'd;50 due)	Zero Rc'd
Environmental Services	80% (372)	32% (119) partly upheld 32% (118) Upheld	82% (110 Rc'd;107 due)	100% (2)
Housing & Planning	54% (98)	10% (10) Upheld 23% (23) Partly upheld	75% (108)	80% (5)
Property & ICT	92% (12)	25% (3) Upheld 25% (3) Partly upheld	83% (54)	Zero Rc'd
Customer, Leisure & Libraries	91% (255)	31% (79) Partly upheld 34% (86) Upheld	93% (94)	96% (22)
Finance	33% (6)	17% (1) upheld 0 partly upheld	81% (57)	100% (1)
Care & Support (Adults & Children)	57% (7)	57% (4) upheld 14% (1) partly upheld	83% (31)	64% (11 due)
Family & Community Services	78% (9)	22% (2) upheld 22% (2) partly upheld	90% (29)	100% (5 due)
Safeguarding (Adults & Children)	33% (6)	17% (1) upheld 33% (2) partly upheld	63% (41)	56% (25 due)
School Improvement	71% (7)	71% (5) upheld 14% (1) partly upheld	86% (21)	67% (3)

Assistant Chief Executive	100% (2)	100% Partly Upheld	93% (30)	Zero
Corporate Director	Zero Rc'd	N/A	79% (63)	100% (3)
Cross Delivery Units (joint responses)	50% (4)	50% (2) Partly upheld 25% (1) upheld	62% (37)	100% (3)

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 20th SEPTEMBER 2011

2010/11 ANNUAL REPORT - CORPORATE ANTI-FRAUD & CORRUPTION ACTIVITY

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

1.1 For the Audit Committee to consider the 2010/11 Annual Report on Corporate Anti-Fraud and Corruption activity.

2. RECOMMENDATIONS

2.1 That the Audit Committee notes the 2010/11 Annual Report on Corporate Anti-Fraud and Corruption activity.

3. SUMMARY

3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. These procedures include the Anti-Fraud & Corruption Policy.

3.2 The terms of reference of the Audit Committee include:
"14. To approve the Anti-Fraud and Corruption Policy for adoption by the Council and to monitor its operation. The policy will be reviewed it at least once every two years."

3.3 This is the third annual report setting out the Corporate Anti-Fraud and Corruption activity for 2010/11 to enable the Audit Committee to monitor the policies operation.

4. PREVIOUS MINUTES

4.1 Audit Committee 28th July 2009
Audit Committee 27th July 2010

5. INFORMATION

5.1 The Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 22nd March 2011 and was approved by Council on 23rd June 2011. The policy supports one of the key dimensions of good Corporate Governance – Standards of Conduct. The Council aims to ensure that all those associated with it maintain high standards of ethics and conduct in public life contributing to good corporate governance.

5.2 Nationally due to the economic climate there are indications from the Police that fraudulent activity has and will continue to increase during the recession. Therefore it is important that the Council continues to maintain its vigilance in respect to Council services and the Community.

5.3 This report contains information about counter fraud and investigation activities within Benefits, Internal Audit and Trading Standards, including Licensing. The Committee should note that the Councils procedures and controls are designed to minimise the opportunity for fraud and to highlight where possible activity may have occurred.

5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide information for investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

6. BENEFITS

6.1 The benefit caseload has increased again over the last 12 months, from 18,932 (live cases) in March 2010 to 19,460 in March 2011. This represents a 2.8% increase over the year. The caseload has not increased at such a dramatic rate as the previous year; however there have been signs of a more steady growth in the latter months of 2011/12.

6.2 The Council has followed the Department for Work & Pensions (DWP) lead in “securing the gateway”. The DWP aim at ‘getting it right, and keeping it right’ i.e. ensuring only those properly entitled are granted and paid benefit. To this end the majority of new benefit claimants who make a claim direct to the Council are either visited in their home or seen by a Benefit Officer at the Council’s First Point facility. This ensures the best possible service for the customer, makes sure the information obtained is accurate, makes the customer aware of their responsibilities, and ensures performance targets are met.

6.3 Referrals to the Benefits Investigation team come from various sources. The table below show the sources, number and percentage of total. This is a very slight decrease from 2009/10 (1309).

Source	Number of Referrals	Percentage of Total
National Fraud Initiative 2010/11	1	0.08
Named Letter	3	0.23
Other Local Authority	5	0.39
Anonymous letter	62	4.80
Anonymous telephone call	375	29.00
Member of staff	314	24.28
HBMS	98	7.58
DWP	170	13.15
Police	28	2.17
Fraud drive	45	3.48
Landlord	49	3.79
Internet/email	84	6.49
Shropshire Star/Newspaper	1	0.08
Other Local Authority Department	10	0.77
Named Member Of Public	28	2.17
National Fraud Initiative	18	1.39
Other Government Agency	2	0.15
Total Referalls	**1293**	**100.00**

6.4 Benefits Data Matching

6.4.1 In 2010/11 there were 83 investigations closed which had been opened due to a Housing Benefit Matching Service (HBMS) referral. Of these 49 resulted in a positive outcome i.e. benefit was affected / fraud found. There were 98 referrals as a result of a HBMS match within 2010/11 – some of these files were still open at the end of 2010/11.

6.4.2 Unfortunately Benefit fraud is not just external to the Council. The Council now undertakes internal checks in respect to monthly data matches with all new starters. This ensures all changes in circumstances have been declared. During the last year we have prosecuted one person who was also an employee.

6.5 Cases Investigated

6.5.1 The Benefit Investigation Team received 1,293 referrals. Using a risk based approach 429 of these cases were taken on for investigation. Within 2010/11 383 investigations were closed and of these 207 proved positive. Of this total, 86 cases received a formal sanction:

- Prosecutions – 37
- Administrative Penalties – 11
- Formal Cautions - 38

6.5.2 Although no credit is given, sanctions are also applied to partners/landlords/employers where it can be demonstrated that they were complicit in the fraud. As a result, sanctions were also applied accordingly:

- Prosecutions - 1
- Administrative Penalties - nil
- Formal Cautions - 5

6.5.3 For the prosecutions fines of £705 were imposed and costs of £3,950 awarded – please note that some of these are attributable to joint working with Department for Work and Pensions.

6.5.4 Overpayments detected in the above sanction cases totalled £422,565.50.

6.6 Benefit Fraud Sanction & Prosecution Policy

6.6.1 The benefit fraud policy was rewritten and approved by Cabinet in January 2010. One of the aims of this refreshed policy was to give much clearer guidance to decision makers on a wider range of factors that they should consider when deciding which sanction to apply to a fraud case, as well as streamlining the decision making process to speed up the time taken for sanction authorisation to be granted.

7. INTERNAL AUDIT

7.1 Internal Audit has an important role in the investigation of suspected internal fraud and assisting managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud.

7.2 Annually days are allocated within the risk based audit plan to undertake proactive fraud work and work in areas where previous frauds have occurred. This work is informed by a Fraud Risk register. In addition to good practice and local internal intelligence, this register was informed through being part of the West Midlands Fraud Group[1]. A summary of the fraud risk areas and audit action taken during 2010/11 is attached as Appendix A for your information. For 2010/11 the planned proactive days were 40 days and actual 32 days due to a reduction in overall resources. In addition where possible the proactive activities were included within other planned audits.

7.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit also has potentially irregular activities reported to them throughout the year for investigation. Appendix B outlines in summary investigations into potential irregularities undertaken during 2010/11. The majority of investigations undertaken result in improvements to procedures, controls and training and awareness for employees.

7.4 The number of days work undertaken on suspected fraudulent activities during 2010/11 was 95 days. These days are taken from contingency (130) or by re-allocating planned audit time.

7.5 National Fraud Initiative (NFI)

7.5.1 The Audit Commission's NFI exercise is part of Central Government's national recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect their money from fraud. The national public bodies included in this exercise are police authorities, local probation boards, fire and rescue authorities and all upper tier and districts councils.

7.5.2 The council has a statutory responsibility to provide data to the Audit Commission for the prevention and detection of fraud as part of the NFI. NFI is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud.

7.5.3 The Council provides a number of datasets to specifications set by the Audit Commission. The Council extracted data as at 4 October 2010 from its systems and transferred this data securely to the Audit Commission before the end of October 2010. This data included:

- Benefits Data (Data provided to Audit Commission by the DWP)
- Blue Badges
- Payroll
- Insurance Claimants (Data provided by the Councils insurers)
- Creditors
- Student Loans (Data provided and investigated by Shropshire County Council)
- Private Supported Care Home Residents
- Transport Passes and Permits (includes residents parking and concessionary travel)
- Licences – Market trader/operator, taxi drivers and personal licences to supply alcohol.

[1] Specialist fraud networking and training group of West Midlands metropolitan authorities and unitary authorities (the unitary authorities include Stoke, Nottingham, Derby and Leicester)

7.5.4 The Information Governance and Risk Team Leader is the nominated 'Key Contact' for the authority. It is the Key Contacts responsibility to ensure the appropriate datasets are sent to the Audit Commission and then when data match information is provided (January 2011) to provide a co-ordination role to ensure service areas are investigating matched records in their areas in compliance with Audit Commission guidelines.

7.5.5 Work on NFI is ongoing with a deadline set for completing this work by the end of December 2011. The Key Contact has arranged a number of progress meetings with service areas to ensure adequate progress is being achieved.

7.5 Training & Awareness

7.6.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption policy. In addition a member Information Seminars on Governance, Risk and Fraud was held in November 2010.

7.6.2 All new staff within Revenues & Benefits (R&B) (as part of their induction) receives in depth Fraud Awareness training from the Corporate Training Team. In addition, an annual refresher is given to existing staff. Out of the fraud referrals received in 2010/11, 314 came from members of staff. From these staff referrals 123 investigations were opened and 51 investigations referred by staff achieved a positive outcome.

7.6.3 For officers there is the Code of Conduct for Employees and High Standards Cards which are included in induction sessions and personal information folder. A Booklet has been provided to Managers and a leaflet to all employees. Copies of these are available on the intranet. A specific module "Managing Ethically" has been developed and incorporated into the Team Leader Management Development Programme which includes managers and employees responsibilities from within the Anti-Fraud & Corruption Policy and the Speak Up policy.

7.7 Publicity

7.7.1 As per the policy publicity of cases is important as a deterrent. The Benefit Fraud Team and Trading Standards use PR to issue press releases about upcoming notable cases. Often the press then follow up with the headlines about the action/fine. The press releases are also published on the Council's website.

7.7.2 Internally cases of note are included within the Revenues and Benefits weekly team brief notes and also included in the quarterly Service Area report. These are issued to all R&B staff.

7.7.3 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the enews, in management meetings and in audit recommendations in other areas.

8. TRADING STANDARDS & LICENSING

8.1 The Trading Standards and Licensing services of the Council play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted. As such investigations may involve Council officers, Members, suppliers to the Council and the business activities of the Council itself.

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

8.3 Staff undertake extensive professional training and mentoring before being permitted to commence enforcement duties, and have access to a range of professional competency training facilities through CEnTSA (Central England Trading Standards Authorities) and the Institute of Licensing (IOL) and their regional professional networks.

8.4 Anti Fraud responsibilities

8.4.1 Specific and identifiable responsibilities falling to the Trading Standards and Licensing within the Public Protection Service Delivery Unit, to combat fraud in the community include:

For the Licensing Service:

- **Street trader consents**
  Prevention and detection of the illegal and highly lucrative transfer of street trader consents ('burger wars')
- **Taxi licensing**
  Ensuring the correct vehicle, correctly insured and driven by the licensed driver.
- **National Insurance Fraud Network.**
  Partnership working to detect and report vehicle accident patterns.
- **Scrap metal dealers licensing.**
  Joint working with police to detect illegal trading in stolen vehicles through scrap metal dealers and motor salvage operators.
- **National Fraud Initiative.**
  Provision of information for the purposes of detection of benefit and other related frauds.
- **Intelligence Data System.**
  New data system linked to DVLA for the detection of driving licence frauds.
- **Gambling Act enforcement**
  Gaming establishments, registration of gaming machines, enforcement of 'amusement machines licensing duty certificates' in respect of the avoidance of taxation payments.
- **Money Laundering.**
  Taxis, private hire vehicles, gaming machines, as a means of converting large quantities of cash.
- **Street Collections, Charity collections**.
  Identification, detection and enforcement of fraudulent collections

In 2010/11 the Licensing Service investigated a number of fraudulent activities including an unlicensed street trader and off sales premise and unlawful plying for hire.

For the Trading Standards Service:

Trading Standards has responsibility for enforcing a wide range of legislation that supports the authority's anti fraud responsibilities, and could be considered under the following broad headings:

- **Goods and services misdescriptions legislation.**
  cover such things as food (passing-off), property (houses etc. misdescriptions) vehicles, animals, professional, personal and manual services.
- **Intellectual Property crime**
  Copyright, Trade marks
- **Consumer protection against unfair trading legislation**
  Wide ranging and subject unspecific legislation to keep pace with constantly changing fraudulent practices.
- **Consumer Credit**
  Credit, debt, finance agreements, misleading advertising
- **Cattle identification legislation**
  To prevent fraudulent transfer to limit disease spread.
- **Weights and Measures**
  Misrepresentation of quantity of goods supplied.

8.4.2 Intelligence shows that there is a 20% increase in rogue trader complaints across the Midlands and this is mirrored within the borough. These fraudsters specifically target vulnerable and older people, carry out unnecessary or misrepresent home improvement work and as a result con them out of thousands of pounds. This area of fraud remains a priority for Trading Standards for 2011-12.

8.4.3 The team also has a proactive role in educating consumers and businesses by raising awareness of rogue traders, counterfeiters and making consumers better able to distinguish the rogues from the reputable businesses and increasing consumer confidence.

8.5 Trading Standards Regional Initiatives

Scambusters

8.5.1 Dedicated Trading Standards officers working alongside officers from the Police, HM Revenue & Customs and other enforcement agencies. They work across local authority boundaries focusing on the hardest to tackle scams and rogue traders that set out to con people out of their money/assets.

8.5.2 This regional approach has demonstrated that targeted, proactive and intelligence led enforcement works. There has been much closer co-operation and data sharing between Trading Standards and other agencies, partly due to the level of criminality the teams have investigated.

Examples of the types of issues that have been targeted are:

- Doorstep crime
- Deceptive selling techniques
- Home working and other 'get rich quick' schemes

- Sale of dangerous and substandard furniture
- ‘Cowboy’ builders doing shoddy and unnecessary work
- Large scale organised counterfeiting operations

8.6 Loan Shark Team

8.6.1 A loan shark is an unlicensed moneylender. Licensed moneylenders are regulated by the Office of Fair Trading (OFT) and must follow the OFT's codes of practice.
Because they're not licensed, loan sharks operate outside the law. If you borrow from them it's likely you'll:

- get a loan on very bad terms
- pay an extortionate rate of interest
- be harassed if you get behind with your repayments
- be pressured into borrowing more from them to repay one debt with another

8.6.2 The role of this team is to identify, investigate and if necessary prosecute loan sharks and to work with victims to secure a satisfactory financial outcome. It also has a proactive role to educate and raise awareness in local communities of the pitfalls of loans harks and promotes alternative sources of obtaining small loans and savings plans.

9. Challenges for 2011/12

- Reduced resources for the provision of Council services and therefore reduction in control and supervision and therefore potential increased opportunities for internal fraud
- Reduced resources for the provision of Council services, including Governance and therefore reduction in fraud awareness and opportunities for proactive work
- Impact of the continued recession and economic climate on the potential incidence of fraud
- The inevitable increase in the benefit caseload

10. OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council’s associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met.
Environmental Impact	None
Legal Implications	Regulatory and enforcement teams throughout the Council (including internal audit) have powers and responsibilities set out in statute and regulation to detect, investigate and take enforcement action in relation to fraud and corruption. Such roles and responsibilities also include information sharing which is referred to in this report. When undertaking these actions all relevant statutory requirements need to be adhered to.
Links with Corporate Priorities	The policy supports all Corporate Priorities and good Corporate Governance demonstrating the Council’s desire to ensure sound conduct and ethical procedures for all those associated with the Council and service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity.
Financial Implications	None as all current activity is met from within existing budgets.

Opportunities and Risks	Having a policy which sets out the Council's anti-fraud and corruption culture and associated procedures assists in the management of the risk of fraud and corruption against the Council.
Ward Implications	Borough wide implications.

10. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2011
Speak Up Policy 2009
Benefits Counter Fraud and Sanctions Policy 2010
Audit Commission requirements for the National Fraud Initiative
Trading Standards & Licensing Legislation

Report prepared by Jenny Marriott – Audit & Assurance Manager - 01952 383101; Lee Higgins – Benefits Manager – 01952 83894 & Anita Hunt – Trading Standards Team Manager – 01952 381998; Suzanne Fisher – Licensing & Support Team Manager

INTERNAL AUDIT FRAUD & CORRUPTION PROACTIVE WORK UNDERTAKEN 2010-11

Fraud Risk Register Ref & score	Work Area	Work undertaken
2b) score 5	Cash collection In 2008-9 & 2009-10 2 investigations into theft of cash at schools. Both dealing with extra curricular activities	Income systems reviewed as part of school audit visits Guidance issued to school to advise on the types of controls that need to be in place for extra curricular activities
2b) score 5	Cash Collection Investigation 2009-10 for dinner money income that was stolen	Audit working with catering Service who are implementing new catering management information system
3a) score 5	Failing to institute arrears recovery proceedings	2010-11 - Reviewed arrears procedures in Sales Ledger, Council tax, NNDR annual audits
6a) score 7	Improper award of contracts	Out of contract audit completed 2009-10and follow up in 2010-11This is looked at as part of each audit
10 score 7	Social Care establishments – theft of client monies	Day Centres Visits – Severn Day Centre – Dothill Employment Links Halesfield Day Centre Lakeside Day Centre Social Education Centre, Wellington
12c) score 7	Corruption- Award of planning consents & licences	Audit plan 2011-12
13 score 8	Car parking	Audit completed 2009-10 and follow up still in progress due to service re-organisation
9. score 4	Imprest accounts	Temp accommodation & homeless prevention fund Corporate parenting 16 plus Donnington & St George's Youth Project Integrated Services, Newport Legal Services Placements Edge of Care Connexions 4 youth Leisure & Fun for looked after children
18. score 7	Recruitment	This area has been highlighted by the Audit Commission as a risk area. Reduced risk at present due to recruitment freeze To carry out Recruitment Audit based on

		guidance in Protecting the Public Purse 2012-13
19. score 7	Theft of council information / intellectual property	Audit review of storage arrangements at Stafford Park
Other	Compliance with Audit Commission Guidance	Completed Protecting the Public Purse Checklist and has informed updated Anti-Fraud & Corruption Policy.

Potential Irregular/Fraudulent Activities Investigated 2010/11

Area	Days
Arthog – purchasing procedures review	16
Dawley Town Hall Leases	16
Review requested by s151 officer	21
“I can 2” Project review	22
Infrastructure project review	10
Review of potential complaint – Economy & Skills	2
Alleged Benefit Fraud by an employee	1
Computer Misuse	4
Nursing & Maternity Council hearing	2
Review of client finances – care home (completion)	1
	95

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 20 SEPTEMBER 2011

INFORMATION GOVERNANCE ANNUAL REPORT 2010/11

REPORT OF THE HEAD OF GOVERNANCE

1 PURPOSE

1.1 To present the Information Governance Annual Report for 2010/11 to the Audit Committee.

2 RECOMMENDATIONS

2.1 That Members of the Audit Committee note the contents of the annual report for 2010/11.

3 SUMMARY

3.1 The Councils Information Governance (IG) function forms part of the responsibilities of Audit & Assurance within the Governance service delivery unit. The structure of IG was revised during 2010/11 as part of the overall service review of Audit & Assurance services and an Information Governance & Risk Team Leader was appointed.

3.2 IG is a key component of good governance and consists of several aspects:

- Data Protection & Privacy
- Freedom of Information
- Information Security
- Information Sharing & Confidentiality
- Information & Records Management
- Information Quality & Assurance

IG has continued during 2010/11 to support senior managers and service delivery managers with the management of their information governance arrangements.

3.3 This is the first annual report to the Audit Committee on Information Governance and contributes to the Council's assurance framework and good governance.

4 INFORMATION – ANNUAL REPORT 2010/11

4.1 Background

4.1.1 There are a number of pieces of legislation and good practice standards that govern the IG arrangements of the Council. The work of IG is primarily based on the requirements of the Local Authority Data Handling guidelines, ISO27001 (standard for information security), Data Protection Act 1998, Freedom of Information Act 2000[1] and Environmental Information Regulations 2004.

4.1.2 The Local Authority Data Handling Guidelines (stated above) recommend that each local authority should appoint a Senior Information Risk Owner (SIRO). The SIRO should be a representative at senior management level and has responsibility for ensuring that management of information risks are weighed alongside the management of other risks facing the Council such as financial, legal and operational risk. At Telford & Wrekin the nominated SIRO is the Head of Governance with the Audit & Assurance Manager designated as the Deputy SIRO.

4.2 Information Rights

4.2.1 Information rights is a collective name for 3 main pieces of legislation in respect to public sector information, these are:

- **Data Protection Act 1998** – looks at personal information relating to individuals
- **Freedom of Information Act 2000** – encompasses any information held by the Council
- **Environmental Information Regulations 2004** – information with an environmental impact

4.2.2 The IG Team has played a key role in providing assurance that the Council complies with information rights legislation in 2010/11. IG advises on the application of relevant exemptions in respect to requests received under information rights legislation.

4.2.3 IG also plays a prominent part when the Council receives a subject access request (someone requesting their personal information) or a request to access social care records, e.g. a parent asking to view the contents of their child's records. The Councils Data Protection Officer (part of IG Team) gives guidance on what records should or should not be released under the Data Protection Act 1998.

4.2.4 IG completed a review of the administration of Freedom of Information (FOI) requests in 2010/11. This review identified that the administration of FOI requests should be undertaken in one place (currently Customer Services and IG). Therefore a decision has been made to transfer the FOI function fully to IG to ensure FOI support is given from one area. The actual date of transfer was linked to the Customer Services restructure proposals which were announced in May 2011. It is planned that the FOI function will move to Audit & Assurance in October 2011.

4.3 Security Incident Management Investigations

4.3.1 IG investigates all instances of alleged data breaches that are identified and referred to them. A data breach can cover a number of different incidents from a member/employee reporting a lost Blackberry to confidential/sensitive information being communicated to an unauthorised and/or incorrect recipient.

4.3.2 Following the implementation of the revised Audit & Assurance structure in October 2010, the IG & Risk Team Leader instigated a procedure for formally recording alleged

[1] Full provision of FOI Act 2000 powers were not fully introduced until 1 January 2005

information breaches received and investigated. Before October 2010 possible breaches were investigated but recording of these was not formalised/consistent.

4.3.3 Between 1 October 2010 and 31 March 2011 there were 18 reported instances of possible data breaches. IG investigated all of these and confirmed that '9' data breaches had occurred. For each of these breaches IG agreed actions with the relevant management team to minimise the impact of the breach on the customer and the council and to reduce the possibility of a similar data breach in the future.

4.3.4 None of the confirmed data breaches were deemed serious enough (using the ICO's notification rationale as a basis for the decision) to refer to the Information Commissioners Office (ICO).

4.4 Reviews in Safeguarding

4.4.1 On the request of the Head of Governance (and endorsed by the Head of Safeguarding), a review was undertaken of the file/record management arrangements implemented by Safeguarding at The Mount. This request was made in response to a number of issues highlighted at The Mount which raised concerns over file/records management procedures in that area.

4.4.2 The review highlighted areas of concern in respect to records management / information security. Actions have been agreed with Safeguarding management as a result of this review, some of which they have already implemented. During 2011/12 IG will ensure the outstanding actions have been implemented within the agreed deadlines.

4.5 Audit of Information Governance (IG)

4.5.1 An internal audit of the Councils arrangements for IG was completed in March 2011. The report gave the following opinion of the IG arrangements at that time:

*'On the basis of the work carried out it is our opinion that the level of assurance provided by controls for this audit area is Reasonable; t**here is a sound system of control but there is evidence of non compliance with some of the controls. There are Policy/Procedure recommendations and many best practice recommendations that Audit Services are confident that management will implement.**'*

An action plan has been agreed as a result of this audit report and IG is confident that recommendations from this will be implemented within realistic timescales.

5 Conclusions for 2010/11 and looking forward to 2011/12

5.1 The IG team has like all areas of the Council been affected by limited resources during 2010/11. There have also been increased pressures in 2010/11, primarily due to increased public awareness of their information rights and an increase in the number of alleged data breaches reported. The revised structure implemented within Audit & Assurance in October 2010 providing more support and flexibility has resulted in more effective management of these workloads and the team being able to support the Council to meet its obligations.

5.2 As outlined in paragraph 4.2.4 further resource changes are planned for October 2011 when the responsibility for the administration of the FOI function will transfer to Audit & Assurance from the Customer Quality team.

5.3 There have been a number of initiatives that had previously been planned by IG that were progressed in 2010/11 with an expectation of full implementation in 2011/12. Key initiatives that have been progressed include:

a) Production of a fit for purpose publication scheme
b) Development of a FOI disclosure log
c) Review of Corporate Information Security Policy (CISP)
d) Online agreement to abide by requirements of the CISP
e) Guidance on undertaking Privacy Impact Assessments (PIA)
f) Developing training and awareness

Initiatives a) and b) when fully implemented should realise efficiencies for the Council by reducing the administrative burden of processing FOI requests. IG has been working closely with ICT on the development of the publication scheme as this requires technical input to implement.

Implementation of c) and d) should increase corporate awareness of the requirements of the CISP and make sure the policy is up to date and fit for purpose.

Undertaking PIA's as detailed in e) will help ensure that systems/processes in place within the council comply with data protection requirements

Training and awareness stated in f) underpins all information governance requirements and aims to equip employees with the necessary skills/knowledge to comply with information legislation and good practices.

5.2 IG intends to build on the progress made in 2010/11, and that of previous years, to continue to meet the current and future needs of the Council.

5.3 An annual report will now continue to be presented to the Audit Committee providing an update on information governance and activity of the team during the year.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of the IG Team have attended equal opportunities/diversity training. If any such issues were highlighted as part of IG work they would be notified to the appropriate manager.
Environmental Impact	All members of the IG Team are environmentally aware and if any issues were highlighted as part of IG work they would be notified to the appropriate manager.

Legal Implications	IG work seeks to ensure compliance with the legislative requirements of the Data Protection Act 1998, Environmental Information Regulations 2004 and the Freedom of Information Act 2000. Suspected data breaches in respect to DPA are investigated and reported to the Audit & Assurance Manager, Head of Governance and the relevant Head of Service/SDM. Information Commissioner guidance is followed in respect of the reporting of breaches. The Information Commissioner can impose sanctions on authorities for non-compliance including monetary penalties in appropriate cases.
Links with Corporate Priorities	IG is a key component of good governance and links to all corporate priorities.
Risks and Opportunities	The role of IG includes reviewing information security arrangements in place to manage IG risks within service areas. IG reports produced assist the Council in improving systems and controls (reducing IG risks) and therefore the delivery of services and achievement of objectives.
Financial Implications	IG operated within the Audit & Assurance budget for 2010/11.
Ward Implications	IG is responsible for the IG arrangements all the Council's activities and at all Council locations. They therefore operate within all Council Wards.

Report by Jenny Marriott, Audit & Assurance Manager 383101

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 20th SEPTEMBER 2011
COUNCIL 24th NOVEMBER 2011

AUDIT COMMITTEE ANNUAL REPORT 2010/11

REPORT OF THE HEAD OF GOVERNANCE

1 PURPOSE

1.1 To present to the Council an Annual Report on the 2010/11 operations of the Audit Committee.

2 RECOMMENDATIONS

2.1 That Members of the Council note the contents of the annual report 2010/11.

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 governance and internal control including the implementation of both internal and external audit recommendations.
- ✓ increasing public confidence in 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 including challenging Cabinet Members and Senior Officers.

3.2 As the key assurance Committee of the Council it is accepted best practice that an Annual Report is presented to the Council on the operations of the Committee during the municipal year. This is the third report to Council on the operations of the Audit Committee and is structured based on the terms of reference (attached as Appendix A and operational during the year). Appendix B (attached) provides a summary of the business conducted by the Committee during the period under each section of the terms of reference.

3.3 There were 6 meetings of the Audit Committee in 2010/11 compared to 7 in 2009/10. The reduction was due to not requiring an additional meeting in February 2010 to discuss the Treasury Management strategy as the Committee through training and experience had become more familiar with their roles and responsibilities.

4 PREVIOUS MINUTES

4.1 Audit Committee 23rd September 2009 and 21st September 2010
Council 30th September 2009 and 7th October 2010

5 INFORMATION – AUDIT COMMITTEE 2010/11

5.1 Internal Audit

5.1.1 The Internal Audit team has continued to provide the Committee with reports as outlined in the CIPFA Code of practice and Constitution, highlighting any areas requiring attention by members.

5.1.2 The Internal Audit Plan and Strategy for 2011/12 was presented and approved by the Committee at the March 2011 meeting.

5.1.3 During the year, as a result of questions from the public, two "exceptional" reports were presented to the Audit Committee – one on Member Expenses 2007 and the other on Dawley Town Hall Lease Agreements 2002 -10. Both areas were subsequently the subject of independent review by the External Auditor. The External Auditor upheld the Internal Audit findings and actions agreed with management.

5.2 External Audit

5.2.1 The External Auditors – KPMG were required to provide additional reports to the Committee this year – the Certification of Grant Claims and Returns 2008/9 and 2009/10. The former was presented to the June 2010 meeting and the latter the March 2011 meeting.

5.2.2 As already outlined in paragraph 5.1.3 above they were also required to report their responses to elector questions which they make an additional charge to the Council.

5.3 Risk Management

5.3.1 The Committee, in addition~~,~~ to an update and annual report, sought further assurance in respect to Business Continuity /Emergency Planning risks. The Committee also sought assurance in respect to the risks and finances around Looked After Children (Director of Children's Social Services and Head of Safeguarding) and the risks/progress of the Single Status Project (Lead Director attended)

5.4 Governance

5.4.1 The Annual Governance Statement 2009/10 was approved after consideration of the supporting information.

5.4.2 Members of the Committee reviewed their effectiveness at their February and March 2011 meetings and agreed not to appoint a co-optee at this stage due to the forthcoming elections and potential changes to the members of the committee.

5.4.3 The second Annual Report was produced and considered at the October 2010 Council meeting.

5.5 Treasury Management

5.5.1 The Committee continued to build on the training and experience of the new responsibilities taken on during 2009/10.

5.6 Statement of Accounts 2009/10

5.6.1 The Statement of Accounts was approved by the Committee following external audit at the September 2010 meeting. As previously the approval meeting was preceded by a session with key Finance staff who explained the statements and the changes that had occurred during 2009/10.

5.7 Anti-Fraud & Corruption

5.7.1 The annual report on the Anti-Fraud & Corruption Policy was received in July 2010.

5.7.2 Monitoring by the Committee of the Speak Up policy activity 2010 was reported at the March 2011 meeting.

5.7.3 The updated Anti-Fraud & Corruption Policy was presented to the March 2011 committee and approved and recommended onto Council for adoption.

5.8 Complaints

5.7.1 The Committee reviewed the 2009 Annual Complaints report (January – December 2009) in July 2010.

5.9 General

5.9.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution. No changes were required at this time and none have not been made during the year.

5.10 Conclusions for 2010/11 and the future 2011/12

5.10.1 The Committee has had some challenging meetings during the year, for example the public interest and attendance at meetings in respect to the Dawley Town Hall lease review.

5.10.2 The Committee has continued to seek assurance for Members and the Community on the audit, governance, risk management, financial statements, Treasury Management, complaints and anti-fraud and corruption arrangements of the Council.

5.10.3 The change in administration following the election in May 2011 has meant an increase to the membership of the Audit Committee from six to seven members. The new Chairman is Cllr David Davies and the vice Chairman is Cllr Keith Austin

5.10.4 General training has been provided to all members and additional more specific training is planned during 2011. At the February 2012 meeting the Committee will review their knowledge and skills and assess of they feel the need to appoint any suitably skilled/experienced co-optee to enhance the committee's effectiveness.

5.10.5 There may also be a need to review the terms of reference during 2011/12 to reflect the move to a Co-operative Council and any immediate changes in respect to the external audit arrangements.

5.10.6 The Committee recognises that the Council is experiencing some significant challenges and that it must continue to seek and provide appropriate assurance during 2011/12. Most notable are the changes in the legislation/regulatory regime, organisational changes, significant reductions in resources and the International Financial Reporting Standards. The Committee will continue to seek assurances from strategic risk owners and Heads of Service in respect to governance and the control environment.

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 2010/11 ensured that the Council complied with the statutory requirements set out in the Audit and Account Regulations 2003 (as amended). Those Regulations have now been revoked. The Audit and Accounts (England) Regulations 2011 ('the Regulations') are now in force and set out certain requirements that the Council must adhere to in relation to matters such as risk and financial management. If at any point there is a review of either the Audit Committee work plan and/or terms of reference, consideration must be given to the Council's statutory obligations as set out in the Regulations which are now in force. Although Audit Committees are not a legal requirement they are good practice as defined by CIPFA and the Audit Commission.
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	There are no financial implications arising from this report. The Audit Committee and support arrangements are fully funded 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 2010/11 (including minutes)
Constitution
Constitution Committee, Full Council – appropriate agenda's, papers and minutes

Report by Jenny Marriott, Audit & Assurance Risk Manager 383101

APPENDIX A

TERMS OF REFERENCE OF AUDIT COMMITTEE 2010/11

Internal Audit

1. The approval (but not direction) of, and monitoring of progress against, the internal audit strategy and plan.

2. Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.

3. To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee – governance, internal audit, risk management, statement of accounts and external audit.

4. The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.

External Audit

5. Review and agree the External Auditors annual plan, including the annual audit fee and receive regular update reports on progress.

6. To consider the reports of external auditor.

7. Meet privately with the external auditor once a year, if required.

8. Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.

Risk Management

Recognising that Risk Management is a Cabinet function, the Committee should:-

9. Seek assurances that the authority's risk management arrangements are effective and operating within Council policy and review the Annual Risk Management report to Council.

10. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.

Governance

11. Be responsible for the review and approval of the authority's Annual Governance Statement ensuring that it properly reflects the risk environment and any actions required to improve it. Following approval, it should recommend its inclusion in the Accounts.

12. Consider the effectiveness of the control environment including reviewing the Council's Code of Corporate Governance and other corporate governance arrangements to ensure compliance with best practice.

Treasury Management

13. To review and monitor the Council's Treasury Management arrangements including Treasury policies, procedures and the management of the associated risks and make recommendations to the Cabinet as appropriate.

Statement of Accounts

14. Review and approve the Statement of Accounts, external auditor's opinion and reports on them to members and monitor management action in response to the issues raised by external audit.

Fraud & Corruption

15. To approve the Anti-Fraud and Corruption Policy for adoption by the Council, and to review it at least once every 2 years.

16. To approve the Speak Up Policy ('*whistle blowing')* for adoption by the Council, and to monitor its operation. This policy will be reviewed at least once every two years.

Complaints

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

17. Review the Annual Complaints Report and seek assurances that the Council is improving in response to complaints raised.

General

18. The meetings will follow the principles of scrutiny, i.e. no party whip will be applied and a constructive, evidence based approach will be used.

19. To ensure that adequate training is received by the members of the committee on the areas covered by the terms of reference 1 – 16 above.

20. To ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as confidential.

21. Annually review their effectiveness and their terms of reference.

APPENDIX B

AUDIT COMMITTEE ACTIVITY 2010/11

Area	Activity
Internal Audit	Annual Report 2009/10 Quarter 4 2009/10 Update report Quarter 1 2010/11 Update report Quarter 2 2010/11 Update report Quarter 3 2010/11 Update report Internal Audit Plan and Strategy 2011/12 CIPFA Internal Audit Benchmarking results and analysis 2010 Member Expenses May 2007 – Results of the Internal Audit & External Audit (KPMG) Investigations Internal Audit Review of Dawley Town Hall Lease Agreements 2002 - 2010
External Audit	Annual Audit Fee Letter 2010/11 Certification of Grant Claims and Returns 2008/09 Interim Report on 2009/10 final accounts work Annual Governance Report (ISA 260) 2009/10 Annual External Audit Letter 2009/10 Financial Statements Audit Plan – 2010/11 Certification of Grant Claims and Returns 2009/10 KPMG Report on Dawley Town Hall Leases
Risk Management	Review of the Key Strategic Risk Register September 2010 Risk Management Annual Report 2009/10 Risk Management Strategy 2010 Update of the Business Continuity Actions previously reported - HOS Looked after Children – DCSS and HOS Single Status update – Corporate Director
Governance	Annual Governance Statement (AGS) 2009/10 November 2010 – half year review of progress of the AGS 2009/10 action plan Review of the Effectiveness of the System of Internal Audit Review of the Effectiveness of the Audit Committee Audit Committee Annual Report 2009/10
Treasury Management	Outturn Report 2009/10 Half Year Update Report 2010/11 2011/12 Treasury Management Strategy and Treasury Update Report
Statement of Accounts	Review of Draft Statement of Accounts 2009/10 Approval of the audited Statement of Accounts 2009/10

APPENDIX B (continued)

Area	Activity
Fraud & Corruption	2009/10 Annual Report on Anti-Fraud & Corruption Policy Update on the Speak Up Policy Activity 2010 Update of the Corporate Anti-Fraud & Corruption Policy
Complaints	Annual report January – December 2009
General	Terms of Reference reviewed June 2010 Changes to the Accounts and Audit Regulations

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 20th SEPTEMBER 2011

INTERNAL AUDIT QUARTER 1 2011/12 UPDATE REPORT

REPORT OF THE AUDIT & ASSURANCE MANAGER

1 PURPOSE

1.1 To update members on the work of Internal Audit during quarter one – April – June 2011.

2 RECOMMENDATIONS

2.1 That members of the Audit Committee note the information in the quarter one update report.

3 SUMMARY

3.1 The Audit Committee receives a quarterly update of the work of Internal Audit. This report includes the update report for quarter one – April to June 2011.

4 PREVIOUS MINUTES

4.1 Audit Committee 22nd March 2011 – Internal Audit Annual Plan and Strategy 2011/12

5 INTERNAL AUDIT – QUARTER ONE UPDATE (APRIL - JUNE 2011)

5.1 The report provides information on the work of Internal Audit during April to the end of June 2011 and provides an update on the progress of previous audit reports issued (April 2009 to March 2011).

5.2 Internal Audit activity during this period has focussed on the completion of the audits set out in the Internal Audit Plan including starting areas of work for the external auditor. Some work has been undertaken during the quarter to support the go-live of the new financial management system.

5.3 The following appendices are attached to the report:

i) Appendix A – List of final reports issued in quarter one with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.

ii) Appendix B – List of all work undertaken for quarter one of 1 day or more.

iii) Appendix C - Previous graded reports from April 2009 to March 2011 with their current status. (Members should note that green reports have now been excluded from this report).

5.4 Appendix A shows that 13 final reports were issued in quarter 1.

5.5 The audit areas shown in the table below were over their allocated time by more than +/-5% for the reasons highlighted below:

Area	Variance (> +/- 5%)	Reason
Community Centres	+15%	Community Centres had not been audited for a long time and all centres were looked at as part of this review.
Redundancy payments	+13%	Sample size for testing increased to ensure that the process was robust
Newport Pool	+64%	Some additional time due to it being the first audit visit for newly promoted member of staff.
Children's statutory complaints	+100%	New audit area required detailed research into legislation. Training needed to use IT system Complicated processes to audit
Putting People First – Mainstreaming & Developing Personalisation	-14%	Self assessment was used to reduce the audit time as completed by the service area
St Matthews Primary School	-13%	Schools well prepared, limited queries and revised working practices have reduced the time required.
Newdale Primary	-9%	
Millbrook Primary school	-10%	

Most of the positive variances have been where additional work has been undertaken but there have been several negative variances resulting from the revised working practices and restructure. Further time allocations during 2011/12 will be reviewed based on this information.

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

a) Advice and Guidance including organisational change – increased requests due to organisational and systems/process changes
b) AGS assurance and certification – verification of information provided by Service Delivery Units in support of the Annual Governance Statement for 2010/11
c) Community centres – included in table 5.5 above
d) Council tax/NNDR – these are fundamental audits undertaken each year.
e) ICT Procurement – the time allocation for this review is 25 days so further information will be included in future report to members.
f) Review of costs and work for CMT – this was unplanned work to undertake a costs review for Service and Financial Planning Group to assist in the identification of savings and further work for service areas.
g) The Place, Oakengates – this review has taken longer than planned because in addition to the standard programme there were recommendations from previous reports to be followed up. Further information will be provided in future reports to members.

5.7 Due to our limited resources we have reviewed our working practices with regard to follow ups. All amber and red reports are followed up by an audit visit and testing to ensure that recommendations have been implemented as agreed by management. If reports are graded as yellow we issue a follow up template to the Manager and request that this is completed and returned to Audit services with the required evidence. We do not continue to chase managers for a response. They are advised that the grading of the report will not change until they have provided the appropriate follow up evidence.

5.8 From Appendix C the position on the original red/amber reports that remain amber or require highlighting to members are as follows (see also paragraph 5.9 below):

No	Area Audited	Original grade	Revised grade	Current position/comments
1.	ICT Security of Data Transfer	Amber	Yellow	Information sharing review completed and draft report is currently in the process of being agreed. Actions have been taken such as information sharing agreement for the Council and major partners.
2.	Car Parking and enforcement	Amber		Follow up in progress of being agreed but delayed due to restructuring.
3.	External FMSis – Adams Grammar	Amber	Amber	Follow up carried out. Status remains unchanged. Work still in progress at school but due to become an academy September 2011.
4.	Review of Financial Records in a Care Home	Amber	Yellow	Recommendations still outstanding. Recommendations responsibility of management to implement, audit will not be undertaking further follow up as per revised arrangements.
5.	Arthog Complaint	Amber	Yellow	Follow up carried out and moved to yellow.
6.	Protocol system review	Amber	Yellow	Follow up received but some recommendations still outstanding. Further follow up to be completed in quarter 2.
7.	ICT Change management	Amber	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Some recommendations in relation to this audit remain outstanding.
8.	Children's Placement Costs 2010-11	Amber		Follow up in progress. Update will appear in future report to members

5.9 The table shows that there are three reports that have remained amber. Due to restructuring the Car Parking and enforcement follow up responses have been delayed. For the others we are working with the appropriate managers to ensure improvements can be reported in the next update report.

5.10 There were no amber reports issued in quarter 1. All other areas previously audited are either improving or the follow ups are in progress or planned. Internal Audit is confident and it has been assured by management that controls have and will continue to improve in all areas where recommendations have been made. There are no other issues to bring to the attention of the Committee at this time.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit & Assurance have attended equal opportunities/ diversity training. If any such issues arose during an audit or risk review they would be notified to the appropriate manager.
Environmental Impact	Such issues would be notified to the appropriate manager during or immediately following the audit review.

Legal Implications	The Accounts and Audit (England) Regulations 2011 states that the Council shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. There is also a requirement to give consideration to CIPFA's Code of Practice for Internal Audit in Local Government. Undertaking the audits as set out in the report and providing an update to this Committee contributes towards meeting these requirements. In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance.
Links with Corporate Priorities	The audit plan is linked to corporate priorities via the risk management process. Where high risks are identified then Audit Services undertakes work on a more regular basis.
Risks and Opportunities	The role of internal audit includes a review of the controls in place to manage the risks within service areas. The reports produced assist the Council in improving systems and controls (reducing risks) and therefore the delivery of services and achievement of objectives.
Financial Implications	There are no financial implications arising from this report. Where recommendations are made by Audit Services, if possible, cost implications are identified.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council's activities and at all Council locations and therefore operates within all Council Wards.

7 BACKGROUND PAPERS

Annual Audit Plan 2011/12

Report by Jenny Marriott, Audit & Assurance Manager 383101

APPENDIX A

FINAL REPORTS ISSUED QUARTER ONE – APRIL – JUNE 2011

Audit Area	**Opinion**	**Follow Up Due**	**Days allocated**	**Days Taken**	**Variance**
St Matthews Primary School	Green	n/a	7.5	6.5	-13%
Information Governance	Yellow	Oct11	*		
Newdale Primary	Green	n/a	7.5	6.8	-9%
Community Centres	Yellow	December 2011	10.5	12.1	+15%
Absence Management	Yellow	June 2012	*		
Millbrook Primary school	Yellow	September 2011	8.5	7.6	-10%
Redundancy payments	Yellow	December 2011	4.5	5.1	+13%
Putting People First – Mainstreaming & Developing Personalisation	Yellow	April 2012	7	6	-14%
Taxi Licensing compliance review 2011	Yellow	December 2011	**	4.7	**
Newport Pool	Yellow	December 2011	5	8.2	+64%
Children's Statutory Complaints	Yellow	December 2011	7.5	15	+100%
Payment Card Industry Standard	Yellow	December 2011	*		
Software Licensing	Yellow	December 2011	*		

* = Work undertaken by Audit Partners Deloittes under ICT Audit Contract or general agreement with Haines Watts

** = Consultancy / investigation work taken from contingency

APPENDIX B

QUARTER 1 - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR MORE THAN 1 DAY

Area Reviewed	Days
Abacus system review	9
Adult Complaint work	4
Advice/Consultancy + organisational change	11
AGS assurance & certification	11
Benchmarking	1
Cash Collection - general	2
Catering - Systems Development	1
Community Centres	12
Council Tax / NNDR including ward data checks	12
Direct Payments review	3
Education liaison/dev groups	2
Elections	4
Email & Internet Filtering	3
External Audit Liaison Meetings	3
FMS System development	4
Follow ups	6
Fraud & Compliance Checks	3
Fraudulent Credit Cards	2
Geographical Information System	1
ICT Procurement	16
Information assurance	1
Madeley Infants School	1
Mash Media	2
Meals on Wheels	5
National Fraud Initiative	9
Newdale Primary School	7
Newport Junior School	6
Newport Pool	8
NGP Grant	1
P2.net system	2
Performance Indicators	3
Play builder grants	2
Putting People First	4
Redundancy Payments process	1
Review of Costs and follow up work for CMT	16
Risk management	9
Safeguarding/Protocol Information Security Review	3
School Funds	3
Social Care Service Improvement	8
St Matthews School	7
The Place	18
Transparency Agenda	3
Travel Link	1
William Reynolds Junior School	1

STATUS ON FINAL REPORTS ISSUED APRIL 2009 TO MARCH 2011 — APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.11
Business Continuity	Amber	Yellow	Follow up completed in March 2011, Service Area to advise when recs are implemented	Update will appear in future report to members.
Safer Stronger Communities Partnership (SSCP)	Yellow	Yellow	Follow up due in August 11.	Update to appear in future report to members
Safeguarding - Operations	Yellow	Green	Follow up completed no further action required.	Satisfactory follow up.
Children in transition	Yellow		Follow up carried out in October 2010. Where possible actions have been implemented. However the restructure process will have an impact on some of the recommendations made.	A system review will be carried out in 2011-12 following the completion of the reorganisation process.
Section 106 Agreements	Yellow	Yellow	Follow up carried out in October 2010. Where possible actions have been implemented. However some of the recommendations are dependant on the introduction of a new computerised management information system.	Audit will carry out a full review of the system in 2012-13

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.11
ICT Release Management	Yellow	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Recommendations in relation to this audit remain outstanding.	Update will appear in future report to members.
ICT Back Ups	Yellow	Yellow	ICT back ups follow up undertaken as part of recent audit of BCP/Back Ups by Deloittes.	This report will be included in Committee papers at 1 November 2011 meeting
ICT Security of Data Transfer	Amber	Yellow	Information sharing review completed and draft report is currently in the process of being agreed. Actions have been taken such as information sharing agreement for the Council and major partners.	Update will appear in future report to members.
Email & Internet review	Yellow	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Recommendations in relation to this audit remain outstanding.	Update will appear in future report to members
Confirm System	Amber	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Some recommendations in relation to this audit remain outstanding.	Update will appear in future report to members

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.11
CVS Transport Review	Amber	Yellow	2nd follow up completed grade remains Yellow.	Update will appear in future report to members
Performance Indicators 2009/10	Amber	Yellow	A significant number of the recommendations made in this report are now superseded due to the government's decision to stop a number of the indicators in the National Indicator Set being collected. A new 'Single Data List' is being introduced. Once Delivery and Planning are aware of these new requirements Audit will meet to advise on assurance requirements.	Review of indicators on the Councils Open Page due to be undertaken in quarter 2. Update to appear in future report to members
Jacobs Review	Amber	Yellow	Follow sent May 2011, awaiting response.	Update will appear in future report to members.
Asset Management Plan & Voids	Yellow	Yellow	Recommendations still outstanding. Recommendations responsibility of management to implement, audit will not be undertaking further follow up as per revised arrangements.	Update will appear in future report to members.
ICT Capacity & Performance Management	Amber	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Some recommendations in relation to this audit remain outstanding.	Update will appear in future report to members
Car Parking and Enforcement	Amber		Follow up in progress of being agreed but has been delayed due to restructuring.	Update will appear in future report to members

STATUS ON FINAL REPORTS ISSUED APRIL 2009 TO MARCH 2011 **APPENDIX C**

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.11
ICT Governance	Amber	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Some recommendations in relation to this audit remain outstanding.	Update will appear in future report to members
External FMSis Assessment – Adams Grammar school	Amber	Amber	Follow up carried out. Status remains unchanged. Work still in progress at school	Update will appear in future report to members
Direct Payments	Amber	Green	Follow up completed, no further action required.	Satisfactory follow up received.
Review of BTI grants	Yellow	Green	Follow up completed, no further action required.	Satisfactory follow up received.
Madeley Leisure Centre	Yellow	Green	Follow up completed, no further action required.	Satisfactory follow up received.
Putting People First	Yellow	Green	Follow up completed, no further action required.	Satisfactory follow up received.
Review of ‘I Can 2’ Project	Amber	Yellow	Follow up in progress	Update will appear in future report to members
Review of Financial records at a Care Home	Amber	Yellow	Recommendations still outstanding. Recommendations responsibility of management to implement, audit will not be undertaking further follow up as per revised arrangements.	Update will appear in future report to members

STATUS ON FINAL REPORTS ISSUED APRIL 2009 TO MARCH 2011 **APPENDIX C**

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.11
Arthog Complaint Investigation 2010	Amber	Yellow	Follow up carried out and status changed to yellow.	Update will appear in future report to members
Protocol System Review	Amber	Yellow	Follow up received but some recommendations still outstanding. Further follow up to be completed in quarter 2.	Update will appear in future report to members
IT Asset Management	Amber	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Some recommendations in relation to this audit remain outstanding.	Update will appear in future report to members
Dawley Town Hall	Amber	Yellow	Follow up work undertaken as part of additional work on community centre leases. Subsequent follow up will be incorporated into the Community centre leases follow up – due September 2011.	Update will appear in future report to members
External FMSis Assessment – Charlton Secondary school	Yellow	Yellow	Follow up in progress.	Update will appear in future report to members
External FMSis Assessment – The Meadows primary & Nursery school	Yellow	Green	Follow up completed, no further action required.	Satisfactory follow up received.
Horsehay Golf Course	Yellow	Green	Follow up completed, no further action required.	Satisfactory follow up received.

STATUS ON FINAL REPORTS ISSUED APRIL 2009 TO MARCH 2011 APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.06.11
Income checks: - Severn Day Centre - Halesfield Day Centre - Lakeside Day Centre Social Education Centre, Wellington	Yellow	Green	Follow up completed, no further action required.	Satisfactory follow up received.
Windmill Primary School	Yellow		Follow up in progress	Update will appear in future report to members
ICT Change management	Amber	Yellow	Follow up of all outstanding ICT recommendations is undertaken on a monthly basis. Some recommendations in relation to this audit remain outstanding.	Update will appear in future report to members
Enterprise & Employment (One Telford)	Yellow		Follow up due August 2011	Update will appear in future report to members
Review of storage arrangements at Stafford Park 2010-11	Yellow		Follow up in progress	Update will appear in future report to members
Children's Placement Costs 2010-11	Amber		Follow up in progress	Update will appear in future report to members
ICT Procurement – SCC Contract	Yellow		Follow up in progress	Update will appear in future report to members
St George's Primary School	Yellow		Follow up in progress	Update will appear in future report to members