



Telford & Wrekin
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

Date **Thursday, 30 May 2019** Time **6.00 pm**
 Venue **Meeting Rooms G1 /G2, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT**

Enquiries Regarding this Agenda

| | | |
|---------------------|--|--------------|
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| Lead Officer | Jonathan Eatough, Assistant Director: Governance, Procurement & Commissioning | 01952 383200 |

Committee Membership: Councillors P Watling (Chair), C F Smith (Vice-Chair),
 N A M England, V J Holt, A Lawrence, K S Sahota and
 W L Tomlinson

AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes of the Previous Meeting** 3 - 8
 To confirm the minutes of the previous meeting.
4. **Review of the Audit Committee Terms of Reference** 9 - 12
 To note the Terms of Reference
5. **External Audit Interim Report 2018/19** 13 - 32
 To receive the report of Grant Thornton
6. **External Audit Fee Letter and Plan for 2019/20** 33 - 36
 To receive the report of Grant Thornton
7. **External Audit Progress Report and Update** 37 - 54
 To receive the report of Grant Thornton
8. **The Annual Governance Statement 2018/19** 55 - 72
 To receive the joint report of the Chief Financial Officer and the Monitoring Officer
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| 10. | 2018/19 Internal Audit Annual Update Report including the Audit Committee Annual Report and 2019/20 Internal Audit Plan To receive the report of the Audit & Governance Team Leader | 217 - 232 |
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| 13. | 2018/19 Anti-Fraud & Corruption Annual Report and updated policy 2019/20 To receive the report of the Audit & Governance Team Leader | 257 - 276 |
| 14. | Outline of Audit Committee Business for 2019/20 | 277 - 278 |

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 29 January 2019 at 6.00pm in Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford

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

IN ATTENDANCE: K Clarke (Assistant Director: Finance & Human Resources), P Harris (Finance Manager), E Rushton (Group Accountant), R Montgomery (Audit & Governance Team Leader), T Drummond (Principal Auditor), J Power (Organisational Delivery & Development Manager) and J Clarke (Democratic & Scrutiny Officer).

ALSO IN ATTENDANCE:

P Katrak and N Hodges (Arlingclose) and R Percival (from Grant Thornton, External Auditors)

The Chair welcomed Members to the meeting and that he was standing down as a Councillor at the end of this municipal year. He thanked the staff for all of their support during his time on the Committee and to Members of the Committee who had worked to challenge in a non-political way and he wished this to continued going forward.

AUC 28 APOLOGIES FOR ABSENCE

A D McClements

AUC 29 DECLARATIONS OF INTEREST

None.

AUC 30 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 2 October 2018 be confirmed and signed by the Chairman.

AUC 31 TREASURY MANAGEMENT UPDATE

P Katrak from Arlingclose gave a presentation and update on Treasury Management which covered the following treasury management, Statutory Guidance – CIPFA, Members' roles and responsibilities, treasury management strategy, treasury risk management, debt portfolio, estimated borrowing requirement and investments, debt strategy, affordability, use of resources and strategy for security.

It was important to bear in mind that when dealing with cash flow peaks and troughs that there was always some risk and these risks needed to be identified and

managed as far as possible whilst recognising that treasury management activities would always include an element of risk. Risk was not always negative it could also produce opportunities. Any borrowing needed to be affordable and sustainable and investments as secure as possible, accessible and any risks also identified as far as possible although it was important not to lose sight of proportionality. Borrowing could not be undertaken purely to profit and needed to be monitored and controlled. There was shortly to be an update to the The Markets in Financial Instruments Directive II (MiFID II) which may reduce the minimum investment balance requirement. Growth was being affected by the uncertain route to Brexit and the 10 year forecast was that gilt yield borrowing would be 1¼% and would remain in a low for longer environment.

**AUC 32 2019/20 TREASURY STRATEGY AND TREASURY STRATEGY
UPDATE REPORT**

The Corporate & Capital Finance Manager presented a report on the 2019/20 Treasury Strategy and gave an update on the Treasury Strategy which would go before Cabinet and Council.

The strategy during 2018/19 had been to limit investments which reduced the Council's exposure to risk and to take advantage of low interest rates for borrowing which had generated surplus treasury management returns of £13.8m over the medium term. On 31 December 2018 the treasury portfolio showed overall net indebtedness as £244.287m. The borrowing strategy for 2018/19 was to take advantage of the short-term borrowing rates before gradually lengthening maturities and the Council had begun to lock-in where opportunities arose within the borrowing costs built in to the budget strategy. Regular advice was sought from Arlingclose in order to comply with Performance Indicators and investments sought to bring the maximum benefit whilst providing security of the sum invested. The MiFID II legislation was due to be updated and the necessary work would be undertaken to adjust the strategy. The Strategy complied with the standards outlined within the Budget Strategy.

The Strategy may need to be updated prior to this going before Cabinet and Council and Members of the Committee would be contacted if any changes were necessary.

During the debate, some Members asked about the changes to the MiFID II. P Katrak explained to Members that the minimum £10m borrowing required to be a "professional client" was likely to be reduced quite significantly in order to give more flexibility as the current figure was quite high and challenging. Other Members asked what additional interest and costs would be incurred if the external borrowing increased and if this would affect Council Tax and when the borrowing for Housing Investment Programme – ie Nuplace would be repaid and why there was a reduction in investments from £31.3m to £20m in 2019. The Finance Manager and Assistant Director explained that with regards to Council Tax there would be an incremental impact across the bands of new approvals and this applied to the debt and a range of costs and that this would also depend on the return generated by the debt. The business case for Nuplace was 30yrs and during this time the housing assets were expected to appreciate in value. With regard to the borrowing it was felt that due to the current rates that it was not prudent due to the potential counter-party risk or economic

to invest money and that the reduction in investments from a temporarily high level of £31.3m which had been reached as an opportunity to lock in to a long-term fixed rate loan had been taken resulting in a temporarily high level of investments pending the repayment of temporary loans. Some Members asked if there was clarification on what Local Authorities could invest in and where and if there were any sanctions. The Assistant Director confirmed that the Government were concerned that some Local Authorities were borrowing to invest outside their area but that this Council had not done that. R Percival confirmed that there were a new Investment Code which balanced the risk and reward of public money in order to keep risks low. The Code did not prevent out of area investment but clarified the area in order to manage the risk down and to prevent borrowing to on-lend, which had resurfaced in some areas. Sanctions were S114 Notices and the use of statutory powers where necessary.

RESOLVED – that:

- a) the Treasury Management activities for the first half of the year be noted;
- b) the Treasury Management Policy Statement be noted;
- c) Cabinet and Full Council approve the Treasury Strategy, including the Annual Investment Strategy for 2019/20 together with the associated Treasury Prudential Indicators and the Minimum Revenue Provision Statement applicable from 2019/20 onwards.

AUC 33 AUDIT PROGRESS REPORT AND SECTOR UPDATE AND INFORMING THE AUDIT RISK ASSESSMENT

R Percival, Grant Thornton, presented the report on the audit and sector update. The Audit plan was in the process of being drafted. The external auditors felt that the financial statement was acceptable but that the Value for Money Statement (VFM) needed further work due to them being new Auditors and it was a complex plan. It was hoped that this would be brought to the next Audit Committee. There were four key risks; fraud and prevention research, management and delivery of contracts, Pension Liability and valuation of property and equipment. Three key points to consider whilst assessing VFM were to undertake informed decisions, ensure sustainability and working with partners. Areas to focus on were to establish a sound financial footing along with developing plans going forward. External Audit would bring back the interim findings before Committee. Final accounts were all in progress.

R Percival also updated Members on informing the audit risk assessment. As part of the risk assessment procedures the External Auditors were tasked with gaining an understanding of the management processes with regard to fraud, laws and regulations, going concern, related parties and accounting estimates. This was undertaken via a questionnaire to management. There were no issues found with any of the responses and they were all in line with what was expected. Some Members asked how the financial assumptions had been derived and if there was a breakdown of the £117m savings from over the last 10 years. The Assistant Director confirmed that they were currently preparing an analysis of the savings, but that the figures would have gone to Cabinet and Full Council during service and financial planning.

RESOLVED – that the report be noted.

AUC 34 EXTERNAL AUDIT GRANTS REPORT 2017/18

Members received a report for information only from KPMG the Council's former external auditors.

RESOLVED – that the report be noted.

AUC 35 2018-19 INTERNAL AUDIT UPDATE REPORT

The Principal Auditor presented a progress update on work undertaken by Internal Audit between 8 September 2018 and 4 January 2019 with the key focus being on the completion of the audit plan which included the fundamental systems audits. There were twelve reports issued during this period with two rated amber (Direct Payments Children and My Options Young Peoples Services income) and three rated red (Southall School, Sir Alexander Fleming Primary and Direct Payments Adults). A follow up visit would be undertaken to Southall School in February 2019 and a follow up on Direct Payments Adults and Children would be undertaken in March. My Options had now moved from Amber to yellow since writing the report. Some Members were pleased that Alexander Fleming School had moved from red to green and felt that they had just needed a bit of direction but remained concerned regarding the Direct Payments and suggested that the follow up was brought forward to February so that progress could be reported to committee members before the next meeting. Members felt that it was positive to see people taking the audit process seriously but also raised concerns regarding direct payments and asked if an extra meeting could be arranged to report on the progress of Direct Payments. The Chair explained that due to the pre-election period beginning on the 26 March that it would not be possible to organise a meeting prior to the elections in May 2019. It was agreed that once the direct payments follow is complete an update would be emailed to members with a formal update being brought to the next audit committee meeting in Summer/Autumn 2019.

The Audit & Governance Team Leader reported that at this meeting the Members were asked to consider the Internal Audit Charter, but that the recommendation to approve the charter was missing from the report. He asked that Members, if minded, approve the following recommendation:

“that the 2019/20 Internal Audit Charter be approved”.

It was confirmed that the audit & Governance Team Leader remained the Chief Auditor and together with his Team he supported the whole Council to deliver economic, efficient and effective services and to meet the Accounts and Audit Regulations 2015. This involved meeting plans and objectives and managing risk and had unfettered access to External Audit, the Audit Committee Members and the Managing Director.

RESOLVED – that:

- a) the report be noted; and**

b) the 2019/20 Internal Audit Charter be approved.

AUC 36 UPDATED POSITION OF THE AGS ACTION PLAN 2017/18

The Organisational Delivery & Development Manager presented the updated position of the AGS Action plan for 2017/18. The Action Plan accompanied the annual accounts and helped to drive development and to identify and manage new risks. The next step was to refresh the 2018/19 AGS.

RESOLVED – that the AGS Action Plan be noted.

The meeting ended at 7.47pm

Chairman:

Date:

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1 SUMMARY OF MAIN PROPOSALS

1.1 For the Audit Committee to note and recommend to Council the Audit Committee's terms of reference are proposed to be adopted by the Council in May 2019

2 RECOMMENDATION

2.1 That members of the Audit Committee note and recommend the terms of reference attached as Appendix 1 to be adopted by the Council in May 2019

3 SUMMARY IMPACT ASSESSMENT

| | | |
|---|---|---|
| COMMUNITY IMPACT | Do these proposals contribute to specific Priority Plan objective(s)? | |
| | Yes | <i>The Audit Committee is part of the Council's Governance Framework encompassing the whole Council and therefore all of the Council's priorities.</i> |
| | Will the proposals impact on specific groups of people? | |
| | No | |
| TARGET COMPLETION/DELIVERY DATE | <i>Approval by Council at their May 2019 meeting.</i> | |
| FINANCIAL/VALUE FOR MONEY IMPACT | No | <i>Good governance processes support value for money in ensuring economy, efficient and effectiveness in the Council's decision making and processes.</i> |
| LEGAL ISSUES | Yes | <i>The requirement for Terms of Reference for Council Committees is part of the Constitution.</i> |
| OTHER IMPACTS, RISKS & OPPORTUNITIES | Yes | <i>The Audit Committee provides assurance on good governance and that there is the proper identification and management of risks and robust control arrangements.</i> |
| IMPACT ON SPECIFIC WARDS | Yes | <i>Borough-wide impact</i> |

4 INFORMATION

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

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

5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

N/A

6 PREVIOUS MINUTES

- 6.1 Audit Committees – 1st meeting after the commencement of the municipal year

7 BACKGROUND PAPERS

Constitution

The Accounts & Audit Regulations 2015

Local Audit & Accountability Act 2014

Report by Rob Montgomery – Audit & Governance 383103

Audit Committee Terms of Reference

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

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

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

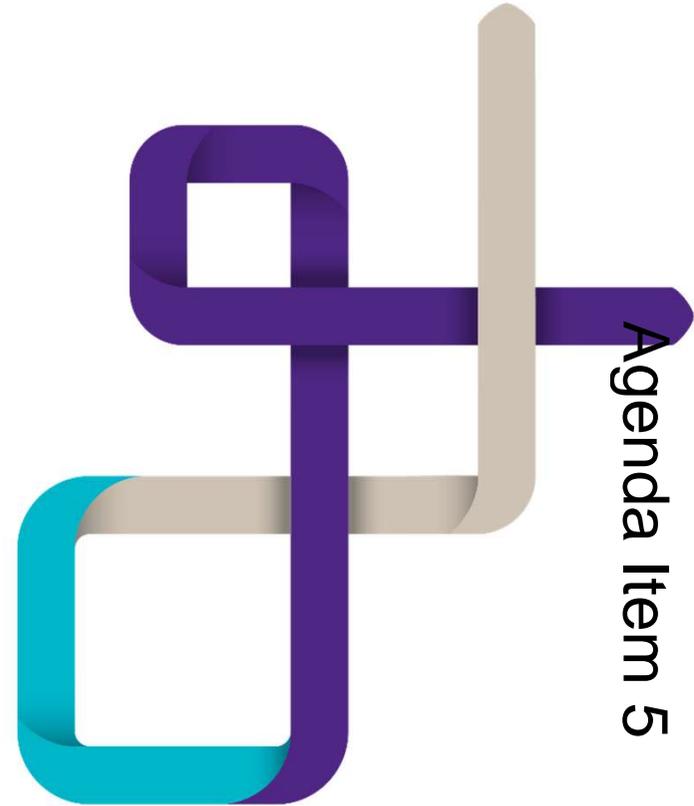
- 12 Recognising that Complaints/Compliments are a Cabinet function, the Committee should Review the Annual Complaints Report and seek assurances that the Council is improving in response to complaints raised
- 13 The meetings will follow the principles of scrutiny, i.e. no party whip will be applied and a constructive, evidence based approach will be used.
- 14 To ensure that adequate training is received by the members of the committee on the areas covered by these terms of reference.
- 15 To ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as confidential.
- 16 Annually review their effectiveness and their terms of reference.

External Audit Plan

Year ending 31 March 2019

Telford & Wrekin Council
March 2019

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Your key Grant Thornton
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Section

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2. Key matters impacting our audit
3. Group audit scope and risk assessment
4. Significant risks identified
5. Other matters
6. Materiality
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Appendices

- A. Audit Approach

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Telford & Wrekin Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Telford & Wrekin Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council's and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Group Accounts

The Council is required to prepare group financial statements that consolidate the financial information of its housing company NuPlace Limited. We will consider the consolidation process and whether the group accounts include all necessary disclosures.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls – Under ISA 240, there is a presumed risk of management override of controls present in all entities;
- Valuation of property, plant and equipment – The Council's revaluation of its assets in line with its rolling plan may lead to a material misstatement;
- Valuation of the pension fund net liability – The estimate of the valuation of the pension fund's net liability may be materially misstated.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £7.4 million for the Authority and £7.5 million for the Group, which equates to approximately 1.75% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. 'Clearly trivial' has been set at £375,000. A specific materiality of £100,000 has been set for senior officer remuneration.

Introduction & headlines (continued)

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified two VFM significant risks, as follows:

Financial resilience over the medium to long term

The Service and Financial Planning Strategy 2019/20 – 2021/22 identifies a potential funding gap of £31 million by 2021/22 driven predominantly by cuts in government funding and increased costs in delivering statutory services. This projection is in addition to the £117.5 million of savings already delivered since 2009/10.

The Council has set a savings target for 2019/20 of £6.064 million but is committed to investing further in statutory services and so has included £2.961 million of reserves to cushion the impact of the reducing Government funding and allow the level of investment required.

Delivery of core statutory services, particularly Adult Social Care and Children’s Safeguarding and Family Support Services

The Council has identified growth in demand for key services, particularly Adult Social Care and Children’s Safeguarding and Family Support Services. There is a recognition that there needs to be a review and redesign of services to enable delivery at the level required, whilst maintaining quality standards all within a reduced funding envelope. The Council are starting to identify solutions for this.

Audit logistics

Our pre-accounts visits has taken place between January and March 2019. Our final visit will take place in June and July 2019. Our key deliverables are this Audit Plan, our Audit Findings Report and our Annual Audit Letter. We will provide the Council with an opinion on its financial statements and a conclusion on its value for money arrangements. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £90,182, subject to the Council meeting our requirements set out on page 14.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit

Key Matters

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. At a national level, the Government continues to consider the timing and form of Brexit. Future arrangements remain uncertain. The Council will need to ensure that it is prepared for all outcomes, including the impact on contracts, on service delivery and on its support for local people and businesses.

There is also continuing uncertainty about the Local Government funding framework from 2020/21. The outcomes of the Fair Funding Review and the potential Business Rate Reset could have a major financial impact on the Council.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Given the nature of the entity, we expect the impact of these changes on the Council to be minor. However, we will be obtaining and assessing management's assessment of that impact during our audit.

Delivering challenging savings, statutory services and capital investment

The Council has a strong track record of sound financial management delivering a financial outturn within budget for over 10 consecutive years despite having to deliver £117.5 million annual budget savings since 2009/10.

The Council set challenging savings target of £7.568 million in 2018/19. As at January 2019 the net projected outturn position for 2018/19 was estimated to be within budget after using £0.3 million of the centrally held contingency, leaving £5.28 million available to meet any unforeseen costs or further pressures.

Children's Safeguarding & Early Help continues to be a key area of focus and there are a number of strategies underway to reduce costs and deliver savings. A cost improvement plan is in place, as is also the case with Adult Social Care. These are monitored on a regular basis by senior managers and Cabinet Members.

The Council's Capital Strategy balances austerity against the objective of being a Co-operative Council, working in partnership to shape the locality for the future generations.

Our response

- We will consider your arrangements for managing and reporting your future financial resources as part of our work in reaching our Value for Money conclusion. This will include consideration of your medium term service and financial planning strategy.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- We will review the Council's arrangements for ensuring that the in year financial position is monitored and reported clearly and appropriately.
- We will assess the delivery of savings planned for 2019/20 and the assumptions made within the budget to assess the robustness of your financial position in the short term.
- We will consider the arrangements in place for delivering key statutory services, particularly those with significant financial challenges.
- We will also consider the delivery of the Council's Capital Strategy in 2018/19 and whether this has achieved progress against the local priorities set out.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

| Component | Individually Significant? | Audit Scope | Risks identified | Planned audit approach |
|-------------------------------------|---------------------------|-------------|------------------|--|
| Telford & Wrekin Council | Yes | | See pages 7 to 9 | Full scope UK statutory audit performed by Grant Thornton UK LLP |
| NuPlace Limited | No | | None | Analytical review performed by Grant Thornton UK LLP |
| West Mercia Energy | No | | None | Analytical review performed by Grant Thornton UK LLP |

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Key changes within the group:

- No significant changes during 2018/19

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|--|
| The revenue cycle includes fraudulent transactions | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Telford & Wrekin Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Telford & Wrekin Council.</p> |
| Management over-ride of controls | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. .</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. |

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Significant risks identified (continued)

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|---|--|
| Valuation of the pension fund net liability | <p>The Council's pension fund net liability represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the value involved (£264 million in the Council's balance sheet as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of Shropshire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements |

Significant risks identified (continued)

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|---|--|
| Valuation of land and buildings | <p>The Council revalues its land and buildings on a five-yearly basis.</p> <p>To ensure the carrying value in the Council and group financial statements is not materially different from the current value at the financial statements date, the Council requests a desktop valuation from its valuation expert. This valuation represents a significant estimate by management in the financial statements due to the value involved (£472 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• evaluate the competence, capabilities and objectivity of the valuation expert• discuss with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding• test revaluations made during the year to see if they had been input correctly into the Council's asset register |

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Council's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

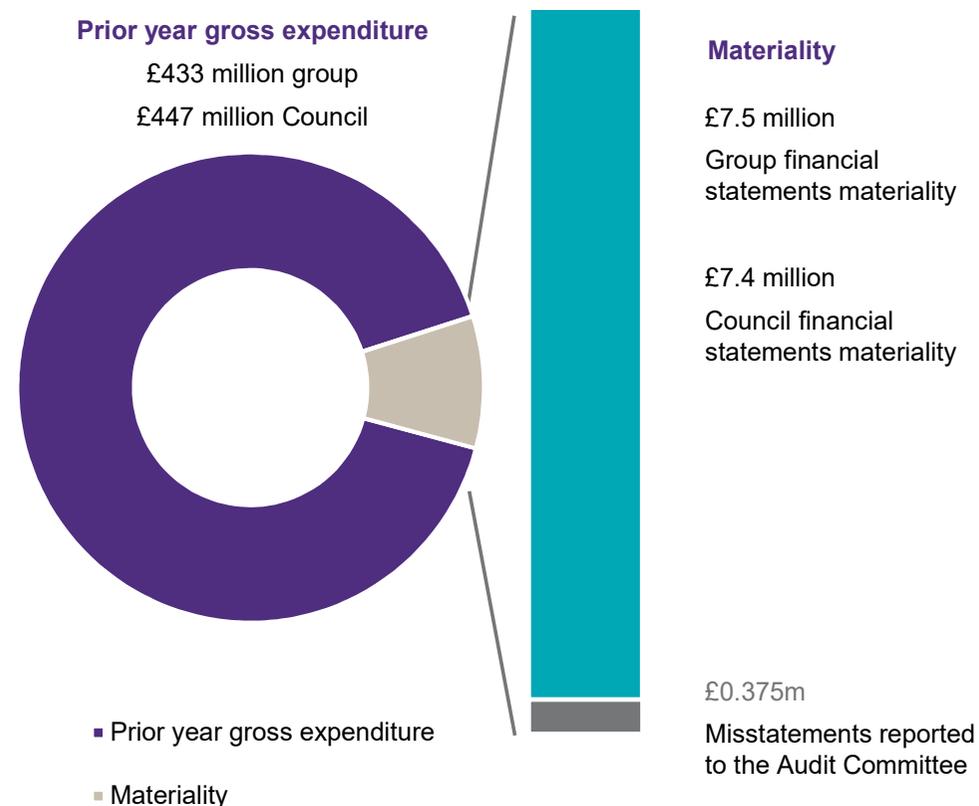
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council and Group for the previous financial year. Materiality at the planning stage of our audit is £7.4 million for the Council and £7.5 million for the group. This equates to approximately 1.75% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100,000 for disclosures of senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £375,000.

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



Value for Money arrangements

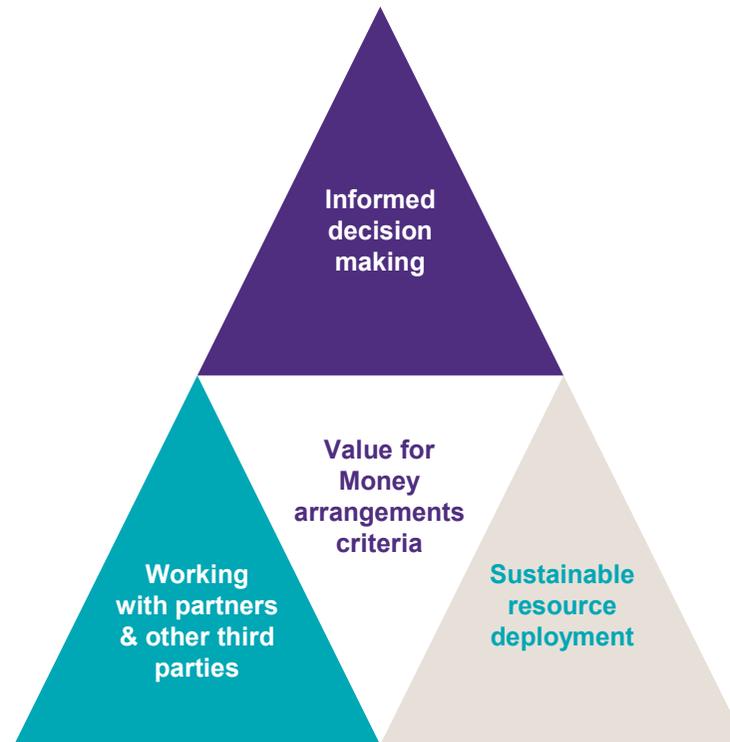
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Value for Money arrangements significant risks

Significant VFM risks

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



Financial resilience over the medium to long term

The Service and Financial Planning Strategy 2019/20 – 2021/22 identifies a potential funding gap of £31 million by 2021/22 driven predominantly by cuts in government funding and increased costs in delivering statutory services. This projection is in addition to the £117.5 million already delivered since 2019/10.

The Council is committed to investing further in Adult Social Care and Children's Safeguarding and Family Support Services whilst also delivering £6.064 million of savings. The budget includes the use of £2.961 million of reserves to cushion the impact of the reducing Government funding and allow the level of investment required in statutory services.

The Council's approach to Service and Financial Planning is underpinned and informed by a Co-operative Council ethos, working together with the community and partners to collectively deliver the best outcomes with the combined resources in the local area.

Response to the risk

We will review the Council's arrangements for ensuring that the in year financial position is monitored and reported clearly and appropriately.

We will review the Council's Medium Term Service and Financial Planning Strategy assessing the assumptions used. We will also consider the Council's delivery and any reported key variances from the Financial Strategy.

We will assess the delivery of savings planned for 2019/20 and the assumptions made within the budget to assess the robustness of your financial position in the short term.

We will also consider the delivery of the Council's Capital Strategy in 2018/19 and whether this has achieved progress against the local priorities set out.



Delivery of core statutory services, particularly Adult Social Care and Children's Safeguarding and Family Support Services

The Council has identified growth in demand for key services, particularly Adult Social Care and Children's Safeguarding and Family Support Services.

In order to respond to the growth in demand for Adult Social Care whilst continuing to deliver high quality support to those who meet the Care Act eligibility threshold, the Council has identified the need to radically change the approach to delivery of the provision to build a more sustainable system that promotes and maintains greater independence for most people and which maximises the support available within local communities.

Pressures in children's services come from is reflective of both demand, complexity and demographic pressures, where rising numbers of children particularly in areas of deprivation, continue to grow. In spite of this, the Council has recognised the need to respond creatively by reviewing and re-modelling services and finding new and innovative ways of doing more for less. Whilst doing so, the foremost priority is to promote the wellbeing and safeguarding of vulnerable children and young people, and to meet statutory responsibilities.

Response to the risk

We will consider the arrangements in place for delivering key statutory services, particularly those with significant financial challenges.

Audit logistics, team & fees



Richard Percival, Engagement Lead

Richard will be the main point of contact for the Chair, s151 Officer and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Richard will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit. Richard will sign your audit opinion.



Emily Mayne, Audit Manager

Emily will work with the Assistant Director: Finance & HR (CFO) and senior finance team ensuring audit work is delivered and any accounting issues are addressed on a timely basis. She will attend Audit Committee with Richard and supervise Aaron in leading the on-site team. Emily will undertake reviews of the team's work and draft clear, concise and understandable reports as well as completing the work for the value for money conclusion.



Aaron Smallwood, Audit In-charge

Aaron will be the day to day contact for the audit, organising our visits and liaising with Council staff. He will lead the on-site team and will monitor deliverables, manage our query log ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

Audit fees

The planned audit fees are £90,182 + VAT for the financial statements audit completed under the Code, which are in line with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Where additional audit work is required to address risks we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

This is the first year we are delivering our opinion for your Council. We have undertaken considerable work to liaise with your finance team and discuss the closedown process. To date, our work with your finance team has been largely positive and we currently anticipate that we will be able to deliver our opinion within the deadline.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 13). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified.

| Service | £ | Threats | Safeguards |
|---|--------------------------|---|---|
| Audit related | | | |
| Certification of Teachers' pension Return | 4,800 estimate TBC | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,800 in comparison to the total fee for the audit of £90,182 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| Non-audit related | | | |
| Audit of the Council's Housing subsidiary NuPlace Limited | 11,000 | Self-Interest (because this is a recurring fee) | See above |

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Audit Approach

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Audit approach

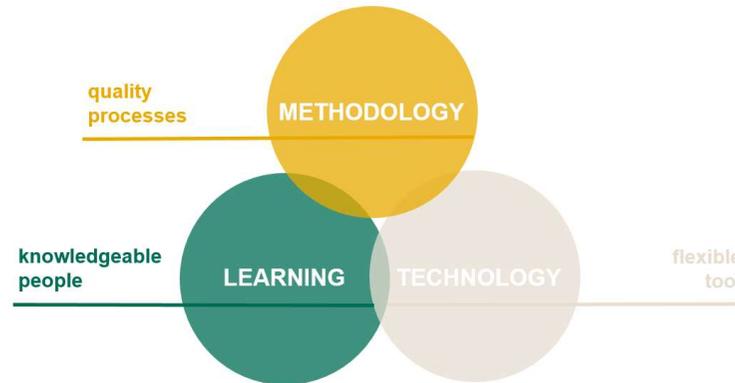
Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



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IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons



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15 April 2019

Dear Ken,

Planned audit fee for 2019/20

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

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

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

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £90,182 which is the same as in 2018/19.

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

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

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

Value for Money conclusion

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

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

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

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

Billing schedule

Fees will be billed as follows:

| Main Audit fee | £ |
|-----------------------|---------------|
| September 2019 | 22,546 |
| December 2019 | 22,546 |
| March 2020 | 22,545 |
| June 2020 | 22,545 |
| Total | 90,182 |

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2019 to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in January to July 2020 and work on the whole of government accounts return in July 2020.

| Phase of work | Timing | Outputs | Comments |
|----------------------------------|-----------------------------|--|--|
| Audit planning and interim audit | November 2019 to March 2020 | Audit plan | The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM. |
| Final accounts audit | June to July 2020 | Audit Findings (Report to those charged with governance) | This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance. |
| VfM conclusion | January to July 2020 | Audit Findings (Report to those charged with governance) | As above |
| Whole of government accounts | July 2020 | Opinion on the WGA return | This work will be completed alongside the accounts audit. |
| Annual audit letter | September 2020 | Annual audit letter to the Council | The letter will summarise the findings of all aspects of our work. |

Our team

The key members of the audit team for 2019/20 are:

| | Name | Phone Number | E-mail |
|-------------------|------------------|---------------|--|
| Engagement Lead | Richard Percival | 0121 232 5434 | richard.d.percival@uk.gt.com |
| Senior Manager | Emily Mayne | 0121 232 5309 | emily.j.mayne@uk.gt.com |
| In Charge Auditor | Arron Smallwood | 0121 232 5336 | aaron.k.smallwood@uk.gt.com |

Additional work

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

Quality assurance

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

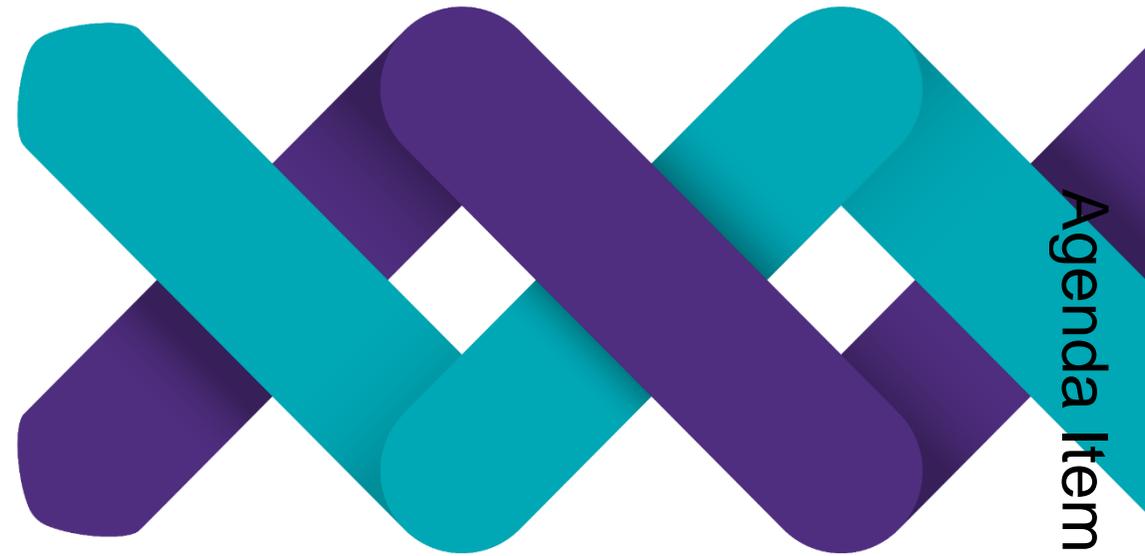
Yours sincerely

A handwritten signature in blue ink that reads "Richard".

Richard Percival
Engagement Lead
Grant Thornton UK LLP

Audit Progress Report and Sector Update

Telford & Wrekin Council
Year ending 31 March 2019
Page 37
May 2019



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| Audit Deliverables | 5 |
| Sector Update | 6 |
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Introduction



Richard Percival
Engagement Lead

T 0121 232 5434
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Page 39



Emily Mayne
Senior Manager

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E emily.j.mayne@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Senior Manager.

Progress to date

Financial Statements Audit

We have completed our planning for the 2018/19 financial statements audit and have finalised a detailed audit plan which is presented to this Committee. This sets out our proposed approach to the audit of the Council's 2018/19 financial statements.

We have undertaken interim audit work through January to March 2019. This included:

- Establishing our understanding of the Council's control environment
- Understanding the key financial systems
- Reviewing Internal Audit reports on core financial systems and meeting with them to develop the relationship

- Early work on emerging accounting issues
- Early substantive testing

There are no significant findings from the interim audit we wish to bring to your attention. We have fed back to officers on progress which has been good.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2018. We have discussed our delivery plan and timetable with officers and ensured that this is agreed by both parties.

The final accounts audit is due to begin in June with findings reported to you in the Audit Findings Report by the deadline of July 2019.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Audit Plan. The two significant risks we have identified are:

- Financial resilience over the medium to long term.
- Delivery of core statutory services, particularly Adult Social Care and Children's Safeguarding and Family Support Services.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The Letter of Engagement has now been signed.

Our planning work commenced late March with samples being chosen in June.

Meetings

We have had a number of useful and informative meetings with Directors to understand the Council's wider strategic objectives. This was enhanced by a 'tour' of the Borough to highlight some of the economic, geographic and financial challenges within Telford & Wrekin.

We will continue to engage with your officers, particularly around areas where you are facing your greatest challenges. This will include updates with your Managing Director to ensure that we are aware of your longer term vision as a Council.

We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. This is supporting the development of key relationships within the Council in core departments including Internal Audit.

Events

Your Finance staff were invited to our Financial Reporting Workshop to provide an opportunity for your team to be updated with the latest financial reporting requirements for local authority accounts.

Audit Deliverables

| 2018/19 Deliverables | Planned Date | Status |
|---|---------------|-------------------------------|
| Fee Letter Confirming audit fee for 2018/19. | April 2018 | Complete |
| Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed audit approach in order to give an opinion on the Council's 2018/19 financial statements. This will also include our initial value for money risk assessment. | March 2019 | Complete |
| Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report. | May 2019 | Nothing significant to report |
| Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee. | July 2019 | Not yet due |
| Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion. | July 2019 | Not yet due |
| Annual Audit Letter This letter communicates the key issues arising from our work. | August 2019 | Not yet due |
| Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract. | December 2019 | Not yet due |

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Public Sector

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



NAO Report

Challenge question:

Has your Authority got a robust plan in place to deliver the additional houses needed over the next five years?



National Audit Office – Pressures on children’s social care

The Local authorities in England have statutory responsibility for protecting the welfare of children and delivering children’s social care. In extreme cases they may use their statutory powers to place children in need on protection plans or even take them into care. Local authorities are also responsible for delivering non-statutory services for all children and young people, such as children’s centres. The Department for Education (the Department) provides statutory guidance on delivering these functions. It also has overall policy responsibility for children’s services, and has the strategic vision that all vulnerable children, no matter where they live, should have access to high-quality support by 2022.

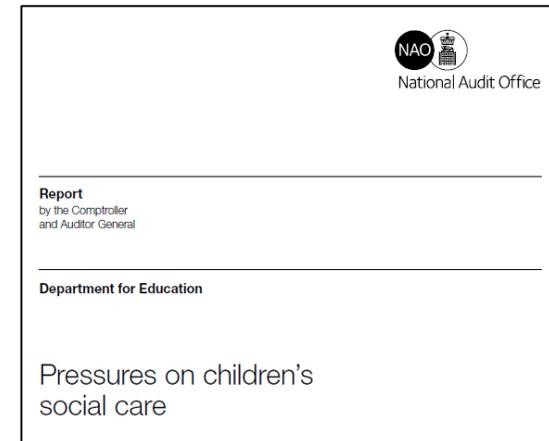
The report sets out recent trends in pressures on children’s social care demand and activity and the response of both national and local government to these pressures. It also sets out analysis the NAO conducted about what is causing variations in children’s social care demand and activity between different local authorities. The report covers:

- the pressures on children’s social care;
- the response of national and local government to increasing demand for children’s social care; and
- NAO analysis of what is causing variations in demand for children’s social care between local authorities.

The report notes that, while the Department has put in place a programme of reform, it still does not fully understand what is driving demand for children’s social care or why there is such wide variation between local authorities in their children’s social care activity and costs. It has not yet done the work to tie together available sources of information and therefore lacks a well-informed pathway to achieve its goal. While the Department has recognised the need for this analysis, it will not complete the work until summer 2019. Even if its analysis is completed successfully it will be a tall order for the Department to achieve its goal within three years.

The report is available on the NAO website:

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>



NAO Report

Challenge question:

Has your Authority considered the NAO report, and how any local variations in demands can be addressed?



CIPFA – Social Care risk tool

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Directors of Adult Social Services' (ADASS) have updated the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

To download the tool:

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>



CIPFA Social Care risk tool



Challenge question:

Has your Authority completed the Social Care risk tool? Have your Directors shared the results and responses with you?

A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

Scoping Sprint (Oct 2018)

Following opening remarks by Hilary Cottam (social entrepreneur and author of Radical Help) and Cllr Georgia Gould (Leader of Camden Council) the subsequent debate identified three themes for Grant Thornton to take forward:

1. Ethics and philosophy: What is meant by care? Should the state love?

2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

Sprint 1 – What do we really mean by 'Care'? (Dec 2018)

Julia Unwin, Chair of the Civil Societies Futures Project, and Sam Newman of Partners4Change sparked debate on why we need society to be brave enough to talk about care and the different levels at which 'care' can be applied to create a Caring Society.

Sprint 2 – A new role for the state? (7 Feb 2019)

Donna Hall, CEO of Wigan Council and Andrew of Reform, will start the debate on how can the state – nationally and locally – develop and adapt itself to be in service to a caring society.

To find out more or get involved:

- Join the conversation at #acaringssociety
- [Why we need to create a caring society](#)
- [Creating a caring society – the start of the debate](#) – the key themes from our first round table
- [Social care must take the starring role in its own story](#) – why the definition of social care is so important if the system is to change
- [Markets, trust & governance](#) – how social care can evolve to become a driver of local care economies
- [The future care leader](#) – Fiona Connolly, director of adult social care at Lambeth, discusses the importance of local care leaders working across the entire health system

Challenge question:

How is your authority engaging in the debate about the future of social care?



Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a 'nice to have' but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care's 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website



Grant Thornton

Challenge question:

How effective is the Council's engagement with the social care sector?



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing. person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

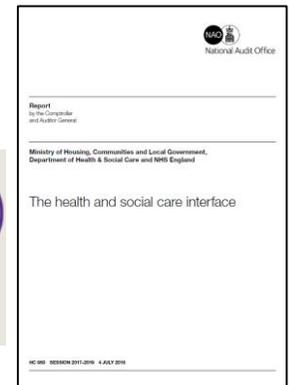
This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

The health and social care interface

Challenge question:

Has the Audit Committee considered the 16 challenges to joint working and what can be done to mitigate these?



MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:

<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>

Social Housing Green Paper Consultation



Challenge question:

What does the Social Housing Green Paper mean for your local authority?



CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

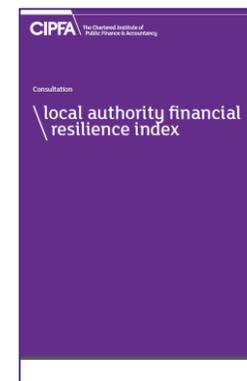
As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

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CIPFA Consultation

Challenge question:

Has your Assistant Director: Finance & Human Resources briefed members on the Council's response to the Financial Resilience Index consultation?



Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils’ revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly
owned

Joint
Ventures

Social
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
 - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

Links

Grant Thornton

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

National Audit Office

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

<https://www.nao.org.uk/report/planning-for-new-homes/#>

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

CIPFA

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

1 SUMMARY OF MAIN PROPOSALS

1.1 For Cabinet to agree the Annual Governance Statement 2018/19 prior to the statement being signed by the Leader and Managing Director. The Statement will then be sent to the Audit Committee for review and approval and will accompany the 2018/19 annual accounts.

2 RECOMMENDATION

- 2.1 That members of the Cabinet agree the Annual Governance Statement 2018/19, attached as Appendix A, and note the information in the report
- 2.2 That members of the Audit Committee approve the Annual Governance Statement 2018/19, attached as Appendix A (including Annex 1), and note the information in the report

3 SUMMARY IMPACT ASSESSMENT

| | | |
|---|--|--|
| COMMUNITY IMPACT | Do these proposals contribute to specific Priority Plan objective(s)? | |
| | Yes | <i>The Governance Framework encompasses the whole Council and therefore all of the Council's priorities.</i> |
| | Will the proposals impact on specific groups of people? | |
| | No | |
| TARGET COMPLETION/ DELIVERY DATE | <i>Annual Governance Statement signed and ready to accompany the 2018/19 accounts.</i> | |
| FINANCIAL/VALUE FOR MONEY IMPACT | No | <i>The governance framework includes several financial elements, including the Council's financial regulations, the budget strategy and the Treasury Management Strategy. These provide the financial parameters, systems, processes and guidelines within which the Council must operate and as such assist in the delivery of good governance. Strong financial management also supports the delivery of value for money in ensuring economy, efficiency and effectiveness in the Council's decision making and processes.</i> <i>The Council's external auditors give an opinion on the financial statements of the authority and a value for money conclusion in their opinion on the accounts and in their Annual Audit Letter each year which provides further assurance.</i> |
| LEGAL ISSUES | Yes | <i>The requirement for an Annual Governance Statement is established at Part 2 paragraph 6 of the Accounts and Audit Regulations 2015. Further details of this requirement are set out at sections 4.1 and 4.2 of this report.</i> |
| OTHER IMPACTS, RISKS & OPPORTUNITIES | Yes | <i>Good governance supports the identification and management of risks and robust control arrangements.</i> |

| | | |
|---------------------------------|-----|----------------------------|
| IMPACT ON SPECIFIC WARDS | Yes | <i>Borough-wide impact</i> |
|---------------------------------|-----|----------------------------|

4 INFORMATION

- 4.1 Under the Accounts and Audit Regulations 2015 the Council is required to produce an Annual Governance Statement and it is best practice that the statement is signed by the Leader and Managing Director of the Council. This statement should accompany the Annual Accounts.
- 4.2 The Annual Governance Statement for 2018/19 is attached at Appendix 1 and has been developed based on the requirements of the regulations and CIPFA/Solace guidance¹. The statement includes an action plan (Annex 1) to ensure that we continue to improve our existing governance arrangements.
- 4.3 The action plan attached to the 2017/18 statement (implemented during 2018/19) has been reviewed and updated to reflect current progress. Any actions still on progress from the 17/18 plan have been incorporated into the 2018/19 action plan, see Annex 1 to this report.
- 4.4 The Annual Governance Statement and the Local Code of Good Governance outlines that the Council has a robust governance framework in place but that it is continually reviewing procedures to maintain and demonstrate good corporate governance. It is supported by risk management and sound systems of internal control which are paramount in these continuing times of financial constraint. The Council can be assured that during 2018/19, including during organisational and personnel changes, that the existing or revised governance arrangements have continued to support proper governance. Where required changes to procedures have been agreed by SMT and changes to the Constitution have been agreed by the Council, through the Council's Constitution Committee.
- 4.5 Assurance for the Annual Governance Statement is provided by all areas of the Council and externally by the following:
- a) Leader and Managing Director – who sign the statement to acknowledge their responsibilities;
 - b) Senior management – Managing Director, Directors, Assistant Directors;
 - c) Chief Financial Officer;
 - d) The Monitoring Officer;
 - e) Members – Scrutiny arrangements, Standards Committee, Audit Committee and other Regulatory Committees;
 - f) Internal Audit;
 - g) Partners;
 - h) External Audit; and
 - i) Other external inspection agencies.
- 4.6 The 2018/19 Annual Governance Statement sets out adherence to the Council's governance arrangements that operated during the period – 1st April 2018 to 31st March 2019 and measures the effectiveness of them.
- 4.7 The Council's current Code of Good Governance was approved last June to reflect the CIPFA/SOLACE framework including revised principles and guidance but further application and good practice has been received during the year and the local code has therefore been updated further. The Code continues to reflect the Council's culture and values including the Council's "Being the Change" document.

5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

N/A

6 PREVIOUS MINUTES

- 6.1 Cabinet 26th June 2014; 25th June 2015; 16th June 2016
Audit Committee 30th June 2015; 28th June 2016, 27th June 2017, 29th May 2018

7 BACKGROUND PAPERS

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

Report by Rob Montgomery, Audit & Governance Team Leader 383103

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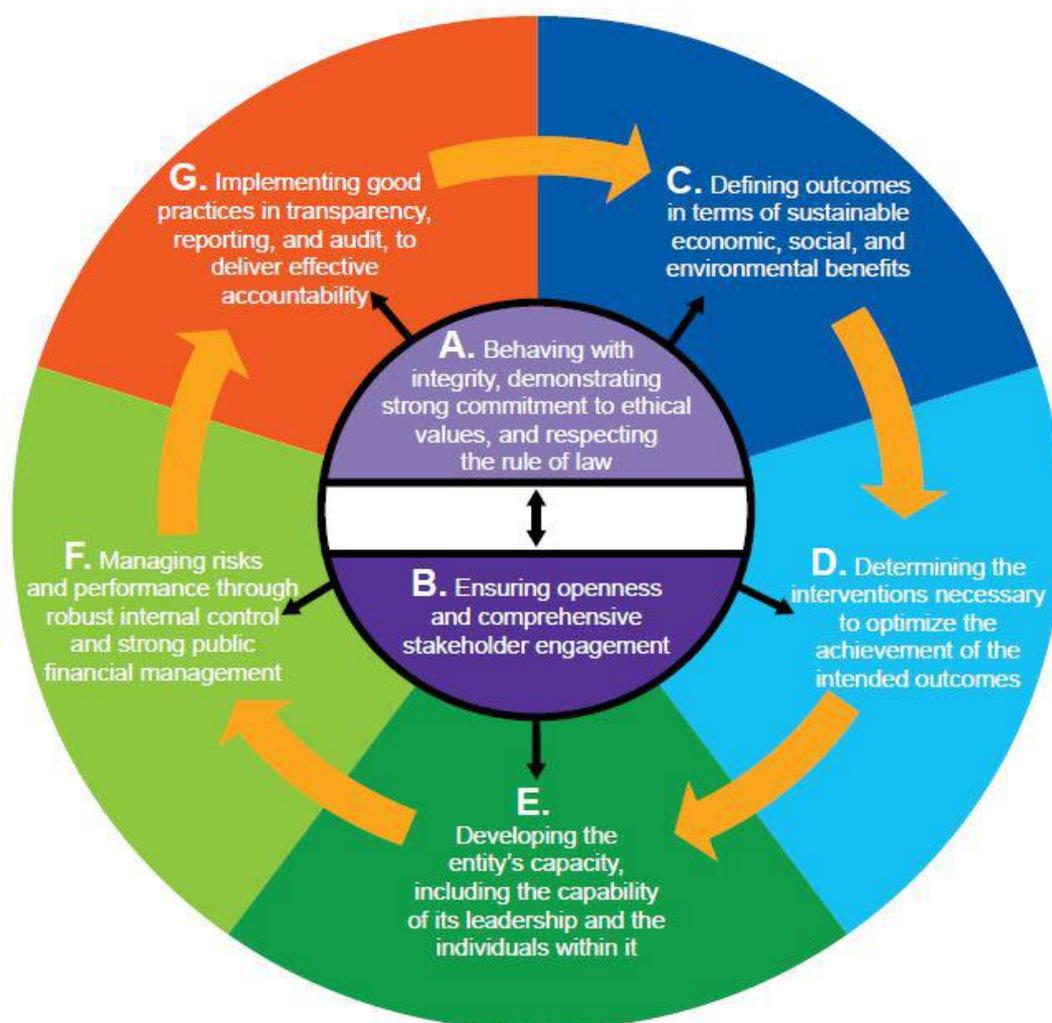
ANNUAL GOVERNANCE STATEMENT 2018/19

1. Introduction

- 1.1 Under the Accounts and Audit Regulations 2015 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee (those charged with governance).

The Annual Governance Statement outlines that the Council has been adhering to the Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

The Council has adopted the Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government.



CIPFA's Principles of Good Governance

2. Standards of Governance

- 2.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the employee and Members

Code of Conducts, Constitution, Corporate Priorities as well as applicable statutory requirements.

3. Scope of Responsibility

- 3.1 Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council needs to demonstrate that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to secure continuous improvement.
- 3.2 To meet this responsibility, the Council puts in place proper governance arrangements for overseeing what it does including putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations and ensuring the effective exercise of its functions. These arrangements are intended to make sure that the Council does the right things, in the right way, for the right people, in a timely, open and accountable manner. The Council takes into consideration all systems, processes, policies, cultures and values that direct and control the way in which we work and through which we account, engage and lead our communities.

4. The Governance Framework

- 4.1 The governance framework allows the Council to monitor how they are achieving their strategic aims and ambitions and how this contributes to the delivery of its vision and values:



- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

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:-



- 5.2 The Council recognises the importance of information governance and formalised its Information Governance Framework. The main focus of the Information Governance Team in 2018/19 has been to ensure the Councils compliance with the requirements of the General Data Protection Regulations (GDPR) / Data Protection Act 2018. The Information Governance Team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2018/19 no enforcement action has been taken by the Information Commissioners Office (ICO) against the Council in respect to data breaches.
- 5.3 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.4 The Accounts and Audit Regulations 2015 require a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, management, other internal assurance services and the External Auditors' review. The Internal Audit Annual Report 2018/19 sets out the Internal Audit opinion.
- 5.5 The Council have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, Senior Managers, Internal Audit and external review, and in our opinion conclude that the review of the governance arrangements provides a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Attached as Annex 1 is an agreed action plan to address any key governance issues and ensure continuous improvement.
- 5.6 Issues from the previous action plan (2017/18) that have been addressed or mainstreamed have been deleted and those that continue to be addressed are included in 2018/19 action plan.
- 5.7 The Senior Management Team has monitored implementation of the 2017/18 actions and reported back to the Audit Committee in January 2019.
- 5.8 Detailed below is a statement explaining how the Council has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015 and CIPFA Code on the Principles of Good Governance.

5.9 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.

- 5.9.1 Members and officers recognise the importance of compliance with the Constitution, specifically Financial and Contract Rules; Procurement Regulations, Scheme of Delegation, Codes of Conduct and Gifts & Hospitality Policy.
- 5.9.2 There is ongoing training, both classroom based and via the on-line learning platform (OLLIE) for Codes of Conduct, Equality Awareness, Leadership & Governance and Contract Procedure Rules/Procurement.
- 5.9.3 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up Policy encouraging internal referrals. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Speak Up Policy supports this internally. Internal Audit along with the Investigations Team undertakes proactive fraud work based on a fraud risk register and/or other intelligence. Other specific anti-fraud and corruption activities are undertaken by Trading Standards. An annual report on anti-fraud and corruption activities and an update to the Anti-Fraud & Corruption Policy is presented to the Audit Committee.
- 5.9.4 Officers comply with their professional organisations codes of conduct when delivering services.
- 5.9.5 All internal audits consist of an ethics questionnaire that is sent to a sample of staff in specific teams to demonstrate their understanding of key corporate policies. Results of these questionnaires demonstrate that some staff do not have regular 1:2:1 supervision meetings. This issue has been addressed and there should be improvements with the introduction of the new corporate APPD process. Responses have also highlighted some lack of understanding with key policies such as the Gifts & Hospitality Policy particularly as to what should and should not be accepted under the policy. Ethic questionnaire findings have been shared when discussing individual audits with relevant Service Delivery Managers and Assistant Directors and taken to SMT as part of reporting corporate recommendations.
- 5.9.6 There are both internal and external reviews in social care to monitor compliance with the law, e.g. the Care Act, Deprivation of Liberties, Safeguarding and the Mental Health Act.
- 5.9.7 Human Resource and recruitment polices and processes ensure the Council is fully compliant with employment law. Annual audits are undertaken in these areas and ongoing checks take place to ensure compliance with IR35 legislation. This year a project has been set up for the implementation of the new HR ICT system (Resourcelink).
- 5.9.8 Senior officers meet regularly and work closely with Members to ensure that they understand and can undertake their respective roles effectively and legally.
- 5.9.9 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet Members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to Cabinet.
- 5.9.10 Statutory responsibilities across the Council are discharged openly and proactively, examples include having key statutory officers in place, i.e. Data Protection Officer, Section 151 Officer, Monitoring Officer, Director of Children Services and Director of Public Health.

5.9.11 The annual governance certification process highlighted that service areas are aware that they are storing old and out of date records and they need to review the documents they are storing in both operational buildings and the storage unit at Stafford Park. This is to comply with the Data Protection Act 2018.

5.10 Ensuring openness and comprehensive stakeholder engagement

5.10.1 The Council's 'Shaping our Future – Our Journey to 2020' document is a community strategy for Telford & Wrekin. It shows how partnership working makes a positive difference to community life.

5.10.2 The Council actively contributes to and collaborates with partners to promote good governance and achieve the delivery of outcomes through increase joint working. The Council is a member of a number of sub regional partnerships and groups. Many of our services are delivered in partnership with other organisations such as West Mercia Energy, Town and Parish Councils, voluntary groups, etc.

5.10.3 Regular meetings take place between Children Safeguarding and key partner agencies such as the police, Telford & Wrekin CCG, Education and Health.

5.10.4 All Council services feed into transparent reporting processes through council committee meetings and this is further supported by the transparency agenda.

5.10.5 Annually the public is consulted on the budget for the forthcoming year.

5.10.6 There is regular engagement between Public Health, Telford & Wrekin Clinical Commissioning Group (CCG) and Social Care for the future provision of services.

5.10.7 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, direct feedback to members from within the community, the results of review and inspection (both external and internal) and areas of policy being developed by the Council.

5.11 Defining outcomes in terms of sustainable economic, social and environmental benefits.

5.11.1 The Council can demonstrate its longer and medium term action plans through the 'Medium Term Council Plan' and the 'Shaping Our Future – Our Journey to 2020'. The Council is working on economic growth and marketing its services towards commercial activities in order to generate income and place less reliance on government grants. All service areas also have to meet savings targets to ensure a sustainable budget for future years.

5.11.2 Digital transformation and changes in the way we work are documented in 'Being the Change' and is intrinsic to the way we work.

5.11.3 The Telford & Wrekin Local Plan sets out the Council's vision and strategy for the physical planning of the borough up to 2031.

5.11.4 All service areas have their own service plans which details how they intend to deliver their service for the coming year and the risks they face.

5.11.5 The Council has a commercial strategy / investment strategy that demonstrates clear visions, objectives and outcomes. This includes financial, economic, social and environmental issues.

- 5.11.6 Economic growth strategy supports and drive increased economic productivity.
- 5.11.7 The financial strategy sets out the short and long-term implications for service delivery across the Council. The Service & Financial Planning reports include various papers to Cabinet regarding the budget and sets out short/ medium and long-term implications, including the capital strategy and saving strategy.
- 5.11.8 Adult Social Services in respect to systems, financial management and implementation of the cost improvement plan have continued to provide updates during the year to Members including the Audit Committee. To support the revised target operating model there has been commissioned external support and management changes.
- 5.11.9 All Council reports to Members show relevant financial implications and risk.
- 5.11.10 Implementation of the ICT Strategy has continued, including infrastructure upgrades, the ongoing roll-out of Office 365 and further security improvements particularly in response to spam, phishing/ whaling and ransomware threats.
- 5.11.11 The results of the annual governance certification process has highlighted the need for further development of modern slavery awareness throughout the procurement process. Officers are following corporate guidance on modern slavery but as with all new initiatives further work is required to fully embed modern slavery checks throughout the whole procurement process.
- 5.12 Determining the interventions necessary to optimise the achievement of the intended outcome.**
- 5.12.1 The Council can demonstrate its longer and medium term action plans through the 'Medium Term Council Plan' and the 'Shaping our Future – Our Journey to 2020' which are aligned to the Treasury Management Plan to ensure a joined up approach to delivering the organisation outcomes and savings plans.
- 5.12.2 Budget plans are produced for all service areas for planning purposes. Budget consultation is undertaken annually with Council Members and members of the public.
- 5.13 Developing the Council's capacity, including the capability of its leadership and the individuals within it.**
- 5.13.1 To deliver the vision of being the change a Workforce Development Strategy 2017-2019 is in place. This focuses on 4 key themes – Employer of Choice, Planning for the Future, Healthy Organisation and Workforce of the Future. The Organisational Delivery & Development Team are in place to bring together the corporate values and planning function and align these with workforce development.
- 5.13.2 Officers understand their respective roles and these are set out in job descriptions. The Constitution and Contract Procedure Rules clearly shows roles and responsibilities, specifically with regard to delegation and authorisation.
- 5.13.3 Officers receive ongoing support and training and there are various training methods such as mentoring, Ollie (On-line learning platform) and classroom based. 17/18 saw the first roll out of the future leaders training programme, which is a yearlong development opportunity for future Team Leaders/Managers. The next cohort of future leaders will take place in 19/20. There is also a current management programme taking place to further develop existing managers.

- 5.13.4 Other support includes CPD sessions, team meetings and the introduction in 18/19 of the improved APPD (1:2:1) process.
- 5.13.5 Members receive an induction session and annual training with regard to the Treasury Management Strategy and other training relevant to their position. All Members and staff have had the opportunity to undertake training on General Data Protection Regulations (GDPR) / Data Protection Act (DPA) 2018 legislation. There is also online training available to all staff on GDPR/DPA 18 Requirements.
- 5.13.6 The results of the annual governance certification process has highlighted that service areas are having difficulty recruiting. This, in addition to reduction in staffing, is creating single points of failure. However Service Delivery Managers are aware of these issues and where possible are putting measures in place to try to address matters.
- 5.13.7 The results of the annual governance certification process has also highlighted that service areas have experienced data breaches and potential near misses in respect to personal data. Where data breaches have been experienced, these have been reported to the Information Governance Team and managers have changed processes and procedures, where possible, based on lessons learned to prevent similar breaches occurring.

5.14 The Council continues to manage risks and performance through robust internal control and strong public financial management.

- 5.14.1 Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. Our approach to managing risk is explained in our Risk Management Strategy. The Strategic Risk Register is reviewed by SMT and taken to Audit Committee annually.
- 5.14.2 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking intelligence, comments from Senior Management and their opinion of the current state of the governance risk and internal control arrangements. During 2018/19 the Internal Audit team achieved 85% of their planned work and this has been used with the relevant output from unplanned work to form their opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework. All recommendations made in audit reports show a risk category and is used to inform the overall grading of the report. More detailed information on the work of Internal Audit can be seen on the Annual Audit Report, reported to Audit Committee at the May meeting.
- 5.14.3 Internal Audit report to the Audit Committee 4 times a year. The Audit Committee has asked for additional information during the year and requested Directors/Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.
- 5.14.4 Large projects include the maintenance of a project risk register, this is an ongoing working document that is amended throughout the project. Project risk registers have been in place for 2 key projects in 2018/19; the Resourcelink Project (new HR/Payroll system) and the new social care system – Liquidlogic.
- 5.14.5 The Council have adopted the CIPFA code of practice for managing the risk of fraud and corruption and this has been reflected in our updated Anti-Fraud & Corruption Policy.
- 5.14.6 Services report regularly through to Council committees such as Audit Committee, Planning, Licencing, Cabinet etc. These reports detail any impact assessment, including risk and opportunity. Financial decisions are reported through to Cabinet, full Council and Audit

Committee, who often challenge to ensure appropriate financial management and to demonstrate transparency.

- 5.14.7 Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available. Financial roles and responsibilities are clearly shown in this document and it provides a framework for financial decision making.
- 5.14.8 The Treasury Management Strategy and regular updates on treasury matters are provided to Audit Committee. This information clearly show investments, loans, and the financial position of the Council.
- 5.14.9 The Councils financial strategy identifies short term budget plan and long term aspirational plan linked to the corporate plan for self-sustaining council.
- 5.14.10 Final accounts are produced on time and in line with best practice and our External Auditor's ISA260 Report 2017/18 included in its headlines:
- Value for Money conclusion - we have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
 - Audit opinion - we issued an unqualified opinion on your financial statements on 31 Jul 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
- 5.14.11 The Council has continued to make savings in light of ongoing financial pressures. Over £117 million savings have been made since 2010 by the Council to date with further future savings of £30 million required by 2022.

5.15 Implement good practices in transparency, reporting and audit to deliver effective accountability

- 5.15.1 As a public body we endeavour to always be open and transparent in our activities and reporting. Council and committee agendas, reports and minutes are published on our corporate website to demonstrate decisions made. The Council undertake public consultation on areas such as the budget and selective licensing. We publish expenditure over £100 on our website, as part of the transparency agenda.
- 5.15.2 The Audit Committee has responsibility for internal and external audit matters, the Council's arrangements for Corporate Governance and risk management.
- 5.15.3 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy and during the year were provided with an update on by Arlingclose the Council's Treasury Management advisors.
- 5.15.4 There are various committees, all with their own terms of reference and areas of responsibility, i.e. Licensing Committee, Planning Committee, and there are elected members who are responsible for service areas within the Council.

- 5.15.5 Arrangements are in place to ensure Internal Audit fully complies with the Public Sector Internal Audit Standards (PSIAS).
- 5.15.6 The Internal Audit plan is developed using a risk-based approach taking into consideration the Strategic Risk Register, Service Plans and other audit intelligence. Audit recommendations made are communicated to relevant Service Delivery Managers and relevant Senior Management representatives for consideration and implementation of recommendations. Internal Audit will share best practice in the duty of their work.
- 5.15.7 The Council's Communication Team works with Officers and Members to ensure key messages are in plain English and in consistent format.
- 5.15.7 The Council's performance management framework is monitored by the Senior Management Team and has procedures in place that drive continuous improvement in performance.
- 5.15.8 The Annual Governance certification process demonstrated that service areas are aware that their intranet and web pages are not up to date and are in the process of updating them.

| | Signed | Dated |
|---|--------|-------|
| Richard Partington Managing Director | | |
| Cllr Leader of the Council | | |
| Cllr Chair of Audit Committee | | |
| | | |

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AGS ACTION PLAN FOR 2018/19 FOR IMPLEMENTATION DURING 2019/20

| No | Finding | Action | Lead Officer | Comments |
|----|---|--|--|----------|
| 1. | <p>Ongoing savings proposals and continued strategic management of organisational changes in respect to 'Being the change'</p> <p><i>Follow on from 2017/18 AGS action plan</i></p> | <p>Continued strategic management of organisational change in respect to "Being the Change part 3", continued reduced budgets, revised structures and commercial/ business approach which links to the continued development and implementation of revised governance framework.</p> <p>Further consultations on future savings.</p> | Managing Director and SMT | |
| 2 | <p>All internal audits consist of an ethics questionnaire that is sent to a sample of specified staff to demonstrate their understanding of key corporate policies and whether staff feel supported. Results of these questionnaires demonstrates that some staff do not have regular 1:2:1 supervision or team briefs. Responses have also highlighted a lack of understanding of key policies such as the Gifts & Hospitality Policy. These findings have been shared when discussing individual audit reports with relevant SDM's & ADs and taken to SMT as part of reporting corporate recommendations.</p> | <p>New APPD framework to be adhered to across the Council.</p> <p>Staff to be regularly reminded about key corporate policies.</p> <p>A reminder to be given to managers in respect to regular team briefs / team meetings where corporate messages and priorities can be shared.</p> | SMT/SDM Organisations Delivery & Development Manager | |

| No | Finding | Action | Lead Officer | Comments |
|----|---|---|---|----------|
| 3. | <p>The results of the annual governance certification process highlighted that service areas are having difficulty recruiting. This, in addition to reductions in staffing, is creating single points of failure. However Service Delivery Managers are aware of these issues and where possible are putting measures in place to try and mitigate this.</p> <p><i>Follow on from 2017/18 AGS action plan</i></p> | <p>Embedding of the workforce development plans, succession planning to avoid single points of failure.</p> <p>Continue to update the management competencies, skills and associated training to meet revised organisational requirements.</p> <p>Identify the reasons why we are having difficulty recruiting and how we can retain staff.</p> | <p>Managing Director & AD Finance & Human Resources Organisational Delivery & Development Manager</p> | |
| 4. | <p>The results of the annual governance certification process has highlighted the need for further development of modern slavery awareness throughout the procurement process. Officers are following corporate guidance on modern slavery but as with all new initiatives further work is required to fully embed modern slavery checks throughout the whole procurement process.</p> | <p>Procurement Team Leader or SDM will talk at all AD teams meetings to raise the profile and explain the approach for training awareness and the links to each and every service team - to be complete by August 19.</p> | <p>Commissioning Procurement & Brokerage SDM.</p> | |
| 5. | <p>The annual governance certification process highlighted that service areas are aware that they are storing old and out of date records and they need to</p> | <p>There should be a review of all records/information stored and secure disposals made where appropriate.</p> | <p>SMT & SDMs</p> | |

| No | Finding | Action | Lead Officer | Comments |
|----|--|---|--------------------------------------|--|
| | review the documents they are storing both in operational buildings and the storage unit at Stafford Park. This is to comply with the Data Protection Act 2018. | | | |
| 6. | The results of the annual governance certification process has highlighted that service areas have experienced data breaches and potential near misses in respect to personal data. Where data breaches have been experienced, these have been reported to the Information Governance Team and managers have changed processes and procedures, where possible, based on lessons learned to prevent similar breaches occurring. | <p>Ensure all staff are aware of the Corporate Information Security Breach Procedure.</p> <p>Ensure staff have completed the IG training on OLLIE.</p> <p>Lessons learnt in respect to breaches are communicated appropriately.</p> | SIRO/SMT & SDM's | |
| 7. | <p>The annual governance certification process demonstrated that service areas are aware that their intranet and web pages are not up to date but they are in the process of updating them.</p> <p><i>Follow on from 2017/18 AGS action plan</i></p> | Service areas should ensure that their intranet and webpages contain relevant and up to date information. | AD Customer & Neighbourhood Services | Training has been provided for authors as to how they can update their intranet pages following implementation of the new system |

| No | Finding | Action | Lead Officer | Comments |
|----|--|--|------------------------------------|----------|
| | | | | |
| 8. | <p>Staff should still be aware of investigating any commercial opportunities.</p> <p><i>Follow on from 2017/18 AGS action plan</i></p> | <p>Continue to develop and implement appropriate governance arrangements to support commercial projects.</p> | <p>Managing Director & SMT</p> | |

Telford & Wrekin Council

Unaudited Statement of Accounts

2018/19

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

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Telford & Wrekin Council

Unaudited Statement of Accounts

2018/19

Financial Statements

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

Narrative Report

The Narrative Report provides a summary of the Council's performance for 2018/19 and is presented in the following sections:

- A. Organisational Overview
 - Introduction
 - Background Information
 - The Council's Financial and Reporting Cycles
 - An Overview of the Budget 2018/19
 - Workforce Analysis
- B. Governance & Transparency
- C. Being the Change - Operational Model
- D. Risks and Opportunities
- E. Performance
 - Revenue Outturn for 2018/19
 - Issues Highlighted during 2018/19
 - IAS Note 19 – Retirement Benefits
 - Capital Outturn 2018/19
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 - Achievements during 2018/19
- F. Strategic Outlook
- G. Looking Ahead
- H. Basis of Preparation
- I. Statement of Accounts – Explanatory Overview
- J. Further Information

A. ORGANISATIONAL OVERVIEW

1. Introduction

Telford & Wrekin Council is a Unitary Authority created in 1998. Situated in Shropshire, the Borough is a mix of urban and rural areas including Telford New Town, the market town of Newport and the UNESCO World Heritage Site, the Ironbridge Gorge – the birthplace of the industrial revolution. Surrounded by countryside and farmland, more than two thirds of the Borough is classified as rural.

The Council delivers a vast range of services to its community, of almost 180,000 people, including Education, Waste Collection and Disposal, Care for Vulnerable Adults and Children, Libraries, Leisure Centres and Play Facilities.

The Council’s Vision for the Borough is

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

OUR PRIORITIES TO DELIVER THE VISION ARE:



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

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

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

2. Background Information

Political Context

The Borough is divided into 30 wards and there are 54 Councillors. Borough elections are held every 4 years, with the most recent being held in May 2019 and the next election due in May 2023.

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

Legislative Framework

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

Economic Profile

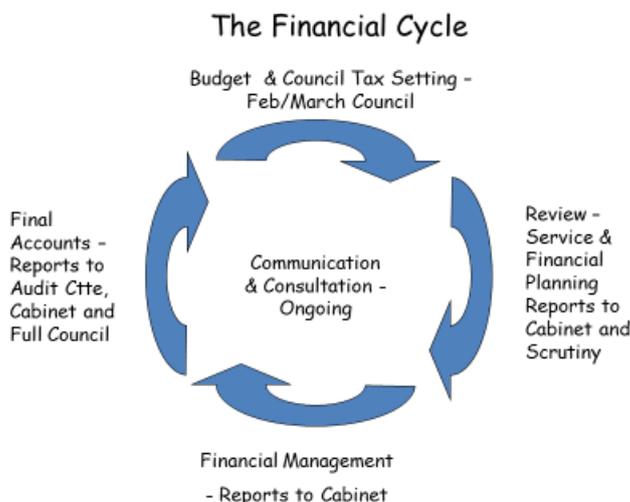
The Borough has a diverse manufacturing sector, a flourishing tourism sector and research and development facilities. There is a strong focus on manufacturing with other important sectors being advanced engineering, food and drink, construction, education and retail.

An estimated 81,800 people were employed in the Borough in the year to September 2018, 300 less than 1 year ago but 2,650 more than 2 years ago.

There were 6,155 business units, in VAT and/or PAYE based enterprises in the Borough in 2018, a decrease of 95 from the previous year.

An estimated 3,600 of the Borough's working age population were unemployed between October 2017 and September 2018, down 300 from the previous year.

3. The Council's Financial and Reporting Cycles



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

4. An Overview of the Budget 2018/19

The Council's 2018/19 budget was set in the context of a two year service and financial planning strategy linked to the period of the Government's Comprehensive Spending Review and the local authority funding settlement from the Ministry for Housing, Communities & Local Government. The budget is the financial expression of the Council's priorities and plans linked to the available funding. The Council is a relatively low spending Local Authority, which has a comparatively low level of Council Tax for its own services (Telford & Wrekin had the third lowest council tax for Unitary Services in the Midlands in 2018/19).

Since 2010, the Council has faced unprecedented cuts in government grant whilst at the same time demand for many services, such as safeguarding children against harm or neglect and care for older people, have been increasing. In 2018/19 £7.6m of budget savings were delivered, which was on top of £110m made in the previous 9 years. A further £30m of savings are expected to be needed in the next 3 years: 2019/20 to 2021/22.

Despite the financial challenges the Council has a clear mission to attract new jobs and investment and promote growth in the borough; to protect, as far as possible, priority front line services; to reduce dependency on Government grant and work with partners and the community; and operating in a more commercial way to generate income to help reduce the level of cuts to front line services.

The Cabinet published its draft service and financial planning strategy for 2018/19 to 2019/20 in January 2018 which was followed by a period of consultation. The final budget strategy was approved at Council in March 2018 taking account of consultation responses.

Council tax was increased by 3.2% in 2018/19 which was a combination of the Government's 2% Adult Social Care Precept and 1.2% general increase. The average charge (Band B) for the Council's services was £980 per year.

The table below shows how Net Revenue Spend was funded. Government funding cuts meant that Revenue Support Grant (RSG) was 23% lower in 2018/19 than in 2017/18.

| 2018/19 Budgeted Net Revenue Spend | | |
|---|----------------|------------|
| | £m | % |
| 2018/19 Total Net Revenue Spend | 121.067 | |
| Funded From: | | |
| Government Grant (RSG and 'Top Up' Grant) | 18.701 | 15 |
| Retained Business Rates | 37.892 | 31 |
| Council Tax | 62.530 | 52 |
| Collection Fund and Balances | 1.944 | 2 |
| Total Funding | 121.067 | 100 |

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

5. Workforce Analysis

| | 31 March 2018 | | 31 March 2019 | |
|--------|---------------|----------|---------------|----------|
| | Head Count | FTEs | Head Count | FTEs |
| Male | 715 | 619.93 | 686 | 594.75 |
| Female | 2,014 | 1,443.64 | 1,950 | 1,413.40 |
| Total | 2,729 | 2,063.57 | 2,636 | 2,008.15 |

As at 31 March 2019 Telford & Wrekin Council employed 2,636 people [2,008.15 FTEs]. At 31 March 2018 the comparative figures were 2,729 people [2,063.57 FTEs]:

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

| | |
|------------------------|---|
| Gender Pay Information | http://www.telford.gov.uk/downloads/file/8875/gender_pay_gap_-_2018 |
|------------------------|---|

B. GOVERNANCE & TRANSPARENCY

The 2018/19 Annual Governance Statement is included within the Statement of Accounts – see page 30. The Statement outlines that the Council has adhered to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

The Council is committed to openness and transparency and publishes details of all spending over £100 every month (link below). The Statement of Accounts are a public record of the Council's financial position for 2018/19; showing what has been spent, income that has been received, together with assets and liabilities. The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. The information is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

| | |
|-----------------|---|
| Spend Over £100 | http://www.telford.gov.uk/info/20110/budgets_and_spending/55/expenditure_over_100 |
|-----------------|---|

C. BEING THE CHANGE - OPERATIONAL MODEL

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



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

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

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

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

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

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

D. RISKS AND OPPORTUNITIES

The strategic risk register identifies the substantive issues which need to be managed but which could impact negatively on delivery of the Council's priorities. The key strategic risks identified for 2018/19 are listed below, with details of the steps that the Council is taking to manage these key risks included in our risk register.

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

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

| | |
|---------------|---|
| Risk Register | http://www.telford.gov.uk/downloads/file/8233/appendix_14_-_corporate_risk_register |
|---------------|---|

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

| |
|---|
| Ongoing investment through the Telford Growth Fund in our Property Investment Portfolio, as part of the "Business Winning, Business Supporting approach" to boost jobs, the economy and generate income |
| Increasing income through trading and new commercial projects (including continuing to support and develop NuPlace, the Council's wholly owned Housing Company to provide new homes for rent) |

| |
|--|
| Bringing more public services together so that people get what they need at the right time and in the right place |
| Involving local people and our employees in the planning and running of services |
| Supporting communities better and encouraging local people and organisations to do more to help their communities |
| Channel Shift by providing services and information in the most efficient way, encouraging "self-service" and the use of "apps" such as the Everyday Telford App |

E. PERFORMANCE

The core elements of the Council's corporate planning framework in place during 2018/19 were:

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

| | |
|--------------|---|
| Council Plan | http://www.telford.gov.uk/downloads/file/1604/council_plan |
|--------------|---|

| | |
|---------------------------------------|---|
| Service & Financial Planning Strategy | http://www.telford.gov.uk/info/20262/the_councils_budget/3622/council_budget_-_2019 |
| Risk Register | http://www.telford.gov.uk/downloads/file/8233/appendix_14_-_corporate_risk_register |
| Performance Report | http://www.telford.gov.uk/downloads/file/8239/appendix_16_-_driving_delivery_of_the_councils_priorities_-_cabinet_feb_2019_final |

1. Revenue Outturn for 2018/19

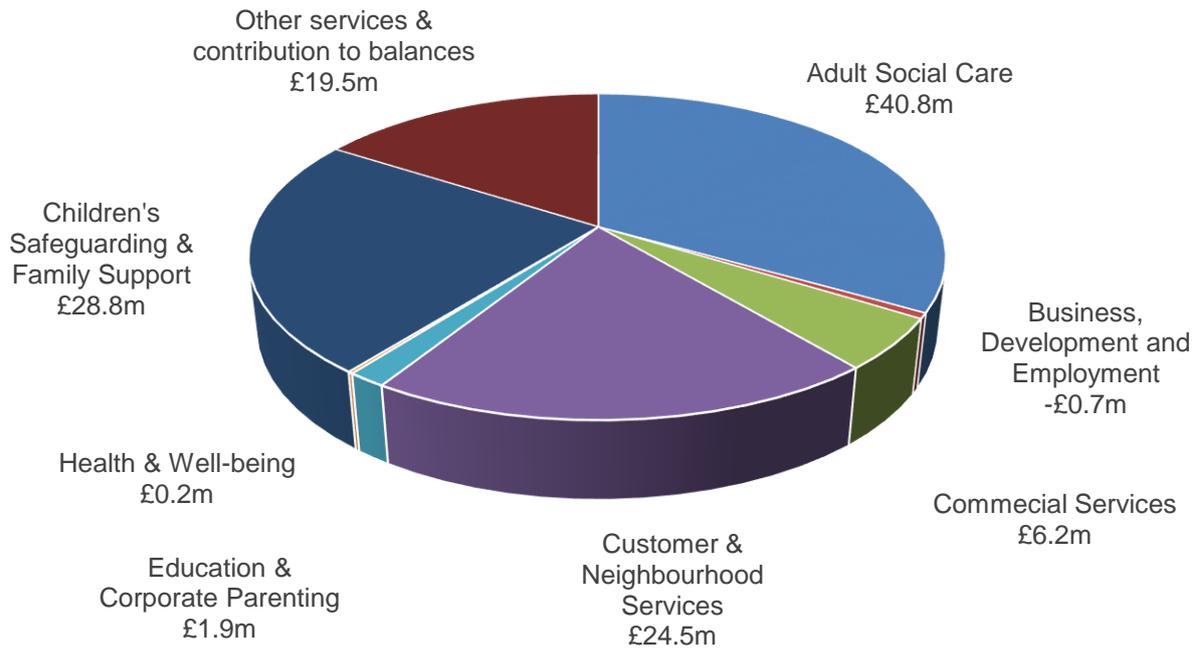
The final net service expenditure for 2018/19 was £120.791m compared to a budget of £121.066m, an underspend of £0.275m (or -0.2%). This was also after making a number of provisions to support priorities and sustain the financial position going forward. Given the context of the Council having to make £7.6m of budget savings in 2018/19, on top of £110m delivered in previous years, giving a total of £117m, it was a particularly positive outturn position which demonstrates the continuing long track record of strong financial management in the Council.

| Description | 2018/19 Budget £m | 2018/19 Outturn £m | 2018/19 Variation £m |
|---|----------------------|-----------------------|-------------------------|
| Outturn Report – Overall Totals (see page 14/15) | 121.066 | 122.977 | +1.911 |
| One Off Benefits | 0.000 | -1.730 | -1.730 |
| Funding Variance | 0.000 | -0.456 | -0.456 |
| Service Outturn | 121.066 | 120.791 | -0.275 |
| Service Outturn excluding funding variance (see page 14) | 121.066 | 121.247 | +0.181 |
| Funded by : | | | |
| Council Tax, Revenue Support Grant and Non Domestic Rates, Collection Fund Balances | -121.066 | -121.522 | -0.456 |
| Net General Fund position | | +0.275 | +0.275 |
| | -121.066 | -121.247 | -0.181 |

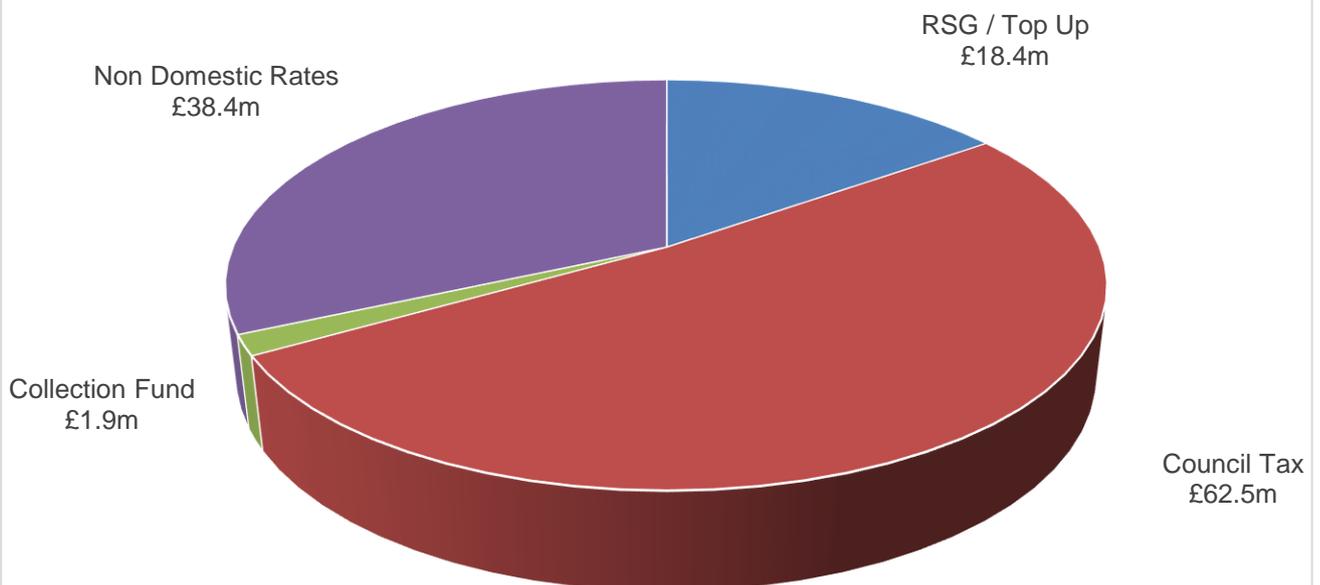
This position can be reconciled with the formal Income and Expenditure Account as shown below.

The following two charts show Net Revenue Spend by Service for 2018/19 and how it is funded.

Net Revenue Expenditure by Main Service Area 2018/19 £121.2m



Sources of Finance 2018/19 £121.2m



The outturn position has resulted in a general fund balance of £4.066m and a special fund balance of £1.016m, giving an overall balance of £5.082m. The total for all reserves and usable revenue balances held by the Authority is £92.3m, although almost all of this is held to meet known or likely commitments.

| Description | Expenditure £m | Income £m | Net Expenditure £m |
|--|---------------------------|----------------------|-----------------------------------|
| Net Cost of Services (See Comprehensive Income and Expenditure Account on page 51) | 464.462 | 290.320 | 174.142 |
| Trading Services | 3.799 | 9.208 | (5.409) |
| Pensions Adjustments under IAS 19 | (7.781) | 0.000 | (7.781) |
| Interest Payable and Similar Charges | 9.118 | 0.000 | 9.118 |
| Gains and Losses on Repurchase or Early Settlement of Borrowings (net) | 0.222 | 0.000 | 0.222 |
| Interest and Investment Income | 0.000 | (0.065) | 0.065 |
| Capital Grants and Revenue Grants Unapplied | 0.000 | (26.484) | 26.484 |
| Remove Depreciation & Impairments, REFCUS etc. from Net Operating Cost | (82.949) | 0.000 | (82.949) |
| Accumulated Absences | 0.919 | 0.000 | 0.919 |
| Minimum Revenue Provision | 1.239 | 0.000 | 1.239 |
| Net Movement on Reserves | 5.197 | 0.000 | 5.197 |
| Total Service Outturn (see table on page 12) | 394.226 | 272.979 | 121.247 |

2. Issues Highlighted During 2018/19

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

| | Final Budget | Outturn | Variance |
|--|-------------------------|--------------------|------------------|
| | £ | £ | £ |
| Business, Development & Employment | (1,238,714) | (1,261,997) | (23,283) |
| Finance & Human Resources | 9,669,511 | 6,609,651 | (3,059,860) |
| Cooperative Council | 1,281,684 | 1,231,424 | (50,260) |
| Children's Safeguarding & Family Support | 28,335,408 | 31,397,462 | 3,062,054 |
| Education & Corporate Parenting | 5,916,289 | 6,065,553 | 149,264 |
| Adult Social Care | 42,402,862 | 42,606,652 | 203,790 |
| Governance, Procurement & Commissioning | 2,820,018 | 2,799,007 | (21,011) |
| Health & Wellbeing | 2,725,666 | 2,826,007 | 100,341 |
| Customer & Neighbourhood Services | 26,088,744 | 25,774,451 | (314,293) |
| Commercial Services | (1,290,560) | (854,760) | 435,800 |
| Corporate Items | 4,355,567 | 5,783,235 | 1,427,668 |
| Total Net Position | 121,066,475 | 122,976,685 | 1,910,210 |

| | Final Budget | Outturn | Variance |
|------------------------------|---------------------|----------------|------------------|
| | £ | £ | £ |
| Funding Variance | | | (455,029) |
| One Off Benefits | | | (1,730,664) |
| Overall Final Outturn | | | (275,483) |

Variances exclude IAS 19 Pension entries and asset charges which are technical entries required in the formal statement of accounts but do not impact on the Council's General Fund Balances.

A summary of the key issues, highlighting variances over £100,000 during the year is shown below:

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

| Service Area | Variance £m |
|---|------------------------|
| <u>Business, Development & Employment</u> | |
| Property Investment Portfolio – early delivery of Growth Fund investments. | -0.743 |
| Planning – additional income achieved during the year. | -0.158 |
| Contribution to Reserve – to support future investment proposals – approved at Cabinet on 15 November 2018. | +0.724 |
| Contribution to Reserve – further contribution to reserves to support future investment proposals. | +0.425 |
| <u>Finance & HR</u> | |
| Treasury Management – benefit due to reduced borrowing costs associated with short-term borrowing at very low interest rates. The position is regularly monitored by senior finance staff and the Council's external treasury management advisors. | -3.161 |
| External Audit Fee – saving from procurement of external audit fee. | -0.107 |
| Contribution to Reserves – towards the cost of Phase 2 of Resourcelink, the Council's payroll and HR system and to meet the cost of posts funded from one-offs. | +0.360 |
| <u>Cooperative Council Team</u> | |
| There were no variations over £100k to report. | |
| <u>Children's Safeguarding & Family Support</u> | |

| Service Area | Variance £m |
|--|---|
| <p>Children in Care Placements – spend during the year was higher than the budget as there was an increasing number of more expensive specialist placements for looked after children with complex and severe behaviours or emotional/health needs over the course of the year.</p> <p>Children and Young People aged 16+ – the overspend relates to a small number of children in care aged 16+ who continue to require a high level of support due to their high level of individual need.</p> <p>Application of Contingency – earmarked as part of the 2018/19 budget strategy.</p> | <p>+2.886</p> <p>+0.630</p> <p>-1.150</p> |
| <p><u>Education & Corporate Parenting</u></p> <p>School Transport (pre 16) – the overspend relates to a savings target not yet delivered and expenditure has also been impacted by the increase in the numbers of children and young people with high needs. Work is ongoing to reduce costs.</p> <p>Transport (post 16) – there was a significant increase in the costs of transporting post 16 high needs pupils since September 2018.</p> <p>Corporate Parenting – an increase in Pupil Premium Grant allocated to Telford & Wrekin which has funded an element of the costs resulting in an underspend.</p> | <p>+0.419</p> <p>+0.171</p> <p>-0.165</p> |
| <p><u>Adult Social Care</u></p> <p>Purchasing – the benefits of social care interventions are starting to materialise, however there is a lead time and some cost reductions will take longer to achieve. The result is a residual pressure on the 2018/19 budget at year end.</p> <p>Income – projected client contributions are higher than budgeted reflecting higher than budgeted costs.</p> <p>Income – projected contributions from Health due to successful negotiations with the CCG and receiving contributions to fund client’s health needs.</p> <p>Income – enablement arising from the Government’s additional winter funding grant.</p> <p>Application of Contingency – earmarked as part of the 2018/19 budget strategy.</p> <p>Government Grant – reflects the residual announced “Winter Funding”.</p> <p>Community Safeguarding & Social Work – underspend arising from vacant posts.</p> <p>Contribution to Reserves – set aside to meet demands on social care, including the cost of staff employed in accordance with the Winter Funding plan agreed with the CCG and to assist the NHS with the timely discharge of patients from hospital.</p> | <p>+3.063</p> <p>-1.095</p> <p>-0.605</p> <p>-0.232</p> <p>-0.350</p> <p>-0.590</p> <p>-0.163</p> <p>+0.268</p> |
| <p><u>Governance, Procurement & Commissioning</u></p> | |

| Service Area | Variance £m |
|--|---|
| <p>Contribution to Reserves – a combination of ICT equipment for elected members following the May 2019 elections; procurement of a Transport IT system; and to support the delivery of future savings. This is funded from underspends within the Service Area.</p> | +0.145 |
| <p><u>Health & Wellbeing</u></p> <p>There were no variations over £100k to report.</p> | |
| <p><u>Customer & Neighbourhood Services</u></p> <p>Environmental Maintenance – core environmental maintenance work required in advance of the new contract service standards from 1 April. Also, additional costs of watering due to the dry summer. The new Grounds and Cleansing contract is performance based and will see improved service standards as well as releasing an annual saving of nearly £700k p.a.</p> <p>Customer Services – additional income from transformational specialist supporting capital schemes.</p> <p>Housing Benefit/Council Tax Support – additional grant income received in respect of Welfare Reforms.</p> <p>Housing Benefit/Council Tax Support – contribution to reserves to support the ongoing roll out of Universal Credit and sustain customer contact service levels.</p> <p>Housing Benefit Subsidy – additional income from recovery of overpaid benefits as a result of proactive work undertaken by the Benefits Team.</p> <p>Street Lighting/ Highway Lighting – reduction in electricity costs due to the implementation of the LED efficiency programme across the Borough.</p> <p>Waste – tonnages for green waste, recyclates are higher than last year and higher than budgeted due to housing growth.</p> <p>Highways Procurement – procurement costs associated with new highways contract</p> <p>Transfer to Reserves – to fund essential play area resurfacing in 2019/20 – approved at Cabinet on 15 November 2018.</p> | <p>+0.173</p> <p>-0.132</p> <p>-0.265</p> <p>+0.266</p> <p>-0.392</p> <p>-0.291</p> <p>+0.182</p> <p>+0.141</p> <p>+0.225</p> |
| <p><u>Commercial Services</u></p> <p>Temporary Accommodation – rental income shortfall in relation to the move from one large refuge to two smaller properties which was necessary in order to meet the needs of the client group.</p> <p>BiT – Architects & Building – net over achievement of fee income from additional project work</p> <p>BiT – employee costs – to deliver the programme of works; offset by the overachievement of income above.</p> | <p>+0.121</p> <p>-0.141</p> <p>+0.129</p> |

| Service Area | Variance £m |
|--|-----------------------------|
| <p>Leisure – income pressures linked to the potential impact of new competitors entering the market locally together with a reduction in income relating to Arthog Outdoor Education Centre which has been closed for improvements. An action plan is in place to mitigate this pressure as far as possible.</p> <p>Contribution to Reserves – to support homelessness pressures in 2019/20</p> | <p>+0.325</p> <p>+0.175</p> |
| <p>Corporate</p> <p>Transfers to Reserves – including an additional contingency for Children’s Safeguarding & Family Support in 19/20 and funds to support the medium term service and financial planning strategy.</p> <p>One off Benefits during 2018/19 – including a one-off back-dated VAT refund of £2.673m, following a successful claim for VAT relating to the change in VAT regulations for leisure activities, less transfers to reserves approved by Cabinet in February 2019 of £1.673m; and capitalisation of efficiency/transformation spend permitted under statutory guidance.</p> | <p>+3.007</p> <p>-1.730</p> |

Child Sexual Exploitation

In April 2018 Cabinet, at the request of full Council, determined to initiate an independent inquiry into child sexual exploitation within the Borough. A provisional estimate of £350,000 was set aside, in an ear marked reserve, to meet the initial costs of the Inquiry. The position will be kept under review and any additional requirements for funding will be considered as part of the Council’s normal service and financial planning process. The Council is committed to ensuring that the inquiry is as independent and thorough as it can possibly be.

3. International Accounting Standard Note No 19 – Retirement Benefits

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council’s share of the pension fund has increased by £46.79m; this has been as a result of a change to actuarial assumptions to calculate the future value of scheme liabilities. The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £15.067m (comprising contributions of £11.207m plus a lump sum payment of £3.860m). Following the valuation at 31/3/17 the contribution rate was increased to 14.1% for 2017/18 and subsequent years, this is supplemented with a lump sum payment as stated above.

4. Capital Outturn 2018/19

The Council spent £57.64m on capital projects during the year, an underspend of £14.14m against budget within the year, although the majority of this will be re-phased into future years. The detail is shown in the table below:

| Policy Area | 2018/19 Approved Budget £m | 2018/19 Expenditure £m |
|---|---|---------------------------------------|
| Adult Social Care | 1.01 | 0.74 |
| Health & Wellbeing | 0.06 | 0.06 |
| Business, Development & Employment | 22.76 | 16.35 |
| Customer & Neighbourhood | 24.80 | 22.34 |
| Education & Corporate Parenting | 8.99 | 7.44 |
| Commercial Services | 9.04 | 7.06 |
| Governance, Procurement & Commissioning | 0.26 | 0.19 |
| Cooperative Council | 2.10 | 0.87 |
| Finance & HR | 2.76 | 2.59 |
| Total | 71.78 | 57.64 |
| Funded by: | | |
| Prudential Borrowing | 30.65 | 24.93 |
| Capital Receipts | 11.02 | 8.60 |
| Government Grants | 19.10 | 16.44 |
| Revenue | 6.93 | 4.41 |
| Other External Sources | 4.08 | 3.26 |
| Total | 71.78 | 57.64 |

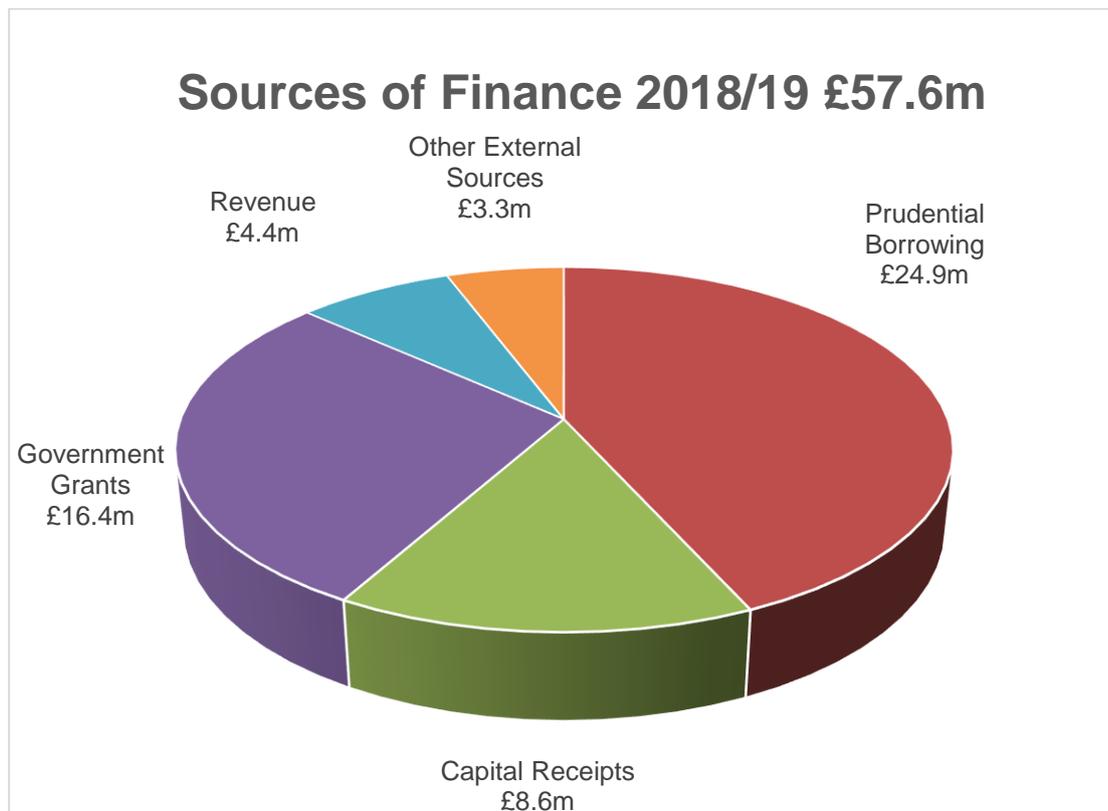
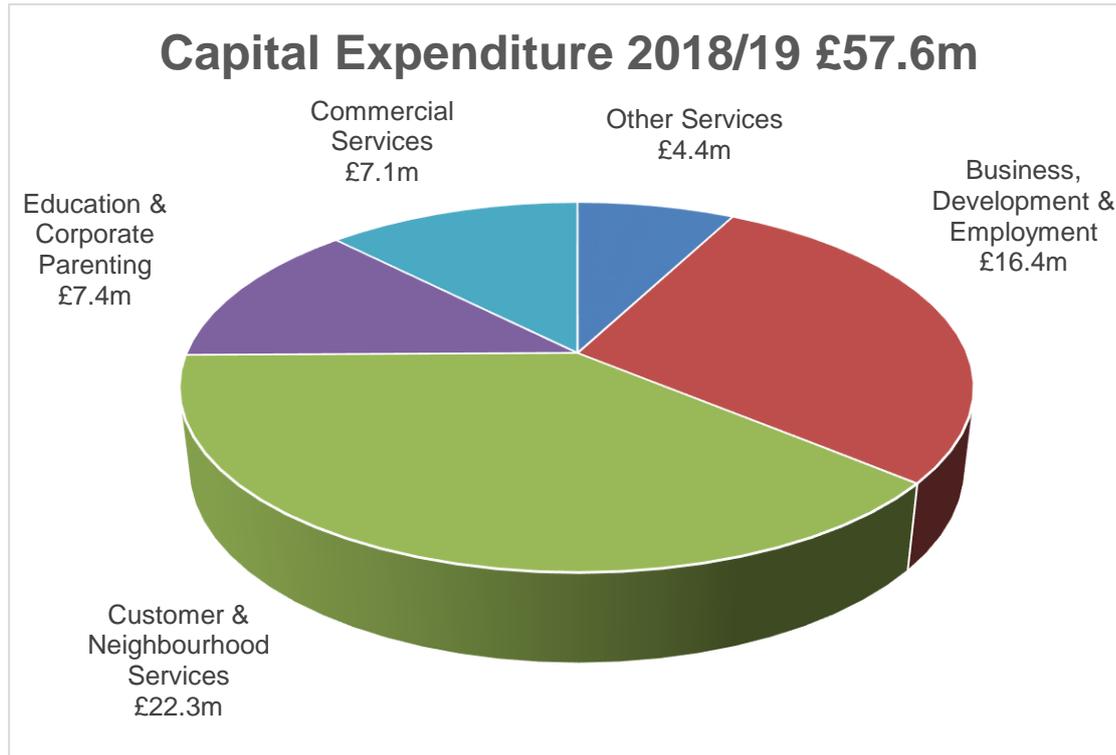
The Council has ready access to borrowings from both the Money Markets and Public Works Loans Board (PWLB), which lends to Local Authorities at very competitive rates.

Overall the Council's net indebtedness is £239.6m (inclusive of equity investments) at 31st March 2019 which is an increase of £11.8m from the previous year.

The Council has a 28 year (from 2006/7) PFI contract in place for the building and servicing of school and leisure facilities at Hadley Learning Community and Queensway (which provides Education, Health and Social Care packages) for £289m. The costs of the contract are being met from a combination of Government support, school contributions and Council support. The Council has approved a budget strategy which makes provision for its commitments. In 2018/19 the Authority made payments of £10,404,356 (£10,207,037 in 2017/18) in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 per annum (index linked, starting point September 2006) until the contract expiry date of 2034 and receives £5.9m per annum from the Government to help offset this cost.

The Council entered into a 10 year Telford Land Deal with Homes England (HE) and Ministry of Housing, Communities and Local Government (MHCLG) in March 2016 through which HE/MHCLG have committed to invest £44.5m from the sale of Government owned land in Telford to invest in the local area supporting the delivery of new homes, jobs and commercial floor space. The total capital expenditure for 2018/19 includes expenditure relating to this deal.

The following two charts show Capital Spend by Service for 2018/19 and how it is funded.



5. Provisions (see Note 27)

Restructure Provision - the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2019 was £0.015m. It is anticipated that this will be funded from Capital Receipts in 2019/20.

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 2018/19 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2019 was £15.717m.

NDR Appeals – under the new arrangements for the retention of business rates, authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £5.8m is estimated as the amount required to set aside for this purpose in the 2018/19 accounts (£7.8m 2017/18). Telford & Wrekin Council's proportion of this is £2.8m (49%) (£3.8m 2017/18).

Litigation Costs - This was created for 2015/16 to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group. All outstanding settlements were agreed during 2018/19.

6. Achievements During 2018/19

Through 2018/19 Telford & Wrekin Council continued to drive the efficiency and effectiveness of its services:

People

Children and Adults

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

An OFSTED inspection of Children's Safeguarding in June 2016 found that the service keeps young people safe and that thresholds for the service were correct. Importantly, this inspection found that "work with children & young people at risk of sexual exploitation is very strong [...] a champion for tackling this issue" a core priority for the Council and its partners.

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

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

The Government has set targets which have been adopted by the Council to work with families who need additional support through the "Troubled Families" programme. Against a target of 276 families, 519 families were "worked with".

A key part of our Adult Social Care strategy is to ensure that the right people get the right help, so that our limited resources are appropriately targeted at the most vulnerable in our communities. This is ever more critical as demand continues to grow on this service. There were 4,432 new contacts into the service, with 950 receiving a formal Care Act Assessment (December 2018). The other "contacts were provided with early information & advice and signposting to other agencies or the voluntary sector".

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

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

Health

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

Places

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

- We are 2nd out of 104 highway authorities for overall satisfaction for Highway Services as part of the NHT Annual Survey 2017.
- The condition of our major A, B and C Roads are all above regional and national averages. The A Roads are some of the best maintained in the Country.
- Journey times are 2nd best in the country for Local Authority A Roads.
- Over 17,000 street lights have been replaced with LED lighting and the programme will be completed in 2019/20 with over 20,000 street lights being upgraded to LED, saving over £500,000 per annum whilst improving safety at the same time. We are achieving our waste recycling targets and our new Household Recycling Centre at Hortonwood is getting excellent customer feedback and usage. We have virtually no landfill left in our Borough with all household waste either being recycled or being burnt for energy usage.

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

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

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

Economy

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

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

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

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

We continue to provide coordinated business support to companies across the Borough working effectively with the Marches LEP. We exceeded our 2017/18 outturn (900) for business support in the first 6 months of 2018/19 with 1,304 (up from 1,052 in 2017/18) SME supported via the Marches Business Support Programme and 56 (up from 35 2017/18) start-ups (retail; IT; office services).

Organisation

In December 2015, the Managing Director launched an organisational strategy 'Being the Change' to ensure the organisation was ready to meet the ongoing service and financial pressures it faces (see Section C of the Narrative Report). The four themes of this strategy have informed the development of the Council's Efficiency Strategy.

By the end of 2018/19, the Council had delivered budget savings of £117m. These savings are ongoing, meaning that they have to be made every year and that each year the Council now has around £1,500 less to spend on delivering services for every household in the Borough.

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

- A solar farm providing £4.4m profit over 25 years.
- The Council's wholly owned housing company, NuPlace, now has 290 homes available for private rent. Demand for these properties is high and are oversubscribed. Overall, we are on-track to deliver a portfolio of 420 houses by 2020.
- Established a Growth Fund to invest in development of premises for businesses to encourage job creation and retention as well as generating additional rental income and business rates income.

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

F. STRATEGIC OUTLOOK

The Council has a rolling service and financial planning process. This was updated for 2019/20 formally by reports to the Council's Cabinet in January and February 2019 with final decisions taken at Full Council on 28 February 2019.

A new approach to developing savings proposals is now in place which means that proposals are developed as soon as they arise and consultation and engagement with our community and partners takes place throughout the year in a more meaningful and timely way to deliver more creative solutions. From the ongoing engagement with local people over many years, we know that the people of Telford & Wrekin want to live: - in a safe community; in a clean environment; in a place with good roads and pavements; where there are first class schools and education facilities; where there are excellent and accessible hospital and GP services; where they have a job and there is a thriving economy. These local priorities form a basis for resource allocation as part of the Service & Financial Planning process.

The decisions on the medium term budget strategy at Full Council reflect the outcome of consultation following publication of the draft strategy on the 2 January 2019.

The provisional funding settlement for 2019/20 was announced, on the 13 December 2018, followed by the final settlement on the 29 January 2019; as anticipated the Council faced a very significant reduction in funding. After delivering £117m of savings over the previous 10 years, further savings of over £6.1m are required in 2019/20.

The agreed strategy for 2019/20 to meet the savings requirement and to continue to invest in the area to support both the community and businesses is:

- a savings package delivering an additional £6.1m from general fund budgets;
- funding for unavoidable service pressures totalling £4.4m, comprising £3.3m for Children’s Safeguarding & Early Help, £0.8m for Adult Social Care and £0.3m for other services
- A commitment to work with partner organisations to seek new solutions to deliver services to minimise the impact of cuts;
- To continue to deliver jobs and investments and provide additional income business rates, council tax and New Homes Bonus.

The decision has been made to increase council tax by 3.2% for 2019/20, which includes the 2% Adult Social Care precept introduced by the Government in 2016/17. As a result, the Council Tax for Council Services in 2019/20 (Band B) is £1,012 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,302). The Council will again have the lowest Council Tax out of all Councils areas in the Midlands region for the services which we provide.

| 2019/20 Net Revenue Budget - £m | |
|---|----------------|
| 2019/20 Total Net Revenue Spend | 121.413 |
| Funded From: | |
| Government Grant (incl. RSG and Top Up) | 14.415 |
| Retained Business Rates (incl. S31 grant) | 39.337 |
| Council Tax | 65.911 |
| Collection Fund Surplus | 1.750 |
| Total Funding | 121.413 |

Full Council approved the medium term financial strategy on the 28 February 2019 (available on the Council’s web site).

G. LOOKING AHEAD

The funding outlook for the medium term is very uncertain due to the impact of major proposed changes to the Local Government Finance System which are in the pipeline. These include -

- the Fair Funding Review which is the most significant and fundamental change to local government financing in recent times and encompasses reviewing the Relative Needs formulae, and
- moving to 75% Business Rates Retention combined with the potential transfer of extra responsibilities and functions to local authorities and potential removal of remaining significant grant funding streams such as the £12m Public Health Grant which the Council currently receives.
- the Adult Social Care Green Paper
- 2019 Comprehensive Spending Review
- Review of the New Homes Bonus system through which the Council currently receives over £6m per annum.

Currently the design of the new system is subject to consultation and no detailed information for individual authorities is likely to be known until late 2019. It is therefore not possible to have any real certainty on the further cuts that we will face, however it is anticipated that we will need to identify further savings of around £25m over the period 2020/21 to 2021/22. This would bring the total savings to around £148m by the end of this period. However, as stated earlier, there are so many changes proposed to the local government finance system that the position for future years is very difficult to assess at the current time. It is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance being likely.

H. BASIS OF PREPARATION

The Council prepares its Statement of Accounts on a going concern, under the assumption that it will continue to operate into the foreseeable future. Disclosures are included in the Statement of Accounts based on an assessment of their materiality.

Group Accounts – The Council’s wholly owned Housing Investment Company, NuPlace Ltd, was incorporated on 1 April 2015. These accounts consolidate the Council and NuPlace’s financial statements for both 2017/18 and 2018/19. The accounts for 2018/19 include an increased number of transactions as NuPlace’s trading continues to grow.

The Council has examined the relationship with other partners including West Mercia Energy (see note 57 to the accounts) and has concluded that group accounts only need to be prepared in respect of NuPlace.

I. STATEMENT OF ACCOUNTS – EXPLANATORY OVERVIEW

The Statement of Accounts features the Expenditure and Funding Analysis and four main statements reporting on the Council’s core activities plus Group Accounts:

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

The purpose of each is briefly described within this narrative report and they are followed by notes explaining the statements and any specific restatements required.

The main statements are supplemented by the Collection Fund Account, which receives all council tax and business rates income before passing this income to the Council, the Government, Shropshire Combined Fire Authority and the West Mercia Police & Crime Commissioner as appropriate.

The Council's accounts for the year 2018/19 are set out in the remainder of the report. They consist of:

- ... **The Expenditure and Funding Analysis** - shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This shows an adjustment of £58.837m to move from an underspend of £0.275m to a deficit of £58.562m in the Comprehensive Income and Expenditure Statement. This adjustment reflects technical accounting requirements and does not alter the underlying position of £0.275m underspend reported in the Outturn Report to Cabinet.
- ... **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This statement reports on how the Authority performed financially during the year and whether its operations resulted in a surplus or deficit. This shows a deficit for the year of £58.562m (after technical accounting adjustments referred to above) compared with the outturn report which shows an underspend of £0.275m. The reasons for this difference relate to technical transactions required to put the accounts on an IFRS basis, including capital grants offset by losses on disposal of fixed assets, depreciation, Revenue Expenditure Financed from Capital Under Statute (REFCUS), impairments and pensions. **These technical accounting adjustments do not impact on either General Fund Balances or Council Tax.**
- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £5.082m at 31st March 2019). This statement represents the Authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable.
- ... **The Balance Sheet** - this is a "snapshot" of the Authority's financial position which sets out the financial position of the Council on 31st March 2019 and shows net liabilities for the Council of £63.673m, a decrease from a net asset of £20.837m for the previous year.
- ... **The Cash Flow Statement** - summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties, analysing them into operating, investing and financing activities, and shows a net reduction in Cash and Cash Equivalents of £4.248m.

- ... **The Notes to the Core Financial Statements** - provide further information supporting the financial statements including the Statement of Accounting Policies and provide further detailed information on specific items.
- ... **The Collection Fund** – is the statutory account in which income from business rates and council tax is held temporarily, pending payment to the precepting authorities. There is a decrease on the council tax fund balance of £0.239m for the year and the Council's share of the surplus was £2.080m at 31st March 2019. The localisation of business rates means that we also show similar information in respect of this. The business rates show an increase in the balance on the account for the year of £2.874m and the Council's share of the surplus was £1.804m at 31st March 2019.
- ... **Group Accounts** - consolidates the Council's accounts with those of NuPlace Ltd, the Council's wholly owned Housing Investment Company, to give an overall picture of the Council's activities.

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

J. FURTHER INFORMATION

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

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website.

Details of all purchases made by the Council costing over £100 are published on a monthly basis on the Council's web site.

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

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



Ken Clarke MBA CPFA
Chief Financial Officer

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2019.

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

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

The Chief Finance Officer has also:

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

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I hereby certify that the Statement of Accounts on pages 4 to 141 complies with the requirements of the Accounts and Audit Regulations 2015.



Ken Clarke MBA CPFA,
Assistant Director: Finance & H.R. (C.F.O.)

Dated: 28th May 2019

APPROVED BY AUDIT COMMITTEE

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

Councillor Paul Watling
Chair of Audit Committee
Dated: 30th May 2019

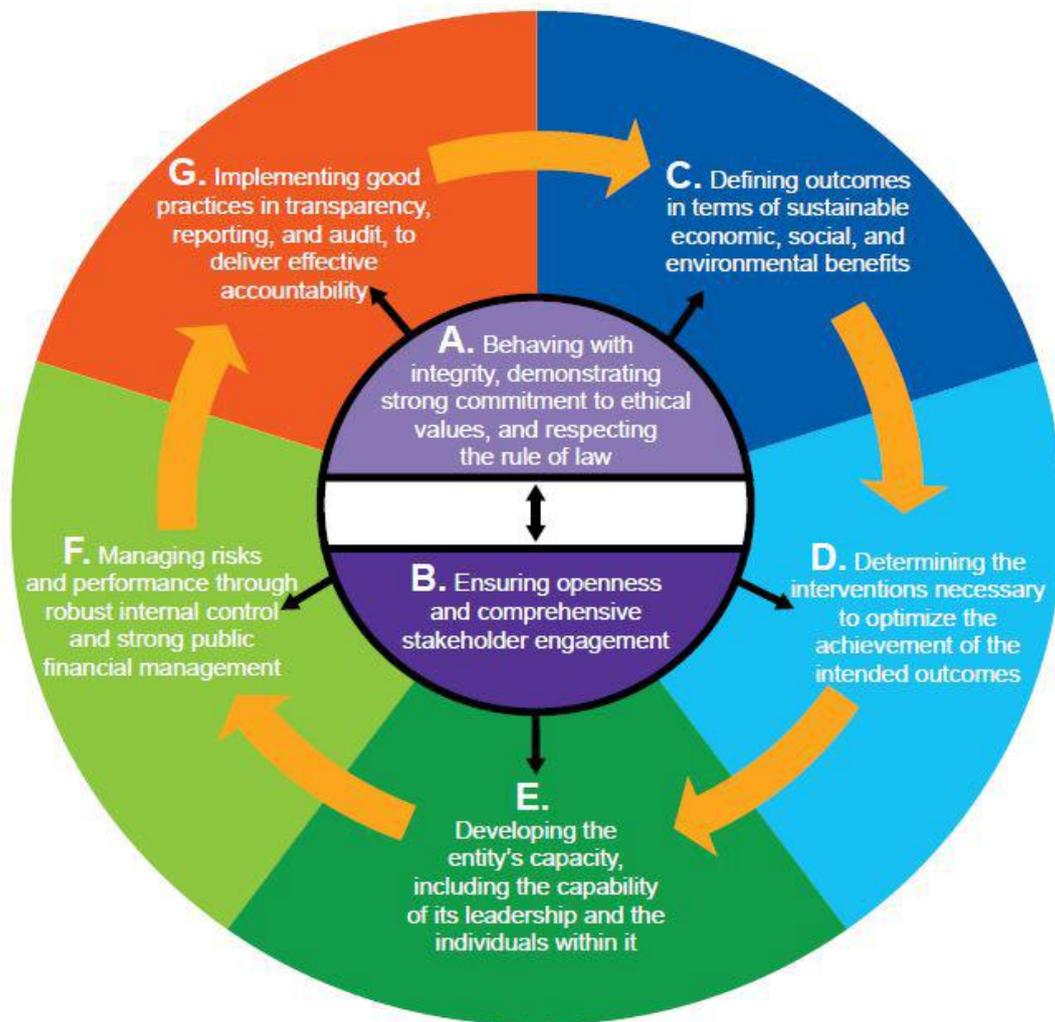
Annual Governance Statement 2018/19

1. Introduction

1.1 Under the Accounts and Audit Regulations 2015 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee (those charged with governance).

The Annual Governance Statement outlines that the Council has been adhering to the Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

The Council has adopted the Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government.



CIPFA's Principles of Good Governance

2. Standards of Governance

2.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the

employee and Members Code of Conducts, Constitution, Corporate Priorities as well as applicable statutory requirements.

3. Scope of Responsibility

- 3.1 Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council needs to demonstrate that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to secure continuous improvement.
- 3.2 To meet this responsibility, the Council puts in place proper governance arrangements for overseeing what it does including putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations and ensuring the effective exercise of its functions. These arrangements are intended to make sure that the Council does the right things, in the right way, for the right people, in a timely, open and accountable manner. The Council takes into consideration all systems, processes, policies, cultures and values that direct and control the way in which we work and through which we account, engage and lead our communities.

4. The Governance Framework

- 4.1 The governance framework allows the Council to monitor how they are achieving their strategic aims and ambitions and how this contributes to the delivery of its vision and values:



- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

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:-



- 5.2 The Council recognises the importance of information governance and formalised its Information Governance Framework. The main focus of the Information Governance Team in 2018/19 has been to ensure the Councils compliance with the requirements of the General Data Protection Regulations (GDPR) / Data Protection Act 2018. The Information Governance Team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2018/19 no enforcement action has been taken by the Information Commissioners Office (ICO) against the Council in respect to data breaches.
- 5.3 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.4 The Accounts and Audit Regulations 2015 require a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, management, other internal assurance services and the External Auditors' review. The Internal Audit Annual Report 2018/19 sets out the Internal Audit opinion.
- 5.5 The Council have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, Senior Managers, Internal Audit and external review, and in our opinion conclude that the review of the governance arrangements provides a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Attached as Annex 1 is an agreed action plan to address any key governance issues and ensure continuous improvement.
- 5.6 Issues from the previous action plan (2017/18) that have been addressed or mainstreamed have been deleted and those that continue to be addressed are included in 2018/19 action plan.

- 5.7 The Senior Management Team has monitored implementation of the 2017/18 actions and reported back to the Audit Committee in January 2019.
- 5.8 Detailed below is a statement explaining how the Council has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015 and CIPFA Code on the Principles of Good Governance.
- 5.9 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.**
- 5.9.1 Members and officers recognise the importance of compliance with the Constitution, specifically Financial and Contract Rules; Procurement Regulations, Scheme of Delegation, Codes of Conduct and Gifts & Hospitality Policy.
- 5.9.2 There is ongoing training, both classroom based and via the on-line learning platform (OLLIE) for Codes of Conduct, Equality Awareness, Leadership & Governance and Contract Procedure Rules/Procurement.
- 5.9.3 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up Policy encouraging internal referrals. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Speak Up Policy supports this internally. Internal Audit along with the Investigations Team undertakes proactive fraud work based on a fraud risk register and/or other intelligence. Other specific anti-fraud and corruption activities are undertaken by Trading Standards. An annual report on anti-fraud and corruption activities and an update to the Anti-Fraud & Corruption Policy is presented to the Audit Committee.
- 5.9.4 Officers comply with their professional organisations codes of conduct when delivering services.
- 5.9.5 All internal audits consist of an ethics questionnaire that is sent to a sample of staff in specific teams to demonstrate their understanding of key corporate policies. Results of these questionnaires demonstrate that some staff do not have regular 1:2:1 supervision meetings. This issue has been addressed and there should be improvements with the introduction of the new corporate APPD process. Responses have also highlighted some lack of understanding with key policies such as the Gifts & Hospitality Policy particularly as to what should and should not be accepted under the policy. Ethic questionnaire findings have been shared when discussing individual audits with relevant Service Delivery Managers and Assistant Directors and taken to SMT as part of reporting corporate recommendations.
- 5.9.6 There are both internal and external reviews in social care to monitor compliance with the law, e.g. the Care Act, Deprivation of Liberties, Safeguarding and the Mental Health Act.
- 5.9.7 Human Resource and recruitment policies and processes ensure the Council is fully compliant with employment law. Annual audits are undertaken in these areas and ongoing checks take place to ensure compliance with IR35 legislation. This year a

project has been set up for the implementation of the new HR ICT system (Resourcelink).

- 5.9.8 Senior officers meet regularly and work closely with Members to ensure that they understand and can undertake their respective roles effectively and legally.
- 5.9.9 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet Members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to Cabinet.
- 5.9.10 Statutory responsibilities across the Council are discharged openly and proactively, examples include having key statutory officers in place, i.e. Data Protection Officer, Section 151 Officer, Monitoring Officer, Director of Children Services and Director of Public Health.
- 5.9.11 The annual governance certification process highlighted that service areas are aware that they are storing old and out of date records and they need to review the documents they are storing in both operational buildings and the storage unit at Stafford Park. This is to comply with the Data Protection Act 2018.

5.10 Ensuring openness and comprehensive stakeholder engagement

- 5.10.1 The Council's 'Shaping our Future – Our Journey to 2020' document is a community strategy for Telford & Wrekin. It shows how partnership working makes a positive difference to community life.
- 5.10.2 The Council actively contributes to and collaborates with partners to promote good governance and achieve the delivery of outcomes through increased joint working. The Council is a member of a number of sub regional partnerships and groups. Many of our services are delivered in partnership with other organisations such as West Mercia Energy, Town and Parish Councils, voluntary groups, etc.
- 5.10.3 Regular meetings take place between Children's Safeguarding and key partner agencies such as the police, Telford & Wrekin CCG, Education and Health.
- 5.10.4 All Council services feed into transparent reporting processes through council committee meetings and this is further supported by the transparency agenda.
- 5.10.5 Annually the public is consulted on the budget for the forthcoming year.
- 5.10.6 There is regular engagement between Public Health, Telford & Wrekin Clinical Commissioning Group (CCG) and Social Care for the future provision of services.
- 5.10.7 The Council's Scrutiny function continues to review the development of policy, the decision making process and areas of concern. The subject areas for review are informed by community engagement, direct feedback to members from within the community, the results of review and inspection (both external and internal) and areas of policy being developed by the Council.

5.11 Defining outcomes in terms of sustainable economic, social and environmental benefits.

- 5.11.1 The Council can demonstrate its longer and medium term action plans through the 'Medium Term Council Plan' and the 'Shaping Our Future – Our Journey to 2020'. The Council is working on economic growth and marketing its services towards commercial activities in order to generate income and place less reliance on government grants. All service areas also have to meet savings targets to ensure a sustainable budget for future years.
- 5.11.2 Digital transformation and changes in the way we work are documented in 'Being the Change' and is intrinsic to the way we work.
- 5.11.3 The Telford & Wrekin Local Plan sets out the Council's vision and strategy for the physical planning of the borough up to 2031.
- 5.11.4 All service areas have their own service plans which details how they intend to deliver their service for the coming year and the risks they face.
- 5.11.5 The Council has a commercial strategy / investment strategy that demonstrates clear visions, objectives and outcomes. This includes financial, economic, social and environmental issues.
- 5.11.6 Economic growth strategy supports and drives increased economic productivity.
- 5.11.7 The financial strategy sets out the short and long-term implications for service delivery across the Council. The Service & Financial Planning reports include various papers to Cabinet regarding the budget and sets out short/ medium and long-term implications, including the capital strategy and saving strategy.
- 5.11.8 Adult Social Services in respect to systems, financial management and implementation of the cost improvement plan have continued to provide updates during the year to Members including the Audit Committee. To support the revised target operating model there has been commissioned external support and management changes.
- 5.11.9 All Council reports to Members show relevant financial implications and risk.
- 5.11.10 Implementation of the ICT Strategy has continued, including infrastructure upgrades, the ongoing roll-out of Office 365 and further security improvements particularly in response to spam, phishing/ whaling and ransomware threats.
- 5.11.11 The results of the annual governance certification process has highlighted the need for further development of modern slavery awareness throughout the procurement process. Officers are following corporate guidance on modern slavery but as with all new initiatives further work is required to fully embed modern slavery checks throughout the whole procurement process.

5.12 Determining the interventions necessary to optimise the achievement of the intended outcome.

- 5.12.1 The Council can demonstrate its longer and medium term action plans through the 'Medium Term Council Plan' and the 'Shaping our Future – Our Journey to 2020' which are aligned to the Treasury Management Plan to ensure a joined up approach to delivering the organisation outcomes and savings plans.
- 5.12.2 Budget plans are produced for all service areas for planning purposes. Budget consultation is undertaken annually with Council Members and members of the public.

5.13 Developing the Council's capacity, including the capability of its leadership and the individuals within it.

- 5.13.1 To deliver the vision of 'Being the Change' a Workforce Development Strategy 2017-2019 is in place. This focuses on 4 key themes – Employer of Choice, Planning for the Future, Healthy Organisation and Workforce of the Future. The Organisational Delivery & Development Team are in place to bring together the corporate values and planning function and align these with workforce development.
- 5.13.2 Officers understand their respective roles and these are set out in job descriptions. The Constitution and Contract Procedure Rules clearly shows roles and responsibilities, specifically with regard to delegation and authorisation.
- 5.13.3 Officers receive ongoing support and training and there are various training methods such as mentoring, Ollie (On-line learning platform) and classroom based. 17/18 saw the first roll out of the future leaders training programme, which is a yearlong development opportunity for future Team Leaders/Managers. The next cohort of future leaders will take place in 19/20. There is also a current management programme taking place to further develop existing managers.
- 5.13.4 Other support includes CPD sessions, team meetings and the introduction in 18/19 of the improved APPD (1:2:1) process.
- 5.13.5 Members receive an induction session and annual training with regard to the Treasury Management Strategy and other training relevant to their position. All Members and staff have had the opportunity to undertake training on General Data Protection Regulations (GDPR) / Data Protection Act (DPA) 2018 legislation. There is also online training available to all staff on GDPR/DPA 18 Requirements.
- 5.13.6 The results of the annual governance certification process has highlighted that service areas are having difficulty recruiting. This, in addition to reduction in staffing, is creating single points of failure. However Service Delivery Managers are aware of these issues and where possible are putting measures in place to try to address matters.
- 5.13.7 The results of the annual governance certification process has also highlighted that service areas have experienced data breaches and potential near misses in respect to personal data. Where data breaches have been experienced, these have been reported to the Information Governance Team and managers have changed

processes and procedures, where possible, based on lessons learned to prevent similar breaches occurring.

5.14 The Council continues to manage risks and performance through robust internal control and strong public financial management.

- 5.14.1 Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. Our approach to managing risk is explained in our Risk Management Strategy. The Strategic Risk Register is reviewed by SMT and taken to Audit Committee annually.
- 5.14.2 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking intelligence, comments from Senior Management and their opinion of the current state of the governance risk and internal control arrangements. During 2018/19 the Internal Audit team achieved 85% of their planned work and this has been used with the relevant output from unplanned work to form their opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework. All recommendations made in audit reports show a risk category and is used to inform the overall grading of the report. More detailed information on the work of Internal Audit can be seen on the Annual Audit Report, reported to Audit Committee at the May meeting.
- 5.14.3 Internal Audit report to the Audit Committee 4 times a year. The Audit Committee has asked for additional information during the year and requested Directors/Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.
- 5.14.4 Large projects include the maintenance of a project risk register, this is an ongoing working document that is amended throughout the project. Project risk registers have been in place for 2 key projects in 2018/19; the Resourcelink Project (new HR/Payroll system) and the new social care system – Liquidlogic.
- 5.14.5 The Council have adopted the CIPFA code of practice for managing the risk of fraud and corruption and this has been reflected in our updated Anti-Fraud & Corruption Policy.
- 5.14.6 Services report regularly through to Council committees such as Audit Committee, Planning, Licencing, Cabinet etc. These reports detail any impact assessment, including risk and opportunity. Financial decisions are reported through to Cabinet, full Council and Audit Committee, who often challenge to ensure appropriate financial management and to demonstrate transparency.
- 5.14.7 Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available. Financial roles and responsibilities are clearly shown in this document and it provides a framework for financial decision making.
- 5.14.8 The Treasury Management Strategy and regular updates on treasury matters are provided to Audit Committee. This information clearly show investments, loans, and the financial position of the Council.

- 5.14.9 The Council's financial strategy identifies the short term budget plan and the long term aspirational plan linked to the corporate plan for a self-sustaining council.
- 5.14.10 Final accounts are produced on time and in line with best practice and our External Auditor's ISA260 Report 2017/18 included in its headlines:
- Value for Money conclusion - we have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
 - Audit opinion - we issued an unqualified opinion on your financial statements on 31 Jul 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
- 5.14.11 The Council has continued to make savings in light of ongoing financial pressures. Over £117 million savings have been made since 2010 by the Council to date with further future savings of £30 million required by 2022.

5.15 Implement good practices in transparency, reporting and audit to deliver effective accountability

- 5.15.1 As a public body we endeavour to always be open and transparent in our activities and reporting. Council and committee agendas, reports and minutes are published on our corporate website to demonstrate decisions made. The Council undertake public consultation on areas such as the budget and selective licensing. We publish expenditure over £100 on our website, as part of the transparency agenda.
- 5.15.2 The Audit Committee has responsibility for internal and external audit matters, the Council's arrangements for Corporate Governance and risk management.
- 5.15.3 The Audit Committee terms of reference also incorporate the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy and during the year were provided with an update on by Arlingclose the Council's Treasury Management advisors.
- 5.15.4 There are various committees, all with their own terms of reference and areas of responsibility, i.e. Licensing Committee, Planning Committee, and there are elected members who are responsible for service areas within the Council.
- 5.15.5 Arrangements are in place to ensure Internal Audit fully comply with the Public Sector Internal Audit Standards (PSIAS).
- 5.15.6 The Internal Audit plan is developed using a risk-based approach taking into consideration the Strategic Risk Register, Service Plans and other audit intelligence. Audit recommendations made are communicated to relevant Service Delivery

Managers and relevant Senior Management representatives for consideration and implementation of recommendations. Internal Audit will share best practice in the duty of their work.

- 5.15.7 The Council's Communication Team works with Officers and Members to ensure key messages are in plain English and in consistent format.
- 5.15.8 The Council's performance management framework is monitored by the Senior Management Team and has procedures in place that drive continuous improvement in performance.
- 5.15.9 The Annual Governance certification process demonstrated that service areas are aware that their intranet and web pages are not up to date and are in the process of updating them.

| | Signed | Dated |
|---|---|-------------|
| Richard Partington Managing Director |  | 15 May 2019 |
| Leader of the Council |  | 15/5/19 |
| Chair of Audit Committee | | |
| | | |

AGS ACTION PLAN FOR 2018/19 FOR IMPLEMENTATION DURING 2019/20

| No | Finding | Action | Lead Officer | Comments |
|----------|--|--|--|----------|
| 1. | <p>Ongoing savings proposals and continued strategic management of organisational changes in respect to 'Being the change'</p> <p><i>Follow on from 2017/18 AGS action plan</i></p> | <p>Continued strategic management of organisational change in respect to "Being the Change part 3", continued reduced budgets, revised structures and commercial/ business approach which links to the continued development and implementation of revised governance framework.</p> <p>Further consultations on future savings.</p> | <p>Managing Director and SMT</p> | |
| Page 112 | <p>All internal audits consist of an ethics questionnaire that is sent to a sample of specified staff to demonstrate their understanding of key corporate policies and whether staff feel supported. Results of these questionnaires demonstrates that some staff do not have regular 1:2:1 supervision or team briefs. Responses have also highlighted a lack of understanding of key policies such as the Gifts & Hospitality Policy. These findings have been shared when discussing individual audit</p> | <p>New APPD framework to be adhered to across the Council.</p> <p>Staff to be regularly reminded about key corporate policies.</p> <p>A reminder to be given to managers in respect to regular team briefs / team meetings where corporate messages and priorities can be shared.</p> | <p>SMT/SDM Organisational Delivery & Development Manager</p> | |

| No | Finding | Action | Lead Officer | Comments |
|----|---|---|---|----------|
| | reports with relevant SDM's & ADs and taken to SMT as part of reporting corporate recommendations. | | | |
| 3. | <p>The results of the annual governance certification process highlighted that service areas are having difficulty recruiting. This, in addition to reductions in staffing, is creating single points of failure. However Service Delivery Managers are aware of these issues and where possible are putting measures in place to try and mitigate this.</p> <p><i>Follow on from 2017/18 AGS action plan</i></p> | <p>Embedding of the workforce development plans, succession planning to avoid single points of failure.</p> <p>Continue to update the management competencies, skills and associated training to meet revised organisational requirements.</p> <p>Identify the reasons why we are having difficulty recruiting and how we can retain staff.</p> | Managing Director & AD Finance & Human Resources Organisational Delivery & Development Manager | |
| 4 | <p>The results of the annual governance certification process has highlighted the need for further development of modern slavery awareness throughout the procurement process. Officers are following corporate guidance on modern slavery but as with all new initiatives further</p> | Procurement Team Leader or SDM will talk at all AD teams meetings to raise the profile and explain the approach for training awareness and the links to each and every service team - to be complete by August 19. | Commissioning Procurement & Brokerage SDM. | |

| No | Finding | Action | Lead Officer | Comments |
|--------------------|---|---|------------------|----------|
| | work is required to fully embed modern slavery checks throughout the whole procurement process. | | | |
| 5. Page 114 | The annual governance certification process highlighted that service areas are aware that they are storing old and out of date records and they need to review the documents they are storing both in operational buildings and the storage unit at Stafford Park. This is to comply with the Data Protection Act 2018. | There should be a review of all records/information stored and secure disposals made where appropriate. | SMT & SDMs | |
| 6. | The results of the annual governance certification process has highlighted that service areas have experienced data breaches and potential near misses in respect to personal data. Where data breaches have been experienced, these have been reported to the Information Governance Team and managers have changed processes and procedures, where possible, based on | <p>Ensure all staff are aware of the Corporate Information Security Breach Procedure.</p> <p>Ensure staff have completed the IG training on OLLIE.</p> <p>Lessons learnt in respect to breaches are communicated appropriately.</p> | SIRO/SMT & SDM's | |

| No | Finding | Action | Lead Officer | Comments |
|----|--|---|--------------------------------------|--|
| | lessons learned to prevent similar breaches occurring. | | | |
| 7. | <p>The annual governance certification process demonstrated that service areas are aware that their intranet and web pages are not up to date but they are in the process of updating them.</p> <p><i>Follow on from 2017/18 AGS action plan</i></p> | Service areas should ensure that their intranet and webpages contain relevant and up to date information. | AD Customer & Neighbourhood Services | Training has been provided for authors as to how they can update their intranet pages following implementation of the new system |
| | <p>Staff should still be aware of investigating any commercial opportunities.</p> <p><i>Follow on from 2017/18 AGS action plan</i></p> | Continue to develop and implement appropriate governance arrangements to support commercial projects. | Managing Director & SMT | |

Auditors' Report – LEAVE BLANK

**EXPENDITURE & FUNDING
ANALYSIS AND
ACCOMPANYING NOTES**

Expenditure & Funding Analysis

The EFA is not a Primary Financial Statement and as such should be treated as a note to the accounts. Further details of adjustments between the funding and the accounting basis are contained in the note to the EFA. The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2017/18 | | | SERVICE | 2018/19 | | |
|--|--|---|--|--|--|---|
| Net Expenditure Chargeable to the General Fund Balance | Adjustments Between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income & Expenditure Statement | | Net Expenditure Chargeable to the General Fund Balance | Adjustments Between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income & Expenditure Statement |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 42,463 | 3 | 42,466 | Adult Social Care | 40,815 | 193 | 41,008 |
| (767) | 15,773 | 15,006 | Business, Development & Employment | (676) | 19,608 | 18,932 |
| 2,277 | (2,349) | (72) | Cooperative Council | 2,277 | (302) | 1,975 |
| 16,903 | (670) | 16,233 | Commercial Services | 6,245 | 5,593 | 11,838 |
| (1,865) | 6,104 | 4,239 | Council Wide | 2,488 | 9,424 | 11,912 |
| 30,129 | (15,485) | 14,644 | Customer & Neighbourhood Services | 24,536 | 3,411 | 27,947 |
| 15,715 | (11,243) | 4,472 | Education & Corporate Parenting | 1,888 | 26,498 | 28,386 |
| (15,311) | 18,903 | 3,592 | Finance & Human Resources | 8,395 | (11,428) | (3,033) |
| 6,738 | 31 | 6,769 | Governance, Procurement & Commissioning | 6,260 | 203 | 6,463 |
| (832) | 110 | (722) | Health & Well-being | 241 | 72 | 313 |
| 26,755 | (722) | 26,033 | Children's Safeguarding & Family Support | 28,778 | (377) | 28,401 |
| 122,205 | 10,455 | 132,660 | Net Cost Of Services | 121,247 | 52,895 | 174,142 |
| (122,355) | 46,726 | (75,629) | Other Income & Expenditure | (121,522) | 5,942 | (115,580) |
| (150) | 57,181 | 57,031 | (Surplus) or Deficit | (275) | 58,837 | 58,562 |
| 4,657 | | | Opening General Fund Balance | 4,807 | | |
| 150 | | | Surplus or (Deficit) for year | 275 | | |
| 4,807 | | | Closing General Fund Balance | 5,082 | | |

Expenditure & Funding Analysis Notes

1. Adjustments between funding and accounting basis

2018/19

| | Net Expenditure Chargeable to the General Fund Balance | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other* Adjustments | Total Adjustments | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|----------------------------------|---|--------------------|-------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 40,815 | 848 | 0 | (655) | 193 | 41,008 |
| Business, Development & Employment | (676) | 12,883 | 0 | 6,725 | 19,608 | 18,932 |
| Co-Operative Council | 2,277 | 344 | 0 | (646) | (302) | 1,975 |
| Commercial Services | 6,245 | 4,765 | 0 | 828 | 5,593 | 11,838 |
| Council Wide | 2,488 | 2,497 | 7,781 | (854) | 9,424 | 11,912 |
| Customer & Neighbourhood Services | 24,536 | 1,826 | 0 | 1,585 | 3,411 | 27,947 |
| Education & Corporate Parenting (Note 8) | 1,888 | 33,744 | 0 | (7,246) | 26,498 | 28,386 |
| Finance & Human Resources | 8,395 | 434 | 0 | (11,862) | (11,428) | (3,033) |
| Governance, Procurement & Commissioning | 6,260 | 65 | 0 | 138 | 203 | 6,463 |
| Health & Well-being | 241 | (75) | 0 | 147 | 72 | 313 |
| Children's Safeguarding & Family Support | 28,778 | (2,410) | 0 | 2,033 | (377) | 28,401 |
| Net Cost of Services | 121,247 | 54,921 | 7,781 | (9,807) | 52,895 | 174,142 |
| Other Income & Expenditure | (121,522) | (10,187) | 6,502 | 9,627 | 5,942 | (115,580) |
| (Surplus) or deficit on provision of services | (275) | 44,734 | 14,283 | (180) | 58,837 | 58,562 |

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

2017/18

| | Net Expenditure Chargeable to the General Fund Balance | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Adjustments | Total Adjustments | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|--|--|----------------------------------|---|-------------------|-------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 42,463 | 719 | 0 | (716) | 3 | 42,466 |
| Business, Development & Employment | (767) | 15,308 | 0 | 465 | 15,773 | 15,006 |
| Commercial Services | 16,903 | (478) | 0 | (192) | (670) | 16,233 |
| Co-Operative Council | 2,277 | (8) | 0 | (2,341) | (2,349) | (72) |
| Council Wide | (1,865) | 1,964 | 9,321 | (5,181) | 6,104 | 4,239 |
| Customer & Neighbourhood Services | 30,129 | (16,755) | 0 | 1,270 | (15,485) | 14,644 |
| Education & Corporate Parenting (Note 8) | 15,715 | (5,411) | 0 | (5,832) | (11,243) | 4,472 |
| Finance & Human Resources | (15,311) | 23,840 | 0 | (4,937) | 18,903 | 3,592 |
| Governance, Procurement & Commissioning | 6,738 | 5 | 0 | 26 | 31 | 6,769 |
| Health & Well-being | (832) | (337) | 0 | 447 | 110 | (722) |
| Safeguarding and Early Help | 26,755 | 0 | 0 | (722) | (722) | 26,033 |
| Net Cost of Services | 122,205 | 18,847 | 9,321 | (17,713) | 10,455 | 132,660 |
| Other Income & Expenditure | (122,355) | 33,641 | 6,548 | 6,537 | 46,726 | (75,629) |
| (Surplus) or deficit on provision of services | (150) | 52,488 | 15,869 | (11,176) | 57,181 | 57,031 |

2. Segmental Income

| | 2017/18 £000 | 2018/19 £000 |
|--|-----------------|-----------------|
| Adult Social Care | 19,217 | 22,355 |
| Business, Development & Employment | 16,493 | 15,233 |
| Co-Operative Council | 2,003 | 159 |
| Commercial Services | 23,930 | 33,825 |
| Council Wide | 9,090 | 8,315 |
| Customer & Neighbourhood Services | 79,891 | 78,459 |
| Education & Corporate Parenting | 123,048 | 113,239 |
| Finance & Human Resources | 30,085 | 9,434 |
| Governance, Procurement & Commissioning | 3,107 | 2,731 |
| Health & Well-being | 16,954 | 12,246 |
| Children's Safeguarding and Family Support | 1,178 | 2,758 |
| Net Cost of Services | 324,996 | 298,754 |

**CORE FINANCIAL STATEMENTS
AND
ACCOMPANYING NOTES**

Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure & Funding Analysis.

| SERVICE | 2017/18 Gross Expenditure £000 | 2017/18 Income £000 | 2017/18 Net Expenditure £000 | 2018/19 Gross Expenditure £000 | 2018/19 Income £000 | 2018/19 Net Expenditure £000 |
|--|---|---------------------------|---------------------------------------|---|---------------------------|---------------------------------------|
| Adult Social Care | 61,391 | 18,925 | 42,466 | 63,004 | 21,996 | 41,008 |
| Business, Development & Employment | 26,062 | 11,056 | 15,006 | 27,666 | 8,734 | 18,932 |
| Co-Operative Council | 1,049 | 1,121 | (72) | 2,610 | 635 | 1,975 |
| Commercial Services | 16,517 | 284 | 16,233 | 34,822 | 22,984 | 11,838 |
| Council Wide | 12,583 | 8,344 | 4,239 | 20,242 | 8,330 | 11,912 |
| Customer & Neighbourhood Services | 109,600 | 94,956 | 14,644 | 116,023 | 88,076 | 27,947 |
| Education & Corporate Parenting (Note 8 provides details of DSG) | 125,579 | 121,107 | 4,472 | 145,707 | 117,321 | 28,386 |
| Finance & Human Resources | 5,713 | 2,121 | 3,592 | 2,478 | 5,511 | (3,033) |
| Governance, Procurement & Commissioning | 9,987 | 3,218 | 6,769 | 9,323 | 2,860 | 6,463 |
| Health & Well-being | 15,537 | 16,259 | (722) | 12,641 | 12,328 | 313 |
| Children's Safeguarding and Family Support | 27,174 | 1,141 | 26,033 | 29,946 | 1,545 | 28,401 |
| Net Cost of Services | 411,192 | 278,532 | 132,660 | 464,462 | 290,320 | 174,142 |

| | | |
|---|-----------------|---------------|
| Other Operating Expenditure (Note 7) | 37,830 | (5,876) |
| Financing and Investment Income and Expenditure (Note 8) | 11,021 | 17,350 |
| Taxation & Non Specific Grant Income and Expenditure (Note 9) | (124,480) | (127,054) |
| (Surplus) or deficit on provision of services | 57,031 | 58,562 |
| (Surplus) or deficit on revaluation of Property, Plant and Equipment Assets | (3,091) | (6,556) |
| (Surplus) or deficit on revaluation of Available for Sale financial assets | (282) | 0 |
| Re-measurements of the net defined benefit pension liability (Note 12) | (32,630) | 32,504 |
| Other Comprehensive Income & Expenditure | (36,003) | 25,948 |
| Total Comprehensive Income and Expenditure | 21,028 | 84,510 |

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

| | General Fund Balance & Reserves | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---------------------------------------|-----------------------------|--------------------------|----------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2017 carried forward | 67,929 | 3,320 | 71,249 | (29,384) | 41,865 |
| Total Comprehensive Income and Expenditure | (57,031) | 0 | (57,031) | 36,003 | (21,028) |
| Adjustments between accounting basis & funding basis under regulations (Note 12) | 70,665 | (377) | 70,288 | (70,288) | 0 |
| Increase/ (Decrease) in 2017/18 | 13,634 | (377) | 13,257 | (34,285) | (21,028) |
| Balance at 31 March 2018 carried forward | 81,563 | 2,943 | 84,506 | (63,669) | 20,837 |
| Total Comprehensive Income and Expenditure | (58,562) | 0 | (58,562) | (25,948) | (84,510) |
| Adjustments between accounting basis & funding basis under regulations (Note 12) | 62,489 | 3,915 | 66,404 | (66,404) | 0 |
| Increase/ (Decrease) in 2018/19 | 3,927 | 3,915 | 7,842 | (92,352) | (84,510) |
| Balance at 31 March 2019 carried forward | 85,490 | 6,858 | 92,348 | (156,021) | (63,673) |

It should be noted that of the total £92.3m usable reserves, only £5.1m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances. See note 30,31 and 32.

Balance Sheet

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

| 31 March 2018 Restated £000 | | 31 March 2019 £000 | 31 March 2019 £000 |
|--|--|-----------------------------------|-----------------------------------|
| 471,531 | Property, Plant & Equipment (Note 15) | 459,143 | |
| 95,657 | Investment Properties (Note 17) | 93,413 | |
| 2,081 | Intangible Assets (Note 18) | 2,048 | |
| 9,265 | Long Term Investments (Notes 22,23,25) | 11,915 | |
| 25,917 | Long Term Debtors (Note 22) | 29,568 | |
| 604,451 | Total Long Term Assets | | 596,087 |
| | Current Assets | | |
| 323 | Inventories | 297 | |
| 39,422 | Debtors (Note 24) | 36,646 | |
| 14,213 | Assets Held for Sale (Note 19) | 6,062 | |
| 19,746 | Cash and Cash Equivalents (Note 26) | 15,498 | |
| 73,704 | | 58,503 | |
| | Current Liabilities | | |
| (20,160) | Provisions (Note 27) | (18,574) | |
| (102,176) | Short term Borrowing (Notes 22,23) | (75,101) | |
| (64,507) | Creditors (Notes 28) | (72,377) | |
| (186,843) | | (166,052) | |
| (113,139) | Net Current Assets/(Liabilities) | | (107,549) |
| (154,526) | Less Long Term Borrowing (Notes 22,23) | | (191,823) |
| (53,282) | Less Long Term Creditors (PFI & Finance Leases) (Note 22,29) | | (50,668) |
| (258,739) | Less Pensions Liability (Note 12) | | (305,526) |
| (3,928) | Capital Grants Receipts in Advance (Note 42) | | (4,194) |
| 20,837 | Net Assets/(Liabilities) | | (63,673) |
| 84,506 | Usable Reserves (Note 30,31) | | 92,348 |
| (63,669) | Unusable Reserves (Note 32) | | (156,021) |
| 20,837 | Net Reserves | | (63,673) |

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.

| 2017/18 | | 2018/19 |
|---------------|---|---------------|
| £000 | | £000 |
| 57,031 | Net (surplus) or deficit on the provision of services | 58,562 |
| (90,921) | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 37) | (83,515) |
| 46,096 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 38) | 42,799 |
| 12,206 | Net cash flows from Operating Activities | 17,846 |
| 20,832 | Investing Activities (Note 39) | (6,877) |
| (32,751) | Financing Activities (Note 40) | (6,721) |
| 287 | Net (increase) or decrease in cash and cash equivalents | 4,248 |
| | | |
| 20,033 | Cash and cash equivalents at the beginning of the reporting period | 19,746 |
| 19,746 | Cash and cash equivalents at the end of the reporting period (Note 26) | 15,498 |

Notes to the Core Financial Statements

1. Accounting Policies

a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (COP), based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). They are further supplemented by International Public Sector Accounting Standards (IPSAS) and United Kingdom (UK) Generally Accepted Accounting Practice (GAAP) comprising the Application of Statements of Standard Accounting Practice (SSAPs) Financial Reporting Statements (FRSs) and pronouncements of the Urgent Issues Task Force (UITF).

b) Concepts

These accounts have been prepared in accordance with the all-pervading concepts of accruals and going concern, together with relevance, reliability, comparability, understandability and primacy of legal requirements as set out in the COP. Under the going concern concept, although the Council has net current liabilities of £107.5m, it is a going concern as the Council has access to Public Works Loan Board borrowing and future Council Tax revenues. (See Note 23 for detail on interest rate risk).

c) Accruals of Expenditure & Income

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice, IAS 18 and IFRS 15. 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. In particular,

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Revenue is measured as the amount of the transaction price which is allocated to that performance obligation.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for income not collected.

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions.

d) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

e) 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.

f) 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.

g) Employee Benefits

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

The areas of remuneration that relate to the Council are as follows:

- Salaries and Wages
- Compensated Absences (paid annual leave and sick leave)
- Pensions Benefits
- Termination Benefits

Salaries and Wages

The amount of salary or wage earned by an employee will be recognised in the financial year to which it relates.

Compensated Absences

The expected cost of short-term compensated absences should be recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

In relation to annual leave and time off in lieu an estimation of the value of any untaken annual leave and the time off in lieu position at the end of the financial year will be undertaken and an appropriate amount included in the accounts. Sick leave is non-accumulating and is accounted for when absences occur.

Pensions Benefits

The Council participates in three formal pension schemes, the Local Government Pension Scheme, which is administered by Shropshire County Pension Fund, the National Health Service Pension Scheme, administered by NHS Pensions and the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the DfE.

Under International Accounting Standards and accounting Code requirements, the Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees, rather than when benefits are eventually paid as pensions. For the Local Government Pension Scheme, these costs are provided by the fund actuaries and are included as a cost in the financial statements. However, statutory provision requires that the General Fund Balance is charged with the amount payable by the Council and not the amount calculated according to the accounting standard, therefore compensating entries are posted through the Movement in Reserves Statement which result in the General Fund Balance not being impacted by future pension liabilities.

Arrangements for the Teachers' scheme and the NHS Scheme mean that liabilities for future benefits cannot be separately identified for the Council and no liability for future payments of benefits is therefore recognised in the financial statements for these, and the employer's contribution is charged to the CIES in the year.

See Notes 11, 12 and 13.

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2018/19 COP. The information is only necessary in relation to the Local Government Pension Scheme, as it is not possible to identify any Authority's share of the assets and liabilities under the Teachers' scheme or the National Health Service scheme.

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

Termination Benefits

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

h) Events After the Reporting Period

Where a material post balance sheet event occurs which

- Provides additional evidence relating to conditions existing at the balance sheet date; or

- Indicates that application of the going concern concept to a material part of the Authority is not appropriate;

Changes will be made in the amounts to be included in the statement of accounts or disclosed in a note.

i) Exceptional Items and Prior Period Adjustments

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

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

j) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose

contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

- Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made two loans to local organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

- Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

- Financial Assets Measured at Fair Value through Profit & Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and

losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

k) 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 (CIES) 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. Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

l) 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.

m) Inventories and Long Term Contracts

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

n) Investment Properties

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

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

These are revalued each year at Open Market Value. See Note 17.

o) 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 50 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.

p) Non-current Assets Held for Sale

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

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

q) Interests in Companies and Other Entities

The Council has a wholly owned Company, NuPlace Ltd for the provision of market rented housing in the borough and is required to prepare Group Accounts. Group Accounts have been prepared on a line for line basis; accounting policies are aligned between NuPlace and the Council; and intra-group transactions have been eliminated. In the authority's own single-entity accounts, the interest of NuPlace is recorded as a financial asset, less any provision for losses.

The Council is one of four constituent authorities for the West Mercia Energy purchasing consortium (WME). WME transactions are excluded from the Council's financial statements on the basis that they are not material to the fair presentation of the financial position of the Council. Note 57 shows an extract of WME's balance sheet at 31 March 2019.

r) Overheads

The revenue accounts for the various services include charges for the related support services. These are agreed annually and are based on agreed criteria. Support Services are allocated in line with CIPFA recommended practice. As the Code of Practice does not allow transactions between segments in the service analysis, internal recharges have been eliminated from gross income and gross expenditure in the Comprehensive Income and Expenditure Statement.

s) Private Finance Initiative

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. The Council has one PFI scheme which was entered into in March 2006 and is for the provision of school and leisure facilities at Hadley Learning Community and Queensway for £289m.

IFRIC 12 Service Concession Arrangements requires the Council to assess the level of control each party has within the PFI contract. The result of this assessment is that the Council is deemed to control the services that are provided under its PFI scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries on the Balance Sheet the property, plant and equipment used under the contracts.

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.

The original recognition of this property, plant and equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Property, plant and equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

Amounts payable to PFI operators are analysed into five elements. Fair value for the services received in the year (debited to the appropriate service). Finance cost (debited to interest payable and similar charges). Contingent rent – increases in the amount to be paid for the property arising during the contract (debited to interest payable and similar charges). Payment toward liability (applied to write down the Balance Sheet liability towards the PFI operator). Lifecycle replacement costs (recognised as a fixed asset on the balance sheet).

t) Property, Plant & Equipment

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

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). Property, plant and equipment are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

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

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

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

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

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

As at 31st March 2019 there was 1 significant capital contract in place. This totalled £1.1m and is detailed in Note 15.

u) Depreciation

Depreciation is provided for on all property, plant and equipment with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are depreciated from the start of the year after they are acquired, assets in the course of construction are not depreciated until the year after they are brought into use. Depreciation is applied in the year of disposal.
- depreciation is calculated using the straight-line method over its estimated life.
- depreciation is not provided for on Investment Properties.

v) Charges to Revenue in Respect of Property, Plant and Equipment

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

w) Provisions

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

x) Reserves

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in Notes 30, 31 and 32.

The current system of capital accounting also requires the maintenance of two accounts in the balance sheet:

- the revaluation reserve, which represents principally the balance of the upward revaluations of property, plant and equipment and;
- the capital adjustment account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on property, plant and equipment or for the repayment of external loans and certain other financing transactions.

y) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation allows some expenditure to be classed as capital for funding purposes when it does not result in an asset on the balance sheet, for example work on properties owned by another organisation. This is charged to the relevant service in the Comprehensive Income & Expenditure Account and then transferred via the Movement in Reserves Statement to the Capital Adjustment Account so that there is no impact on the General Fund balance.

z) Value Added Tax

Local Authorities pay VAT on purchases and charge VAT on supplies of goods and services. Usually the amount of VAT paid on purchases is greater than that received for goods and services and the difference is reclaimed. The figures included in the statement of accounts exclude VAT except in infrequent circumstances where it is not reclaimable.

aa) Direct Revenue Financing of Capital Expenditure

The Council is permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts.

ab) Interest on Surplus Funds and Balances

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

ac) Capital Receipts

Capital receipts from the disposal of assets are held in the usable capital receipts account until such time as they are used to finance other capital expenditure or to repay debt. During 2018/19, the Council funded £2.5m of expenditure in its Comprehensive Income and Expenditure Account from capital receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review.

ad) The Redemption of Debt

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008 and Explanatory Memorandum and Guidance.

The "Minimum Revenue Provision" (MRP) is calculated on the basis of the life of the asset and the ultimate funding of that asset. MRP is not charged until the year after the asset comes into operation.

ae) Estimation Techniques

Estimation techniques are methods adopted by the Authority to arrive at an estimated monetary amount, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at using an estimation technique.

af) Heritage Assets

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values

are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For the Council's heritage assets no cost information is available and the cost of obtaining that value is disproportionate to the benefit.

A list of the Council's Heritage assets is included in Note 20.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

ag) Capitalisation Of Interest

Following a change in guidance the Council amended its policy on capitalisation of interest in 2013/14. Previously all interest has been charged to revenue in the year incurred, however, part of this interest cost relates to capital schemes under construction. With effect from 1 April 2013, interest costs relating to assets under construction will be capitalised, but only during the construction phase of the scheme. A threshold of £1m will be applied to this policy i.e. interest will only be capitalised for programme items where prudential borrowing exceeds £1m in year. This change in policy will generate revenue savings in the short term, but these will be offset by higher debt repayments in future years spread over the life of the respective assets. For 2018/19 a total of £0.074m (£0.032m for 2017/18) was charged to capital rather than revenue.

ah) Accounting for Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The Council Tax income included in the Comprehensive Income & Expenditure Statement is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

As the collection of Council Tax for preceptors (the West Mercia Police and Crime Commissioner, and Shropshire & Wrekin Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Telford & Wrekin Council as the billing authority and to the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts and prepayments.

In relation to Non-Domestic Rates, Telford & Wrekin Council collects income due as an agency arrangement. As with council tax, the cash collected belongs proportionately to Telford & Wrekin Council as the billing authority, and to Central Government and Shropshire & Wrekin Fire & Rescue Authority as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the

year end balances relating to arrears, impairment allowances for doubtful debts, appeals and prepayments.

ai) Accounting for Local Authority Maintained Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements of the authority as if there were transactions, cash flows and balances of the authority.

The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

The Council recognises on balance sheet the non-current assets of schools where the Council legally owns the assets or where the school is in the legal ownership of a non religious body, on the basis that they are the assets of the school and need to be consolidated in to the Council's accounts.

Community schools are owned by the Council and therefore recognised on the balance sheet.

The majority of Voluntary Aided and Voluntary Controlled schools in the Council area are owned by the respective Diocese. The School/Council uses the school building to provide education under the provisions of the School Standards and Framework Act 1998.

Foundation schools owned by the Diocese are not recognised on the Council balance sheet as the position is the same as Voluntary Aided and Voluntary Controlled. Where ownership lies with the school or the school's Governing Body the School is recognised on the Council's Balance Sheet.

Academy schools are not maintained schools controlled by the Council and as such are not accounted for in the Council's Accounts. Schools in Council ownership (Community Schools) which become Academies are provided to the Academy either on a 125 year peppercorn lease or the free hold of land and buildings has been transferred to the Academy. When schools transfer to Academy status the assets are written out of the balance sheet as at the date that the asset transfers.

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

At the balance sheet date the following new standards and amendments to existing standards have been published and will be introduced by the 2019/20 Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020.

- **Amendments to IAS 40 Investment Property: Transfers of Investment Property** – clarifies instances when property can be reclassified as investment property which should only take place where there is an evident change of use.
- **Annual Improvements to IFRS Standards 2014 - 2016 Cycle**
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** – clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.
- **IFRIC 23 Uncertainty over Income Tax Treatments** – provides additional guidance on income tax treatment where there is uncertainty.
- **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation** – amends IFRS9 to clarify that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.

Prior Period Adjustments

There were no significant prior period adjustments in the accounts for 2018/19.

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, given levels of uncommitted reserves and the long track record of managing significant budget reductions and sound financial management, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has one PFI contract for the provision of school and leisure facilities at Hadley Learning Community and Queensway. Under the requirements of IFRIC 12, it has been determined that the arrangements is controlled by the Council and the accounting policy (Note 1 s) relating to PFI schemes has been applied.
- West Mercia Energy – the Council has determined that the exclusion of WME’s transactions from the Council’s own accounts will not materially impact the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by the reader. Note 57 provides details of the arrangement and an extract of the balance sheet of the West Mercia Energy Joint Committee.
- Pension Fund Liability – an actuarial evaluation of the Shropshire Local Government Pension Fund is undertaken every three years by the Fund actuary, Mercers, with annual updates in the intervening years. The methodology used is in line with IAS 19. Estimates of Pension Assets and Liabilities are sensitive to actuarial assumptions and can vary significantly based on changes to these assumptions.
- Recognition of Schools – the Council recognises the land and buildings used by schools in line with the provisions of the Codes of Practice. An assessment of the

different schools operated has been undertaken to determine the accounting treatment (see Policy ai above).

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--------------------------------------|---|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £2.2m for every year that useful lives had to be reduced. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £14.8m. However, the assumptions interact in complex ways. |
| Arrears | At 31 March 2019, the Authority had a balance of £42.809m for sundry debtors. The Council has set aside a bad debts provision of 14.4% (£6.162m) in relation to these. It is our view that this level of provision is sufficient. | If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £2.1m to be set aside as an allowance. |
| Single Status | Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 st April 2007, however the process is not yet complete and it has been necessary | 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 |

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|------|--|---|
| | to include a provision against the potential costs in the 2018/19 accounts, as was the case last year. | provision then there will be an impact on general fund balances and future Council Tax increases. |

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

The UK's exit strategy of the European Union remains unclear. The Council will monitor the position as more information become available. The Government has allocated £0.210m across 2018/19 and 2019/20 to all Unitary Authorities which will assist with preparations for Brexit. Further, Government departments will assess, and if appropriate, provide the necessary funding for new burdens falling on Local Authorities as a direct consequence of any additional requirements placed on them. The Local Government Association is representing local government during the negotiations regarding the UK's exit from the European Union with the aim of ensuring that councils can mitigate key risks.

5. Events After the Reporting Period

The draft Statement of Accounts was authorised for issue by the Assistant Director on 29 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Disclosure of Deployment of Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2018/19 are as follows:

| | Central Expenditure £000 | Individual Schools Budget £000 | Total £000 |
|---|-----------------------------|-----------------------------------|---------------|
| Final DSG for 2018/19 | | | 145,667 |
| Academy figure recouped for 2018/19 | | | (46,491) |
| Total DSG after Academy recoupment for 2018/19 | | | 99,176 |
| Brought forward from 2017/18 | | | (543) |
| Agreed budgeted distribution in 2018/19 | 15,995 | 82,638 | 98,633 |

| | Central Expenditure £000 | Individual Schools Budget £000 | Total £000 |
|--|---|---|-----------------------|
| In Year Adjustments | 0 | (313) | (313) |
| Final Budget Distribution for 2018/19 | 15,995 | 82,325 | 98,320 |
| Actual Central Expenditure | (15,990) | | (15,990) |
| Actual ISB deployed to Schools | | (82,310) | (82,310) |
| Carry Forward to 2019/20 | 5 | 15 | 20 |

The in-year adjustment of £313,000 is derived from adjustments to early years funding made after the year end.

7. Other Operating Expenditure

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|--|-------------------------|
| 4,003 | Parish Council Precepts | 4,170 |
| 186 | Payment of RSG to Parishes | 142 |
| 48,024 | (Gains)/losses on the disposal of non-current assets – Academies and Trust Schools | 0 |
| (14,383) | (Gains)/losses on the disposal of non-current assets – Other Assets | (10,188) |
| 37,830 | Total | (5,876) |

8. Financing and Investment Income and Expenditure

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|---|-------------------------|
| 0 | Premiums/Discounts on debt redemption | 7,074 |
| 8,813 | Interest payable and similar charges | 9,118 |
| 6,548 | Pensions interest cost and expected return on pensions assets | 6,502 |
| (16) | Interest receivable and similar income | 65 |
| (4,324) | Income and expenditure in relation to investment properties and changes in their fair value | (5,409) |
| 0 | Other investment income and expenditure | 0 |
| 11,021 | Total | 17,350 |

9. Taxation and Non Specific Grant Income and Expenditure

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|---------------------------------|-------------------------|
| (62,712) | Council tax income | (66,500) |
| (2,475) | Collection Fund Surplus/Deficit | (1,944) |
| (33,893) | Non domestic rates | (36,801) |
| (4,364) | Non domestic rates Top Up Grant | (4,597) |
| (18,457) | Revenue Support Grant | (14,147) |

| 2017/18 £000 | | 2018/19 £000 |
|------------------|------------------|------------------|
| (2,579) | Section 31 Grant | (3,065) |
| (124,480) | Total | (127,054) |

10. Expenditure and Income Analysed by Nature

| | 2018/19 £000 |
|---|------------------|
| Expenditure | |
| Employee benefits expenses | 88,175 |
| Other services benefits | 339,953 |
| Depreciation, amortisation and impairment | 70,177 |
| Interest Payments | 9,331 |
| Precepts and levies | 4,312 |
| Gains / (losses) on disposal of assets | (10,188) |
| Expenditure Total | 501,760 |
| | |
| Income | |
| Fees, charges and other service income | (64,596) |
| Interest & investment income | (148) |
| Income from Council Tax & NDR | (105,245) |
| Government Grants and other contributions | (273,209) |
| Income Total | (443,198) |
| | |
| (Surplus) / Deficit on the Provision of Services | 58,562 |

Revenue from Contracts with Service Recipients

IFRS 15 requires the Council to recognise revenue only when its obligations are delivered and accepted by 'service recipients'. A service recipient is a party that has contracted with an authority to obtain goods or services that are an output of the authority's normal operating activities in exchange for consideration.

Any delay between receipt of income and performance of obligations is considered to be minimal and below the materiality limit for qualifying, non-statutory services.

Where payments are received in advance of the Council fully discharging its obligations, for example in relation to planning fees or registration fees, these are appropriately recognised in the correct year through applying the accruals policy.

11. Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to fund payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in three formal Pension Schemes:

- The Local Government Pension Scheme, administered by Shropshire County Pension Fund
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department of Education

- The NHS Pension Scheme, administered by NHS Pensions

12. Defined Benefit Pension Schemes Participation in Pension 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.

The cost of retirement benefits are recognised in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required against council tax is the cash paid in the year, so the cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Further information is contained in Note 1(g) of the Accounting Policies.

The Council's share of the deficit on the Local Government Pension Scheme has increased by £46.8m; this has been as a result of re-measurements on liabilities (due to changes in assumptions).

The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The weighted average duration of the defined benefit obligation for scheme members is 18 years. (18 years 2017/18).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £15.607m (comprising contributions of £11.207m plus a lump sum payment of £3.86m). The contribution rate was set for 2019/20 at 14.1% (2018/19 14.1%), plus a lump sum. The combined rate for 2019/20 is estimated at 20.5%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/19 the cumulative amount of actuarial losses recognised in the statements is £170.787m.

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

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|---|-------------------------|
| (768,018) | Present Value of Funded Benefit Obligations | (837,477) |
| (9,803) | Present Value of Unfunded Benefit Obligations | (9,775) |
| (777,821) | Total Present Value of Benefit Obligations | (847,252) |
| 519,082 | Fair Value of Pension Fund Assets | 541,726 |
| (258,739) | Surplus/(Deficit) | (305,526) |

Change in Benefit Obligation during year.

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|--|-------------------------|
|-------------------------|--|-------------------------|

| | | |
|------------------|--|------------------|
| (780,393) | Benefit Obligation at Beginning of Year | (777,821) |
| (22,695) | Current Service Cost | (21,280) |
| (19,335) | Interest on Pension Liabilities | (20,015) |
| (4,246) | Member Contributions | (4,280) |
| 31,481 | Re-measurements (Liabilities) | (43,325) |
| (245) | Past Service Costs | (57) |
| (549) | Curtailment Cost | (761) |
| 18,161 | Benefits / Transfers Paid | 20,287 |
| (777,821) | Benefit Obligation at End of Year | (847,252) |

Change in Plan Assets during year.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 504,893 | Fair Value of Plan Assets at Beginning of Year | 519,082 |
| 12,787 | Expected Return on Plan Assets | 13,513 |
| 1,149 | Re-measurements (Assets) | 10,821 |
| 14,578 | Employer Contributions | 14,732 |
| 4,246 | Member Contributions | 4,280 |
| (410) | Administration Expenses | (415) |
| (18,161) | Benefits / Transfers Paid | (20,287) |
| 519,082 | Plan Assets at End of Year | 541,726 |

Statement of Gains and Losses

| | 2017/18 £000 | % | 2018/19 £000 | % |
|--|-----------------|-------------------|-----------------|---------------------|
| Actuarial Gain/(Loss) | 32,630 | 4% of liabilities | (32,504) | 3.8% of liabilities |
| Actual Return on Plan Assets | 8,937 | | 29,333 | |
| Experience Gains/(Losses) On Assets | 1,149 | 0.2% of assets | 10,821 | 2% of assets |
| Experience Gains/(Losses) On Liabilities | 0 | 0% of liabilities | 0 | 0% of liabilities |

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

| 2017/18 | | | 2018/19 | |
|----------------|--------------|--------------------|----------------|--------------|
| £000 | % | | £000 | % |
| 274,749 | 52.9 | Equity Investments | 274,222 | 50.6 |
| 39,295 | 7.6 | Government Bonds | 40,359 | 7.5 |
| 80,665 | 15.5 | Other Bonds | 46,588 | 8.6 |
| 25,643 | 5.0 | Property | 28,874 | 5.3 |
| 10,382 | 2.0 | Cash/Liquidity | 34,562 | 6.4 |
| 88,348 | 17.0 | Other | 117,121 | 21.6 |
| 519,082 | 100.0 | Total | 541,726 | 100.0 |

The expected rate of return on assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The expected returns are adjusted for risk and are appropriate to each of the asset classes weighted by the proportion of the assets in the particular asset class.

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2016 and updated for the following 36 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is due at 31 March 2019 and will be implemented in April 2020. The main assumptions used in the calculations are:

| 2017/18 | | 2018/19 |
|---------|--|---------|
| 2.1% | - rate of inflation (CPI) | 2.2% |
| 3.6% | - rate of increase in salaries | 3.7% |
| 2.2% | - rate of increase in pensions | 2.3% |
| 50% | - proportion of employees opting to take a commuted lump sum | 50% |
| 2.6% | - rate for discounting scheme liabilities | 2.4% |
| | - longevity at 65 for current pensioners | |
| 23.1 | Male | 23.2 |
| 26.3 | Female | 26.4 |
| | - longevity at 65 for future pensioners | |
| 25.3 | Male | 25.4 |
| 28.6 | Female | 28.7 |

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

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

Sensitivity Analysis as at 31/3/2019

| Disclosure Item | Central | Sensitivity 1 | Sensitivity 2 | Sensitivity 3 | Sensitivity 4 |
|---|-----------|------------------------------------|---|---------------------------------|--|
| | £000 | +0.1%p.a. discount rate £000 | +0.1%p.a. inflation/ pensions £000 | +0.1%p.a. pay growth £000 | 1 year increase in life expectancy £000 |
| Liabilities | 847,252 | 832,441 | 862,326 | 849,302 | 863,628 |
| Assets | (541,726) | (541,726) | (541,726) | (541,726) | (541,726) |
| Deficit/(Surplus) | 305,526 | 290,715 | 320,600 | 307,576 | 321,902 |
| Projected Service Cost for next year | 23,277 | 22,598 | 23,984 | 23,277 | 23,754 |
| Projected Net Interest Cost for next year | 7,162 | 7,090 | 7,531 | 7,218 | 7,562 |

Scheme History

| | 2014/15 £000 | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Present Value of Liabilities | (644,054) | (633,381) | (780,393) | (777,821) | (847,252) |
| Fair Value of Assets | 421,807 | 420,734 | 504,893 | 519,082 | 541,726 |
| Surplus/(Deficit) on scheme | (222,247) | (212,647) | (275,500) | (258,739) | (305,526) |
| (Gains) and Losses on Assets | (10.5%) | (0.2%) | (6.7%) | (4.0%) | (3.2%) |
| Gains and (Losses) on Liabilities | 0.0% | 0.0% | 3.4% | 0.0% | 0.0% |

Pensions Asset/Liability Account

| 2017/18 £000 | | 2018/19 £000 |
|------------------|---------------------------------|------------------|
| (275,500) | Opening Balance | (258,739) |
| (794) | Past Service Cost - Added Years | (818) |
| (22,695) | Current Service Cost | (21,280) |
| (19,335) | Interest Cost | (20,015) |
| 12,787 | Return On Assets | 13,513 |
| 14,578 | Payments to Pension Fund | 14,732 |
| (410) | Administration Expenses | (415) |
| 32,630 | Actuarial Gain or (Loss) | (32,504) |
| (258,739) | Closing Balance | (305,526) |

Pensions Reserve

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---------------------------------|-----------------|
| 275,500 | Opening Balance | 258,739 |
| 794 | Past Service Cost - Added Years | 818 |
| (14,578) | Charging Pensions Costs Payable | (14,732) |
| 29,653 | Reversing Out IAS 19 Items | 28,197 |
| (32,630) | Actuarial (Gain) or Loss | 32,504 |
| 258,739 | Closing Balance | 305,526 |

Risk Management

Shropshire Council, the administering body, has a formal risk management strategy and risk registers for Pension Fund Investment, Investment Pooling and Pension Administration within their overall Pension Strategy. A summary of the Pension Fund's key risks can be found in the Pension Fund Annual report. The Shropshire County Pension Fund uses a number of techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities. Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

13. Pensions Schemes Accounted for as Defined Contribution Schemes

The Teachers' and NHS Pension Schemes are technically Defined Benefits Schemes. However, the Schemes are unfunded and the Department for Education and NHS use a notional fund as the basis for calculating the employers' contribution rate paid by local

authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, these are therefore accounted for on the same basis as a defined contribution scheme.

Teachers Pensions Authority:

In 2018/19 the Council paid an employer's contribution of £5,501,477 (£6,556,286 in 2017/18), representing 16.48% (16.48% in 2017/18) of Teachers' pensionable pay, into the Teachers' Pension Authority. The scheme provides members with defined benefits related to pay and service. Contributions are set at rates determined by the Secretary of State, taking advice from the Scheme's Actuary. Changes from the most recent valuation will be implemented from 1 September 2019.

National Health Service Pension Scheme:

In 2018/19 the Council paid an employer's contribution of £36,829 (£45,584 in 2017/18) representing 14.38% (14.38% in 2017/18) of pensionable pay into the NHS Pension Scheme. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quadrennial actuarial valuations, the results of the latest valuation will be implemented in April 2019. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

14. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The adjustments affect General Fund Balances and Reserves, Capital Receipts and Capital Grants Unapplied.

| 2018/19 | General Fund Balance & Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|--|---|--|--|--|
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non-current assets | 71,942 | 0 | 0 | (71,942) |
| Movement in the market value of Investment Properties | (1,669) | 0 | 0 | 1,669 |
| Revenue expenditure funded from capital under statute | 15,747 | 0 | 0 | (15,747) |
| 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 | 1,512 | 0 | 0 | (1,512) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | (1,239) | 0 | 0 | 1,239 |

| 2018/19 | General Fund Balance & Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|--|---|----------------------------------|----------------------------------|--|
| Adjustment primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (28,028) | 0 | 28,028 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | (24,113) | 24,113 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (8,596) | 8,596 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | (8,596) | 0 | 8,596 |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (6,174) | 0 | 0 | 6,174 |
| 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 | 6,851 | 0 | 0 | (6,851) |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12) | 29,015 | 0 | 0 | (29,015) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (14,732) | 0 | 0 | 14,732 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements | (1,221) | 0 | 0 | 1,221 |

| 2018/19 | General Fund Balance & Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|---|---|----------------------------------|----------------------------------|--|
| 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 | (919) | 0 | 0 | 919 |
| Total Adjustments | 62,489 | 0 | 3,915 | (66,404) |

| 2017/18 Comparative figures | General Fund Balance & Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|--|---|----------------------------------|----------------------------------|--|
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non-current assets | 22,932 | 0 | 0 | (22,932) |
| Movement in the market value of Investment Properties | 883 | 0 | 0 | (883) |
| Revenue expenditure funded from capital under statute | 26,667 | 0 | 0 | (26,667) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 48,102 | 0 | 0 | (48,102) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | (467) | 0 | 0 | 467 |
| Adjustment primarily involving the Capital Grants Unapplied Account: | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (30,377) | 0 | 30,377 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | (30,754) | 30,754 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (2,252) | 2,252 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | (2,252) | 0 | 2,252 |

| 2017/18 Comparative figures | General Fund Balance & Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movements in Unusable Reserves £000 |
|--|---|--|--|--|
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (13,467) | 0 | 0 | 13,467 |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 164 | 0 | 0 | (164) |
| Adjustments primarily involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12) | 30,447 | 0 | 0 | (30,447) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (14,578) | 0 | 0 | 14,578 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | |
| Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements | 2,064 | 0 | 0 | (2,064) |
| Adjustments primarily involving the Accumulated Absences Account: | | | | 0 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 547 | 0 | 0 | (547) |
| Total Adjustments | 70,665 | 0 | (377) | (70,288) |

15. Property, Plant and Equipment

Movements in 2018/19:

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|---|------------------------|--|-----------------------|---------------------------|-------------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2018 | 311,094 | 38,747 | 179,980 | 11,042 | 540,863 | 19,280 |
| Deminimus items added in year | 31 | 0 | 0 | 0 | 31 | 0 |
| Additions | 12,416 | 1,893 | 21,955 | 7,917 | 44,181 | 2,922 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | 6,978 | 0 | 0 | 0 | 6,978 | 0 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (55,926) | (1,659) | 0 | (1,759) | (59,344) | 0 |
| Derecognition – disposals | (378) | 0 | 0 | 0 | (378) | 0 |
| Assets reclassified (to) /from Assets Under Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Held for Sale | 5,798 | 0 | 0 | 0 | 5,798 | 0 |
| Assets reclassified (to) /from Investment Properties | (30) | 0 | 0 | 0 | (30) | 0 |
| Other movements in cost or valuation | (28) | 28 | 0 | 0 | 0 | 0 |
| At 31 March 2019 | 279,955 | 39,009 | 201,935 | 17,200 | 538,099 | 22,202 |
| Less Accumulated Depreciation and Impairment | | | | | | |
| At 1 April 2018 | 24,397 | 26,794 | 18,141 | 0 | 69,332 | 6,804 |
| Depreciation charge | 7,279 | 2,610 | 4,496 | 0 | 14,385 | 263 |
| Depreciation written out to the Revaluation Reserve | (919) | 0 | 0 | 0 | (919) | 0 |
| Depreciation written out recognised in the Surplus/Deficit on the Provision of Services | (3,389) | (985) | 0 | 0 | (4,374) | 0 |
| Impairment loss/(reversals) recognised in the surplus/deficit on the Provision of Services | 591 | 0 | 0 | 0 | 591 | 0 |
| Derecognition – disposals | (59) | 0 | 0 | 0 | (59) | 0 |
| At 31 March 2019 | 27,900 | 28,419 | 22,637 | 0 | 78,956 | 7,067 |
| Net Book Value | | | | | | |
| at 31 March 2019 | 252,055 | 10,590 | 179,298 | 17,200 | 459,143 | 15,135 |
| at 31 March 2018 | 286,697 | 11,953 | 161,839 | 11,042 | 471,531 | 12,476 |
| | | | | | | |
| Nature of Holding | | | | | | |
| Owned | 236,920 | 9,609 | 179,298 | 17,200 | 443,027 | 0 |

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|--------------|------------------------|--|-----------------------|---------------------------|-------------------------------------|--|
| Leased | 0 | 981 | 0 | 0 | 981 | 0 |
| PFI | 15,135 | 0 | 0 | 0 | 15,135 | 15,135 |
| Total | 252,055 | 10,590 | 179,298 | 17,200 | 459,143 | 15,135 |

Comparative Movements in 2017/18:

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|---|------------------------|--|-----------------------|---------------------------|-------------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2017 | 366,345 | 36,426 | 159,954 | 11,318 | 574,043 | 66,091 |
| Additions | 9,042 | 2,382 | 20,026 | 10,274 | 41,724 | 1,778 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (262) | 0 | 0 | 1,192 | 930 | 0 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (9,984) | 0 | 0 | (334) | (10,318) | 0 |
| Derecognition – disposals | (51,165) | (61) | 0 | 0 | (51,226) | (48,589) |
| Assets reclassified (to) /from Assets Under Construction | 109 | 0 | 0 | (11,408) | (11,299) | 0 |
| Assets reclassified (to)/from Held for Sale | (3,044) | 0 | 0 | 0 | (3,044) | 0 |
| Assets reclassified (to) /from Investment Properties | 53 | 0 | 0 | 0 | 53 | 0 |
| At 31 March 2018 | 311,094 | 38,747 | 179,980 | 11,042 | 540,863 | 19,280 |
| Less Accumulated Depreciation and Impairment | | | | | | |
| At 1 April 2017 | 24,696 | 24,172 | 14,138 | 0 | 63,006 | 7,962 |
| Depreciation charge | 8,528 | 2,683 | 4,003 | 0 | 15,214 | 1,606 |
| Depreciation written out to the Revaluation Reserve | (2,160) | 0 | 0 | 0 | (2,160) | 0 |
| Depreciation written out recognised in the Surplus/Deficit on the Provision of Services | (3,839) | 0 | 0 | 0 | (3,839) | 0 |
| Derecognition – disposals | (2,828) | (61) | 0 | 0 | (2,889) | (2,764) |

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|--------------------------|------------------------|--|-----------------------|---------------------------|-------------------------------------|--|
| At 31 March 2018 | 24,397 | 26,794 | 18,141 | 0 | 69,332 | 6,804 |
| Net Book Value | | | | | | |
| at 31 March 2018 | 286,697 | 11,953 | 161,839 | 11,042 | 471,531 | 12,476 |
| at 31 March 2017 | 341,649 | 12,254 | 145,816 | 11,318 | 511,037 | 58,129 |
| Nature of Holding | | | | | | |
| Owned | 274,221 | 10,815 | 161,839 | 11,042 | 457,917 | 0 |
| Leased | 0 | 1,138 | 0 | 0 | 1,138 | 0 |
| PFI | 12,476 | 0 | 0 | 0 | 12,476 | 12,476 |
| Total | 286,697 | 11,953 | 161,839 | 11,042 | 471,531 | 12,476 |

Depreciation

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

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

Capital Commitments

At 31 March 2019, the Authority has entered into one contract for the construction of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £1.1m. Similar commitments at 31 March 2018 were £10.4m. The major commitment is:

- 4 classroom base extension at Ladygrove Primary School - £1.1m

16. Property (including Investment Property) Plant & Equipment Valuation

The Council's property, that was due to be valued this year, was valued on 1 April 2018 by internal valuers, Dawn Toy MRICS, David Scrimgeour MRICS and Marc Jones MRICS, all Registered Valuers of Telford & Wrekin Council.

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

The valuations were carried out in accordance with the requirements of the RICS Valuation Standards 2015 (UK) Edition, IVS 300, FRS 102 and the International Valuation Standards Council (IVSC).

The valuation of the property was on the basis of:

- existing use value (EUV) assuming that the property would be sold as part of the continuing business and subject to the following special assumptions.
- fair value (which equates to market value for accounting purposes) for investment property assuming that it would be sold subject to any existing leases and subject to the following special assumptions.
- Market Value assuming that the property would be sold with vacant possession in its existing condition and subject to the following special assumptions.

Special assumptions – Operational Property:

- There would be no bids from Special Purchasers.
- There are no impending changes in the physical circumstances of the property, such as a new building to be constructed, or an existing building to be refurbished or demolished.
- There are no anticipated changes in the mode of occupation or trade at the property.
- Unless a property is empty, and available for sale, no account will be taken of any unresolved planning applications, unless realistically obtainable and with limited conditions.
- Alterations and improvements carried out under the terms of a lease will be ignored.
- A property is let on defined terms when, in reality, at the date of valuation it is vacant.

Special assumptions – Property Investment Portfolio (PIP) & Groups of Properties:

- Where physically adjoining properties have been acquired separately by the Council for site assembly for future development/regeneration, the proposed development scheme will be used as the basis for valuation for the assembled site(s).
- No account will be made where the ownership of a number of separate properties would be of particular advantage to the Council as a single owner, such as drop in or contact centres, libraries, schools, etc.
- No account will be made where individual properties are used collectively or are an essential component of the Council's operation, even though they may cover a large geographical area.
- There are no groups of properties that should not be valued as a group.
- We will value units within industrial estates, office complexes and local shopping centres within the Property Investment Portfolio as groups of properties.

The valuer's opinion of Current Value was primarily derived using:

- The Comparable method for types of property where there is good evidence of previous sales on arm's-length terms.
- Investment method for most commercial (and residential) property that is producing, or has potential to produce, future cash flows through letting of the property.
- Depreciated replacement cost approach, because the specialised nature of the asset means that there is no market transaction of this type of asset, except as part of the business or entity.

Not all of the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

Investment Properties are valued annually and their current value is £93.413m. 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 |
|--------------|----------------|
| 2014/15 | 37,504 |
| 2015/16 | 45,747 |
| 2016/17 | 119,094 |
| 2017/18 | 37,372 |
| 2018/19 | 53,468 |
| Total | 293,185 |

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

17. Investment Properties

The authority holds a number of individual sites for investment, regeneration and economic development purposes: the Property Investment Portfolio (PIP). Continued investment has allowed the PIP to strengthen and grow and is being used to invest directly into land and property enabling local businesses to expand and attracting new investors which boosts jobs, the economy and generated additional income for the Council, directly through rental income but also from business rates.

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:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (8,741) | Rental income from investment property | (9,293) |
| 3,534 | Direct operating expenses arising from investment property | 5,553 |
| (5,207) | Net Operational (gain)/loss | (3,740) |
| 883 | Net (gain)/loss on revaluation of properties | (1,669) |
| (4,324) | Total Net (gain)/loss | (5,409) |

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:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 71,617 | Balance at start of the year | 95,657 |
| | Deminimus items added in year | 106 |
| 17,207 | Additions | 329 |
| (844) | Disposals | (4,400) |
| (883) | Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services | 1,669 |
| | Transfers: | |
| 8,560 | - (to)/from Property, Plant and Equipment | 52 |
| 95,657 | Balance at end of the year | 93,413 |

18. Intangible Assets

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

The carrying amount of Intangible Assets is amortised on a straight-line basis.

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| | Balance at start of the year | |
| 7,383 | - Gross Carrying Amount | 8,357 |
| (5,037) | - Accumulated Amortisation | (6,276) |
| 2,346 | Net Carrying Amount at Start of Year | 2,081 |
| | Additions | |
| 974 | - Purchases | 1,091 |
| (1,239) | Amortisation for the Period | (1,124) |
| 2,081 | Net Carrying Amount at Year End | 2,048 |
| | Comprising | |
| 8,357 | - Gross Carrying Amount | 9,448 |
| (6,276) | - Accumulated Amortisation | (7,400) |
| 2,081 | Total | 2,048 |

19. Assets Held for Sale

| Current 2017/18 £000 | | Current 2018/19 £000 |
|----------------------------|--|----------------------------|
| 7,474 | Balance outstanding at start of year | 14,213 |
| 5,730 | Reclassified from - Property, Plant and Equipment | (5,820) |
| 0 | Revaluation gains | 0 |
| 0 | Impairment losses met from the revaluation reserve | 0 |
| 2 | Impairment losses met from income and expenditure | (2,211) |
| (180) | Assets sold | 0 |
| 1,187 | Acquisitions | (120) |
| 14,213 | Balance outstanding at year end | 6,062 |

20. Heritage Assets

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

| Asset | Location |
|---------------------------------|----------------|
| Anstice Backwalls & Ice House | Ironbridge |
| Bridge Structure, Former Castle | Little Dawley |
| Canal & 2 Railway Bridges | Coalport |
| Canal & Lock Gates | Hadley |
| Canal Basin | Granville Park |

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

21. Impairment Losses

During 2018/19, the Authority has recognised revaluation loss of £54.763m (2017/18 revaluation loss £7.362m) 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. Of the recognised revaluation loss £41.281m (75.4%) relates to schools which have converted to Academy status during the financial year and been granted 125 year leases.

22. Financial Instruments

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

Financial Assets

| | Non-current | | | | Current | | | | Total 2018/19 £000 |
|---|--------------|---------------|---------------|---------------|-------------|----------|---------------|---------------|--------------------------|
| | Investments | | Debtors | | Investments | | Debtors | | |
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Fair Value through Profit and Loss | | | | | | | | | |
| Amortised Cost | | | | | | | | | |
| Debtors* | 0 | 0 | 441 | 568 | 0 | 0 | 36,948 | 32,472 | 33,040 |
| Debtors with Subsidiaries | 0 | 0 | 0 | 0 | 0 | 0 | 152 | 143 | 143 |
| NuPlace Equity | 8,950 | 11,600 | 0 | 0 | 0 | 0 | 0 | 0 | 11,600 |
| NuPlace Loan | 0 | 0 | 25,476 | 29,000 | 0 | 0 | 0 | 0 | 29,000 |
| SWM Equity | 315 | 315 | 0 | 0 | 0 | 0 | 0 | 0 | 315 |
| Fair Value through other comprehensive income - designated equity instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fair value through other comprehensive income - other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Financial Assets | 9,265 | 11,915 | 25,917 | 29,568 | 0 | 0 | 37,100 | 32,615 | 74,098 |

Financial Liabilities

| | Non-current | | | | Current | | | | Total 2018/19 £000 |
|------------------------------------|----------------|----------------|---------------|---------------|----------------|---------------|---------------|---------------|--------------------------|
| | Borrowings | | Creditors | | Borrowings | | Creditors | | |
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Fair Value through Profit and Loss | | | | | | | | | |
| Amortised Cost | | | | | | | | | |
| Borrowing | 154,526 | 191,823 | 0 | 0 | 102,176 | 75,101 | 0 | 0 | 266,924 |
| PFI and finance lease liabilities | 0 | 0 | 53,282 | 50,668 | 0 | 0 | 3,015 | 3,196 | 53,864 |
| Other Creditors* | 0 | 0 | 0 | 0 | 0 | 0 | 50,154 | 57,746 | 57,746 |
| Total Financial Assets | 154,526 | 191,823 | 53,282 | 50,668 | 102,176 | 75,101 | 53,169 | 60,942 | 378,534 |

* The value of debtors and creditors reported in the above tables are solely those amounts meeting the definition of a financial instrument. The balance sheet and notes also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors

Income, Expense, Gains and Losses

| | 2017/18 | | 2018/19 | |
|--|---|--|---|--|
| | Surplus or Deficit on the Provision of Services | Other Comprehensive Income and Expenditure | Surplus or Deficit on the Provision of Services | Other Comprehensive Income and Expenditure |
| | £000 | £000 | £000 | £000 |
| Net Gain/Losses on: | | | | |
| Financial assets measured at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Financial asset measured at amortised cost | 0 | 0 | 0 | 0 |
| Investment in equity instrument designated at fair value through other comprehensive income | 0 | 0 | 0 | 0 |
| Financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 0 |
| Financial liabilities measured at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Financial liabilities measured at amortised cost | 0 | 0 | 0 | 0 |
| Total net gains loss | 0 | 0 | 0 | 0 |
| Interest revenue: | | | | |
| Financial assets measured at amortised cost | 0 | (16) | 0 | 113 |
| Other financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 0 |
| Total interest revenue | 0 | (16) | 0 | 113 |
| Interest expense | 0 | 8,813 | 0 | 9,552 |
| Fee income | | | | |
| Financial assets or financial liabilities that are not at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Trust and other fiduciary activities | 0 | 0 | 0 | 0 |
| Total fee income | 0 | 0 | 0 | 0 |
| Fee expense | | | | |

| | 2017/18 | | 2018/19 | |
|--|---|--|---|--|
| | Surplus or Deficit on the Provision of Services | Other Comprehensive Income and Expenditure | Surplus or Deficit on the Provision of Services | Other Comprehensive Income and Expenditure |
| | £000 | £000 | £000 | £000 |
| Financial assets or financial liabilities that are not at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Trust and other fiduciary activities | 0 | 0 | 0 | 0 |
| Total fee expense | 0 | 0 | 0 | 0 |

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:

| | 2017/18 | | 2018/19 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | 256,702 | 325,944 | 266,924 | 320,598 |
| Long-term creditors | 53,282 | 53,282 | 50,668 | 50,668 |

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 2019) arising from a commitment to pay interest to lenders above current market rates.

| | 2017/18 | | 2018/19 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Loans and receivables | 9,265 | 9,265 | 11,915 | 11,915 |
| Long-term debtors | 25,917 | 25,917 | 29,568 | 29,568 |

The fair value of the assets is the same as the carrying amount due to the nature of the assets held.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

23. Nature and Extent of Risks Arising from Treasury Related Financial Instruments

Fair Value of Assets & Liabilities

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

We have worked in conjunction with Arlingclose, our treasury advisors, to produce the following portfolio valuation:

| | Nominal/ Principal 31/3/19 £000 | Fair Value 31/3/19 £000 |
|------------------------------|--|--|
| Financial Assets | | |
| Fixed Term Deposits | 0 | 0 |
| Other | 11,915 | 11,915 |
| | 11,915 | 11,915 |
| Financial Liabilities | | |
| Money Market Loans (LOBO's) | 40,000 | 67,022 |
| PWLB Loans | 159,526 | 186,178 |
| Temporary Loans | 67,398 | 67,398 |
| | 266,924 | 320,598 |

The assets and liabilities are shown in the balance sheet at Nominal/Principal cost. The above table shows that the fair value of our assets (investments) is the same as the nominal value as they are non-tradeable shares. Whereas, the fair value of our liabilities is more than the amount held on the balance sheet due mainly to the penalties we would incur if we wanted to redeem our liabilities early.

Methodology and Assumptions

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

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

Complexities of the NPV calculation

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

Evaluation of PWLB debt

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

Inclusion of accrued interest

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

Discount rates used in NPV calculation

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

Assumptions:

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

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

Exposure to Risk

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

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum short term rating of A+, a minimum long term rating of F1+, a minimum support rating of 3, a minimum individual rating of C and a minimum sovereign rating of AA-. In conjunction with our treasury advisors these are overlaid with credit default swaps to produce a lending list governing both value and length of investment. The Authority has a policy of not lending more than £15m to any one institution.

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

| | Amount at 31 March 2019 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2019 (rounded to 3 decimal place) | Estimated maximum exposure to default and uncollectability |
|--|-------------------------|----------------------------------|--|--|
| | £000s | % | % | £000s |
| | A | B | C | A * C |
| Deposits with banks and financial institutions | 0 | 0.0 | 0.000 | 0 |
| Other | 11,915 | 0.0 | 0.000 | 0 |
| Debtors | 42,809 | 12.0 | 14.394 | 6,162 |
| Total | 54,724 | 12.0 | 11.260 | 6,162 |

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 one long term investment which is our wholly owned subsidiary NuPlace where we hold a mixture of equity (classed as Other in the above analysis) and debt. The equity is not traded therefore has no credit risk. Arlingclose, the Council's independent treasury advisor, have reviewed the Expected Credit Losses associated with the debt and these are not deemed to be material.

Liquidity risk

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

The maturity analysis of long term financial liabilities can be found in the table on pages 96 and 97.

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

Market risk

Interest rate risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. The policy is to have a maximum of 70% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

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

Price risk

The Authority does not generally invest in equity shares. The Authority is not consequently exposed to losses arising from movements in the prices of the shares. We do however hold shares in NuPlace and have a historic holding in Shropshire Waste Management however these are non-traded stocks and therefore there is no price risk.

Foreign exchange risk

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

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

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

Sensitivity Analysis

At the 31st March 2019 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

| | Investments | Borrowing | Net Total | 1% Movement |
|--------------|--------------------|------------------|------------------|------------------------|
| | £000 | £000 | £000 | £000 |
| Variable | (15,370) | 75,101 | 59,731 | 597.3 |
| Fixed | (11,915) | 191,823 | 179,908 | 0 |
| Total | (27,285) | 266,924 | 239,639 | 597.3 |

A 1% change in interest rates would have an impact on the budget of £597,310, this is because at 31st March 2019 we had more variable borrowing than variable investments. The most likely next move in interest rates at 31 March 2019 is upward and this would lead to a net increase in borrowing costs based on the position at 31st March 2019. Other considerations are that the Council is managing ongoing maturity profiles for both investments and borrowing.

Long Term Borrowing

| Source of Loan | Range of Interest rates payable (%) | | | Total Outstanding | |
|--------------------------------------|--|--|-------|--------------------------|-------------------------|
| | | | | 2017/18 £000 | 2018/19 £000 |
| Public Works Loan Board | 1.2 | | 9.375 | 94,526 | 151,823 |
| Money Market Loans (including LOBOs) | 3.98 | | 4.50 | 60,000 | 40,000 |
| | | | | 154,526 | 191,823 |
| An analysis of loans by maturity is: | | | | | |
| | | | | 2017/18 £000 | 2018/19 £000 |
| Maturing in 1-2 years | | | | 5,098 | 7,226 |
| Maturing in 2-5 years | | | | 12,793 | 20,318 |
| Maturing in 5-10 years | | | | 18,741 | 30,115 |
| Maturing in more than 10 years | | | | 117,894 | 134,164 |

| | | | |
|--|--|----------------|----------------|
| | | 154,526 | 191,823 |
|--|--|----------------|----------------|

| | | 2017/18 £000 | 2018/19 £000 |
|---------------------------|--|-------------------------|-------------------------|
| Total Long Term Borrowing | | 154,526 | 191,823 |
| Temporary Borrowing | | 102,176 | 75,101 |
| Total Borrowing | | 256,702 | 266,924 |

In total, fixed and temporary borrowing increased by £10.222m, from £256.702m to £266.924m during the year. This was due to capital expenditure incurred during 2018/19.

24. Debtors

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|---------------------------------------|-------------------------|
| | Amounts falling due in one year: | |
| 7,518 | Central Government | 6,928 |
| 42 | Other Local Authorities | 266 |
| 1,403 | NHS Bodies | 2,431 |
| 24 | Public Corporations and Trading Funds | 0 |
| 152 | Amounts due from Subsidiaries | 143 |
| 36,948 | Other Entities and Individuals | 33,040 |
| 46,087 | Gross Debtors | 42,808 |
| (6,665) | Provision for doubtful debts | (6,162) |
| 39,422 | Total | 36,646 |

Provision for doubtful debts

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|--|-------------------------|
| (200) | Rent associated with Property Investment | (162) |
| (160) | Sales Ledger | (160) |
| (3,280) | Benefits overpayments | (3,052) |
| (3,025) | Other provisions | (2,788) |
| (6,665) | Total | (6,162) |

25. Investments

In total our investments have been reduced by £1.602m as a result of the cash flow (£4.252m) offset with additional share capital in our wholly owned subsidiary (£2.650m).

The Council has long term investments, totalling £11.915m, including share capital in our wholly owned subsidiary. Investments are shown in the Balance Sheet at market value.

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

Summary of Investments

| 2017/18 £000 | Category | 2018/19 £000 |
|-------------------------|------------------------------|-------------------------|
| | Long Term Investments | |

| | | |
|---------------|---|---------------|
| 0 | Fixed Term Deposits | |
| 9,265 | Other | 11,915 |
| 9,265 | Total Long Term | 11,915 |
| | | |
| | Short Term Investments | |
| 0 | Fixed Term Deposits | 0 |
| 0 | Total Short Term | 0 |
| | | |
| 19,622 | Cash & Cash Equivalent Investments | 15,370 |
| | | |
| 28,887 | Total Investments | 27,285 |

Investments are valued as "loans and receivables". See also note 20 on fair value.

26. Cash and Cash Equivalents

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 124 | Cash held by the Authority | 128 |
| 5,842 | Bank current accounts | 5,688 |
| 13,780 | Call Accounts | 9,682 |
| 19,746 | Total Cash and Cash Equivalents | 15,498 |
| 0 | Bank Account Overdrawn | 0 |
| 19,746 | Net Cash Position for Cash Flow Purposes | 15,498 |

27. Provisions

| | 2018/19 Opening £000 | Transfers/ Receipts in year £000 | Transfers/ Payments in year £000 | 2018/19 Closing £000 |
|---------------------------------------|----------------------------|---|---|----------------------------|
| Restructure Provision | 487 | 0 | (472) | 15 |
| Single Status Provision – Schools | 3,428 | 62 | (190) | 3,300 |
| Single Status Provision – Non Schools | 12,417 | 0 | 0 | 12,417 |
| NDR Appeals Provision | 3,808 | 2,842 | (3,808) | 2,842 |
| Litigation Costs | 20 | 38 | (58) | 0 |
| Total | 20,160 | 2,942 | (4,528) | 18,574 |
| 2018/19 | 19,808 | 3,836 | (3,484) | 20,160 |

Restructure Provision - the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2019 was £0.015m. It is anticipated that this will be funded from Capital Receipts in 2019/20.

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 2018/19 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2019 was £15.717m (of which £11.9m related to General Fund).

NDR Appeals – under the new arrangements for the retention of business rates, authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £5.7m is estimated as the amount required to set aside for this purpose in the 2018/19 accounts (£7.8m in 2017/18). Telford & Wrekin Council’s proportion of this is £2.8m (49%) (£3.8m in 2017/18).

Litigation Costs - This was created for 2015/16 and is to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group. All outstanding settlements were agreed during 2018/19.

28. Creditors

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---------------------------------------|-----------------|
| 9,705 | Central Government | 9,747 |
| 1,623 | Other Local Authorities | 1,688 |
| 10 | NHS Bodies | 0 |
| 898 | Public Corporations and Trading Funds | 922 |
| 0 | Amounts due to Subsidiaries | 0 |
| 49,256 | Other Entities and Individuals | 56,824 |
| 3,015 | PFI and Leases | 3,196 |
| 64,507 | Total | 72,377 |

29. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Queensway. We have assets held of £15.1m shown within Property, Plant & Equipment. The equivalent figure for 2017/18 was £12.5m. The PFI scheme relates to a number of properties of which Hadley Learning Community Primary and Secondary schools and Queensway North converted to Academy status during 2017/18 and as such these assets do not appear on our Balance Sheet. The Bridge School and four properties formerly used as children’s residential homes remain with the Council.

A finance lease creditor has also been recognised to the value of £53.250m as at 31st March 2019 (£55.491m as at 31st March 2018). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £4.4m to the interest paid for 2018/19 (£4.6m in 2017/18). Amounts due are shown in the table below:

| | 2017/18 | | | | 2018/19 | | | |
|--|---------|-----------|----------|---------------|---------|-----------|----------|---------------|
| | Service | Lifecycle | Interest | Finance Lease | Service | Lifecycle | Interest | Finance Lease |
| | | | | | | | | |

| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
|----------------|--------|-------|--------|--------|--------|-------|--------|--------|
| Within 1 year | 2,409 | 308 | 4,621 | 2,548 | 2,312 | 472 | 4,441 | 2,791 |
| 2 to 5 years | 5,048 | 6,513 | 17,250 | 12,077 | 5,453 | 6,397 | 16,783 | 12,814 |
| 6 to 10 years | 8,999 | 7,154 | 17,728 | 20,523 | 9,166 | 7,391 | 16,628 | 22,000 |
| 11 to 15 years | 13,918 | 4,358 | 10,694 | 27,614 | 14,506 | 4,227 | 8,757 | 29,366 |
| 16 to 20 years | 5,745 | 1,194 | 1,257 | 12,256 | 2,274 | 732 | 320 | 5,498 |

30. Usable Reserves - Transfers to/from Earmarked Reserves & Balances

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

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

| | General Fund Balance £000 | Earmarked General Fund Reserves* £000 | School Balances £000 | Revenue Grants & Other Balances £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 |
|---|------------------------------|--|-------------------------|---|----------------------------------|-------------------------------|
| Balance at 31 March 2017 carried forward | 4,657 | 55,529 | 5,120 | 2,623 | 3,320 | 71,249 |
| Movement / Use of reserves during 2017/18 | 150 | 14,586 | (1,332) | 230 | (377) | 13,257 |
| Balance at 31 March 2018 carried forward | 4,807 | 70,115 | 3,788 | 2,853 | 2,943 | 84,506 |
| Movement / Use of reserves during 2018/19 | 275 | 3,226 | 1,971 | (1,545) | 3,915 | 7,842 |
| Balance at 31 March 2019 carried forward | 5,082 | 73,341 | 5,759 | 1,308 | 6,858 | 92,348 |

Analysis of Earmarked General Fund Reserves

| | Opening Balance £000 | Payments £000 | Receipts £000 | Closing Balance £000 |
|--|-------------------------|------------------|------------------|-------------------------|
| Environmental Mtce. & Improvements (Pride) | 2,219 | (1,090) | 0 | 1,129 |
| Capacity Fund & Invest to Save | 8,415 | (2,529) | 2,723 | 8,609 |
| HCA Land Deal funds | 5,920 | (1,080) | 306 | 5,146 |
| Pride in our Community funding reserve | 3,720 | (435) | 0 | 3,285 |

| | Opening Balance £000 | Payments £000 | Receipts £000 | Closing Balance £000 |
|---|---------------------------------|--------------------------|--------------------------|---------------------------------|
| Self Insurance Fund | 2,447 | (155) | 471 | 2,763 |
| Hadley PFI Sinking Fund | 1,334 | (10,697) | 10,825 | 1,462 |
| Community Initiatives 2019 | 0 | 0 | 1,300 | 1,300 |
| Redundancy costs | 2,750 | (1,503) | 0 | 1,247 |
| Pride in Our Community 2019 – Regeneration projects | 0 | 0 | 1,000 | 1,000 |
| Pride in Your High Street 2019 | 0 | 0 | 1,000 | 1,000 |
| Reserves earmarked as part of medium term Service and Financial Planning Strategy | 13,886 | (1,004) | 11,368 | 24,250 |
| Other reserves below £1,000,000 | 29,424 | (13,284) | 6,010 | 22,150 |
| Total | 70,115 | (31,777) | 35,003 | 73,341 |
| Previous Year | 55,529 | (21,690) | 36,276 | 70,115 |

31. School Balances

School balances do not form part of the Council's General Fund Balances. They are held separately and are solely for use by schools. The balances held are as follows:

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|------------------------------|-------------------------|
| 3,216 | School Balances – Revenue | 4,477 |
| 572 | School Balances - Capital | 1,282 |
| 3,788 | Total School Balances | 5,759 |

32. Unusable Reserves

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|---|-------------------------|
| 34,633 | Revaluation Reserve | 40,299 |
| 128,040 | Capital Adjustment Account | 75,346 |
| 282 | Available for Sale Financial Investment Reserve | 282 |
| (1,332) | Financial Instruments Adjustment Account | (8,183) |
| (258,739) | Pensions Reserve | (305,526) |
| 2,677 | Collection Fund Adjustment Account | 3,898 |
| 34,426 | Deferred Capital Receipts | 40,600 |
| (3,656) | Accumulated Absences Account | (2,737) |
| (63,669) | Total Unusable Reserves | (156,021) |

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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 40,016 | Balance brought forward | 34,633 |
| 3,091 | Upwards revaluation of assets | 6,556 |
| 0 | Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services | 0 |
| (1,040) | Difference between fair value depreciation and historical cost depreciation | (890) |
| (7,434) | Accumulated gains and losses on assets sold or scrapped | 0 |
| 34,633 | Balance carried forward | 40,299 |

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 184,677 | Balance Brought Forward | 128,040 |
| | Deminimus items added to asset register | 137 |
| (20,368) | Charges for depreciation and impairment of non-current assets | (60,089) |
| (1,239) | Amortisation of intangible assets | (1,125) |

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| (26,667) | Revenue expenditure funded from capital under statute | (15,747) |
| (48,102) | 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 | (1,649) |
| 5,383 | Adjusting amounts written out of the Revaluation Reserve | (5,666) |
| 2,252 30,754 | Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 8,596 24,113 |
| 467 | Minimum Revenue Provision | 405 |
| 883 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (1,669) |
| 128,040 | Balance Carried Forward | 75,346 |

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. During the year the Council paid a premium on the redemption of LOBO's and as a result the balance on the account at 31 March 2019 will be charged to the General Fund over the next 47 years, which represents the outstanding period to the original redemption date.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (1,168) | Balance at 1 April | (1,332) |
| (164) | Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements | 223 |
| 0 | Premium/discount on loan redemption | (7,074) |
| (1,332) | Balance at 31 March | (8,183) |

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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 275,500 | Balance at 1 April | 258,739 |
| (32,630) | Actuarial (gains) or losses on pensions assets and liabilities | 32,504 |
| 794 | Added Years | 818 |
| 29,653 | 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 | 28,197 |
| (14,578) | Employer's pensions contributions and direct payments to pensioners payable in the year | (14,732) |
| 258,739 | Balance at 31 March | 305,526 |

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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 4,741 | Balance at 1 April | 2,677 |
| (2,064) | Amount by which council tax and Non Domestic Rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and Non Domestic Rate income calculated for the year in accordance with statutory requirements | 1,221 |
| 2,677 | Balance at 31 March | 3,898 |

Deferred Capital Receipts Reserve

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 20,959 | Balance at 1 April | 34,426 |
| 13,467 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 6,174 |

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 0 | Transfer to the Capital Receipts Reserve upon receipt of cash | 0 |
| 34,426 | Balance at 31 March | 40,600 |

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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| (3,109) | Balance at 1 April | (3,656) |
| 3,109 | Settlement or cancellation of accrual made at the end of the preceding year | 3,656 |
| (3,656) | Amounts accrued at the end of the current year | (2,737) |
| (3,656) | Balance at 31 March | (2,737) |
| (547) | 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 | 919 |

Available for Sale Financial Investment Reserve

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|----------------------------------|-----------------|
| 0 | Balance at 1 April | 282 |
| 282 | Upward revaluation of investment | 0 |
| 282 | Balance at 31 March | 282 |

33. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2018/19 expenditure on this totalled £15.747m. 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 transferred to the Capital Adjustment Account during the year.

34. Usable Capital Receipts Reserve

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---------------------------------------|-----------------|
| 0 | Opening balance | 0 |
| 2,252 | Capital receipts received during year | 8,596 |
| | Less | |

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| (2,252) | Capital receipts used for financing during year | (8,596) |
| 0 | | 0 |

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

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 367,781 | Opening Capital Financing Requirement | 420,809 |
| | Capital Investment | |
| 41,724 | Property, Plant & Equipment | 44,180 |
| 17,207 | Investment Properties | 329 |
| 1,187 | Assets Held for Sale | (120) |
| 974 | Intangible Assets | 1,091 |
| 26,667 | Revenue Expenditure funded from Capital under Statute (REFCUS) | 15,747 |
| 490 | Leased Vehicles | 228 |
| | Sources of Finance | |
| (2,252) | Capital Receipts | (8,596) |
| (1,748) | Finance Leases & De Minimis Capital Expenditure | (3,296) |
| (30,754) | Government Grants and Other Contributions | (24,113) |
| (467) | Revenue Provision (NB: includes MRP) | (1,239) |
| 420,809 | Closing Capital Finance Requirement | 445,020 |
| 53,028 | Movement for Year | 24,211 |
| | Explanation of movements in the year | |
| 7 | Increase in underlying need to borrow (supported by Government financial assistance) | 0 |
| 53,021 | Increase in underlying need to borrow (unsupported by Government financial assistance) | 24,211 |
| 53,028 | Increase/(decrease) in Capital Financing Requirement | 24,211 |

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

At 31 March 2019 there was 1 significant contract in place with outstanding commitments of £1.1m, as detailed in note 15.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and Queensway for £289m.

Unitary payments are being paid to the operator, and PFI credits received from the Government as a specific annual grant from 2007/08, when all of the buildings became operational. The Council has approved a budget strategy which makes provision for its future commitments. In 2018/19 the Authority made payments of £10.4m in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

36. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £3.552m, this was offset by an adjustment to prior years MRP of £2.718m, the principal repayment in respect of leases was £0.405m and due to a previous change in methodology and over provision in previous years the principal repayment in respect of the PFI lease was £0.0m giving a total provision of £1.239m in 2018/19 (£0.467m in 2017/18).

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

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|--|-------------------------|
| (18,583) | Impairment and depreciation of property, plant and equipment and intangible assets | (61,915) |
| (169) | (Increase)/decrease in interest creditors | (397) |
| (4,430) | (Increase)/decrease in creditors | (9,546) |
| 5 | Increase/(decrease) in interest/dividend debtors | 0 |
| (1,282) | Increase/(decrease) in debtors | 4,368 |
| 2 | Increase/(decrease) in inventories | (26) |
| (15,869) | Pension Liability | (14,283) |
| (352) | Contribution (to)/from provisions | 1,598 |
| (49,360) | Carrying amount of non-current assets sold | (4,983) |
| (883) | Movement in Investment Property Values | 1,669 |
| (90,921) | Total | (83,515) |

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

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|--|-------------------------|
| 30,377 | Capital grants credited to surplus or deficit on the provision of services | 28,029 |
| 0 | Proceeds from sale of short and long term investments | 0 |
| 15,719 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 14,770 |
| 46,096 | Total | 42,799 |

39. Cash Flow Statement – Investing Activities

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|--|-------------------------|
| 58,779 | Purchase of property, plant and equipment, investment property and intangible assets | 46,855 |

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 2,782 | Purchase of short-term and long-term investments | 2,650 |
| 10,968 | Other payments for investing activities | 3,525 |
| (12,669) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (21,914) |
| 0 | Proceeds from short-term and long-term investments | 0 |
| (39,028) | Other receipts from investing activities | (37,993) |
| 20,832 | Net cash flows from investing activities | (6,877) |

40. Cash Flow Statement – Financing Activities

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (279,000) | Cash receipts of short and long term borrowing | (258,850) |
| 409 | Other receipts from financing activities | 347 |
| 701 | Appropriation to/from Collection Fund Adjustment Account | 200 |
| 242,346 | Repayments of short and long term borrowing | 248,628 |
| 2,793 | Cash payments in relation to finance leases and PFI agreements | 2,954 |
| (32,751) | Net cash flows from financing activities | (6,721) |

41. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| (16) | Interest received | 65 |
| 8,813 | Interest paid | 9,118 |
| 8,797 | Net cash flows from financing activities | 9,183 |

42. Grant Income

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| | Credited to Taxation and Non Specific Grant Income | |
| 18,457 | Revenue Support Grant | 14,147 |
| 4,364 | Non Domestic Rates Top Up Grant | 4,597 |
| 2,579 | Section 31 Grant | 3,065 |
| 25,400 | Total – Credited to Taxation and Non Specific Grant Income | 21,809 |
| | Credited to Services | |
| 108,289 | Dedicated Schools Grant | 99,176 |
| 66,285 | Mandatory Rent Allowances Subsidy | 64,028 |
| 12,664 | Public Health Grant | 12,338 |
| 7,381 | Pupil Premium Grant | 6,550 |
| 592 | Education Services Grant | 0 |
| 6,544 | New Homes Bonus | 6,242 |
| 2,007 | Universal Free School Meals | 2,039 |

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|-----------------------------------|-----------------|
| 12,742 | Other grants | 15,525 |
| 216,504 | Total Credited to Services | 205,898 |

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| | Capital Grants Receipts in Advance | |
| 3,641 | Standards Fund | 4,004 |
| 287 | Park for People 10 year Maintenance Programme | 190 |
| 3,928 | Total | 4,194 |

43. Market Undertaking and Industrial Units

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

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 7,361 | Income from rents | 7,896 |
| 1,380 | Other income | 1,397 |
| (883) | Net gains/(losses) on revaluation of property | 1,669 |
| (3,534) | Direct operating expenses | (5,553) |
| 4,324 | (Deficit)/Surplus taken to General Fund | 5,409 |

44. Pooled Budgets

The Better Care Fund is a pooled fund governed by a Section 75 agreement. The parties to this joint arrangement are Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group. The fund was established for the first time in 2015/16 in order to meet the Government's requirement to encourage closer working and integration between health and care services and to improve outcomes for Patients and Service Users and Carers. There are performance targets regarding the reductions in non-elective admissions to hospital and to deliver more care in the community helping people to remain independent.

In 2018/19 the Government provided additional grant funding through the BCF and iBCF (improved better care fund), totalling £5.478m. This was used to provide stability to the market, including funding core Social Care activity and providing support to the NHS by maintaining an already well performing discharge from hospital scheme.

Better Care Fund where Telford & Wrekin Clinical Commissioning Group was the host in 2018/19

The revenue fund is hosted by the Telford & Wrekin Clinical Commissioning Group and a Section 75 pooled budget agreement governs how it is to be operated and reported and

includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics. The relevant funding contributions are reported below, but the contribution by the Telford & Wrekin Clinical Commissioning Group includes revenue funding targeted to the protection of Adult Social Care for which the local authority commissions services.

The net surplus will be retained in the fund and carried forward by the Council into 2019/20.

| 2017/18 £000 | Better Care Fund Revenue Pooled Budget | 2018/19 £000 |
|-----------------|--|-----------------|
| 160 | Surplus from 2017/18 brought forward | 592 |
| 4,718 | Funding from Telford & Wrekin Council | 6,604 |
| 11,573 | Funding from Telford & Wrekin Clinical Commissioning Group | 12,154 |
| (9,859) | Expenditure met from pooled budget Telford & Wrekin Council | (12,763) |
| (6,000) | Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group | (5,786) |
| 592 | Net Surplus/(Deficit) arising on Pooled budget carried forward | 801 |

Better Care Fund where Telford & Wrekin Council was the host in 2018/19.

The capital fund is hosted by Telford & Wrekin Council, and a section 75 Pooled Budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics.

The expenditure has been incurred in the year entirely on local authority commissioned services. The relevant funding contributions are reported below, and the underspend in 2018/19 will be retained in the fund and carried forward by the council into 2019/20.

| 2017/18 £000 | Better Care Fund Capital Pooled Budget | 2018/19 £000 |
|-----------------|---|-----------------|
| 583 | Brought forward from 2017/18 | 620 |
| 1,730 | Funding from Telford & Wrekin Council | 1,884 |
| (1,693) | Expenditure met from pooled budget Telford & Wrekin Council | (1,991) |
| 620 | Net Surplus/(Deficit) arising on Pooled budget carried forward | 513 |

Transforming Care Partnership (TCP) Revenue Pooled Budget

TCPs are made up of clinical commissioning groups, NHS England's specialised commissioners and local authorities. They work with people with a learning disability, autism or both and their families and carers to agree and deliver local plans for the programme.

In England there are 48 TCPs who are changing services in a way that is making a real difference to the lives of local people. This includes making community services better so that people can live near their family and friends, and making sure that the right staff with the right skills are supporting people.

Shown below is the summary for the Section 75 Pooled budget movements arising from the joint working of Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group, part of the Shropshire footprint of the TCP.

| 2017/18 £000 | Transforming Care Partnership (TCP) Revenue Pooled Budget | 2018/19 £000 |
|-----------------|--|-----------------|
| | Brought forward from 2017/18 | 0 |
| 37 | Funding from Telford & Wrekin Council | 37 |
| 128 | Funding from Telford & Wrekin Clinical Commissioning Group | 1,657 |
| (81) | Expenditure met from pooled budget Telford & Wrekin Council | (82) |
| (84) | Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group | (772) |
| 0 | Net Surplus/(Deficit) arising on Pooled budget carried forward | 840 |

45. Members' Allowances

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--------------|-----------------|
| 620 | Allowances | 620 |
| 1 | Expenses | 0 |
| 621 | Total | 620 |

46. Senior Officers' Remuneration & Employee Remuneration in Bands

This note shows the amounts paid to Senior Officers in 2018/19 and 2017/18. Senior Officers are defined as:

- named employees whose annualised salary is £150,000 or more (Nil in the case of this Council)
- posts where the annualised salary is £50,000 or more and who are either: statutory chief officers (per the Local Government and Housing Act 1989); or non-statutory chief officers who report directly to the Head of Paid Service (Managing Director); or posts which have responsibility for management of the Authority, whether solely or collectively.

2018/19

| Post Holder Information (Post title) | Notes | Annualised salary £ | Salary (Including Fees & Allowances) £ | Compensation for Loss of Office £ | Total Remuneration excluding Pension contributions 2018/19 £ | Pension contributions £ | Total Remuneration including pension contributions 2018/19 £ |
|--|-------|------------------------|---|--------------------------------------|--|----------------------------|--|
| Managing Director | | | 142,550 | 0 | 142,550 | 20,100 | 162,650 |
| Director: Customer, Neighbourhood & Wellbeing Services | | | 114,040 | 0 | 114,040 | 16,080 | 130,120 |
| Director: Children's & Adult Services | | | 114,040 | 0 | 114,040 | 16,080 | 130,120 |
| Assistant Director: Finance & Human Resources | | | 87,350 | 0 | 87,350 | 12,316 | 99,666 |
| Assistant Director: Business, Development & Employment | | | 87,350 | 0 | 87,350 | 12,316 | 99,666 |
| Assistant Director: Education & Corporate Parenting | | | 87,350 | 0 | 87,350 | 0 | 87,350 |
| Assistant Director: Governance, Procurement & Commissioning | | | 87,350 | 0 | 87,350 | 12,316 | 99,666 |
| Assistant Director: Customer & Neighbourhood Services | | | 87,350 | 0 | 87,350 | 12,316 | 99,666 |
| Assistant Director: Health & Wellbeing | 1 | | 87,350 | 0 | 87,350 | 12,561 | 99,911 |
| Assistant Director: Adult Social Care | | | 86,492 | 0 | 86,492 | 12,195 | 98,687 |
| Assistant Director: Children's Safeguarding and Specialist Services | | | 87,350 | 0 | 87,350 | 12,316 | 99,666 |
| Assistant Director: Commercial Services | | | 87,350 | 0 | 87,350 | 12,316 | 99,666 |
| Service Delivery Manager: Organisational Delivery & Development | | | 62,056 | 0 | 62,056 | 8,750 | 70,806 |
| Service Delivery Manager: Community Participation | | | 62,056 | 0 | 62,056 | 8,750 | 70,806 |
| | | | 1,280,034 | 0 | 1,280,034 | 168,412 | 1,448,446 |

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Notes

Those roles shown in bold above represent the current posts.

- 1) Current post holder is part of the NHS Pension Scheme

2017/18

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

Notes

Those roles shown in bold above represent the current posts.

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

The following table excludes Senior Officers shown above.

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

| Number of Employees 2017/18 | Salary Band | Number of Employees 2018/19 |
|-----------------------------|-------------------|-----------------------------|
| 37 | £50,000 - £54,999 | 28 |
| 15 | £55,000 - £59,999 | 33 |
| 24 | £60,000 - £64,999 | 15 |
| 15 | £65,000 - £69,999 | 5 |
| 8 | £70,000 - £74,999 | 3 |
| 4 | £75,000 - £79,999 | 3 |
| 3 | £80,000 - £84,999 | 1 |
| 2 | £85,000 - £89,999 | 0 |
| 1 | £90,000 - £94,999 | 0 |
| 1 | £95,000 - £99,999 | 0 |

The 2018/19 figures include 53 school based employees (67 in 2017/18). The 2018/19 figures include 4 employees (3 in 2017/18) who left under redundancy or retired during the year.

47. Exit Packages

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies included in the 2018/19 financial statements are set out in the table below.

| Exit package cost band | Number of Compulsory Redundancies | | Number of other Departures Agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|------------------------|-----------------------------------|-----------|-----------------------------------|-----------|--|-----------|--|----------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | | | | | | | £ | £ |
| £0 - £20,000 | 11 | 6 | 12 | 10 | 23 | 16 | 174,996 | 112,260 |
| £20,001 - £40,000 | 2 | 4 | 6 | 3 | 8 | 7 | 244,845 | 217,238 |
| £40,001 - £60,000 | 0 | 0 | 1 | 2 | 1 | 2 | 52,158 | 106,200 |
| £60,001 - £80,000 | 0 | 0 | 2 | 1 | 2 | 1 | 126,441 | 63,347 |
| £80,001 - £100,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 93,880 |
| £100,001 - £150,000 | 1 | 0 | 1 | 0 | 2 | 0 | 248,226 | 0 |
| £150,001 - £200,000 | 1 | 0 | 0 | 0 | 1 | 0 | 155,421 | 0 |
| Total | 15 | 10 | 22 | 17 | 37 | 27 | 1,002,087 | 592,925 |

| An analysis of the total cost of exit packages shows: | Redundancy etc. | Pension Fund Charges* | Total |
|--|------------------------|------------------------------|----------------|
| | £ | £ | £ |
| Exit Packages agreed and charged to the Income & Expenditure Account during 2018/19 | 367,449 | 209,660 | 577,109 |
| Provision Included in the Authority's Income & Expenditure Account for the cost of exit packages where the authority had made a commitment at 31 March 2019 (i.e. Employees who had received formal notice at 31 March 2019 and will leave during 2019/20) | 12,077 | 3,739 | 15,816 |
| Total | 379,526 | 213,399 | 592,925 |

* Charges made by Shropshire Pension Fund in respect of early payment of pensions. Please note that the exit packages charged to the Income & Expenditure Account during 2018/19 were funded from Capital Receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review.

48. External Audit Costs

The Council's accounts were audited by KPMG in 2017/18 and Grant Thornton in 2018/19. The Council incurred the following fees relating to external audit and inspection:

| 2017/18 £000 | | 2018/19 £000 |
|-------------------------|--|-------------------------|
| 117 | Fees payable to KPMG with regard to external audit services | 0 |
| 0 | Fees payable to Grant Thornton with regard to external audit services | 90 |
| 0 | Fees payable to Cabinet Office in respect of statutory inspection | 4 |
| 9 | Fees payable to KPMG for the certification of grant claims and returns | 0 |
| 0 | Fees payable to Grant Thornton for the certification of grant claims and returns | 9 |
| 5 | Fees payable in respect of other services provided by the appointed auditor. Includes dealing with elector questions under statutory responsibilities. | 1 |
| (17) | Reimbursements from PSAA | 0 |
| 114 | Total | 104 |

49. Related Parties

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

Central Government

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

Members

Members of the Council have direct control over the Council’s financial and operating policies. The total of members’ allowances paid in 2018/19 is shown in Note 45. Details of all these transactions are recorded in the Register of Members’ Interest, open to public inspection at the Council Offices during office hours.

During the year transactions with related parties arose as follows:

Councillor Shaun Davies is a member of Marches LLP and Wrekin Housing Trust.

Councillor Stephen Burrell is a Director of Peace of Mind Homecare a company that provided services to the Council through service contracts and received £362,096 in 2018/19 (£326,259 in 2017/18).

Councillor Joy Francis is the owner of Tortoise Day Nursery and Managing Director of Smiley Faces Day Nursery. The Council administers the payment of 2/3/4 year old nursery place funding on behalf of the government. The money offsets the cost of this care to the parent and is deducted off their invoice. The Council made total payments in relation to this of £243,531 during 2018/19 (£193,857 in 2017/18).

Councillor Kuldip Sahota is a voluntary director of Meeting Point Trust and as such has no financial interest in the company. The Council makes payments to the Trust in relation to Room Hire at Meeting Point House. During 2018/19 the Council made payments totalling £57,598 (£26,603 in 2017/18).

Councillor Barry Tillotson is a director of Shropshire County Training Ltd who lease two council owned properties at market rates totalling £15,980 in 2018/19. Cllr Tillotson is also Chairman of Admaston House Community Centre Trust who hire facilities to council services for the delivery of adult and young people cookery classes and for use as a polling station. The value of the hires in 2018/19 was £2,160.

Councillor Rae Evans holds a number of director and trustee posts for organisations who have received monies in 2018/19 as follows:

| | Amount Received by Organisation (£) |
|--|--|
| • Park Lane Centre (Director of) | £51,632 |
| • Meeting Point House Trust (Trustee) | £57,598 |
| • Telford and Wrekin CVS (Director of) | £487,896 |
| • Telford & Wrekin Citizens Advice (Director of) | £534,601 |

Councillor Richard Overton is centre manager for Donnington Charitable Trust. The value of all financial transactions between Donnington Charitable Trust and Telford and Wrekin Council in 2018/19 is £26,344 including £10,000 Partnership Grant.

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

Telford @ 50

A number of Council members are also Parish Council Members. Various Parish Councils have received grants in 2018/19 in relation to Telford @ 50 celebrations.

Other Public Bodies [subject to common control by Central Government]

The Authority has pooled budget arrangements with Telford & Wrekin Clinical Commissioning Group. Transactions and balances outstanding are detailed in Note 44.

Subsidiaries

NuPlace Ltd is a Wholly Owned Company for the provision of market rented housing in the Borough. For 2018/19 the company had a net profit of £0.492m (£0.343m in 2017/18) and Net Assets of £15.814 (£11.96m in 2017/18). There are 3 Council employees, Jonathan Rowe, Kate Callis and Katherine Kynaston, who are Directors of NuPlace Ltd and receive no remuneration or benefit for this role. The Council produces Group Accounts in relation to NuPlace Ltd and these can be found on page 124.

50. Leases

Finance Leases

During 2018/19 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £213,301. Finance lease rentals of £404,632 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:

| | Within 1 Year £000 | 2 to 5 years £000 | Over 5 years £000 | Total £000 |
|-------------------------|--------------------------|-------------------------|-------------------------|---------------|
| Outstanding Obligations | 263 | 351 | 0 | 614 |

The aggregate amount of finance charges in respect of finance leases was £25,965 for 2018/19 (£26,064 for 2017/18).

The value of assets held, which have been financed by, is shown within Vehicles, Plant and Equipment (see note 13)

Operating Leases

During 2018/19 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £69,883 were paid during the year. Total outstanding obligations at the end of the year were as follows:

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

Hire Purchase Contracts

During 2018/19 no hire purchase payments were made to lessors. No new hire purchase agreements were entered into during the year and the total obligation outstanding at the end of the year was zero.

Building Leases

The Council owns a number of industrial units, commercial premises and offices throughout the Borough. The Council acts as lessor in respect of these properties which are rented out at commercial rates, these are classified as operating leases. The rental and other income received from these properties for 2018/19 amounted to £9.293m (£8.741m for 2017/18). See also Note 43 Market Undertaking and Industrial Units and note 14 in respect of the valuation of these assets as Investment Properties.

51. Contingent Liabilities

At 31 March 2019, the Authority had no known material contingent liabilities. However, the Council has received a proposed claim for damages in relation to an alleged failure to disclose some information in a property search response. This is currently being dealt with as an insurance claim. The outcome is not yet known, so we are unable to include a value. The process is ongoing.

52. Contingent Assets

At 31 March 2019, the Authority had no material contingent assets.

53. Special Fund Revenue Account

| 2017/18 Net Expenditure £000 | | 2018/19 Gross Expenditure £000 | 2018/19 Income £000 | 2018/19 Net Expenditure £000 |
|---|---|---|------------------------------------|---|
| | EXPENDITURE ON SERVICES | | | |
| (81) | Cemeteries | 191 | (260) | (69) |
| 672 | Highways – footway lighting | 567 | (8) | 559 |
| 591 | Total expenditure on services | 758 | (268) | 490 |
| | INCOME | | | |
| (724) | Council Tax | | | (750) |
| (133) | (Surplus) or deficit for year | | | (260) |
| | Special Fund | | | |
| 974 | Balance at beginning of the year | | | 756 |
| (351) | Adjustment to Balance in relation to previous years charges | | | 0 |
| 133 | Surplus or (deficit) for year | | | 260 |
| 756 | Balance at end of year | | | 1,016 |

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.

54. Soft Loan

During 2013/14 the Council extended for 10 years a loan to the Ironbridge Gorge Museum Trust of £500,000 at an interest rate of 2.85% which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2018/19 and the balance at 31st March is £202,672. This is shown as a debtor on the Balance sheet at a fair value of £188,885 and a notional £13,787 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place from The Ironbridge (Telford) Heritage Foundation Limited, which covers the outstanding amount of the loan.

During 2015/16 the Council advanced a loan for 40 years to AFC Telford of £45,000 at an interest rate of 4.66%, which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2018/19 and the balance at 31st March is £44,088. This is also shown as a debtor in the Balance sheet at a fair value of £22,815 and a notional £21,273 has been charged to the I&E account to reflect the preferential rate given. The Council owns the freehold of the ground and the loan was provided to fund a new fire alarm system at the ground.

55. Building Control Account

| <u>Expenditure</u> | Chargeable | Non-Chargeable | Total Building Control |
|----------------------------------|-------------------------|-------------------------|-------------------------------|
| | 2018/19 £000 | 2018/19 £000 | 2018/19 £000 |
| Employee Expenses | 127 | 141 | 268 |
| Support Services | 122 | 136 | 258 |
| | 249 | 277 | 526 |
| <u>Income</u> | | | |
| Building Regulation Charges | (255) | | (255) |
| (Surplus)/Deficit | (6) | 277 | 271 |
| | | | |
| (Surplus)/Deficit 2017/18 | (115) | 93 | (22) |
| | | | |

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

56. 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 2018/19 indicates the following:

| | General Fund | | Education | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 |
| Balance b/f | 2,577 | 2,900 | 945 | 945 |
| Charges in the Year | (308) | (332) | 0 | (19) |
| Transfers to other reserves | 0 | 0 | 0 | 0 |
| Contributions | 631 | 680 | 0 | 0 |
| Balance c/f | 2,900 | 3,248 | 945 | 926 |

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

There are two general fund insurance provisions as follows:

| | General Provision | | Self-Insurance | |
|--------------------|-------------------|-----------------|-----------------|-----------------|
| | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 |
| Balance b/f | 465 | 453 | 2,112 | 2,447 |
| Charges In Year | (172) | (168) | (136) | (164) |
| Contributions | 160 | 200 | 471 | 480 |
| Balance c/f | 453 | 485 | 2,447 | 2,763 |

For 2018/19 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims, £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, libel and slander and officials' indemnity claims.

57. West Mercia Energy Joint Committee

West Mercia Energy (WME) is a Purchasing Consortium (formerly West Mercia Supplies (WMS) established in 1987) which is constituted as a Joint Committee (JC). Telford & Wrekin Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Shropshire Council. On 19 April 2012, the stationery division of WMS - JC was sold with only the energy division being retained by the four member authorities. The energy division trades under the name "West Mercia Energy".

Telford & Wrekin Council has reviewed the accounting treatment that should be applied and has concluded that WME is a Joint Venture. Under International Accounting Standards, Group Accounts should be prepared unless it is considered not to be material.

The conclusion of the Council is that the exclusion of its share of WME's assets, liabilities, income, expenditure and cash flows from the Council's own accounts will not be material to the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by a reader.

However, in the interests of transparency and accountability the unaudited 2018/19 balances of WME - JC are included below, along with an analysis of this Council's proportion

of those balances based on an estimated share of 24.9%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

| Extract from WME Balance Sheet | 2018/19 | Telford & Wrekin Share |
|---------------------------------------|----------------|-----------------------------------|
| | £000 | £000 |
| Long Term Assets | | |
| Property, Plant & Equipment | 1 | 0 |
| Current Assets | | |
| Short Term Debtors | 10,350 | 2,581 |
| Cash and Cash Equivalents | 5,801 | 1,446 |
| Current Liabilities | | |
| Short Term Creditors | (14,891) | (3,712) |
| Long Term Liabilities | | |
| Other Long Term Liabilities | (6,809) | (1,698) |
| Total Assets Less Liabilities | (5,548) | (1,383) |
| Financed By | | |
| General Fund | 690 | 172 |
| Net Operating surplus | 732 | 183 |
| Capital Adjustment Account | 1 | 0 |
| Pension Reserve | (6,971) | (1,738) |
| | (5,548) | (1,383) |
| Turnover | 66,277 | 3,205 |

58. Apprentice Levy

The Apprentice Levy came into effect in April 2017. It is a Government tax which aims to deliver new apprenticeships. All UK employers who have a total employee pay bill above £3m must pay the levy. The levy rate is 0.5% of the pay bill and includes schools. The money is collected by HMRC and is held in a Digital Apprenticeship Service (DAS) account which can be accessed to fund apprentice training. The levy has been treated as an employee expense in the CIES. The total amount paid in 2018/19 was £0.475m.

Collection Fund Account

| | NDR 2017/18 £000 | Council Tax 2017/18 £000 | Total 2017/18 £000 | NDR 2018/19 £000 | Council Tax 2018/19 £000 | Total 2018/19 £000 |
|--|---------------------------------|---|-----------------------------------|---------------------------------|---|-----------------------------------|
| | | | | | | |

| | | | | | | |
|--|---------------|---------------|----------------|----------------|---------------|----------------|
| Income | | | | | | |
| Income from Council Tax (Note 1) | | 79,369 | 79,369 | | 83,723 | 83,723 |
| Transfers from the Council's General Fund | | | | | | |
| – Transitional Relief | (798) | 0 | (798) | 157 | 0 | 157 |
| Income collectable from business ratepayers (Note 2) | 71,726 | | 71,726 | 73,574 | | 73,574 |
| | | | | | | |
| Contributions | | | | | | |
| Adjustment of previous years' community charges | | 0 | 0 | | 0 | 0 |
| Total Income | 70,928 | 79,369 | 150,297 | 73,731 | 83,723 | 157,454 |
| | | | | | | |
| Expenditure | | | | | | |
| Precepts, demands and Shares | | | | | | |
| Telford & Wrekin Council | 35,100 | 61,885 | 96,985 | 35,316 | 64,474 | 99,790 |
| West Mercia Police Authority | | 9,590 | 9,590 | | 10,054 | 10,054 |
| Shropshire & Wrekin Fire Authority | 716 | 4,780 | 5,496 | 721 | 4,967 | 5,688 |
| Parish Councils | | 4,003 | 4,003 | | 4,170 | 4,170 |
| Central Government | 35,816 | | 35,816 | 36,036 | | 36,036 |
| Cost of Collection | 217 | | 217 | 218 | | 218 |
| Bad and Doubtful Debts/Appeals | | | | | | |
| – Write Offs | 634 | 347 | 981 | 708 | 349 | 1,057 |
| – Provisions | 1,011 | (364) | 647 | (2,142) | (52) | (2,194) |
| Contributions | | | | | | |
| Adjustment of previous years' community charge | | 0 | 0 | | 0 | 0 |
| Total Expenditure | 73,494 | 80,241 | 153,735 | 70,857 | 83,962 | 154,819 |
| Movement on fund balance (Increase)/Decrease | 2,566 | 872 | 3,438 | (2,874) | 239 | (2,635) |

Notes To Collection Fund Accounts

1. Council Tax Base for 2018/19

| 2017/18 Equivalent Band D Dwellings | | Number of Dwellings | Discounted Dwellings | Net Dwellings | Equivalent Band D Dwellings |
|--|---|---------------------------|-------------------------|------------------|-----------------------------------|
| 11,076 | Band A | 26,621 | (10,149) | 16,472 | 10,974 |
| 11,891 | Band B | 20,135 | (4,528) | 15,607 | 12,139 |
| 8,657 | Band C | 11,881 | (1,783) | 10,098 | 8,976 |
| 7,779 | Band D | 8,586 | (808) | 7,778 | 7,778 |
| 5,194 | Band E | 4,679 | (333) | 4,346 | 5,312 |
| 2,851 | Band F | 2,136 | (124) | 2,012 | 2,906 |
| 1,576 | Band G | 1,051 | (81) | 970 | 1,617 |
| 78 | Band H | 49 | (12) | 37 | 73 |
| 49,102 | TOTAL | 75,138 | (17,818) | 57,320 | 49,775 |
| (489) | Adjustments for growth and losses | | | | (195) |
| 48,613 | Tax base for year | | | | 49,580 |
| £1,588.57 | Average Council Tax for year | | | | £1,639.73 |
| 2017/18 £000 | | | | | 2018/19 £000 |
| 77,225 | Gross Yield | | | | 81,297 |
| 0 | Less Benefits and Transitional Relief | | | | 0 |
| 2,144 | Add increase in debit net of exemptions and reliefs | | | | 2,426 |
| 79,369 | | | | | 83,723 |

2. Income Collectable from Business Rate Payers

| 2017/18 £000 | | 2018/19 £000 | 2018/19 £000 |
|-----------------|--|-----------------|-----------------|
| 169,971 | Effective Non-Domestic Rateable Value for the year | 152,176 | |
| 47.9p | Uniform Business Rate for the year | 49.3p | |
| 81,416 | Gross yield for the year | | 75,023 |
| (9,690) | Less reductions & Transitional Relief | | (1,449) |
| 71,726 | Total | | 73,574 |

3. Allocation of Fund Balance (Council Tax)

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|------------------------------|-----------------|
| (2,280) | Telford & Wrekin Council | (2,080) |
| (332) | West Mercia Police Authority | (308) |
| (165) | Shropshire Fire Authority | (150) |
| (2,777) | Total | (2,538) |

4. Allocation of Fund Balance (NDR)

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--------------------------|-----------------|
| (396) | Telford & Wrekin Council | (1,804) |
| (8) | Shropshire Fire Service | (37) |
| (404) | Central Government | (1,841) |
| (808) | Total | (3,682) |

GROUP ACCOUNTS

Group Accounts

Introduction

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

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

The following pages include:

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

The Narrative Report has not been replicated in the Group Accounts as the overview below provides a summary of NuPlace performance for 2018/19.

The group financial statements are presented in accordance with the IFRS based Code.

NuPlace Ltd's property assets were valued on 31 March 2018 by Registered Valuer's of Telford & Wrekin Council. The valuations were in accordance with the required valuation standards. The valuation of each property was on the basis of current value, which equates to the Market Value. Investment property is initially valued at cost, and recognised once the entire development has been completed, and then revalued annually. Investment properties are not depreciated as they are anticipated to appreciate in value.

Accounting policies are aligned between the group members.

NuPlace – 2018/19 Overview

NuPlace Limited was incorporated on 1 April 2015. NuPlace is a wholly owned subsidiary of Telford and Wrekin Council, limited by shares.

The principal activity of the company is the procurement of the construction and management of private and affordable residential property for rent. In addition, the company aims to:

- Raise the standard of rental provision, both in terms of the quality of the rental homes and the landlord service.
- Deliver added value and stimulate local economic growth through supply chain engagement, offering skills and employment opportunities and working with the community.
- Develop brownfield and stalled sites in order to deliver widespread regeneration benefits.

The company is financed by Telford and Wrekin Council, through a combination of equity in the form of share capital and debt finance in the form of a 30 year loan.

The year ended 31 March 2019 was the fourth year of operation for NuPlace Ltd. During the year, the company completed sites at Miners Walk, Madeley (53 units) and The Oaklands, Dawley (47 units) and Springfields, Newport (33 units). A further 39 units are under development at Coppice Court, Snedshill and are expected to be complete by May 2019, taking the number of properties completed and available to let at 31 March 2019 to 309, (232 properties, 2017/18).

In accordance with the Company's accounting policy, the housing portfolios at Woodland Walk (Madeley), Pool View (Randlay) and Blossom Walk (Hadley) were revalued at the year end, which has resulted in an increase in value of 3.72% (£0.8m) over the three sites.

NuPlace Ltd is a separate legal entity and as such will prepare its own Statement of Accounts and comply with company regulations. The accounts will be audited by Grant Thornton, who also audit the Council's accounts.

As planned, no dividends were distributed at the end of 2018/19 and the company ended the year with an operating profit before taxation of £0.492m. It should be noted that the Council has received income totalling £1.2m from NuPlace during 2018/19 net of additional interest and other costs which is a combination of interest paid relating to the loan agreement and services NuPlace purchased from the Council. The Council will also benefit from additional Council Tax, and New Homes Bonus as NuPlace properties are completed.

NuPlace final audited accounts will be published on the Council's website once finalised.

Group Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See Note 1 of the Expenditure and Funding Analysis to the main accounts.

| 2017/18 | | | | 2018/19 | | |
|--|--|---|--|--|--|---|
| Net Expenditure Chargeable to the General Fund Balance | Adjustments Between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income & Expenditure Statement | SERVICE | Net Expenditure Chargeable to the General Fund Balance | Adjustments Between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income & Expenditure Statement |
| 44,348 | 3 | 44,351 | Adult Social Care | 40,815 | 193 | 41,008 |
| 926 | 15,773 | 16,699 | Business, Development & Employment | (636) | 19,608 | 18,972 |
| 1,362 | (2,349) | (987) | Co-Operative Council | 2,277 | (302) | 1,975 |
| 9,598 | (13,943) | (4,345) | Commercial Services | 5,954 | 36 | 5,990 |
| 1,454 | 6,104 | 7,558 | Council Wide | 2,488 | 9,424 | 11,912 |
| 31,120 | (15,485) | 15,635 | Customer & Neighbourhood Services | 24,536 | 3,411 | 27,947 |
| 17,526 | (11,243) | 6,283 | Education & Corporate Parenting | 1,888 | 26,498 | 28,386 |
| (18,233) | 18,903 | 670 | Finance & Human Resources | 8,454 | (11,428) | (2,974) |
| 3,470 | 31 | 3,501 | Governance, Procurement & Commissioning | 6,260 | 203 | 6,463 |
| 1,624 | 110 | 1,734 | Health & Well-being | 241 | 72 | 313 |
| 29,312 | (722) | 28,590 | Children's Safeguarding & Family Support | 28,778 | (377) | 28,401 |
| 122,507 | (2,818) | 119,689 | Net Cost Of Services | 121,055 | 47,338 | 168,393 |
| (122,355) | 59,999 | (62,356) | Other Income & Expenditure | (121,522) | 11,499 | (110,023) |
| 152 | 57,181 | 57,333 | (Surplus) or Deficit | (467) | 58,837 | 58,370 |
| 4,301 | | | Opening General Fund Balance | 4,149 | | |
| (152) | | | Surplus of (Deficit) for year | 467 | | |
| 4,149 | | | Closing General Fund Balance | 4,616 | | |

Group Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

| SERVICE | 2017/18 Gross Expenditure £000 | 2017/18 Income £000 | 2017/18 Net Expenditure £000 | 2018/19 Gross Expenditure £000 | 2018/19 Income £000 | 2018/19 Net Expenditure £000 |
|---|---|---------------------------|---------------------------------------|---|---------------------------|---------------------------------------|
| Adult Social Care | 63,276 | 18,925 | 44,351 | 63,004 | 21,996 | 41,008 |
| Business, Development & Employment | 30,252 | 13,553 | 16,699 | 27,666 | 8,694 | 18,972 |
| Co-Operative Council | 1,729 | 2,716 | (987) | 2,610 | 635 | 1,975 |
| Commercial Services | 10,344 | 14,689 | (4,345) | 28,770 | 22,780 | 5,990 |
| Council Wide | 16,538 | 8,980 | 7,558 | 20,242 | 8,330 | 11,912 |
| Customer & Neighbourhood Services | 116,587 | 100,952 | 15,635 | 116,023 | 88,076 | 27,947 |
| Education & Corporate Parenting | 127,532 | 121,249 | 6,283 | 145,707 | 117,321 | 28,386 |
| Finance & Human Resources | 8,086 | 7,416 | 670 | 2,478 | 5,452 | (2,974) |
| Governance, Procurement & Commissioning | 10,799 | 7,298 | 3,501 | 9,323 | 2,860 | 6,463 |
| Health & Well-being | 18,509 | 16,775 | 1,734 | 12,641 | 12,328 | 313 |
| Children's Safeguarding & Family Support | 29,731 | 1,141 | 28,590 | 29,946 | 1,545 | 28,401 |
| Net Cost of Services | 433,383 | 313,694 | 119,689 | 458,410 | 290,017 | 168,393 |
| Other Operating Expenditure (Note 1) | | | 51,297 | | | 298 |
| Financing and Investment Income and Expenditure | | | 10,827 | | | 16,733 |
| Taxation & Non Specific Grant Income and Expenditure | | | (124,480) | | | (127,054) |
| (Surplus) or deficit on provision of services | | | 57,333 | | | 58,370 |
| (Surplus) or deficit on revaluation of Property, Plant and Equipment Assets | | | (5,549) | | | (7,411) |
| (Surplus) or deficit on revaluation of Available For Sale Financial Assets | | | (282) | | | 0 |
| Re-measurements of the net defined benefit pension liability | | | (32,630) | | | 32,504 |
| Other Comprehensive Income & Expenditure | | | (38,461) | | | 25,093 |
| Total Comprehensive Income and Expenditure | | | 18,872 | | | 83,463 |

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 57,031 | Deficit from the Single Entity Accounts (Page 51) | 58,562 |
| (261) | Deficit/(Surplus) contained within Subsidiary Accounts | (365) |
| 563 | Removal of Trading Surpluses from Single Entity Accounts | 173 |
| 57,333 | Deficit in Group Accounts (Page 128) | 58,730 |

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

| | General Fund Balance & reserves | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|---------------------------------------|-----------------------------|--------------------------|----------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2017 carried forward | 67,573 | 3,320 | 70,893 | (29,384) | 41,509 |
| Total Comprehensive Income and Expenditure | (57,333) | 0 | (57,333) | 38,461 | (18,872) |
| Adjustments between accounting basis & funding basis under regulations | 70,665 | (377) | 70,288 | (70,288) | 0 |
| Increase/ (Decrease) in 2017/18 | 13,332 | (377) | 12,955 | (31,827) | (18,872) |
| Balance at 31 March 2018 carried forward restated | 80,905 | 2,943 | 83,848 | (61,211) | 22,637 |
| Total Comprehensive Income and Expenditure | (58,370) | 0 | (58,370) | (25,093) | (83,463) |
| Adjustments between accounting basis & funding basis under regulations | 62,489 | 3,915 | 66,404 | (66,404) | 0 |
| Increase/ (Decrease) in 2018/19 | 4,119 | 3,915 | 8,034 | (91,497) | (83,463) |
| Balance at 31 March 2019 carried forward | 85,024 | 6,858 | 91,882 | (152,708) | (60,826) |

It can be seen from this table that there is total usable reserves of £91.9m, of this only £4.6m is uncommitted general fund balances. The remainder being unusable reserves, earmarked reserves and school balances.

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are 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 2018 | | 31 March 2019 | 31 March 2019 |
|--------------------------|---|--------------------------|--------------------------|
| £000 | | £000 | £000 |
| 487,521 | Property, Plant & Equipment (Note 3) | 462,709 | |
| 118,638 | Investment Properties (Note 4) | 134,641 | |
| 2,081 | Intangible Assets | 2,048 | |
| 315 | Long Term Investments | 315 | |
| 441 | Long Term Debtors | 0 | |
| 608,996 | Total Long Term Assets | | 599,713 |
| | Current Assets | | |
| 323 | Inventories | 297 | |
| 39,280 | Debtors (Note 5) | 36,510 | |
| 14,213 | Assets Held for Sale | 6,062 | |
| 20,071 | Cash and Cash Equivalents (Note 6) | 16,310 | |
| 73,887 | | 59,179 | |
| | Current Liabilities | | |
| (20,306) | Provisions (Note 7) | (18,769) | |
| (102,176) | Short term Borrowing | (75,101) | |
| (65,931) | Creditors (Notes 8) | (73,107) | |
| (188,413) | | (166,977) | |
| (114,526) | Net Current Assets/(Liabilities) | | (107,798) |
| (154,526) | Less Long Term Borrowing | | (191,823) |
| (54,640) | Less Long Term Creditors | | (51,198) |
| (258,739) | Less Pensions Liability | | (305,526) |
| (3,928) | Capital Grants Receipts in Advance | | (4,194) |
| 22,637 | Net Assets | | (60,826) |
| 83,848 | Usable Reserves (Note 9) | | 91,882 |
| (61,211) | Unusable Reserves (Note 10,11 & 12) | | (152,708) |
| 22,637 | Net Reserves | | (60,826) |

Group Cash Flow Statement

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 57,333 | Net (surplus) or deficit on the provision of services | 58,370 |
| (92,251) | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 14) | (82,864) |
| 32,629 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 15) | 36,625 |
| (2,289) | Net cash flows from Operating Activities | 12,131 |
| 36,841 | Investing Activities (Note 16) | (2,477) |
| (34,023) | Financing Activities (Note 17) | (5,893) |
| 529 | Net (increase) or decrease in cash and cash equivalents | 3,761 |
| 20,600 | Cash and cash equivalents at the beginning of the reporting period | 20,071 |
| 20,071 | Cash and cash equivalents at the end of the reporting period (Note 6) | 16,310 |

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 4,003 | Parish Council precepts | 4,170 |
| 186 | Payment of RSG to Parishes | 142 |
| 48,024 | (Gains)/losses on the disposal of non-current assets – Academies and Trust Schools | 0 |
| (916) | (Gains)/losses on the disposal of non-current assets – Other Assets | (4,014) |
| 51,297 | Total | 298 |

Group Note 2. Financing and Investment Income and Expenditure

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 9,461 | Interest payable and similar charges | 9,981 |
| 6,548 | Pensions interest cost and expected return on pensions assets | 6,502 |
| (16) | Interest receivable and similar income | 65 |
| (5,166) | Income and expenditure in relation to investment properties and changes in their fair value | (6,889) |
| 0 | Other investment income and expenditure | 0 |
| 10,827 | Total | 9,659 |

Group Note 3. Property, Plant and Equipment

Movements in 2018/19:

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|---|------------------------|--|-----------------------|---------------------------|-------------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2018 | 311,094 | 38,747 | 179,980 | 27,032 | 556,853 | 19,280 |
| Deminimus items added in year | 31 | 0 | 0 | 0 | 31 | 0 |
| Additions | 12,416 | 1,893 | 21,954 | 12,885 | 49,148 | 2,922 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | 6,978 | 0 | 0 | 0 | 6,978 | 0 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (55,926) | (1,659) | 1 | (1,759) | (59,343) | 0 |
| Derecognition – disposals | (378) | 0 | 0 | 0 | (378) | 0 |
| Assets reclassified (to) /from Assets Under Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Assets reclassified (to)/from Held for Sale | 5,798 | 0 | 0 | 0 | 5,798 | 0 |

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|--|------------------------|--|-----------------------|---------------------------|-------------------------------------|--|
| Assets reclassified (to) /from Investment Properties | (30) | 0 | 0 | (17,392) | (17,422) | 0 |
| At 31 March 2019 | 279,983 | 38,981 | 201,935 | 20,766 | 541,665 | 22,202 |
| Less Accumulated Depreciation and Impairment | | | | | | |
| at 1 April 2018 | 24,397 | 26,794 | 18,141 | 0 | 69,332 | 6,804 |
| Depreciation charge | 7,279 | 2,610 | 4,496 | 0 | 14,385 | 263 |
| Depreciation written out to the Revaluation Reserve | (919) | 0 | 0 | 0 | (919) | 0 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (3,389) | (985) | 0 | 0 | (4,374) | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 591 | 0 | 0 | 0 | 591 | 0 |
| Derecognition – disposals | (59) | 0 | 0 | 0 | (59) | 0 |
| At 31 March 2019 | 27,900 | 28,419 | 22,637 | 0 | 78,956 | 7,067 |
| Net Book Value | | | | | | |
| at 31 March 2019 | 252,083 | 10,562 | 179,298 | 20,766 | 462,709 | 15,135 |
| at 31 March 2018 | 286,697 | 11,953 | 161,839 | 27,032 | 487,521 | 12,476 |
| Information on Assets Held at 31/3/19 | | | | | | |
| Nature of Holding | | | | | | |
| Owned | 236,920 | 9,609 | 179,298 | 20,766 | 446,593 | |
| Leased | 0 | 981 | 0 | 0 | 981 | |
| PFI | 15,135 | 0 | 0 | 0 | 15,135 | |
| Total | 252,055 | 10,590 | 179,298 | 20,766 | 462,709 | |

Capital Commitments

At 31 March 2019, the Authority has entered into one contract for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £1.1m. Similar commitments at 31 March 2018 were £10.4m. The major commitment is:

- classroom base extension at Ladygrove Primary School - £1.1m

Comparative Movements in 2017/18:

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|---|------------------------|--|-----------------------|---------------------------|-------------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | |
| At 1 April 2017 | 366,345 | 36,426 | 159,954 | 14,362 | 577,087 | 66,091 |
| Additions | 9,042 | 2,382 | 20,026 | 26,283 | 57,733 | 1,778 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (262) | 0 | 0 | 1,192 | 930 | 0 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (9,984) | 0 | 0 | (334) | (10,318) | 0 |
| derecognition – disposals | (51,165) | (61) | 0 | 0 | (51,226) | (48,589) |
| assets reclassified (to) /from Assets Under Construction | 109 | 0 | 0 | (11,408) | (11,299) | 0 |
| assets reclassified (to)/from Held for Sale | (3,044) | 0 | 0 | 0 | (3,044) | 0 |
| assets reclassified (to) /from Investment Properties | 53 | 0 | 0 | (3,063) | (3,010) | 0 |
| At 31 March 2018 | 311,094 | 38,747 | 179,980 | 27,032 | 556,853 | 19,280 |
| | | | | | | |
| Less Accumulated Depreciation and Impairment | | | | | | |
| at 1 April 2017 | 24,696 | 24,172 | 14,138 | 0 | 63,006 | 7,962 |
| depreciation charge | 8,528 | 2,683 | 4,003 | 0 | 15,214 | 1,606 |
| depreciation written out to the Revaluation Reserve | (2,160) | 0 | 0 | 0 | (2,160) | 0 |
| depreciation written out to the Surplus/Deficit on the Provision of Services | (3,839) | 0 | 0 | 0 | (3,839) | 0 |
| derecognition – disposals | (2,828) | (61) | 0 | 0 | (2,889) | (2,764) |
| At 31 March 2018 | 24,397 | 26,794 | 18,141 | 0 | 69,332 | 6,804 |
| Net Book Value | | | | | | |
| at 31 March 2018 | 286,697 | 11,953 | 161,839 | 27,032 | 487,521 | 12,476 |
| at 31 March 2017 | 341,649 | 12,254 | 145,816 | 14,362 | 514,081 | 58,129 |
| | | | | | | |
| Information on Assets Held at 31/3/18 | | | | | | |
| Nature of Holding | | | | | | |
| Owned | 274,221 | 10,815 | 161,839 | 27,032 | 473,907 | |
| Leased | 0 | 1,138 | 0 | 0 | 1,138 | |
| PFI | 12,476 | 0 | 0 | 0 | 12,476 | |
| Total | 286,697 | 11,953 | 161,839 | 27,032 | 487,521 | |

Group Note 4. Investment Properties

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (9,966) | Rental income from investment property | (11,442) |
| 3,917 | Direct operating expenses arising from investment property | 6,222 |
| (6,049) | Net Operational (gain)/loss | (5,220) |
| 883 | Net (gain)/loss on revaluation of properties | (1,669) |
| (5,166) | Total Net (gain)/loss | (6,889) |

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:

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 89,077 | Balance at start of the year | 118,638 |
| 0 | Deminimus item added in year | 106 |
| 17,207 | Additions | 329 |
| (844) | Disposals | (4,400) |
| 1,575 | Revaluation Increases/(Decreases) met from net surplus /deficit on provision of services | 2,524 |
| | Transfers: | |
| 11,623 | - (to)/from Property, Plant and Equipment | 17,444 |
| 118,638 | Balance at end of the year | 134,641 |

Group Note 5. **Debtors**

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---------------------------------------|-----------------|
| | Amounts falling due in one year: | |
| 7,518 | Central Government | 6,928 |
| 42 | Other Local Authorities | 266 |
| 1,403 | NHS Bodies | 2,431 |
| 24 | Public Corporations and Trading Funds | 0 |
| 36,958 | Other Entities and Individuals | 33,047 |
| 45,945 | Gross Debtors | 42,672 |
| (6,665) | Provision for doubtful debts | (6,162) |
| 39,280 | Total | 36,510 |

Group Note 6. **Cash and Cash Equivalents**

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|----------------------------|-----------------|
| 124 | Cash held by the Authority | 128 |
| 6,167 | Bank current accounts | 6,500 |
| 13,780 | Call Accounts | 9,682 |

| | | |
|---------------|---|---------------|
| 20,071 | Total Cash and Cash Equivalents | 16,310 |
| 0 | Bank Account Overdrawn | 0 |
| 20,071 | Net Cash Position for Cash Flow Purposes | 16,310 |

Group Note 7. **Provisions**

| | 2018/19 Opening | Transfers/ Receipts in year | Transfers/ Payments in year | 2018/19 Closing |
|---------------------------------------|----------------------------|--|--|----------------------------|
| | £000 | £000 | £000 | £000 |
| Restructure Provision | 487 | 0 | (472) | 15 |
| Single Status Provision – Non Schools | 3,428 | 62 | (190) | 3,300 |
| Single Status Provision – Schools | 12,417 | 0 | 0 | 12,417 |
| NDR Appeals Provision | 3,808 | 2,842 | (3,808) | 2,842 |
| Litigation Costs | 20 | 38 | (58) | 0 |
| Deferred Taxation | 146 | 49 | 0 | 195 |
| Total | 20,306 | 2,991 | (4,528) | 18,769 |
| 2017/18 | 20,073 | 3,298 | (3,563) | 19,808 |

Restructure Provision - the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2019 was £0.015m. It is anticipated that this will be funded from Capital Receipts in 2019/20.

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 2018/19 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2019 was £15.717m.

NDR Appeals – under the new arrangements for the retention of business rates, authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £5.7m is estimated as the amount required to set aside for this purpose in the 2018/19 accounts (£7.8m 2017/18). Telford & Wrekin Council's proportion of this is £2.8m (49%) (£3.8m 2017/18).

Litigation Costs - This was created for 2015/16 and was to cover the anticipated costs of a settlement reached with members of the Amalgamated Personal Property Searches (APPS) Group. All outstanding settlements were agreed during 2018/19.

Deferred Taxation – A provision has been created in relation to deferred taxation, within NuPlace's accounts, on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statement.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted at the balance sheet date.

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

Group Note 8. Creditors

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---------------------------------------|-----------------|
| 9,705 | Central Government | 9,747 |
| 1,623 | Other Local Authorities | 1,688 |
| 10 | NHS Bodies | 0 |
| 898 | Public Corporations and Trading Funds | 922 |
| 50,680 | Other Entities and Individuals | 57,554 |
| 3,015 | PFI and Leases | 3,196 |
| 65,931 | Total | 73,107 |

Group Note 9. Usable Reserves - Transfers to/from Earmarked Reserves & Balances

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

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | School Balances £000 | Revenue Grants & Other Balances £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 |
|---|---------------------------------|--|-------------------------|--|-------------------------------------|-------------------------------------|----------------------------------|
| Balance at 31 March 2017 carried forward | 4,301 | 55,529 | 5,120 | 2,623 | 0 | 3,320 | 70,893 |
| Movement / Use of reserves during 2017/18 | (152) | 14,586 | (1,332) | 230 | 0 | (377) | 12,955 |
| Balance at 31 March 2018 carried forward | 4,149 | 70,115 | 3,788 | 2,853 | 0 | 2,943 | 83,848 |
| Movement / Use of reserves during 2018/19 | 467 | 3,226 | 1,971 | (1,545) | 0 | 3,915 | 8,034 |
| Balance at 31 March 2019 carried forward | 4,616 | 73,341 | 5,759 | 1,308 | 0 | 6,858 | 91,882 |

Group Note 10. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve

to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 205,636 | Balance Brought Forward | 162,466 |
| 0 | Deminimus items added in year | 137 |
| (20,368) | Charges for depreciation and impairment of non-current assets | (60,923) |
| (1,239) | Amortisation of intangible assets | (1,125) |
| (13,200) | Revenue expenditure funded from capital under statute | (9,573) |
| (48,102) | 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 | (1,649) |
| 5,383 | Adjusting amounts written out of the Revaluation Reserve | (5,666) |
| 2,252 | Capital financing - Capital receipts | 8,596 |
| 30,754 | - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 24,113 |
| 467 | Minimum Revenue Provision | 1,239 |
| 883 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (1,669) |
| 162,466 | Balance Carried Forward | 115,946 |

Group Note 11. Deferred Capital Receipts Reserve

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 0 | Balance at 1 April 2018 | 0 |
| 0 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 |
| 0 | Transfer to the Capital Receipts Reserve upon receipt of cash | 0 |
| 0 | Balance at 31 March 2019 | 0 |

Group Note 12. Revaluation Reserve

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

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

- disposed of and the gains are realised.

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 40,016 | Balance brought forward | 37,091 |
| 5,549 | Upwards revaluation of assets | 7,411 |
| 0 | Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services | 0 |
| (1,040) | Difference between fair value depreciation and historical cost depreciation | (890) |
| (7,434) | Accumulated gains and losses on assets sold or scrapped | 0 |
| 37,091 | Balance carried forward | 43,612 |

Group Note 13. **Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 367,326 | Opening Capital Financing Requirement | 422,896 |
| | Capital Investment | |
| 57,733 | Property, Plant & Equipment | 49,149 |
| 17,207 | Investment Properties | 329 |
| 1,187 | Assets Held for Sale | (120) |
| 974 | Intangible Assets | 1,091 |
| 13,200 | Revenue Expenditure funded from Capital under Statute | 9,573 |
| 490 | Leased Vehicles | 228 |
| | Sources of Finance | |
| (2,252) | Capital Receipts | (8,596) |
| (1,748) | Finance Leases & De Minimis Capital Expenditure | (3,296) |
| (30,754) | Government Grants and Other Contributions | (24,113) |
| (467) | Revenue Provision (NB: includes MRP) | (1,239) |
| 422,896 | Closing Capital Finance Requirement | 445,902 |
| 55,570 | Movement for Year | 23,006 |
| | Explanation of movements in the year | |
| 7 | Increase in underlying need to borrow (supported by Government financial assistance) | 0 |
| 55,563 | Increase in underlying need to borrow (unsupported by Government financial assistance) | 23,006 |
| 55,570 | Increase/(decrease) in Capital Financing Requirement | 23,006 |

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (18,583) | Impairment and depreciation of property, plant and equipment and intangible assets | (61,915) |
| (169) | (Increase)/decrease in interest creditors | (397) |
| (5,534) | (Increase)/decrease in creditors | (8,698) |
| 5 | Increase/(decrease) in interest/dividend debtors | 0 |
| (1,427) | Increase/(decrease) in debtors | 4,232 |
| 2 | Increase/(decrease) in inventories | (26) |
| (15,869) | Pension Liability | (14,283) |
| (433) | Contribution (to)/from provisions | 1,537 |
| (49,360) | Carrying amount of non-current assets sold | (4,983) |
| (883) | Movement in Investment Property Values | 1,669 |
| (92,251) | Total | (82,864) |

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

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 30,377 | Capital grants credited to surplus or deficit on the provision of services | 28,029 |
| 0 | Proceeds from sale of short and long term investments | 0 |
| 2,252 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 8,596 |
| 32,629 | Total | 36,625 |

Group Note 16. Cash Flow Statement – Investing Activities

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 74,788 | Purchase of property, plant and equipment, investment property and intangible assets | 51,823 |
| 282 | Purchase of short-term and long-term investments | 0 |
| 1 | Other payments for investing activities | (567) |
| 798 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (15,740) |
| 0 | Proceeds from short-term and long-term investments | 0 |
| (39,028) | Other receipts from investing activities | (37,993) |
| 36,841 | Net cash flows from investing activities | (2,477) |

Group Note 17. Cash Flow Statement – Financing Activities

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (279,000) | Cash receipts of short and long term borrowing | (258,850) |
| 409 | Other receipts from financing activities | 347 |

| | | |
|-----------------|--|----------------|
| 701 | Appropriation to/from Collection Fund Adjustment Account | 200 |
| 241,074 | Repayments of short and long term borrowing | 249,456 |
| 2,793 | Cash payments in relation to finance leases and PFI agreements | 2,954 |
| (34,023) | Net cash flows from financing activities | (5,893) |

Glossary

Accounting Policies

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance & Accountancy and comply with the International Financial

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

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

| | |
|------------------------------|---|
| Revenue Support Grant (RSG) | The main Government grant given to Local Authorities to assist in paying for local services. The amount of RSG paid is calculated on the basis of a Settlement Funding Assessment, also determined by Government. |
| Reserves & Balances | Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence. |
| Section 151 | Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs (The Chief Financial Officer). For Telford & Wrekin this is the Assistant Director Finance and Human Resources. |
| Soft Loan | A loan granted at lower than the prevailing interest rate |
| Special Fund Revenue Account | Included in the Income And Expenditure Account but specifically summarises the cost of providing some specific services that in some areas are provided by Parish Councils but in others are provided by the Council. |
| Special Purchaser | A particular buyer for whom a certain asset has special value because of advantages arising from its ownership that would not be available to general buyers in the market. |
| Trading Services | A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users. |
| Variance | The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend. |
| Virement | A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations. |

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30 MAY 2019

JOINT REPORT ON THE INTERNAL AUDIT ANNUAL REPORT 2018/19 & THE AUDIT COMMITTEE ANNUAL REPORT 2018/19

1 PURPOSE

- 1.1 To present the 2018/19 Internal Audit Annual Report and the 2018/19 operations of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Internal Audit Annual Report for 2018/19
2.2 That members of the Audit Committee note the operations of the Audit Committee for 2018/19.

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:

1. "The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan".

9. Consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:

This report presents information to meet the requirements of these sections of the terms of reference and to continue to demonstrate good governance and support the Annual Governance Statement (AGS).

The Public Sector Internal Audit Standards are deemed as proper practice under the Accounts and Audit Regulations 2015 for Local Government in England. The standards state:

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

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

This report meets these requirements.

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

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

As the key assurance Committee of the Council it is best practice that an Annual Report is presented to the Council on the operations of the Committee during 2018-19. The structure of the report is based on the terms of reference and includes a summary of the business conducted by the Committee during this period (attached as Appendix 2).

4 PREVIOUS MINUTES

Audit Committee - 15th September 2015; 30th June 2016, 20th September 2016; 27th June 2017, 19th September 2017, 24 July 2018

5 2018/19 INTERNAL AUDIT ANNUAL REPORT

5.1 Assurance and Opinion

5.1.1 The Council's section 151 officer's statutory obligation under the Accounts and Audit Regulations 2015 to review the effectiveness of the system of internal control is informed by the work of Internal Audit. The assurance derived from this work forms part of the Council's assurance framework.

5.1.2 The system of internal control helps the Council to manage and control the risks which could affect the achievement of its priorities and objectives rather than eliminate them completely. Internal Audit and the other assurance processes therefore provide reasonable and not absolute assurance of the adequacy and effectiveness of the Council's framework of governance, risk management and internal control which is included within the Annual Governance Statement.

5.1.3 The planned Internal Audit resources for 2018/19 was 880 days which included 53 days specialist ICT audit provision provided by the Staffordshire framework contract. The team achieved 85% of the planned work with some items being rescheduled into the 2019/20 plan due to delays in the introduction of new processes following restructures and the change in timetable for the implementation of various IT upgrades. In 18/19 there have also been a number of unplanned audit assignments. Based on the work undertaken during the year (areas attached as **Appendix 1**) and the implementation by management of the agreed recommendations, Internal Audit's annual opinion provides reasonable assurance in respect to the adequacy and effectiveness of the Council's framework of governance, risk management and internal control within the areas of the Council reviewed during the year.

- 5.1.4 As in previous years Senior Management have provided information or updates to the Audit Committee where requested to provide explanations as to why progress on the implementation of recommendations was not as agreed.
- 5.1.5 As in previous years this Annual Report includes information in respect to the type and number of recommendations made during the year (as requested by the Committee). This information is shown below for 2018/19 with comparisons with 2017/18 and 2016/17 shown in brackets.

Number of Recommendations made by Type 2018/19 (2017/18 & 2016/17)

| No. of Audit Reports & Grading | Total number of recommendations | Financial Regulation | Legal | Policy & Procedure | Best Practice |
|--------------------------------|---------------------------------|----------------------|------------|--------------------|---------------|
| 36 (52, 71) | 269 (413, 682) | 54 (82,162) | 13 (41,40) | 201 (280, 445) | 1 (10,35) |
| 15 (13, 3) Green | | | | | |
| 14 (29, 50) Yellow | | | | | |
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*The recommendation split is more than the number of reports issued, this is because two reports have more than one grading, due to the different service areas involved.

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

- 5.1.6 36 audit reports were issued during 2018/19, 16 less than 2017/18. Out of the 36 reports 42% (25% & 4%) were green (good), 39% (56%,70%) were yellow (reasonable), 19% (15%, 24%) were amber (limited) and 11% (3%, 2%) were red (poor). The percentage for green, amber & red reports have increased from 17/18 but yellow have decreased.
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- 5.1.8 Internal Audit have moved away from best practice recommendations and are now showing these as management advisory points, rather than recommendations. This is the main reason best practice figures shown above have reduced from 10 in 2017/18 to 1 in 2018/19
- 5.1.9 There are a number of reasons why less audit reports were produced in 2018/19, these include:
- The scope of the individual audits reviewed during each audit year are more focused and complex to address the Council's changing risks and priorities.
 - Increased number of days allocated to individual audits therefore reducing the actual number of audit reports issued.

- There has been long term sickness within the Audit & Governance Team resulting in less audit days available.

5.2 Public Sector Internal Audit Standards (PSIAS) and External Assessment

- 5.2.1 The Public Sector Internal Audit Standards (defined proper practice under the Accounts and Audit Regulations 2015) were effective from 1st April 2013 and in January 2017 there was an external assessment undertaken against the standards. This is a requirement that must occur every 5 years.
- 5.2.2 The Quality Assurance & Improvement Programme (QA&IP) was followed during the year and any actions have been fed back to the team, individuals or been used to update the teams processes.
- 5.2.3 Improvements to audit processes and procedures are continually being reviewed and updated to ensure compliance with the standards.

5.3 Performance reviewed by External Audit

- 5.3.1 Grant Thornton (UK) LLP have been appointed as External Auditor for the Council from 2018/19.

5.4 Improvement Activity

- 5.4.1 During the year to improve the team's efficiency, effectiveness and productivity we have held team meetings and development sessions. We have looked to make changes to improve our adherence to the Standards and we have investigated and implement new/alternative ways of service delivery. We share best practice with other local authorities and regularly attend local network groups.
- 5.4.2 The Audit & Governance Team Leader and Principal Auditor regularly attend the Local Authority Chief Auditors Network (LACAN). Other members of the team also attend regional Fraud, Contract and Unitary/Met Authority groups (when relevant) which assist in identifying best practice and different approaches to audit work and information exchange.

5.5 Customer Feedback

- 5.5.1 Internal Audit receives customer feedback in several ways:-

- Informal feedback from auditees during the audit
- Seeking feedback from auditees at draft report discussion meetings
- Completion of a post audit questionnaire

- 5.5.2 The analysis of post audit questionnaire average feedback is shown in the table below and compared to the last two years

POST AUDIT QUESTIONNAIRE FEEDBACK 2018/19 COMPARED TO THE LAST TWO YEARS:

| Question | 2016/17 From top score of 5 | 2017/18 From top score of 5 | 2018/19 From top score of 5 | Difference from 17/18 to 18/19 |
|--------------------------------------|--|--|--|---|
| Pre- Audit Arrangements | 4.9 | 4.7 | 5 | +0.3 |
| Audit Visit | 4.9 | 4.9 | 5 | +0.1 |
| Communication | 4.6 | 4.6 | 4.8 | +0.2 |
| Report | 4.9 | 4.6 | 4.9 | +0.3 |
| Is audit a positive support – Yes | 100% | 100% | 100% | No change |

The team's customer performance has remained extremely high during 2018/19 with the average score being 4.9 or more. All areas have shown an increase in the scores from 2017/18, we believe this is due to our ongoing improvements to the way we undertake audit assignments.

Our customer feedback has been positive, the maintenance of these scores is a credit to the team and how they have approached their work.

6 CONCLUSIONS FOR 2018/19

- 6.1 Despite limited resources and changes to services during the year and therefore the rescheduling and re- defining of scopes Internal Audit have performed well and made a positive contribution to the governance arrangements within the Council.
- 6.2 The statutory responsibilities of the Council's Chief Financial Officer (section 151 officer) in respect to internal audit and internal control have been met and Internal Audit has provided reasonable assurance to the Council on the Council's internal controls, governance and risk management processes for the areas reviewed in 2018/19.
- 6.3 The Internal Audit team have also continued to provide advice and guidance on governance, procedures, controls, information security and risk management.
- 6.4 However, there are numerous major changes occurring both within and outside the Council during 2019/20 and beyond which could affect the team's future activities e.g. :-
- a) The continued pressure on the Council's budget strategy for 2019/20 and beyond;
 - b) Further service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;
 - c) The continued development of relationships with revised service delivery areas to ensure the team continues to support the authority in achieving its objectives.
 - d) The Council has recently implemented a new Adult Social Services & Children's Safeguarding system and also a new HR/Payroll system. Audits are planned in these areas for 2019/20

7 AUDIT COMMITTEE ANNUAL REPORT

7.1 Internal Audit

- 7.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the Public Sector Internal Audit Standards (PSIAS - effective from April 2013) and Constitution, highlighting any areas requiring attention by Members.
- 7.1.2 The Internal Audit Plan for 2018/19 was approved by the Committee at the May 2018 meeting and the Internal Audit Charter for 2018/19 was approved by the Committee at the January 2019 meeting.
- 7.1.3 The Audit Annual Update report was provided to the Committee in May 2018.

7.2 External Audit

- 7.2.1 The External Auditors, Grant Thornton have produced/presented their reports to the Committee as required by legislation, accounting standards and the external audit code of practice.

7.3 Governance

- 7.3.1 The Annual Governance Statement 2017/18 was approved at the May 2018 meeting after consideration of the supporting information. An update on the action plan derived from 2017/18 plan was presented to the Committee in January 2019.
- 7.3.2 The July 2018 meeting reviewed the Council's Strategic Risk Register.
- 7.3.3 The 2017/18 Information Governance annual report was presented to the Committee in May 2019.
- 7.3.4 An Information Governance update report is provided to the Committee at all meetings, with the May 2018 meeting including an updated from the Caldicott Guardian.

7.4 Treasury Management

- 7.4.1 The Committee received the 2017/18 outturn and in year updates for 2018/19. The Treasury Management Strategy 2019/20 was reviewed prior to approval by Cabinet.

7.5 Statement of Accounts 2017/18

- 7.5.1 The Statement of Accounts was approved by the Committee following external audit at the July 2018 meeting. As in previous years the approval meeting was preceded by a training session with key Finance staff who explained the statements and the changes that had occurred

7.6 Anti-Fraud & Corruption

- 7.6.1 The 2017/18 Anti-Fraud & Corruption Annual Report and 2018/19 updated policy was received in May 2018.

7.7 General

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

7.8 Conclusions for 2018/19 and the future 2019/20

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

7.8.2 The Committee recognises that the Council is continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2018/19. Most notable are the organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

9 OTHER CONSIDERATIONS

| AREA | COMMENTS |
|----------------------|---|
| Equal Opportunities | All members of the Internal Audit and Information Governance Teams have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified. |
| Environmental Impact | All members of the Audit and Information Governance Teams are environmentally aware and if any issues were identified they would be notified to the appropriate manager. |
| Legal Implications | <p>The Accounts and Audit Regulations 2015 sets out the detailed requirements for local authorities in relation to keeping adequate accounting records and control systems, preparing, approving and publishing a statement of accounts, and making various documents available for public inspection (note The Local Audit (Public Access to Documents) Act 2017 extends public inspection rights to journalists) and objection and questioning by local electors. The authority “must ensure” that it has (and reviews) a “sound system of internal control”: Regulation 3. It “must undertake an effective internal audit”: Regulation 5. There is a new requirement to prepare and publish a “narrative statement”, commenting on the authority’s financial performance and economy, efficiency and effectiveness in the use of resources over the year.</p> <p>The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.</p> <p>The Public Sector Internal Audit Standards (PSIAS) is mandatory across the whole of the public sector. The purpose of the PSIAS is defined as follows:</p> <ul style="list-style-type: none"> • define the nature of internal auditing within the UK Public Sector; • set basic principles for carrying out Internal Audit in the UK Public Sector; • establish a framework for providing internal audit services in respect of organisational processes and operations; |

| | |
|---------------------------------|---|
| | <ul style="list-style-type: none"> • facilitate the development of an effective Quality Assurance and Improvement Programme and; • define a mandatory Code of Ethics. <p>Undertaking the audits as set out in the report, and providing updates and an Annual Report to this Committee contributes towards meeting these requirements.</p> <p>Further reference to legal requirements and the implementation of those legal requirements in accordance with CIPFA guidance are contained within the main body of the report. In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance.</p> <p>.</p> |
| Links with Corporate Priorities | All aspects of the Audit teams work support good governance which underpins the achievement of the Council's objectives and priorities. |
| Risks and Opportunities | All aspects of the Audit teams work supports managers and the Council to identify and manage their risks and opportunities. |
| Financial Implications | <p>Internal Audit operated within their expenditure budget allocation.</p> <p>There are no direct financial implications anticipated from adopting the recommendation of this report.</p> |
| Ward Implications | The work of the Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards. |

10 **BACKGROUND PAPERS**

Annual Audit Plan 2016/17 and Charter
Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013 and External Assessment January 2017
CIPFA Local Government Application Note - April 2013
Accounts and Audit Regulations 2015

Report by
Tracey Drummond, Principal Auditor, 383105

Work undertaken during 2018/19

| Audited areas | Days |
|--|------|
| Advice & Consultancy including org change | |
| AGS and certification | 4 |
| Benefits (2018-19) | 9 |
| Benefits 2017/18 | 1 |
| Burton Borough | 12 |
| Bus Subsidy Grant | 5 |
| Cash Collection (2018-19) | 12 |
| Commercial Projects | 4 |
| Core Group | 1 |
| Council Tax & NNDR (2018-19) | 43 |
| Crudgington Primary School | 1 |
| Data retention & disposal | 2 |
| Direct Payments | 16 |
| Electronic Case File Audit (Care first) | 23 |
| Fairshare Credit Union | 2 |
| Follow ups | 18 |
| General Ledger (2018-19) | 30 |
| General Ledger 2017/18 | 1 |
| HCA Land Deal - Profit Share / Review Processes | 5 |
| HR & Payroll 2017/18 | 1 |
| HR/Payroll (2018-19) | 5 |
| John Randall | 7 |
| Ladygrove Primary School | 11 |
| Local Transport Capital Block Funding grant | 2 |
| Madeley Town Council | 5 |
| Member reporting | 14 |
| My Options (Young Peoples Services) | 52 |
| My Options - Comforts fund | 2 |
| My View System Testing | 5 |
| National Careers contract | 2 |
| Oakengates Children's Centre | 7 |
| Oakengates Town Council | 2 |
| Permit Scheme for working on highways | 5 |
| Phoenix Leisure Centre | 10 |
| Planning Income | 5 |
| Procurement - Contract review process | 4 |
| Purchase Ledger (2018-19) | 24 |
| Queenswood Primary School | 7 |
| Red & Amber Follow up - Core Groups | 1 |
| Red & Amber Follow up - Depreciation of Liberty Safeguards | 3 |
| Red & Amber Follow up - Direct Payments | 1 |
| Red & Amber Follow up - Discharge from Hospital | 2 |
| Red & Amber Follow up - My Options (Comfort Funds) | 2 |

| | |
|---|----|
| Red & Amber Follow up - My Options (Purchasing) | 1 |
| Red & Amber Follow up - My Options YP Services Income | 1 |
| Red & Amber Follow up - Setting up Home Grant | 1 |
| Red & Amber Follow up - Sir Alexander Fleming | 1 |
| Red & Amber Follow up - Ski & Snowboard Centre | 1 |
| Red & Amber Follow up - Southall | 3 |
| Red & Amber Follow up Crudgington Primary School | 1 |
| Resourcelink | 1 |
| Sales Ledger (2018-19) | 15 |
| Sales Ledger 2017/18 | 1 |
| School Catering | 4 |
| School Fund Audit - Dothill Primary | 2 |
| School Fund Audit - Holmer Lake | 7 |
| School Fund Audit - Muxton Primary | 5 |
| Setting up Home Grant | 9 |
| Sir Alexander Fleming Primary School | 9 |
| Southall School | 11 |
| Strengthening Families Grant | 5 |
| Stirchley Rec | 3 |
| Treasury Management (2018-19) | 9 |

| Area | Activity |
|-------------------------------|---|
| Internal Audit | Internal Audit Annual Report 2017/18 Internal update reports of work undertaken throughout the year. Internal Audit Plan 2018/16 Changes to Internal Audit Charter for 2019/201 |
| External Audit | External Audit Fee Letter 2018/19 KPMG Interim Report 2017/18 External Audit Plan 2018/19 Grant Report 2017/18 |
| Governance | Annual Governance Statement (AGS) 2017/18 Half yearly progress on the 2017/18 AGS Action Plan Review of the Strategic Risk Register Information Governance Annual Report 2017/18 Information Governance Update Report of work undertaken throughout the year. Information Governance Work programme 2018/19 Caldicott Guardian Annual Report 2018/19 Publication of Information on Councillors who Traded with the Council during 2017/18 Audit Committee Annual Report 2017/18 |
| Treasury Management | Treasury Management Outturn report 2017/18 & 2018/19 update report Draft 2019/20 Treasury Management Strategy and update 2018/19 Verbal presentation from Councils Treasury Advisors |
| Statement of Accounts | Draft Statement of Accounts 2017/18 Audited Statement of Accounts 2017/18 Capital receipts update |
| Fraud & Corruption | 2017/18 Annual Report on Corporate Anti-Fraud & Corruption Policy and Policy update 2018/19 |
| General | Audit Committee terms of Reference reviewed Audit Committee Annual Report 2017/18 |

| Audit Plan 2019/20 | | | | |
|--|---|-------------|-----------------|------------|
| Audit Area | Service Area | Days | Priority | BTC |
| General ledger, assets & capital accounting - fixed asset module late May/early June | Finance & Human Resources | 20 | ALL | A,B,D |
| P2P (creditor payments) | Finance & Human Resources | 15 | ALL | A,B,D |
| Cash collection | Finance & Human Resources | 12 | ALL | A,B,D |
| Payroll/HR | Finance & Human Resources | 30 | ALL | A,B,D |
| Sales Ledger | Finance & Human Resources | 15 | ALL | A,B,D |
| Liquid Logic Finance Module (Controc) | Finance & Human Resources | 45 | 1,2,4,6 | A,B,D |
| New print & postage contract | Finance & Human Resources | 7 | 2 | A,B,D |
| Local transport grant | Finance & Human Resources | 3 | 5 & 6 | A,B,D |
| Transition - leaving care | Children's Safeguarding and Family Support | 12 | 1,3,4 | A,B,D |
| CIC Health Assessments | Children's Safeguarding and Family Support | 12 | 1,3,4,6 | A,B,D |
| Special Guardian ship | Children's Safeguarding and Family Support | 12 | 1,3,4 | A,B,D |
| S17 petty cash | Children's Safeguarding and Family Support | 7 | 1,3,4 | A,B,D |
| Direct Payments | Children's Safeguarding and Family Support | 10 | 1,3,4,6 | A,B,D |
| Setting up home grant | Children's Safeguarding and Family Support | 12 | 1,3,4,7 | A,B,D |
| Safeguarding & The Care Act | Adult Social Care | 20 | 3,4,6 | A,B,D |
| Deputyship | Adult Social Care | 12 | 3,4,6 | A,B,D |
| Quality assurance framework | Adult Social Care | 10 | 3,4,6 | A,B,D |
| Direct payments | Adult Social Care | 10 | 3,4,6 | A,B,D |
| Ensure legal Implementation of the Charging Policy | Adult Social Care | 7 | 3,4,6 | A,B,D |
| POhWER Direct payment support service agreement | Adult Social Care | 12 | 3,4,6 | A,B,D |
| Brokerage - provider portal | Governance Procurement & Commissioning | 15 | 2,4,6 | A,B,D |
| Money Laundering | Governance Procurement & Commissioning | 10 | 2 | A,B,D |
| Contract Audits | Governance Procurement & Commissioning | 12 | 2 | A,B,D |
| Single status | Governance Procurement & Commissioning | 5 | 2 | A,B,D |
| Shared Lives | Health & Well-Being | 15 | 2,3,4,6 | A,B,D |
| Staff retention | Health & Well-Being | 12 | 2 | A,B,D |
| The Place | Health & Well-Being | 15 | 2,4,6 | A,B,D |
| Quality Standards libraries | Health & Well-Being | 8 | 2,3,4,6 | A,B,D |
| SLA libraires | Health & Well-Being | 5 | 2 | A,B,D |
| ESF Skills funding agreement | Business, Development & Employment | 10 | 1,2,3,4 | A,B,D |
| Life ready work ready | Business, Development & Employment | 10 | 1,2,3,4 | A,B,D |
| APT planning | Business, Development & Employment | 15 | 5& 7 | A,B,D |
| Reduction of Youth Unemployment | Business, Development & Employment | 15 | 1,2,3,4,6 | all |
| Housing Benefits & Local Council Tax Support | Customer & Neighbourhood Services | 15 | 4,6,7 | ALL |
| Bus subsidy grant | Customer & Neighbourhood Services | 3 | 5, 7 | A, B, D |
| Corporate Complaints | Customer & Neighbourhood Services | 15 | 2 | A,B,D |
| Fleet services | Customer & Neighbourhood Services | 15 | 1,4,6 | A,B,D |
| Syrian refugee programme | Customer & Neighbourhood Services | 3 | 1,3,4,6 | A,B,D |
| Direct Payments | Customer & Neighbourhood Services | 10 | 3,4,6 | A,B,D |
| Licensing fees for houses of multiple occupation | Customer & Neighbourhood Services | 10 | 1,4,5,6,7 | A,B,D |
| Dog warden contract | Customer & Neighbourhood Services | 8 | 2,5,7 | A,B,D |
| Schools (17 schools) | Education & Corporate Parenting | 104 | 1,3,4 | B,D |
| SEND | Education & Corporate Parenting (look at EHCP Pla | 12 | 1,3,5 | A,B,D |
| CPD Trading service | Education & Corporate Parenting | 15 | 1,3,5 | ALL |
| Sponsorship of council assets | Commercial Services | 7 | 2 | ALL |
| Leisure Centres | Commercial Services | 27 | 4, 6 | ALL |

| | | |
|---|---------|----------|
| Asset Management & Disposal | 10 days | qtr 1 /2 |
| Firewall | 8 days | qtr 4 |
| Mobile Device Management | 6 days | qtr 3 |
| Post Implementation Review of Resources | 3 days | qtr 4 |
| ICT procurement | 3 days | qtr 1/2 |
| Cyber Security | 10 days | qtr 3 |

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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30 MAY 2019

JOINT REPORT ON THE INTERNAL AUDIT ANNUAL REPORT 2018/19 & THE AUDIT COMMITTEE ANNUAL REPORT 2018/19 AND THE INTERNAL AUDIT PLAN 2019/20

1 PURPOSE

- 1.1 To present the 2018/19 Internal Audit Annual Report and the 2018/19 operations of the Audit Committee.
- 1.2 For members to consider and approve the internal audit plan for 19/20

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Internal Audit Annual Report for 2018/19
- 2.2 That members of the Audit Committee note the operations of the Audit Committee for 2018/19.
- 2.3 That members of the Audit Committee approve the Internal Audit Plan 2019/20 attached as Appendix G

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:

1. "The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan".

9. Consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:

This report presents information to meet the requirements of these sections of the terms of reference and to continue to demonstrate good governance and support the Annual Governance Statement (AGS).

The Public Sector Internal Audit Standards are deemed as proper practice under the Accounts and Audit Regulations 2015 for Local Government in England. The standards state:

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;

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

This report meets these requirements.

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

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

As the key assurance Committee of the Council it is best practice that an Annual Report is presented to the Council on the operations of the Committee during 2018-19. The structure of the report is based on the terms of reference and includes a summary of the business conducted by the Committee during this period (attached as Appendix 2).

4 **PREVIOUS MINUTES**

Audit Committee - 15th September 2015; 30th June 2016, 20th September 2016; 27th June 2017, 19th September 2017, 24 July 2018

5 **2018/19 INTERNAL AUDIT ANNUAL REPORT**

5.1 **Assurance and Opinion**

5.1.1 The Council's section 151 officer's statutory obligation under the Accounts and Audit Regulations 2015 to review the effectiveness of the system of internal control is informed by the work of Internal Audit. The assurance derived from this work forms part of the Council's assurance framework.

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5.4 Improvement Activity

- 5.4.1 During the year to improve the team's efficiency, effectiveness and productivity we have held team meetings and development sessions. We have looked to make changes to improve our adherence to the Standards and we have investigated and implement new/alternative ways of service delivery. We share best practice with other local authorities and regularly attend local network groups.
- 5.4.2 The Audit & Governance Team Leader and Principal Auditor regularly attend the Local Authority Chief Auditors Network (LACAN). Other members of the team also attend regional Fraud, Contract and Unitary/Met Authority groups (when relevant) which assist in identifying best practice and different approaches to audit work and information exchange.

5.5 Customer Feedback

- 5.5.1 Internal Audit receives customer feedback in several ways:-

- a) Informal feedback from auditees during the audit
- b) Seeking feedback from auditees at draft report discussion meetings
- c) Completion of a post audit questionnaire

- 5.5.2 The analysis of post audit questionnaire average feedback is shown in the table below and compared to the last two years

POST AUDIT QUESTIONNAIRE FEEDBACK 2018/19 COMPARED TO THE LAST TWO YEARS:

| Question | 2016/17 From top score of 5 | 2017/18 From top score of 5 | 2018/19 From top score of 5 | Difference from 17/18 to 18/19 |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| Pre- Audit Arrangements | 4.9 | 4.7 | 5 | +0.3 |
| Audit Visit | 4.9 | 4.9 | 5 | +0.1 |
| Communication | 4.6 | 4.6 | 4.8 | +0.2 |
| Report | 4.9 | 4.6 | 4.9 | +0.3 |
| Is audit a positive support – Yes | 100% | 100% | 100% | No change |

The team's customer performance has remained extremely high during 2018/19 with the average score being 4.9 or more. All areas have shown an increase in the scores from 2017/18, we believe this is due to our ongoing improvements to the way we undertake audit assignments.

Our customer feedback has been positive, the maintenance of these scores is a credit to the team and how they have approached their work.

6 CONCLUSIONS FOR 2018/19

- 6.1 Despite limited resources and changes to services during the year and therefore the rescheduling and re- defining of scopes Internal Audit have performed well and made a positive contribution to the governance arrangements within the Council.
- 6.2 The statutory responsibilities of the Council's Chief Financial Officer (section 151 officer) in respect to internal audit and internal control have been met and Internal Audit has provided reasonable assurance to the Council on the Council's internal controls, governance and risk management processes for the areas reviewed in 2018/19.
- 6.3 The Internal Audit team have also continued to provide advice and guidance on governance, procedures, controls, information security and risk management.
- 6.4 However, there are numerous major changes occurring both within and outside the Council during 2019/20 and beyond which could affect the team's future activities e.g. :-
- The continued pressure on the Council's budget strategy for 2019/20 and beyond;
 - Further service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;
 - The continued development of relationships with revised service delivery areas to ensure the team continues to support the authority in achieving its objectives.
 - The Council has recently implemented a new Adult Social Services & Children's Safeguarding system and also a new HR/Payroll system. Audits are planned in these areas for 2019/20

7 AUDIT COMMITTEE ANNUAL REPORT

7.1 Internal Audit

- 7.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the Public Sector Internal Audit Standards (PSIAS - effective from April 2013) and Constitution, highlighting any areas requiring attention by Members.
- 7.1.2 The Internal Audit Plan for 2018/19 was approved by the Committee at the May 2018 meeting and the Internal Audit Charter for 2018/19 was approved by the Committee at the January 2019 meeting.
- 7.1.3 The Audit Annual Update report was provided to the Committee in May 2018.

7.2 External Audit

- 7.2.1 The External Auditors, Grant Thornton have produced/presented their reports to the Committee as required by legislation, accounting standards and the external audit code of practice.

7.3 Governance

- 7.3.1 The Annual Governance Statement 2017/18 was approved at the May 2018 meeting after consideration of the supporting information. An update on the action plan derived from 2017/18 plan was presented to the Committee in January 2019.
- 7.3.2 The July 2018 meeting reviewed the Council's Strategic Risk Register.
- 7.3.3 The 2017/18 Information Governance annual report was presented to the Committee in May 2019.
- 7.3.4 An Information Governance update report is provided to the Committee at all meetings, with the May 2018 meeting including an updated from the Caldicott Guardian.

7.4 Treasury Management

- 7.4.1 The Committee received the 2017/18 outturn and in year updates for 2018/19. The Treasury Management Strategy 2019/20 was reviewed prior to approval by Cabinet.

7.5 Statement of Accounts 2017/18

- 7.5.1 The Statement of Accounts was approved by the Committee following external audit at the July 2018 meeting. As in previous years the approval meeting was preceded by a training session with key Finance staff who explained the statements and the changes that had occurred

7.6 Anti-Fraud & Corruption

- 7.6.1 The 2017/18 Anti-Fraud & Corruption Annual Report and 2018/19 updated policy was received in May 2018.

7.7 General

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

7.8 Conclusions for 2018/19 and the future 2019/20

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

7.8.2 The Committee recognises that the Council is continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2018/19. Most notable are the organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

8 Internal Audit Plan 2019/20

8.1 Internal Audit has a statutory obligation under legislation to provide assurance to the Council as part of the Council's corporate governance framework and the effective management of risks. It also strives to provide a quality, added value and up to date service for the Council.

8.2 Internal Audit work, in addition to obtaining assurance on key areas, risk management and controls for the Council, aims to challenge where controls are not required, question value for money and make suggestions for adjustments to existing controls to make processes more efficient. This contributes to 'Being the Change' and will assist managers and their teams to achieve their objectives, identify further savings and contribute to the achievement of the Council's priorities.

8.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance to managers, Members and the Council an annual Audit Plan is developed. Professional Internal Audit standards¹ and good practice set out that Internal Audit planning should be directly linked to the Council's objectives and priorities and be directed by the Audit Charter agreed by the Audit Committee in January 2019. The plan is informed and influenced by previous Internal Audit work, areas highlighted during previous audits, areas identified by management teams, External Audit requirements, the strategic and ICT risk registers, external assessments and local, regional and national networking intelligence.

8.4 The plan is attached as Appendix 3 with detail at the bottom for the ICT audit work which has been informed by discussion with ICT and challenge from suppliers on the external framework. The plan has been drawn up based on the internal and external resources available for 2019/20 (see 6.5 below), the factors in paragraph 6.3 above and discussions with the SMT and management meetings. The resultant plan should provide a reasonable level of assurance for 2018/19 but limited to the areas reviewed. It also includes all the work identified by the external auditor that can be undertaken by Internal Audit to meet their requirements.

¹ Public Sector Internal Audit Standards

- 8.5 The planned resources for 2019/20 are 875 which includes 53 days specialist ICT audit work.
- 8.6 The plan includes approximate 5% contingency to meet any unexpected work requirements, any changes identified during the year or changes to resources during the year. Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the MD, SMT and managers to ensure that the appropriate risks and controls are being reviewed by the resources available. Any significant changes will be agreed with the MD and appropriate AD and will be reported for information to SMT and this Committee.
- 8.7 The External Auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised. Similar liaison takes place with Scrutiny to avoid duplication or to ensure work is complementary.
- The 2019/20 plan has been drawn up based on the audit resources available for 209/20. The plan so far will provide reasonable assurance on the areas outlined and includes all the work identified by the External Auditor that can be undertaken by Internal Audit to meet their requirements.
- 8.8 The risk ratings (high, medium & low) have been assessed based on a scoring mechanism taking into account the contribution to corporate priorities, the strategic risk register and “Being the Change”. The plan is risk markings shown in the annual plan represent the following

9 OTHER CONSIDERATIONS

| AREA | COMMENTS |
|----------------------|--|
| Equal Opportunities | All members of the Internal Audit and Information Governance Teams have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified. |
| Environmental Impact | All members of the Audit and Information Governance Teams are environmentally aware and if any issues were identified they would be notified to the appropriate manager. |
| Legal Implications | <p>The Accounts and Audit Regulations 2015 sets out the detailed requirements for local authorities in relation to keeping adequate accounting records and control systems, preparing, approving and publishing a statement of accounts, and making various documents available for public inspection (note The Local Audit (Public Access to Documents) Act 2017 extends public inspection rights to journalists) and objection and questioning by local electors. The authority “must ensure” that it has (and reviews) a “sound system of internal control”: Regulation 3. It “must undertake an effective internal audit”: Regulation 5. There is a new requirement to prepare and publish a “narrative statement”, commenting on the authority’s financial performance and economy, efficiency and effectiveness in the use of resources over the year.</p> <p>The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.</p> |

| | |
|---------------------------------|--|
| | <p>The Public Sector Internal Audit Standards (PSIAS) is mandatory across the whole of the public sector. The purpose of the PSIAS is defined as follows:</p> <ul style="list-style-type: none"> • define the nature of internal auditing within the UK Public Sector; • set basic principles for carrying out Internal Audit in the UK Public Sector; • establish a framework for providing internal audit services in respect of organisational processes and operations; • facilitate the development of an effective Quality Assurance and Improvement Programme and; • define a mandatory Code of Ethics. <p>Undertaking the audits as set out in the report, and providing updates and an Annual Report to this Committee contributes towards meeting these requirements.</p> <p>Further reference to legal requirements and the implementation of those legal requirements in accordance with CIPFA guidance are contained within the main body of the report. In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance.</p> |
| Links with Corporate Priorities | All aspects of the Audit teams work support good governance which underpins the achievement of the Council's objectives and priorities. |
| Risks and Opportunities | All aspects of the Audit teams work supports managers and the Council to identify and manage their risks and opportunities. |
| Financial Implications | <p>Internal Audit operated within their expenditure budget allocation.</p> <p>There are no direct financial implications anticipated from adopting the recommendation of this report.</p> |
| Ward Implications | The work of the Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards. |

10 **BACKGROUND PAPERS**

Annual Audit Plan 2016/17 and Charter
Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013 and External Assessment January 2017
CIPFA Local Government Application Note - April 2013
Accounts and Audit Regulations 2015

Report by
Tracey Drummond, Principal Auditor, 383105

Work undertaken during 2018/19

| Audited areas | Days |
|--|------|
| Advice & Consultancy including org change | |
| AGS and certification | 4 |
| Benefits (2018-19) | 9 |
| Benefits 2017/18 | 1 |
| Burton Borough | 12 |
| Bus Subsidy Grant | 5 |
| Cash Collection (2018-19) | 12 |
| Commercial Projects | 4 |
| Core Group | 1 |
| Council Tax & NNDR (2018-19) | 43 |
| Crudgington Primary School | 1 |
| Data retention & disposal | 2 |
| Direct Payments | 16 |
| Electronic Case File Audit (Care first) | 23 |
| Fairshare Credit Union | 2 |
| Follow ups | 18 |
| General Ledger (2018-19) | 30 |
| General Ledger 2017/18 | 1 |
| HCA Land Deal - Profit Share / Review Processes | 5 |
| HR & Payroll 2017/18 | 1 |
| HR/Payroll (2018-19) | 5 |
| John Randall | 7 |
| Ladygrove Primary School | 11 |
| Local Transport Capital Block Funding grant | 2 |
| Madeley Town Council | 5 |
| Member reporting | 14 |
| My Options (Young Peoples Services) | 52 |
| My Options - Comforts fund | 2 |
| My View System Testing | 5 |
| National Careers contract | 2 |
| Oakengates Children's Centre | 7 |
| Oakengates Town Council | 2 |
| Permit Scheme for working on highways | 5 |
| Phoenix Leisure Centre | 10 |
| Planning Income | 5 |
| Procurement - Contract review process | 4 |
| Purchase Ledger (2018-19) | 24 |
| Queenswood Primary School | 7 |
| Red & Amber Follow up - Core Groups | 1 |
| Red & Amber Follow up - Depreciation of Liberty Safeguards | 3 |
| Red & Amber Follow up - Direct Payments | 1 |
| Red & Amber Follow up - Discharge from Hospital | 2 |
| Red & Amber Follow up - My Options (Comfort Funds) | 2 |

| | |
|---|----|
| Red & Amber Follow up - My Options (Purchasing) | 1 |
| Red & Amber Follow up - My Options YP Services Income | 1 |
| Red & Amber Follow up - Setting up Home Grant | 1 |
| Red & Amber Follow up - Sir Alexander Fleming | 1 |
| Red & Amber Follow up - Ski & Snowboard Centre | 1 |
| Red & Amber Follow up - Southall | 3 |
| Red & Amber Follow up Crudgington Primary School | 1 |
| Resourcelink | 1 |
| Sales Ledger (2018-19) | 15 |
| Sales Ledger 2017/18 | 1 |
| School Catering | 4 |
| School Fund Audit - Dothill Primary | 2 |
| School Fund Audit - Holmer Lake | 7 |
| School Fund Audit - Muxton Primary | 5 |
| Setting up Home Grant | 9 |
| Sir Alexander Fleming Primary School | 9 |
| Southall School | 11 |
| Strengthening Families Grant | 5 |
| Stirchley Rec | 3 |
| Treasury Management (2018-19) | 9 |

| Area | Activity |
|-------------------------------|---|
| Internal Audit | Internal Audit Annual Report 2017/18 Internal update reports of work undertaken throughout the year. Internal Audit Plan 2018/16 Changes to Internal Audit Charter for 2019/201 |
| External Audit | External Audit Fee Letter 2018/19 KPMG Interim Report 2017/18 External Audit Plan 2018/19 Grant Report 2017/18 |
| Governance | Annual Governance Statement (AGS) 2017/18 Half yearly progress on the 2017/18 AGS Action Plan Review of the Strategic Risk Register Information Governance Annual Report 2017/18 Information Governance Update Report of work undertaken throughout the year. Information Governance Work programme 2018/19 Caldicott Guardian Annual Report 2018/19 Publication of Information on Councillors who Traded with the Council during 2017/18 Audit Committee Annual Report 2017/18 |
| Treasury Management | Treasury Management Outturn report 2017/18 & 2018/19 update report Draft 2019/20 Treasury Management Strategy and update 2018/19 Verbal presentation from Councils Treasury Advisors |
| Statement of Accounts | Draft Statement of Accounts 2017/18 Audited Statement of Accounts 2017/18 Capital receipts update |
| Fraud & Corruption | 2017/18 Annual Report on Corporate Anti-Fraud & Corruption Policy and Policy update 2018/19 |
| General | Audit Committee terms of Reference reviewed Audit Committee Annual Report 2017/18 |

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| Audit Plan 2019/20 | | | | |
|--|---|-------------|-----------------|------------|
| Audit Area | Service Area | Days | Priority | BTC |
| General ledger, assets & capital accounting - fixed asset module late May/early June | Finance & Human Resources | 20 | ALL | A,B,D |
| P2P (creditor payments) | Finance & Human Resources | 15 | ALL | A,B,D |
| Cash collection | Finance & Human Resources | 12 | ALL | A,B,D |
| Payroll/HR | Finance & Human Resources | 30 | ALL | A,B,D |
| Sales Ledger | Finance & Human Resources | 15 | ALL | A,B,D |
| Liquid Logic Finance Module (Controc) | Finance & Human Resources | 45 | 1,2,4,6 | A,B,D |
| New print & postage contract | Finance & Human Resources | 7 | 2 | A,B,D |
| Local transport grant | Finance & Human Resources | 3 | 5 & 6 | A,B,D |
| Transition - leaving care | Children's Safeguarding and Family Support | 12 | 1,3,4 | A,B,D |
| CIC Health Assessments | Children's Safeguarding and Family Support | 12 | 1,3,4,6 | A,B,D |
| Special Guardian ship | Children's Safeguarding and Family Support | 12 | 1,3,4 | A,B,D |
| S17 petty cash | Children's Safeguarding and Family Support | 7 | 1,3,4 | A,B,D |
| Direct Payments | Children's Safeguarding and Family Support | 10 | 1,3,4,6 | A,B,D |
| Setting up home grant | Children's Safeguarding and Family Support | 12 | 1,3,4,7 | A,B,D |
| Safeguarding & The Care Act | Adult Social Care | 20 | 3,4,6 | A,B,D |
| Deputyship | Adult Social Care | 12 | 3,4,6 | A,B,D |
| Quality assurance framework | Adult Social Care | 10 | 3,4,6 | A,B,D |
| Direct payments | Adult Social Care | 10 | 3,4,6 | A,B,D |
| Ensure legal Implementation of the Charging Policy | Adult Social Care | 7 | 3,4,6 | A,B,D |
| POhWER Direct payment support service agreement | Adult Social Care | 12 | 3,4,6 | A,B,D |
| Brokerage - provider portal | Governance Procurement & Commissioning | 15 | 2,4,6 | A,B,D |
| Money Laundering | Governance Procurement & Commissioning | 10 | 2 | A,B,D |
| Contract Audits | Governance Procurement & Commissioning | 12 | 2 | A,B,D |
| Single status | Governance Procurement & Commissioning | 5 | 2 | A,B,D |
| Shared Lives | Health & Well-Being | 15 | 2,3,4,6 | A,B,D |
| Staff retention | Health & Well-Being | 12 | 2 | A,B,D |
| The Place | Health & Well-Being | 15 | 2,4,6 | A,B,D |
| Quality Standards libraries | Health & Well-Being | 8 | 2,3,4,6 | A,B,D |
| SLA libraires | Health & Well-Being | 5 | 2 | A,B,D |
| ESF Skills funding agreement | Business, Development & Employment | 10 | 1,2,3,4 | A,B,D |
| Life ready work ready | Business, Development & Employment | 10 | 1,2,3,4 | A,B,D |
| APT planning | Business, Development & Employment | 15 | 5& 7 | A,B,D |
| Reduction of Youth Unemployment | Business, Development & Employment | 15 | 1,2,3,4,6 | all |
| Housing Benefits & Local Council Tax Support | Customer & Neighbourhood Services | 15 | 4,6,7 | ALL |
| Bus subsidy grant | Customer & Neighbourhood Services | 3 | 5, 7 | A, B, D |
| Corporate Complaints | Customer & Neighbourhood Services | 15 | 2 | A,B,D |
| Fleet services | Customer & Neighbourhood Services | 15 | 1,4,6 | A,B,D |
| Syrian refugee programme | Customer & Neighbourhood Services | 3 | 1,3,4,6 | A,B,D |
| Direct Payments | Customer & Neighbourhood Services | 10 | 3,4,6 | A,B,D |
| Licensing fees for houses of multiple occupation | Customer & Neighbourhood Services | 10 | 1,4,5,6,7 | A,B,D |
| Dog warden contract | Customer & Neighbourhood Services | 8 | 2,5,7 | A,B,D |
| Schools (17 schools) | Education & Corporate Parenting | 104 | 1,3,4 | B,D |
| SEND | Education & Corporate Parenting (look at EHCP Pla | 12 | 1,3,5 | A,B,D |
| CPD Trading service | Education & Corporate Parenting | 15 | 1,3,5 | ALL |
| Sponsorship of council assets | Commercial Services | 7 | 2 | ALL |
| Leisure Centres | Commercial Services | 27 | 4, 6 | ALL |

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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30 MAY 2019

INFORMATION GOVERNANCE & CALDICOTT GUARDIAN ANNUAL REPORT 2018/19

JOINT REPORT OF THE AUDIT & GOVERNANCE TEAM LEADER AND ASSISTANT DIRECTOR ADULT SOCIAL CARE

1 PURPOSE

- 1.1 To present the 2018/19 Information Governance (IG) & Caldicott Guardian Annual Report to the members of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Information Governance & Caldicott Guardian Annual Report for 2018/19
- 2.2 That members of the Audit Committee agree the IG Work Programme for 2019/20

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:
- The Committee has the responsibility on behalf of the Council for the overseeing of the Council's audit, governance (including risk management) and financial processes
 - To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee – governance (including information governance)
 - Consider the effectiveness of the Council's governance processes including the Council's information security framework

4 PREVIOUS MINUTES

Audit Committee 27th June 2017 - Annual Internal Audit, IG and Caldicott Guardian Annual Report 2016/17

Audit Committee 29th May 2018 – Annual Internal Audit, IG and Caldicott Guardian Annual Report 2017/18

5 2018/19 INFORMATION GOVERNANCE ANNUAL REPORT

- 5.1 There are a number of pieces of legislation and good practice standards that govern the IG arrangements of the Council and these are listed in the background information at the end of this report. The Information Commissioners Office (ICO) is the regulatory body responsible for ensuring Council's meet information legislative requirements.
- 5.2 The Local Authority Data Handling Guidelines recommend that each local authority should appoint a Senior Information Risk Owner (SIRO). The SIRO should be a representative at senior management level and has responsibility for ensuring that management of information risks are weighed alongside the management of other risks

facing the Council such as financial, legal and operational risk. At Telford & Wrekin Council the nominated SIRO for the period covered by this report was the Assistant Director: Governance, Procurement & Commissioning.

Information Rights

5.3 Information rights is a collective name for 3 main pieces of legislation in respect to public sector information, these are:

- **Freedom of Information Act 2000** – encompasses any information held by the Council
- **Environmental Information Regulations 2004** – information with an environmental impact
- **Data Protection Act 2018** – looks at personal information relating to individuals

5.4 The IG Team has continued to play a key role in providing assurance that the Council complies with information rights legislation during the year. The IG Team has responsibility for the administration of all information rights requests on behalf of the Council including the application of relevant exemptions in respect to requests received. It also co-ordinates and guides service areas when the Council receives a subject access request (someone requesting their personal information) or a request to access social care records, e.g. a parent asking to view the contents of their child's records.

5.5 The ICO has set a benchmark of 90% for responding to FOI requests within the 20 working day statutory deadline for responding to requests.

5.6 See table below for figures relating to FOI performance for the year 1 April 2018 to end of March 2019 compared with the same period for the previous year:

| | 17/18 | 18/19 | % Increase / Decrease |
|--|-------|-------|-----------------------|
| Number of FOI requests received | 1064 | 1155 | 9 |
| Average number of FOI requests received per month | 89 | 96 | 8 |
| % of FOI requests responded to within statutory deadline | 80 | 81 | 1 |
| Average time taken (days) to respond to each request | 14 | 14 | 0 |

As can be seen from the figures in the table above, the Council's performance in responding to FOI requests within statutory deadlines improved slightly (up by 1%) from 2017/18.

In addition to the above the Council received 34 requests (29 in 17/18) that were processed under the Environmental Information Regulations (EIR) 2004. 79% (86% in 17/18) of these requests were responded to within the 20 day deadline.

5.7 In this period IG have received and responded to 16 appeals from requestors who were not satisfied with the response they received to their FOI request. This compares to a total of 11 appeals in 2017/18.

5.8 During this period IG received 2 complaints/referrals from the Information Commissioner (ICO) in respect to complaints made to them by FOI/EIR requestors. The first complaint

was due to an FOI request not responded to within 20 working days which the Council subsequently responded to. The second complaint was made where the requester did not agree with the FOI exemptions applied by the Council to their request. The ICO partially decided in favour of the Council.

5.9 The introduction of the General Data Protection Regulations changed the response times for responding to a Subject Access Request. Therefore for 2018/19 the following legislative response times were in place:

- 1/4/18 – 25/5/18 Legislative response rate 40 calendar days
- 26/5/18 – 31/3/19 Legislative response rate of 1 calendar month (with the option of extending for a further 2 months for complex requests)

Therefore between 1 April 2018 and 25 May 2018 the Council received 6 Subject Access Requests (SAR's). The Council responded to 4 SAR's within the 40 calendar day deadline.

Between 26 May 2018 to 31 March 2019 the Council received 85 Subject Access Requests (SAR's). The Council responded to 56 SAR's within either 1 calendar month and/or the extension of a further 2 months for complex requests.

Therefore the number of SAR requests in 2018/19 have nearly doubled from the number received in the previous year.

It should be noted that the size and complexity of subject access requests increases year on year. For 91 requests responded to in 2018/19, the IG Team had to read and redact over 13,000 pages of mainly sensitive personal social care information. IG continually review its procedures for processing subject access requests and feel that these are streamlined and fit for purpose. However further reviews will take place to ensure processes improve where possible.

Data Security Incidents

5.10 It is unrealistic to consider, given the amount of personal data Council services handle on a daily basis, that human errors will not occur which may result in a data breach. IG supports the investigation (with service areas) of all instances of alleged data breaches that are identified and referred to them. A data breach can cover a number of different incidents from a member/employee reporting a lost mobile phone to personal data being communicated to an unauthorised and/or incorrect recipient.

For each data breach identified in 2018/19 a thorough investigation has been undertaken into how the breach occurred, confirmation of any individuals that have been informed in compliance with the Data Protection Act 2018 and lessons learnt identified and implemented to reduce the likelihood of similar data breaches occurring in the future.

The IG Team continues to work with service areas to improve the secure processing of personal data to prevent data security incidents.

5.11 The Council self-reported 2 data breaches in 2018/19 as these met the criteria under the Data Protection Act 2018 for reporting to the Information Commissioners Office (ICO). In both cases the ICO were satisfied that breaches were due to human error and no further action was required in either case. In addition the ICO received a referral directly from an individual alleging that a data breach had been caused by the Council. After investigating

this matter the ICO decided that there was no evidence to suggest a breach had occurred.

Information Governance Related Audits & Work Programme

- 5.12 The 2018/19 IG work programme was agreed at the May 2018 Audit Committee. Progress to date in respect to this programme is shown attached as Appendix 1.
- 5.13 The implementation of the General Data Protection Regulations (GDPR) across the Council was audited by TIAA (an external audit company) as part of the contract for TIAA to provide IT audit services to the Council. The outcome of the audit was that there was reasonable assurance (Yellow report) that the Council were complying with GDPR requirements. Three recommendations (none high risk) have been made which have been taken on board by the IG Team and associated action plans for implementation agreed with TIAA. This was a pleasing outcome given the complexity of GDPR requirements.
- 5.14 Appendix 2 details the proposed IG work programme for 2019/20 for approval. This programme mainly incorporates key actions required to facilitate the legal requirements of the GDPR.

6 2018/19 CALDICOTT GUARDIAN ANNUAL REPORT

Caldicott Guardian (CG) Function – Key Responsibilities

- 6.1 A requirement for the Audit Committee to consider the Caldicott Guardians (CG) annual report / action plan. The first CG report was presented at the June 2015 Audit Committee meeting.
- 6.2 In February 2017 Sarah Dillon was appointed AD: Adult Social Care and has since undertaken the role of Caldicott Guardian (CG).
- 6.3 In terms of CG activity please see summary below:
 - 6.3.1 **GDPR** – the requirements of this legislation have been fully implemented with all staff completing relevant GDPR training. Each service continues to have an IG lead and receive and disseminate regular updates.
 - 6.3.2 **New electronic Adult Social Care database and financial systems** – In October 2018 the new system went live. The Data Protection Officer supported the service in completing a Data Protection Impact Assessment on the system. In 2020 the new system is to be audited.
 - 6.3.3 **Adult Social Care Breaches** – new reporting system in place where IG inform the CG of all breaches related to social care data.
 - 6.3.4 **Integrated working with key partners** – Information sharing protocols have been agreed, supported by the Data Protection Officer. This will continue to be an important aspect as we further integrate service delivery with partners as per the requirements of the NHS Plan. A part of this is the further development of the Sustainability and Transformation Plan across the health and social care system and the development of the Integrated Care System and an Integrated Telford Place Based Board. There are work streams including Digital Information Governance Group which will require input from the Caldicott Guardian and Data Protection Officer to ensure that all information

governance requirements are met as we move towards further integrated pathways and partnerships.

6.3.5 Quality Assurance – Regular review meetings are planned with the Senior Information Risk Owner, CG and Data Protection Officer over the next 12 months to ensure that further development and assurance of our data protection systems continue in relation to our support of those with care and support needs.

7 CONCLUSIONS FOR 2018/19

- 7.1 Despite limited resources and significant staff absence the Information Governance Team have performed well and made a positive contribution to the governance arrangements within the Council in 2018/19.

8 OTHER CONSIDERATIONS

| AREA | COMMENTS |
|---------------------------------|---|
| Equal Opportunities | All members of the IG Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified. |
| Environmental Impact | All members of the IG Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager. |
| Legal Implications | <p>Compliance with the Information Rights legislation mentioned in this report is mandatory. When assessing compliance, the ICO will consider approved policies and procedures of the authority.</p> <p>Each NHS organisation is required to have a Caldicott Guardian under Health Service Circular HSC 1999/012 dated 22 January 1999. The Circular applies to all organisations which have access to patient records, including acute trusts, ambulance trusts, mental health trusts, primary care trusts, strategic health authorities, and special health authorities such as NHS Direct.</p> <p>Caldicott Guardians were subsequently introduced into social care with effect from 1 April 2002, under Local Authority Circular LAC (2002)2 dated 31 January 2002. Caldicott Guardians play a key role in ensuring that the NHS, Councils with Social Services Responsibilities and partner organisations satisfy the highest practical standards for handling patient identifiable information under a framework which complies with the requirements of the Data Protection Act 1998; they actively support work to enable information sharing where it is appropriate to share; and advise on options for lawful and ethical processing of information.</p> <p>NHS and Social Care Caldicott Guardians are required to be registered on the publicly available National Register of Caldicott Guardians. The UK Council of Caldicott Guardians, an elected body made up of Caldicott Guardians from health and social care, meets four times per year and has a published strategy, currently for 2011-2016. The Health & Social Care Information Centre [HSCIC] publishes guidance and resources for Caldicott Guardians. SD 19.04.2017</p> |
| Links with Corporate Priorities | All aspects of the IG teams work support good governance which underpins the achievement of the Council's objectives and priorities. |

| | |
|-------------------------|--|
| Risks and Opportunities | All aspects of the IG teams work supports managers and the Council to identify and manage their information risks and opportunities. |
| Financial Implications | The work required to implement the 2019/20 IG plan will be met from within existing resources. There are therefore no financial implications arising from adopting the recommendations of this report. |
| Ward Implications | The work of the IG team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards. |

9 **BACKGROUND PAPERS**

Corporate Information Security Policy
 Corporate Information Security Breach Procedure
 Local Authority Data Handling guidelines
 ISO27001 (standard for information security)
 Data Protection Act 2018
 Freedom of Information Act 2000 (fully introduced 2005)
 Environmental Information Regulations 2004.
 Caldicott Review - <https://www.gov.uk/government/publications/the-information-governance-review>
 Information: To Share or not to Share – Government Response to the Caldicott Review.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192572/2900774_InfoGovernance_accv2.pdf

Report by Rob Montgomery Audit & Governance Team Leader. Telephone 383103

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

| No | Task | Completion Date | Update as at 31/3/19 |
|----|--|-------------------|----------------------|
| 1 | Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO. | Ongoing | Complete |
| 2 | Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income. | Ongoing | Complete |
| 3 | Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made. | Ongoing | Complete |
| 4 | Support service areas to address any information security risks that arise. | Ongoing | Complete |
| 5 | Support information sharing/production of sharing agreements. | Ongoing | Complete |
| 6 | Support service areas in the completion of Data Protection Impact Assessments for new systems/applications and those for priority existing applications. | Ongoing | Complete |
| 7 | GDPR Compliance | Ongoing | Complete |
| 8 | Review of IG training and awareness | October 2018 | Complete |
| 9 | Review and update the Corporate Information Security Policy (CISP) | End of March 2019 | Complete |
| 10 | Complete N3 connection assessment for central government. | End of March 2019 | Complete |

Information Governance (IG) Work/Compliance Programme 2019/20

| No | Task | Completion date |
|----|--|-----------------------|
| 1 | Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO. | Ongoing |
| 2 | Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income. | Ongoing |
| 3 | Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made. This would include acting as a point of contact for the ICO. | Ongoing |
| 4 | Support service areas to address any information security risks that arise. This would include acting as a point of contact for the ICO. | Ongoing |
| 5 | Monitor compliance with GDPR/DPA 2018 and associated Council policies. This includes the assignment of responsibilities, awareness raising, training of staff and associated audits. | Ongoing |
| 6 | To provide advice where requested on Data Protection Impact Assessments (DPIA) and monitor performance in this area. | Ongoing |
| 7 | To co-operate with the Information Commissioners Office (ICO) in any relevant engagement. | Ongoing |
| 8 | Inform and advise the Council and its employees who carry out personal information processing of their obligations under GDPR/DPA 2018. | End of June 2019 |
| 9 | Implementation of the GDPR audit recommendations. | End of July 2019 |
| 10 | Review and update the Corporate Information Security Policy (CISP). | End of September 2019 |
| 11 | Complete Data Security & Protection (DSP) toolkit assessment for central government. | End of March 2020 |

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th May 2019

CORPORATE ANTI-FRAUD & CORRUPTION - 2018/19 ANNUAL REPORT AND POLICY UPDATE

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

- 1.1 For the Audit Committee to:
- Consider the 2018/19 Annual Report on Corporate Anti-Fraud and Corruption activity; and
 - Agree the updated policy and to recommend its adoption by the Council.

2. RECOMMENDATIONS

- 2.1 That the Audit Committee notes the 2018/19 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Committee recommends the adoption by Council of the updated policy attached as Appendix 1.

3. SUMMARY

- 3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. These procedures include the Anti-Fraud & Corruption Policy.
- 3.2 The terms of reference of the Audit Committee include:
"13. To approve the Anti-Fraud and Corruption Policy and to recommend its adoption by the Council and to monitor its operation. The policy will be reviewed at least once every two years."
- 3.3 This report includes annual information in respect to the Corporate Anti-Fraud and Corruption activity for 2018/19 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix 1 is an updated policy for members to agree and recommend on for adoption by the Council.

4. PREVIOUS MINUTES

- 4.1 Audit Committee 30th June 2015 – Annual Report 2014/15 and Policy Update
Audit Committee 28th June 2016 – Annual Report 2015/16 and Policy Update
Audit Committee 27th June 2017 – Annual Report 2016/17 and Policy update
Audit Committee 29th May 2018 - Annual Report 2017/18 and Policy update

5. INFORMATION - ANNUAL REPORT 2018/19

- 5.1 The Anti-Fraud and Corruption Policy supports one of the key dimensions of good corporate governance – Standards of Conduct. The Council aims to ensure that all those associated with it maintain high standards of ethics and conduct in public life contributing to good corporate governance.

- 5.2 Nationally there are indications from Police and Government statistics that fraudulent activity has and will continue to increase. Therefore it is important that the Council continues to maintain its vigilance in respect to Council services and the community.
- 5.3 This report contains information for 2018/19 on counter fraud and investigation activities within the Investigation Team, Internal Audit and Public Protection. The committee should note that the Council's procedures and controls are designed to minimise the opportunity for fraud and to highlight where possible fraudulent activity may have occurred.
- 5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide information for review and investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

6. TRANSPARENCY CODE REQUIREMENTS

- 6.1 The Local Government Transparency Code requires the Council to publish data regarding its fraud arrangements. The table below is a summary of these requirements together with the corresponding information on the Council's fraud arrangements.

| | Requirement Description | T&W Arrangements |
|---|---|---|
| 1 | Number of occasions the Council have used the powers under the Prevention of Social Housing Fraud Regulations 2014 or similar powers. | We do not have social housing and therefore these powers have not been used. |
| 2 | Number (absolute and FTE) of employees undertaking investigations and prosecutions of fraud | <p>Currently there is 1 Senior Investigation Officer and 1 Assistant Investigation Officer working in the Investigation Team. The Assistant post was not filled until 2 July 2018, therefore up until this date the team operated with just 1 officer. This now equates to 2 FTE officers undertaking investigations.</p> <p>Other Council services undertake investigations into fraud, for example Public Protection. These tasks form part of an officer's job role and therefore it would be impossible to identify what proportion of their role would be taken up undertaking fraud investigations.</p> |
| 3 | Number (absolute and FTE) of professionally accredited counter fraud specialists | Currently 2 Accredited Counter Fraud Specialist work in the Investigation Team. |
| 4 | Total amount spent by the authority on the investigation and prosecution of fraud | <p>The cost of the Investigation Team for 2018/19 was £90,415. Costs include staff, postage, printing, telephones, mileage, computer software and all other investigation related costs.</p> <p>As stated on point 2 above other areas do undertake investigations but it is impossible to attribute a cost to this as</p> |

| | | |
|---|--|---|
| | | costs are consumed in overall budgets for each service. |
| 5 | Total number of fraud cases investigated | See case investigation data in this report. |

7. HOUSING BENEFIT AND COUNCIL TAX SUPPORT

The Housing Benefit and Council Tax Support caseload has decreased again over the last 12 months, from 17,484 (live cases) at 31 March 2018 to 16,876 at 31 March 2019. The government's Welfare Reforms and the introduction of Full Service Universal Credit in the area on 14 November 2018 are the main factors. Universal Credit replaces six working age benefits including Housing Benefit. A very limited version of Universal Credit was introduced by the Department for Work and Pensions (DWP) in the area from June 2015 called Universal Credit live service. The circumstances when someone could apply were very limited (restricted to single people, who were seeking work and had no housing costs). Universal Credit live service was temporarily halted by the government from 1 January 2018. Full Service covers people with all different circumstances including families, those with a disability and those with housing costs with the exception of pensioners and those in supported or temporary accommodation. Any customers who want to make a new claim now need to apply for Universal Credit, in addition if a person has a significant change of circumstance they have to claim Universal Credit. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled.

- 7.1 The review of claims in 2018/19 mainly concentrated on changes in earnings or occupation pensions received from the Department for Work and Pensions via their optional Real Time Information files. From August 2018 the Verification of Earnings and Pensions alerts started to replace the Real Time Information files. We have also reviewed cases where earnings haven't changed for several years, student income and took part in the DWP's initiative to review self-employed claims.
- 7.2 The Council has followed the Department for Work & Pensions (DWP) lead in "securing the gateway". The DWP aim at "getting it right, and keeping it right" i.e. ensuring only those properly entitled are granted and paid benefit. Those wishing to make a claim for Housing Benefit or Council Tax Support complete an online form and book an appointment to see a Benefit Assessment Officer. At the appointment the Officer asks further questions and verifies the customer's identity, income and capital documents. They also explain to the customer their responsibilities regarding reporting of changes in circumstance. Entitlement letters are given to the customer at the end of the interview and explained and checked with the customer to ensure accuracy.
- 7.3 The Benefits Team continues to get a wealth of information from the DWP's Automated Transfer to Local Authority Systems (ATLAS) regarding changes in a customer's state benefits or tax credits. Whilst ATLAS does not capture every change and it is still the customer's responsibility to report changes it does mean that we obtain the vast majority of such changes in this way. This has allowed the proactive work to be concentrated on getting the earning and Occupational Pension details of customers up to date. In total 3,090 matches from the Optional Real Time Information downloads were checked, 1,046 Verification of Earnings and Pension Alerts were processed and a further 287 proactive reviews were undertaken including 162 cases identified by the DWP self-employed review exercise. Weekly Council Tax Support savings were made of just over £4,121 which equates to an annual saving of £214,317. Overpaid Housing Benefit totalling £624,758 was also identified from this proactive work.

7.4 Benefits Data Matching

7.4.1 The latest National Fraud Initiative (NFI) 2018/19 matches became available in February 2019. Work has already started to review the higher risk matches and this work will continue in to 2019/20. If when looking at the match, or indeed when looking at any claim, fraud is suspected then cases are referred to the Council's Investigation Team to look at the Council Tax Support claim or the DWP's Single Fraud Investigation Service (SFIS) as we no longer have the powers to investigate Housing Benefit fraud. In addition to NFI matches the Benefit Service reviews and completes matches issued to it via the DWP's Housing Benefit Matching Service (HBMS) each month and the team also actioned the monthly optional Real Time Information (earnings and occupational pensions) and their replacement the Verification of Earnings and Pensions Alerts.

7.5 Benefit Fraud Sanction & Prosecution Policy

7.5.1 With responsibility for Housing Benefit fraud coming under the Single Fraud Investigation Service (part of Department for Work & Pensions) since 1 June 2015 a new Revenues and Benefits Sanction and Penalty Policy was written and agreed by Cabinet in July 2015. This was reviewed in 2016 and remained unchanged.

8. THE INVESTIGATION TEAM

8.1 The Investigation Team sit within Audit and Governance and have responsibility for investigating fraud error and irregularity across the authority. The move towards becoming a corporate fraud team is still relatively new but the team have already achieved notable success. The team had a mini restructure in 2018. The make-up changed to 1 full-time Senior Investigation Officer and 1 full-time Assistant Investigation Officer. However, the Assistant post was not filled until 2nd July 2018. Therefore the team operated with just one officer up until that date. The cost of the Investigation Team for 2018/19 was £90,415.

8.2 A high proportion of the Investigation Team's work comes from investigating matters affecting the Revenues service. This includes Council Tax Support (CTS), Single Person Discount (SPD), council tax liability issues and National Non-Domestic Rates (NNDR). The table at 8.11 details all the recorded savings made by the Investigation Team for 2018/19. 170 investigations were conducted into revenues matters in 2018/19, with 71 being positive. The total value of savings identified in this area were £71,013.27. Although the Investigation Team has no jurisdiction to investigate Housing Benefit, the team recorded any Housing Benefit savings that occurred as a result of their investigation into a Council Tax Support award. This resulted in a saving of £130,099.78 in Housing Benefit due to the Investigation Team's involvement.

8.3 During 2018/19 the further investigations were undertaken into other areas of fraud across the Council. This resulted in further savings of £26,623.09. A high proportion of this (£17,251.17) came from the recovery of an old Housing Benefit and Council Tax Benefit debt through the Proceeds of Crime Act 2002. The debt related to a lengthy investigation undertaken some years previous but the application to recover the money involved extensive ongoing work over proceedings years into 2018/19, by the Investigation Team which led to the money being recovered.

8.4 A number of internal investigations have been undertaken. This includes two matters that have been referred to the Police. This work has been time consuming but has resulted in beneficial outcomes to the authority.

8.5 The team have a close working relationship with West Mercia Police Intelligence Team. A Service Level Agreement (SLA) exists which facilitates the sharing of data for the prevention and detection of crime. The team assist the Police on a daily basis in a variety matters under this agreement. Although this work can be time consuming, it is an extremely important facility

in helping the fight against crime in the local community and helps keep local residents safer and at less risk of being the victims of crime.

8.6 During 2018/19 a number of policies were updated or rewritten by the team in order to help with the expansion of the Investigation function. These policies are detailed below.

- Fraud Response Plan
- Ant-Fraud and Corruption Policy
- Whistleblowing Policy
- The Anti-Money Laundering Policy (yet to go to SMT)
- Corporate Prosecution Policy (yet to go to SMT)

8.7 To assist with the development of the investigation function the Council's website was updated. The previous site was no longer relevant and only provided details relevant to revenues and benefits. The site now provides the general public with information relating to all aspects of fraud and irregularity that can affect Telford and Wrekin Council and encourages the reporting of suspected fraudulent activity across these areas.

8.8 The previous internet pages also contained 4 different fraud reporting forms in different parts of the site. Each of the forms related to potential fraud in revenues related matters. A new single form is now available that allows the reporting of any type of potential fraud that the Council can become of victim of. It also allows the online reporting of whistleblowing referrals.

8.9 The Council's intranet has also redesigned by the team making it more relevant to the team's role. The site also gives staff access to the online fraud and whistleblowing reporting form.

8.10 A new 'Ollie' based fraud induction training package has been written. This details the various ways in which Telford and Wrekin Council can be affected by fraud and irregularity. It details how to raise a concern with the Investigation Team. The training course is now part of the induction package for all new starters.

8.11

Investigation Team Savings 2018/19

| Fraud Area | Savings |
|------------------------------|--------------------|
| Council Tax/Revenues Matters | £71,013.27 |
| Adult Social Care | £9,371.70 |
| Proceeds of crime | £17,251.17 |
| Housing Benefit | £130,099.78 |
| | |
| | |
| Total | £227,735.92 |

8.12 National Fraud Initiative (NFI)

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

8.12.2 The Council has a statutory responsibility to provide data to the Cabinet Office for the prevention and detection of fraud as part of the NFI. NFI is an exercise that matches electronic

data within and between audited bodies to prevent and detect fraud. The Investigation Team act as administrators for the NFI within the authority.

8.12.3 The team manage the National Fraud Initiative (NFI) and have facilitated the 2018/19 exercise. This is a lengthy and demanding piece of work which requires a considerable amount of officer time. Despite this, all the data was obtained from across the authority, loaded onto the NFI site, matched and returned without incident. The NFI will continue to be managed throughout 2019/20.

8.12.4 In 2018/19 the authority took part in the NFI Business Rates Pilot. The match produced a significant number of false positives. However, a total saving of £15,280.92 was recorded with the identification of business claiming exemptions discounts that they were not entitled to.

9. INTERNAL AUDIT

9.1 Internal Audit has a preventative role in ensuring that systems and procedures are in place to prevent and deter fraud, bribery and corruption. They assist Managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud. Their annual audit plan can include spot checks and unannounced visits to assist in the detection and prevention of fraud.

9.2 There is no specific time allocated to audit for proactive fraud work as this is consumed within the days allocated for general audit assignments. Proactive fraud days are now allocated to the Investigation Team.

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

10. PUBLIC PROTECTION

10.1 The Public Protection Service which includes Trading Standards, Environmental Health and Licensing play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted.

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

10.3 Staff undertake extensive professional training and mentoring before being permitted to commence enforcement duties, and have access to a range of professional competency training facilities through CEnTSA (Central England Trading Standards Authorities), CIEH Chartered Institute of Environmental Health and the Institute of Licensing (IOL) and their regional professional networks as well as central government departments such as Food Standards Agency and Department of Environment, Food and Rural Affairs (DEFRA).

10.4 Anti-Fraud responsibilities

10.4.1 All teams through the course of their routine work may come across irregularities relating to the running of the business. Where these irregularities are outside Public Protection's remit these are referred to agencies such as UK Border Force, Driving & Vehicle Licensing Agency, HM Revenues & Customs, Insurance Fraud Bureau, Police and internal service areas such as Revenues and Benefits.

10.5 Environmental Health

10.5.1 Fraud can occur in a number of areas that the Environmental Health service covers. The prevention and detection of unfit and debased food through inspection, sampling and intelligence is part of the team's role. Members of the public can now use the Everyday Telford App to report Food Crime.

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

10.5.3 Rogue landlords is a high profile area of focus for the team. The team act upon intelligence and complaints from members of the public. They look into identifying fraudulent practices relating to tenant deposits – landlords/agents must ensure that tenants deposits are protected using a third party deposit service and that documents/certificates supplied for the purposes are compliance with gas and electrical safety regulations are appropriately verified.

10.6 Licensing Service

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

- Street trader consents - Prevention and detection of the illegal and highly lucrative transfer of street trader consents.
- Taxi licensing - Ensuring the correct vehicle, correctly insured and driven by the licensed driver.
- Scrap metal dealers licensing - Joint working with police to detect illegal trading in stolen vehicles and other stolen metal items such as copper cabling through scrap metal dealers.
- Street Collections, Charity collections - Identification, detection and enforcement of fraudulent collections

10.7 Trading Standards Service

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

- Intellectual Property crime – covering Copyright, Trade marks
- Consumer Protection from Unfair Trading legislation - There is wide ranging legislation to keep pace with constantly changing fraudulent practices. This legislation covers a wide range of goods and services including house purchases, animals, vehicles, food & drink and all personal and professional services.
- Cattle identification legislation - To prevent fraudulent transfer to limit disease spread.
- Weights and Measures - Misrepresentation of quantity or measure of goods supplied.
- Fraud Act - This legislation is applicable to all the above legislative areas. The act allows Trading Standards to take action against serious criminality and persistent offenders to achieve the appropriate fines and sentences where necessary.

10.7.2 Trading Standards receives intelligence about rogue trader activities in Telford and deals with complaints about fraudsters that specifically target vulnerable and older people, carrying out unnecessary or misrepresented home improvement work and as a result defraud them out of thousands of pounds. This area of fraud known also as Door Step Crime remains a priority for Trading Standards for 19/20.

10.7.3 The team also works closely with the national scams team, visiting victims of fraud to offer advice and support and assist in the national profiling of victims and has signed up as a SCAM champion to promote the Friends Against Scams National Campaign along with interested partners. The service continues to educate and inform our residents of the many forms of financial abuse and help to reduce and protect vulnerable adults through media campaigns and attending events.

10.7.4 Trading Standards have prioritised work around illicit tobacco and works closely with HMRC, West Mercia Police and other Local Authorities sharing intelligence, carrying out joint operations focussed on the supply of illicit products.

10.8 Regional Investigations Team (Formerly Scambusters)

10.8.1 Dedicated Trading Standards officers work alongside officers from the Police, HM Revenue & Customs and other enforcement agencies. They work across local authority boundaries focusing on the hardest to tackle scams and rogue traders that set out to defraud people out of their money/assets. Examples of the types of issues that have been targeted are:

- Doorstep crime
- Deceptive selling techniques
- 'Cowboy' builders doing shoddy and unnecessary work large scale organised counterfeiting operations

11. PUBLICITY

11.1 As per the policy, publicity of cases is important as a deterrent. The Investigation Team and Public Protection use Corporate Communications to issue press releases and social media to alert the public and inform businesses about relevant campaigns, interventions and prosecutions. The press releases are also published on the Council's website.

11.2 When any significant intervention or prosecution occurs then the relevant Assistant Director and Cabinet member are briefed accordingly. Any lessons learnt are shared within the relevant team meetings.

11.3 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the staff news, bulletins and in management meetings.

12. TRAINING AND AWARENESS

12.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption Policy.

12.2 A new online fraud training package has been written and is provided to all new starters within the authority. This covers all aspects of fraud and irregularity that can affect Telford and Wrekin Council and how officers can help prevent it and report any concerns.

12.3 Staff within Revenues & Benefits receive Fraud Awareness training as part of periodic refresher training. The Department for Work and Pensions also provide Benefit Officers with training in relation to Housing Benefit fraud.

12.4 Specific targeted training is provided to relevant officers when required. In 2018, anti-money laundering training was provided to a number of relevant officers within the authority.

12.5 For officers there is the Code of Conduct for Employees which is included as part of induction is available on the intranet. The Code of Conduct has aspects built in to help with fraud prevention.

13. CHALLENGES FOR 2019/20

13.1 One of the main challenges for 2019/20 is to continue to expand the corporate fraud function. Currently the majority of work that the Investigation Team undertake relates to potential fraud within the Revenues Service area. Significant progress has been made within Adult Social Care. However, in order to assist with the identification of potential matters that require investigation, the reviewing process within Direct Payments needs to be addressed.

13.2 With greater publicity internally, it is hoped that officers within the authority may recognise and refer matters to the Investigation Team from service areas where fraud has largely been undetected.

13.3 Closer joint working with outside organisations such as the Police and possibly the Department for Work and Pensions as well as internally, with the various enforcement teams will help to combat fraud. However, the Investigation Team have very limited resources (currently two officers) therefore, manpower could be the greatest challenge as the team's function expands.

14. ANTI-FRAUD & CORRUPTION POLICY UPDATE

14.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 29 May 2018. The Anti-Fraud & Corruption Policy is reviewed annually to coincide with the annual report (unless urgent changes are required in between).

14.2 The updated Policy is attached as Appendix A. There are very few changes to this year's policy. Changes in the policy largely relate to the role of the Investigation Team and the new online Fraud Reporting and Whistleblowing procedure.

15. OTHER CONSIDERATIONS

| AREA | COMMENTS |
|----------------------|--|
| Equal Opportunities | The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council's associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met. |
| Environmental Impact | None |
| Legal Implications | <p>The Accounts and Audit Regulations 2011 require the Council to ensure 'that the financial management of the body is adequate and effective and that the body has a sound system of internal control'. The anti-fraud documents help to fulfil this requirement.</p> <p>The Council will have full regard to relevant legislative requirements, including without limitation:</p> <ul style="list-style-type: none"> • The Fraud Act 2006 • Bribery Act 2010 • Section 151 Local Government Act 1972 • Section 5 Local Government & Housing Act 1989 Contracts Regulations 2015 • Accounts and Audit Regulations 2011 |

| | |
|---------------------------------|--|
| | <ul style="list-style-type: none"> • The Council Tax Reduction scheme (Detection and Enforcement) (England) Regulations 2013 • Local Government Finance Act 1988 • Regulation of Investigatory Powers Act 2000 • Terrorism Act 2006 • Proceeds of Crime Act 2002 • Police and Criminal Evidence Act 1984 • Companies Act 2006 • Localism Act 2011 • The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 |
| Links with Corporate Priorities | The policy supports all Corporate Priorities and good Corporate Governance demonstrating the Council's desire to ensure sound conduct and ethical procedures for all those associated with the Council and service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity. |
| Financial Implications | Costs associated with the anti-fraud and corruption work outlined in this report are met from the Council's base budget. This includes staffing costs, training, marketing and promotion costs, stationery and any postage. |
| Opportunities and Risks | Having a policy which sets out the Council's anti-fraud and corruption culture and associated procedures assists in the management of the risk of fraud and corruption against the Council. |
| Ward Implications | Borough wide implications. |

16. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2019

Whistleblowing Policy 2018

Benefits Counter Fraud and Sanctions Policy 2016

Cabinet Office requirements for the National Fraud Initiative

Trading Standards & Licensing Legislation

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

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1. INTRODUCTION

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

2. CULTURE

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

3. PREVENTION & DETERRENCE

3.1 MEMBERS

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

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

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

3.1.1 All members of the Council have a duty to the citizens of the Borough to protect the Council and public money from any acts of fraud, bribery or corruption. This is achieved through the Anti-Fraud and Corruption Policy, compliance with the Code of Conduct for Members, the Council's Constitution⁴, relevant legislation and any other protocols and procedures adopted by the Council.

3.2 EMPLOYEES

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

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

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

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

3.3 MEMBERS & EMPLOYEES

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

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

3.4 INVESTIGATION TEAM AND INTERNAL AUDIT

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

3.4.2 Internal Audit plays a vital preventative role in ensuring that systems and procedures are in place to prevent and deter fraud, bribery and corruption and has specific rights within the constitution

⁴ Including Financial Regulations and Standing Orders

⁵ Assistant Director Finance, & HR

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

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

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

3.5.1 Benefits administration is recognised nationally as being complex to administer. This results in the scheme being prone to error and abuse. The Authority is committed to tackling poverty but it must also ensure that the administration of Housing Benefit and Council Tax Support is secure, fair and provides prompt help to those who are entitled. Equally, it must also be vigilant in tackling fraud and error to ensure value for taxpayers' money. This is also appropriate to the Revenues Service when awarding any discount or exemption on a council tax or business rate account. Both the Revenues Service and the Benefits Service operate within legislation, government guidance and local procedures with the aim of improving the quality and accuracy of benefit determinations and to prevent and reduce the incidence of fraud.

3.5.2 Housing Benefit fraud is investigated by the Department for Work and Pensions, while fraud within Council Tax Support is investigated by the Investigation Team within Audit and Governance.

3.6 DATA MATCHING

3.6.1 The Council participates in all mandatory data matching exercises most notably the National Fraud Initiative (NFI). In respect to both Revenues and Benefits there are also regular external exercises and the introduction of real time information to enable data matches from HRMC. In addition internal data matching exercises are undertaken at various times, for example matching council tax single person discount records with credit reference agencies. All exercises adhere to data protection requirements under the Data Protection Act 2018.

3.7 EXTERNAL AUDIT

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

3.8 OTHER AGENCIES

3.8.1 Appropriate Council services have arranged (in compliance with the Data Protection Act 2018) the exchange of information on national and local fraud, bribery and corruption activity with appropriate external agencies.

3.9 CONTRACTORS/SUPPLIERS AND THE PUBLIC

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

3.10 PROSECUTION AND RECOMPENSE

3.10.1 To support this policy the Council has a Corporate Prosecution Policy which is complemented by the Revenues and Benefits Sanction and Penalty Policy. The corporate policy is designed to clarify and ensure consistency in the Council's action in specific cases and to deter others from committing offences against the Authority. The Revenues and Benefits Sanction Policy

ensure that Revenues and Benefits prosecutions are undertaken within the requirements of the relevant legislation.

3.10.2 Any sanction against Housing Benefit will be taken by the Department for Work and Pensions. Although authorisation for administration penalties (fine as an alternative to prosecution) will still have to be provided by the appropriate person within Telford and Wrekin Council.

3.10.3 In addition or instead of prosecution, the Council will seek to recover any money or assets fraudulently/corruptly obtained from the Council.

3.11 DISCIPLINARY OR OTHER ACTION

3.11.1 Theft, fraud, bribery and corruption are serious offences against the Authority and employees will face disciplinary action if there is evidence that they have been involved in these activities, including any deception to obtain a council tax discount and/or exemption along with Housing Benefit fraud. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case but in a consistent manner.

3.11.2 Members will face appropriate action under this policy if there is evidence that they have been involved in theft, fraud, bribery and corruption against the Authority. Action will be taken in addition to, or instead of criminal proceedings, depending on the circumstances of each individual case but in a consistent manner. If the matter is a potential breach of the Code of Conduct for Members then it will also be referred to the Monitoring Officer.

3.12 PUBLICITY

3.12.1 The Council's Corporate Communications Team will optimise the publicity opportunities associated with anti-fraud, anti-bribery and anti-corruption activity within the Council. Information will be publicised in respect of prosecutions and other appropriate cases as a deterrent.

3.12.2 Fraud reporting will be made easier by the new internal and external reporting channels, promoting both online and telephone referrals to the Investigation Team. This will complement the updated Whistleblowing Policy and will be widely publicised.

3.12.3 Internally, where the Council can learn from incidents the relevant points will be communicated to members and employees.

3.12.4 Any notifications received by the Council of possible regional/national frauds, scams or alerts will be communicated to employees and members, as appropriate.

3.13.5 All anti-fraud, anti-bribery and anti-corruption activities, including the update of this policy⁷, will be publicised in order to make employees, members and the public aware of the Council's commitment to taking action on fraud, bribery and corruption, when it occurs.

4. REPORTING DETECTION AND INVESTIGATION

4.1 All suspected fraud, bribery and corruption irregularities (except Housing Benefit fraud) are required to be reported to the Investigation Team within Audit and Governance. This can be done through the online reporting form, via telephone, in writing and in person. The telephone number is 01952 383839. Any whistleblowing referral can be made through the same channels.

4.2 Any referral for suspected Housing Benefit fraud can be made directly to the Department for Work and Pensions by using the national fraud hotline 0800 854440 or online reporting mechanism. Any internal referral for Housing Benefit fraud that has occurred from processing an application by Benefit staff can be made using the recognised reporting form which can be passed to the Investigation Team to refer to the Department for Work and Pensions through established channels.

⁷ This policy will be reviewed annually and updated where necessary.

4.3 Internal Audit plays an important role in the detection of fraud. Included in their audit plan are specific fraud tests, spot checks and unannounced visits. However it is often the vigilance of employees, partners, volunteers, members, governors, suppliers/contractors and the public that aids detection

5. AWARENESS AND TRAINING

5.1 The Council recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of training and awareness for Members, employees and affected external parties. The principles of this policy are integrated into the officer and member's induction programme and incorporated in the Member Development programme.

5.2 A new online fraud training course is now undertaken by all new employees of the Authority.

5.3 Specialist training for certain employees is provided by their service area due to their specific roles.

5.4 Regular awareness through corporate communication, staff news and Ollie will support the successful application of this policy. Full copies of the Anti-Fraud and Corruption Policy, the Fraud Response Plan the Whistleblowing policy and any other relevant policy are available on the intranet.

ANNEX 1 DEFINITIONS OF FRAUD, BRIBERY & CORRUPTION

Fraud is defined by the Audit Commission as:-

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

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

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

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

It also created new offences:

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

Corruption is defined by the Audit Commission as:-

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

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

Bribery is defined under the Act as:-

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

EXAMPLES OF THE TYPES CONCERNS that should be raised:

- * A criminal offence
- * A failure to comply with a statutory or legal obligation
- * Improper or unauthorised use of public or other official funds
- * A miscarriage of justice
- * Maladministration, misconduct or malpractice
- * Discriminatory behaviour
- * Endangering an individual’s health and/or safety
- * Damage to the environment
- * Benefit Fraud
- * That offers or requests have been made in respect to a promise, gift, financial or other advantage to or from a person that results in improper performance of a decision or action
- * Deliberate concealment of any of the above

Roles and Responsibilities of the Chief Financial Officer (CFO) in respect to Financial Affairs including Fraud & Corruption

Section 151 of the Local Government Act (1972) sets out that in every local authority in England & Wales should:

“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs”.

Section 114 of the Local Government Finance Act (LGFA) 1988 requires the Chief Financial Officer to report to the Council if the authority, one of its committees, the Leader and Cabinet Executive or one of its officers:

- Has made – or is about to make – a decision which has or would result in unlawful expenditure;
- Has taken, or is about to take, an unlawful action which has or would result in a loss or deficiency to the authority; or
- Is about to make an unlawful entry in the Council’s accounts.

Section 114 of the LGFA 1988 also requires the Chief Financial Officer to nominate a properly qualified member of staff to deputise, should the Chief Financial Officer be unable to perform the duties under Section 114 personally.

Under the Constitution the CFO responsibilities of proper administration encompasses all aspects of local authority financial management including:

- provision of financial advice for service delivery, strategic planning and policy making across the authority;
- provision of advice on the optimum use of available resources on the management of capital and revenue budgets;
- provision of financial management information;
- preparation of statutory and other accounts, associated grant claims and supporting records;
- provision of an effective internal audit function and assistance to management in providing safe and efficient financial arrangements;
- the proper exercise of a wide range of delegated powers both formal and informal;
- provision of effective financial management systems and procedures;
- provision of effective income collection and payments systems;
- advising on treasury, investment and cash-flow management;
- advising on the safe custody of assets and insurance; and
- The recognition of the fiduciary responsibility owed to local tax payers.

KEY COUNCIL DOCUMENTS THAT SUPPORT THIS POLICY

(This list contains examples but is not exhaustive)

- Constitution
- Financial Regulations and Standing Orders and associated detailed procedures
- Fraud Response Plan
- Employee Code of Conduct
- Health and Safety Policies
- Corporate Information Security Policy (which includes the E-mail and Internet Usage Policies and IT Strategy).
- Gifts and Hospitality Guidance
- Equalities policies
- Private Works Procedure

CONSTITUTION POWERS FOR REPRESENTATIVES OF INTERNAL AUDIT

(Part 4 – Rules of Procedure: Section 6 – Financial Regulations paragraph 9.7)

9.7 The Chief Finance Officer's authorised Internal Audit representatives shall be empowered to:

- enter at all reasonable times any Council premises or land
- have access to all Council and partner records (includes business e-mails and internet records), documentation and correspondence relating to any financial and/or other transactions or other business of the Council, its employees or members, as considered necessary by the CFO, Monitoring Officer or Audit & Information Governance Manager.
- have access to records belonging to third parties such as contractors or partners when required
- require and receive such explanations as are regarded necessary concerning any matter under examination from any employee, member, partner or third party.
- require any employee or member of the Council or any partner/third party to account for cash, stores or any other Council property which is under his/her control or possession on behalf of the Council.

Agenda Item 14

TELFORD & WREKIN AUDIT COMMITTEE
OUTLINE OF BUSINESS FOR FUTURE MEETINGS 2019/20

| DATE OF MEETING | ITEM | RESPONSIBLE OFFICER |
|-----------------|--|---------------------|
| 30/5/19 | 1. Review of TOR for the Committee | RM |
| | 2. External Audit Interim Report 2018/19 | GT |
| | 3. External Audit Fee Letter and Plan for 2019/20 | GT |
| | 4. 2018/19 Annual Governance Statement | RM |
| | 5. Draft Statement of Accounts 2018/19 | KC/PH |
| | 6. 2018/19 Internal Audit Annual Update Report including the Audit Committee Annual Report and 2019/20 Internal Audit Plan | RM/TD |
| | 7. Update Report on the work of Internal Audit | RM/TD |
| | 8. 2018/19 Annual Information Governance and Caldicott Guardian Report & 2019/20 IG Work Programme | RM/TD |
| | 9. 2018/19 Anti-Fraud & Corruption Annual Report and updated Policy 2019/20 | RM |
| | 10. Outline of Audit Committee Business for 2019/20 | JE/RM |
| 23/7/19 | 1. Treasury Management Outturn 2018/19 and Update 2019/20 | PH |
| | 2. Report to those Charged with Governance 2018/19 | GT |
| | 3. Audited Annual Statement of Accounts 2018/19 | KC/PH |
| | 4. Publication of Information on Councillors who Traded with the Council during 2018/19 | PH/RM |
| | 5. Strategic Risk Register Update | JP/RM |
| | 6. 2019/20 - Internal Audit & IG Activity Update Report | RM/TD |
| | 7. Capital receipts update (exempt item) | KK |
| 1/10/19 | 1. Annual Customer Feedback Report and assurance on lessons learnt 2018/19 | AA |
| | 2. External Audit Annual Audit Letter | GT |
| | 3. Update report on the work of Internal Audit | RM/TD |
| | 4. Public Sector Internal Audit Standards – Self Assessment | RM/TD |
| 28/1/20 | 1. Treasury Management – update from Arling close | Arling Close |
| | 2. Draft Treasury Management Strategy 2020/21 and update 2019/20 | KC/PH |
| | 3. External Audit Plan 2020/21 | GT |
| | 4. External Audit Grants Report | GT |
| | 5. Internal Audit Activity Report and Update to Internal Audit Charter 2020/21 | RM/TD |
| | 6. Updated position of the AGS Action Plan 2018/19 | JP/RM |

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