

# **Telford & Wrekin Council**

## **Statement of Accounts**

**2013/14**

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## Telford & Wrekin Council

### Statement of Accounts

2013/14

## Financial Statements

### Explanatory Foreword

#### **1. INTRODUCTION**

Telford & Wrekin Council is a Unitary Authority created in 1998. Situated in Shropshire, the Borough is a mix of urban and rural areas combining historic towns with modern retail centres. The Council delivers a vast range of services to its community, of around 170,000 people, including Education, Waste Collection and Disposal, Care for Vulnerable Adults and Children, Libraries, Leisure Centres and Play Facilities. It is a place of Enterprise, Innovation and Partnership. Further information about Telford & Wrekin Council can be found in the 2013 State of the Borough Report which is published on the Council's web site ([www.telford.gov.uk/stateoftheborough](http://www.telford.gov.uk/stateoftheborough)).

The Council is committed to openness and transparency and publishes details of all spending of over £100 every month. The Statement of Accounts are a public record of the Council's financial position for 2013/14; showing what has been spent, income that has been received together with assets and liabilities. The Statement of Accounts is prepared on an International Financial Reporting Standards (IFRS) basis as interpreted by the Local Government Accounting Code of Practice. The information is presented as simply and clearly as possible whilst adhering to the IFRS reporting regulations.

The Statement of Accounts features four main statements reporting on the Council's core activities:

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

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

The main statements are supplemented by the Collection Fund Account.

The Council's accounts for the year 2013/14 are set out in the remainder of the report. They consist of:

- ... **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £3.224m at 31<sup>st</sup> March 2014). This statement represents the authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable;

- ... **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 £22.634m as compared the outturn report which shows an underspend of £0.100m. The reasons for this difference relate to technical transactions required to put the accounts on an IFRS basis including losses on disposal of fixed assets (notably trust schools and academies which are removed from the asset register by disposing for nil proceeds), depreciation, Revenue Expenditure Financed from Capital Under Statute (REFCUS), impairments and pensions, these are all offset by capital grants. These do not impact on either General Fund Balances or Council Tax;
- ... **The Balance Sheet** - This is a "snapshot" of the Authority's financial position which sets out the financial position of the Council on 31<sup>st</sup> March 2014 and show net assets for the Council of £48.865m, an increase from £16.847m for the previous year. This is mainly due to the reduction in the Pensions Liability, which will ultimately be covered by future contributions to the fund;
- ... **The Cash Flow Statement** - which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties, analysing them into operating, investing and financing activities, and shows a net increase in Cash and Cash Equivalents of £6.6m;
- ... **The Notes to the Core Financial Statements** - which provide further information supporting the financial statements and includes the Statement of Accounting Policies and provides further detailed information on specific items;
- ... **The Collection Fund** - the statutory account in which income from business rates and council tax is held temporarily, pending payment to the precepting authorities. There is an increase on the council tax fund balance of £0.665m for the year and the Council's share of the surplus was £1.6m at 31<sup>st</sup> March 2014. The localisation of business rates means that we also show similar information in respect of this. The business rates show an increase in the deficit for the year of £1.9m and the Council's share of that deficit was £0.9m;

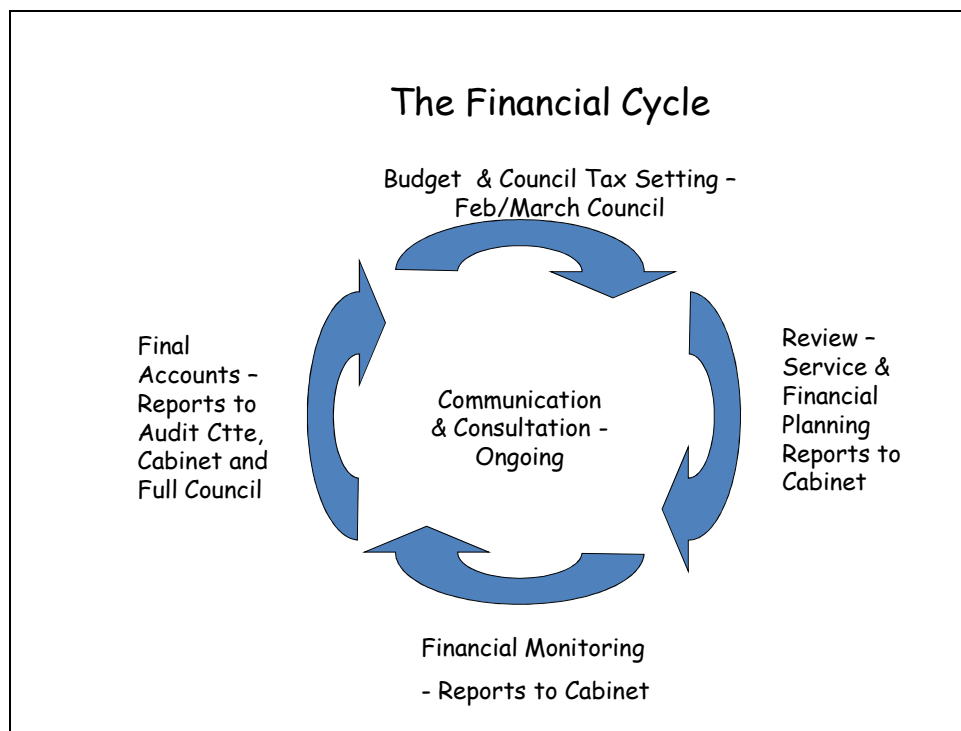
These accounts are supported by the Statement of Responsibilities, which follows this foreword.

## 2. **FINANCIAL CONTEXT**

This section of the Statement of Accounts summarises the background to the Council's accounts for 2013/14. In particular it sets out

- The Council's Financial & Reporting Cycle
- An overview of the budget process for 2013/14
- Issues highlighted during 2013/14
- The final outturn for 2013/14
- A commentary on 2014/15

## 2.1 The Council's Financial and Reporting Cycles



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

## 2.2 An Overview of the Budget 2013/14

The Council's 2013/14 budget was set in the context of a three year policy and planning strategy which covered the period 2013/14 to 2015/16 (in line with the Government's Comprehensive Spending Review/Spending Round Period). The budget is the financial expression of the Council's priorities and plans linked to funding allocations. The Council is a relatively low spending Local Authority, which has a comparatively low level of Council Tax for its own services (Telford & Wrekin had the fourth lowest council tax for Unitary Services in the Midlands in 2013/14 and is the third lowest in 2014/15).

The Government made major changes to its funding mechanism for local government in 2013/14 with the implementation of the business rates retention scheme. Under the new arrangements 50% of business rates collected is retained locally (49% for the Council; 1% for the Fire Authority). This transferred more risk to the Council as any changes in the amount of business rates collected directly impacts on our financial position. Collection and maximisation of business rates was therefore a priority during 2013/14.

The Government also abolished Council Tax Benefit in 2013/14 and Councils were required to implement a Local Council Tax Support (CTS) Scheme in its place. Unlike Council Tax Benefit, which was grant funded, CTS is given as a council tax discount (i.e. a reduction to the council tax bill similar to a single person discount) and so reduces the amount of council tax income the Council receives. Funding for Council Tax Support was allocated to local authorities as part of the business rates retention scheme, however the amount of funding provided was cut by 10%. The Council met the funding gap through a combination of changes to council tax exemptions and discounts and by applying a 21% global reduction in support given to less-vulnerable claimants below pension age.

Responsibility for Public Health transferred to the Council from the NHS in April 2013 together with the associated, ring-fenced grant funding, totalling £10.6m in 2013/14. Overall, including a small balance carried forward to 2014/15 (as permitted by the grant conditions), the grant was fully spent during the year.

The financial position facing the Council is one of the most challenging experienced with projected real terms grant cuts of £40m over the period 2011/12 to 2014/15 (the Government's Comprehensive Spending Review period) on top of grant reductions in previous years and with anticipated further annual reductions of around £10m p.a. each year over the medium term. Alongside the strategy to deliver savings there was a drive to increase income, with a particular focus on commercial activities so that going forward there is less reliance on central government grant funding.

The Cabinet launched its service and financial planning strategy for 2013/14 to 2015/16 in January 2013 and extensive public consultation was undertaken on the proposals. The final budget strategy was approved at Council in March 2013 taking account of consultation responses.

The base budget gap for 2013/14 was £10m. The finally agreed budget package included net savings of £8.7m, £0.3m collection fund surpluses and a council tax increase of 1.9%. The average charge (Band B) for the Council's services was £892 per year. The table below shows how Net Revenue Spend was funded.

<b>2013/14 Net Revenue Spend - £m</b>	
<b>2013/14 Total Net Revenue Spend</b>	<b>133.731</b>
Funded From:	
Government Grant (RSG and Top Up)	52.391
Retained Business Rates	31.548
Council Tax	49.591
Collection Fund and Balances	0.201
<b>Total Funding</b>	<b>133.731</b>

The medium term planning period was one of unprecedented uncertainty with further very significant cuts expected to the public sector.

### **2.3 Issues Highlighted During 2013/14**

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

Service Area	Budget	Outturn	Variance	Outturn as a percentage of budget
	£	£	£	%
Children's Safeguarding & Specialist Services	22,221,497	23,573,072	1,351,575	106.1
Education & Corporate Parenting	10,847,377	10,044,921	(802,456)	92.6
Family, Cohesion & Commissioning Services	12,508,492	11,879,498	(628,994)	95.0
Development, Business & Employment	625,361	254,722	(370,639)	40.7
Neighbourhood & Leisure Services	28,242,966	28,102,071	(140,895)	99.5
Adult Social Services	41,961,534	44,895,606	2,934,072	107.0
Public Health, Well Being & Public Protection	1,825,860	1,801,548	(24,312)	98.7
Customer Services	8,143,546	7,958,108	(185,438)	97.7
Law, Democracy & People Services	367,410	271,155	(96,255)	73.8

Finance, Audit & Information Governance	10,374,051	8,563,873	(1,810,178)	82.6
Cooperative Council Delivery Unit	1,418,590	1,361,850	(56,740)	96.0
Council Wide	(4,706,284)	(9,659,717)	(4,953,433)	205.3
<b>Total before Transfers to Reserves</b>	<b>133,830,400</b>	<b>129,046,707</b>	<b>(4,783,693)</b>	<b>96.4</b>
Transfers to Reserves		4,684,000	4,684,000	
<b>Total after Transfers to Reserves</b>	<b>133,830,400</b>	<b>133,730,707</b>	<b>(99,693)</b>	<b>99.9</b>

Variances are before IAS 19 Pension entries and impairment 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 highlighted during the year is shown below:

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

<b>Service Area</b>	<b>Variance £m</b>
<b><u>Children's Safeguarding &amp; Specialist Services</u></b>	
<b>Children in Care (CiC)</b> – the number of children in care at 31 March 2014 was 309 with a £2.090m overspend reported at year end. This compares to 321 children in care at 31 March 2013 and a reported overspend of £2.397m. There was an increase in costs relating to Internal Fostering/Relative Carers and other Internal care during the year which has been offset by a reduction in costs relating to External Residential and External Foster Care. The Service continues to closely monitor and review all placements in line with their Cost Improvement Plan.	+2.090
<b>Contingency</b> – set aside to meet CiC pressures as part of service and financial planning strategy for 2013/14.	-0.930
<b>Parenting Assessments</b> – The overspend reflects both the costs associated with court proceedings and parenting assessments. These are specialist assessments of parents' abilities to meet the needs of their children and are sometimes court ordered. The service is currently exploring more cost effective methods of undertaking this work.	+0.287
<b>Care Leavers</b> – overspend relating to the cost of supporting 16-18 year olds as they leave care.	+0.374
<b><u>Education &amp; Corporate Parenting</u></b>	
<b>Corporate Parenting</b> – a benefit of £0.144m has arisen due to rationalisation of funding for spending on Education.	-0.144
<b>ICT Commissioning</b> – a benefit of £0.170m has arisen due to rationalisation of funding for spending on Education.	-0.170
<b>Joint/Community Use</b> – loss of school income arising from the requirement to implement a new funding formula for schools.	+0.104

<b>Education Services Grant</b> – updated grant following conversion of several secondary schools to academies.	+0.139
<b><u>Family Cohesion &amp; Commissioning Services</u></b>	
<b>Cohesion</b> - close budgetary control has resulted in an underspend of £0.296m at year end. This is a combination of staffing vacancies, successful income generation within the Youth Service and a general tightening of spend throughout the year. This area will contribute to savings proposed as part of the approved 2014-17 budget strategy.	-0.296
<b>Early Intervention</b> – close budgetary control has resulted in an underspend of £0.347m at year end which is a combination of reduced spending and vacant posts.	-0.347
<b>Shortbreaks</b> – a number of projects scheduled for 2013/14 have not progressed as quickly as anticipated which has resulted in an underspend at year end.	-0.159
<b><u>Adult Social Services</u></b>	
<b>Purchasing budgets</b> – the overspend relates to increased caseload and the impact of the CCG policy on continuing health care cases and increased costs relating to the purchase of externally purchased care. One-off funds from the CCG are being used in 2013/14 to help offset an element of the significant ongoing additional cost pressures relating to Continuing Health Care clients consistently reported throughout the year. New governance arrangements have been implemented to monitor the service, including financial and service delivery performance, with a clear aim to deliver cost reductions and service transformation which should result in lower unit costs of care.	+2.760
<b>CCG contribution towards Continuing Health Care costs</b> – lower than anticipated funding.	+0.500
<b>In House Services</b> – this overspend relates to salaries, including overtime, paid to staff delivering in house support services as part of care for Adults with Learning Disabilities (ALD) clients. This service now sits within Customer Services and a review of internal ALD services is currently underway.	+0.444
<b>Supporting People</b> – delay in achievement of saving combined with an increase in demand for the service.	+0.501
<b><u>Public Health, Well Being &amp; Public Protection</u></b>	
<b>Staffing and operational budgets</b> – savings arising from both vacancies in posts and underspend on contingency budgets agreed as part of transition arrangements.	-0.558



<b><u>Neighbourhood &amp; Leisure Services</u></b>	
<b>Leisure Centres</b> – shortfall on income across various sites including the Ice Rink, Horsehay Golf Centre, the Town Park and Oakengates net of an overachievement at Wellington relating to Aspirations fitness centre and swimming lessons.	+0.221
<b>Highways Maintenance</b> – increased costs associated with pothole and minor resurfacing gangs working Jan-Mar partly offset by.	+0.278
– savings to mitigate costsof pothole and minor resurfacing gangs.	-0.187
<b>Waste</b> – savings as a result of round reductions/changes to domestic refuse collection, partly offset by	-0.246
- increased costs relating to the purchase, delivery and storage of replacement bins, boxes and bags.	+0.158
<b><u>Development, Business &amp; Employment</u></b>	
<b>Lifelong Learning</b> – largely as a result of loss of government grant funding, partly offset by	+0.168
use of one off grant reserves.	-0.133
<b>Estates &amp; Investments</b> – loss in Property Investment Portfolio investment income arising from the longer term rationalisation of the property portfolio to secure a more sustainable income position ongoing. This includes income targets for the retail units in Southwater and Business Development Centre.	+0.223
<b>Southwater</b> – the multi-storey car park was under construction at year end but has since become operational although this was slightly later than originally anticipated when the budget for 2013/14 was prepared in the Winter of 2012 and therefore the part-year budgeted income anticipated was not fully received. However the programme for capital spend has also slipped which will reduce borrowing costs in 2013/14; the benefit of this is included in the Treasury Management underspend shown below.	+0.165
<b>Development Management</b> – net of additional income in line with significant inward investment and other development activity and additional appeal costs.	-0.173
<b>Business &amp; Development Planning</b> – there is a net one off, in year benefit due to vacancy management across the service area.	-0.192
<b>Management Account</b> – reduced use of consultants and	-0.137
– higher income than budgeted due to planned capitalisation of costs.	-0.110

<p><b><u>Customer Services</u></b></p> <p><b>ICT</b> – additional project income being used to offset additional staffing costs for corporate ICT projects and PC replacement programme, together with</p> <p>– supplies and services underspend relating to some system costs being shared by schools and a general saving on computer costs through robust contract negotiations and</p> <p>– offset by contribution to corporate ICT reserve to support essential investment in ICT infrastructure and kit as part of the overall ICT and customer services strategy.</p> <p><b>Revenues &amp; Benefits</b> – printing service income shortfall due to work being given to some external providers, this has now ceased and a general reduction in the amount of printing as we increase use of technology.</p> <p>– additional income from court fees.</p> <p><b>Catering</b> – additional income due to increased take up in school meals and impact of new commercial catering activity.</p>	<p>-0.276</p> <p>-0.334</p> <p>+0.520</p> <p>+0.107</p> <p>-0.129</p> <p>-0.154</p>
<p><b><u>Finance, Audit &amp; Information Governance</u></b></p> <p><b>Treasury Management</b> - benefit of active treasury management including the impact of prevailing low interest rates during the year and lower than budgeted capital spend. This also includes £0.250m relating to capitalisation of interest for assets under construction which has been undertaken as part of year end and required a change in accounting policy to be approved as part of the approval of the statement of accounts.</p> <p>As agreed in the 2014/15 budget strategy report, the £4.9m that has been generated from the back-dating of the change in the methodology for calculation of Minimum Revenue Provision is being transferred to a reserve to fund the debt charges for the Pride in Your Community Initiative for the next 12 years.</p>	<p>-1.546</p> <p>-4.884</p> <p>+4.884</p>
<p><b><u>Law, Democracy &amp; People Services</u></b></p> <p><b>Licensing</b> – shortfall in licensing income.</p> <p><b>Land Charges</b> – additional income relating to land charges.</p> <p><b>Car Parking</b> – delayed implementation of employee car parking charges.</p>	<p>+0.154</p> <p>-0.112</p> <p>+0.111</p>

<b><u>Council Wide</u></b>	
<b>Government Funding Refund</b> – refund in relation to previously top-sliced Revenue Support Grant.	-0.731
<b>Housing &amp; Council Tax Benefit Subsidy</b> - Projected benefit from recovery of overpayments.	-0.374
<b>Purchase Rebates</b> - The majority relates to surplus dividend from West Mercia Energy relating to 2012/13 outturn performance.	-0.186
<b>Other One off Resources</b> – identified to contribute to service overspends.	-2.368
<b>Other Council Wide Items</b> – includes one-off benefit from review of funding set aside for contractual inflation being and the delivery of in year savings.	-2.228

## 2.4 **Final Outturn for 2013/14**

### **Revenue**

Final net service expenditure was £133.731m, after the transfers to reserves mentioned above, compared to a budget of £133.830m, an underspend of £0.099m (or -0.07%). Given the context of the Council having to make £11.3m of budget savings in 2013/14 (including additional in year savings of £2.6m), on top of £42m delivered in previous years, it was a particularly positive outturn position which demonstrates the strong financial management in the Council.

Description	Budget £m	Outturn £m	Variation £m
Outturn Report – Council	133.830	133.731	-0.099
Funded by :			
Council Tax, Revenue Support Grant and Non Domestic Rates	133.830	133.830	0.000
Contribution to (-)/from (+) balances	0.000	-0.099	-0.099

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

Description	Expenditure £m	Income £m	Net Expenditure £m
Net Cost of Services	431,121	316,928	114,193
Trading Services	3,595	7,492	(3,897)
Pensions Adjustments under IAS 19	(2,405)	0	(2,405)
Interest Payable and Similar Charges	9,373	0	9,373

Description	Expenditure £m	Income £m	Net Expenditure £m
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	(469)	0	(469)
Interest and Investment Income	0	1,581	(1,581)
Capital Grants and Revenue Grants Unapplied	0	(42,842)	42,842
General Grants (LSSG, Section 31)	0	780	(780)
Remove Depreciation & Impairments, REFCUS etc from Net Operating Cost	(38,824)	0	(38,824)
Accumulated Absences	899	0	899
Minimum Revenue Provision	1,686	0	1,686
Net Movement on Reserves	12,694	0	12,694
<b>Total</b>	<b>417,670</b>	<b>283,939</b>	<b>133,731</b>

See also Charts 1, 2 and 3 at the end of this section.

The outturn position has resulted in a general fund balance of £2.748m and a special fund balance of £0.476m (see Note 51 to the Core Financial Statements), giving a consolidated balance of £3.224m. The total for all reserves and usable revenue balances held by the Authority is £54.0m, although almost all of this is held to meet known or likely commitments. The total amount available to support future budget strategies is estimated to be £3.7m.

### **Workforce Analysis**

At 31 March 2014 Telford & Wrekin Council employed 2,929 people [2,308 FTEs]. At 31 March 2013 the comparative figures were 3,014 people [2,354 FTEs]:

	31 March 2013		31 March 2014	
	Head Count	FTEs	Head Count	FTEs
Male	791	697.3	765	676.7
Female	2,223	1,656.7	2,164	1,631.8
Total	3,014	2,354.0	2,929	2,308.5

### **INTERNATIONAL ACCOUNTING STANDARD NOTE NO 19 – Retirement Benefits**

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council's share of the pension fund has decreased by £45.8m; this has been as a result of actuarial gains on liabilities and assets. The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £13.876m (comprises contributions of £10.348m plus a lump sum payment of £3.528m). The contribution rate was set for 2013/14 at 16.3%. Following the valuation at 31/3/13 the contribution rate was reduced to 12.6% for 2014/15 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2014/15 is estimated at 16.4% only slightly higher than 2013/14.

## **Capital Accounting**

### **Capital**

The Council spent £84.575m on capital projects during the year, an underspend of £14.6m against budget within the year although, this will be re-phased into future years. Detail is shown in the table below.

Priority Area	2013/14 Approved Budget £m	2013/14 Expenditure £m
Protect and Support Our Vulnerable Children & Adults	3.745	2.441
Protect and Create Jobs as a 'Business Supporting, Business Winning Council'	17.926	19.012
Improve the Health and Well Being of our Communities and Address Health Inequalities	2.244	1.412
Regenerate Those Neighbourhoods in Need and Work Hard to Ensure That Local People Have Access to Housing	7.971	5.693
Ensure That Neighbourhoods are Safe, Clean and Well Maintained	15.639	15.088
Improve Local People's Prospects through Education and Skills Training	47.696	38.326
Managing the Organisation	3.904	2.603
<b>Total</b>	99.125	84.575
<b>Funded by:</b>		
Supported Borrowing	1.292	0.474
Prudential Borrowing	33.915	29.817
Capital Receipts	5.374	4.132
Government Grants	57.764	48.345
Revenue	-0.041	0.493
Other External Sources	0.821	1.314
<b>Total</b>	99.125	84.575

The Council has ready access to borrowings from both the Money Markets and PWLB, who also act as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council spent £84.6m during 2013/14. There was an increase in borrowing by the Council of £30.3m.

Overall the Council's net indebtedness is £102.1m at 31<sup>st</sup> March 2014 which is an increase of £22.9m from the previous year.

The Council has a 28 year PFI contract in place for the building and servicing of school and leisure facilities at Hadley Learning Community and JIGSAW (which provides Education, Health and Social Care packages) for £289m. The costs of the contract will be met from a combination of Government support, school contributions and Council support. The Council has approved a budget strategy which makes provision for its commitments. In 2013/14 the Authority made payments of £9,718,789 (£9,607,950 in 2012/13) 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.

### **Changes to Accounting Policies**

**Capitalisation of Interest** – interest costs relating to assets under construction will be capitalised with effect from 1 April 2013 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. This change in policy will generate revenue savings in the short term, but these will be offset by higher debt repayments in future years.

### **Provisions (see Note 20)**

**Severance Costs** – the accounts include a provision to meet committed severance costs which relate to the ongoing restructuring programme which is part of the Council's strategy for delivering savings. The amount in the provision at 31 March 2014 was £0.4m.

**Single Status** - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2013/14 accounts, as was the case last year and previous years. Previously this was treated as a creditor in the Statement of Accounts; the treatment has been changed, for the 2013/14 and it is now shown as a provision which better reflects its purpose. The amount in the provision at 31 March 2014 was £16.3m.

**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, £4.1m is estimated as the amount required to set aside for this purpose in 2013/14. Telford & Wrekin Council's proportion of this is £2.0m (49%).

## **Other Notable Changes Affecting the Accounts**

**Non Domestic Rates (NDR)** – From 1<sup>st</sup> April 2013 49% of the income collected from business properties is retained by the Council, 50% is paid to Central Government and 1% paid to the Fire Authority. This has had an impact on some figures for 2013/14 when compared to 2012/13. NDR included in the Comprehensive Income and Expenditure Statement is lower and consequently Revenue Support Grant is higher because the amount of NDR paid to the Council under the previous arrangements was higher than the 49% now retained. We now also show balances within the accounts in respect of sums owed to and from central government and the fire authority.

**Council Tax Support Scheme** – Council tax support is now offered as a discount rather than a payment from government in respect of benefits. Consequently Council Tax income is lower and Revenue Support Grant is higher to compensate. Both income and expenditure for Central Services has also fallen.

**Public Health** – From 1<sup>st</sup> April 2013 the Council took over responsibility for Public Health. There is a new line in the Comprehensive Income and Expenditure Statement in respect of this.

### **Group Accounts**

The Council has no significant relationships with other bodies that would necessitate the production of Group Accounts. The Council has examined the relationship with partners including West Mercia Energy (see note 59 to the accounts) and have concluded that group accounts do not need to be prepared.

## **2.5 2014/15 Commentary**

The Council has a rolling financial planning process. This was updated for 2014/15 formally by reports to the Council's Cabinet in November 2013, January 2014 and February 2014. The decisions on the medium term budget strategy at 27 February 2014 Council reflect the outcome of extensive consultation with a wide variety of stakeholders following publication of the draft strategy on the 3 January 2014.

The provisional funding settlement for 2014/15 was announced very late on the 18th December 2013, followed by the final settlement on the 5<sup>th</sup> February 2014; as anticipated the Council faced a very significant reduction in funding. After delivering £53m of savings over the previous 5 years, further savings of £22m are required in the coming two years to meet Government grant cuts. Projections beyond 2014/15 have a degree of uncertainty because of the impending Comprehensive Spending Review expected in Autumn 2015, which is likely to impose further savings targets on local government as central government strive, to reduce public spending.

The projected revenue budget gap for 2014/15 was £11.4m. The strategy to meet this and continue to invest in the area to support both the community and businesses is:

- a savings package delivering £15.6m to general fund budgets;
- creation of a "draw-down" budget of £1.2m for safeguarding pressures;
- investments totalling £3m including the revenue element of "Pride in Your Community" initiative and initiatives to tackle youth unemployment.

The decision has been made to freeze council tax for 2014/15 and as a result, the Council Tax for Council Services in 2014/15 (Band B) remains at £892 per year (Band B is the typical band for Telford & Wrekin, Band D is £1,147).

<b>2014/15 Net Revenue Budget - £m</b>	
<b>2013/14 Total Net Revenue Spend</b>	<b>129.186</b>
Funded From:	
Government Grant (including RSG)	44.314
Retained Business Rates	33.731
Council Tax	50.841
Balances and Collection Fund	0.300
<b>Total Funding</b>	<b>129.186</b>

### **Looking Ahead**

Full Council approved the medium term financial strategy on the 27 March 2014 (available on the Council's web site). Future projections show a remaining budget shortfall of £1m (over and above the savings already identified for that year) in 2015/16 which is likely to rise to around £10m-£13m per annum for the following 3 years. Projections are difficult due to a number of factors; uncertainty around the Comprehensive Spending Review for 2015/16 and no information on spending totals beyond this. It is clear that the financial climate ahead will still be one of significant financial challenge with further cuts to Local Government Finance inevitable.

### **3. FURTHER INFORMATION**

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

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

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

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

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



Chart 1

**Midlands Authorities 2013/14 Band D Council Tax for Equivalent Unitary Services  
(Excluding Police, Fire\* and Parish Precepts)**

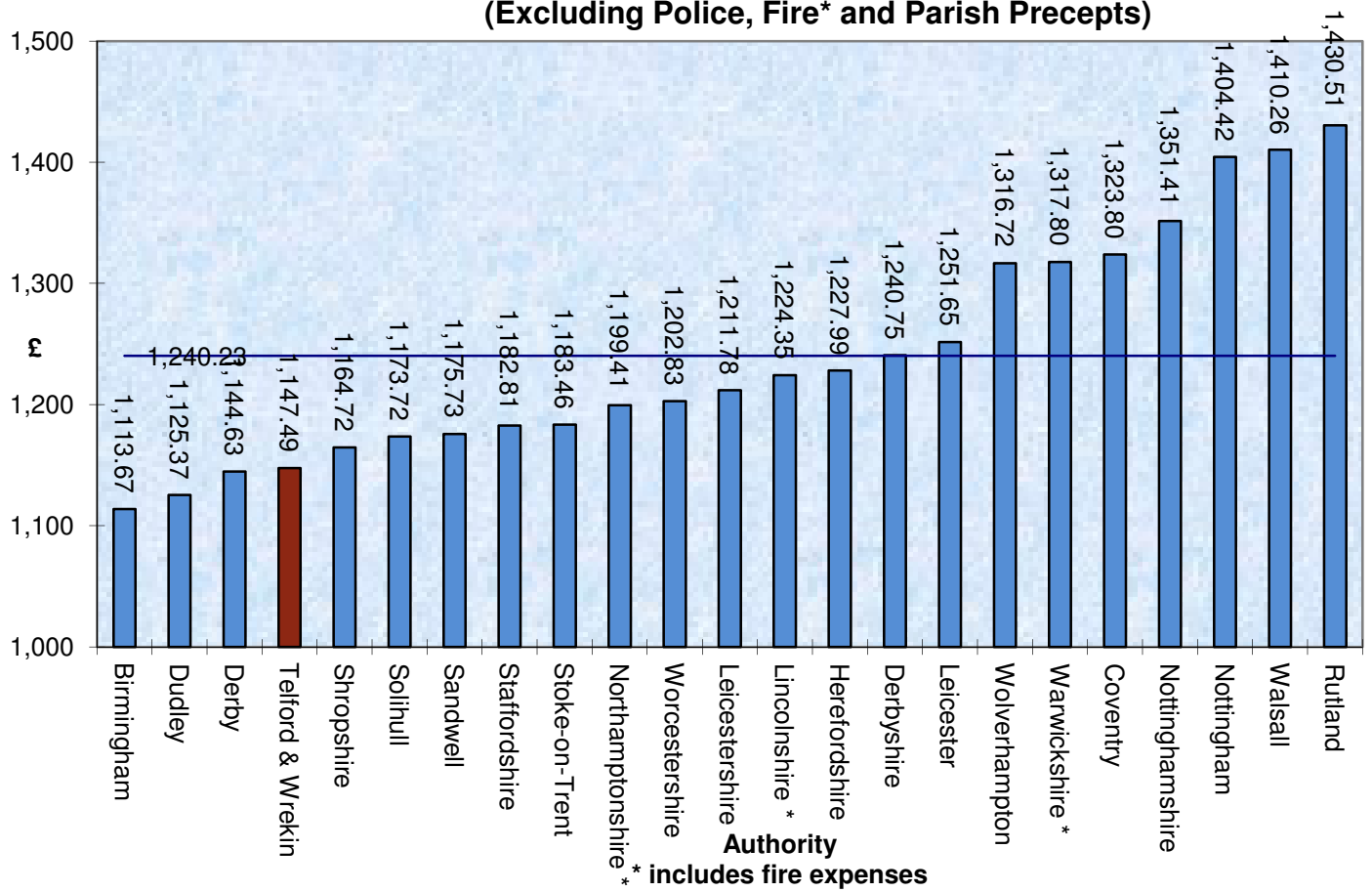


Chart 2

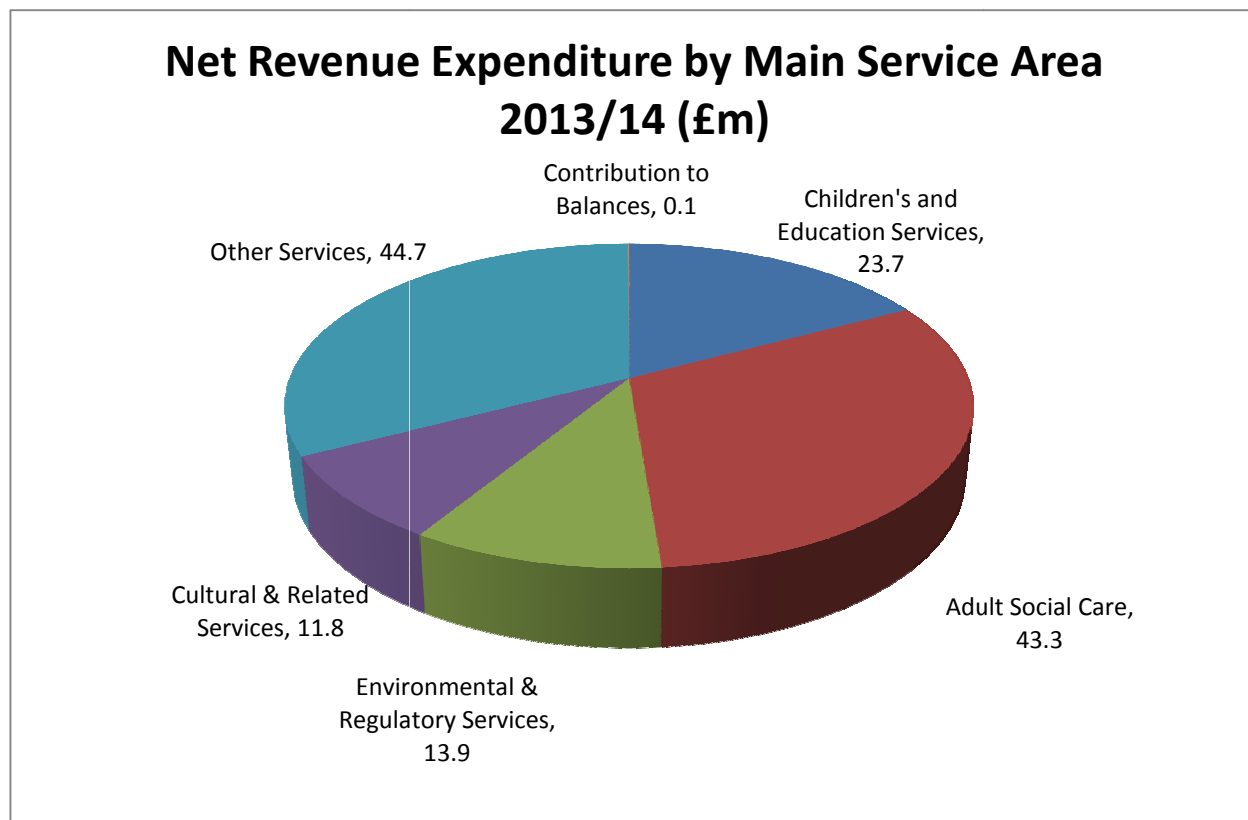


Chart 3

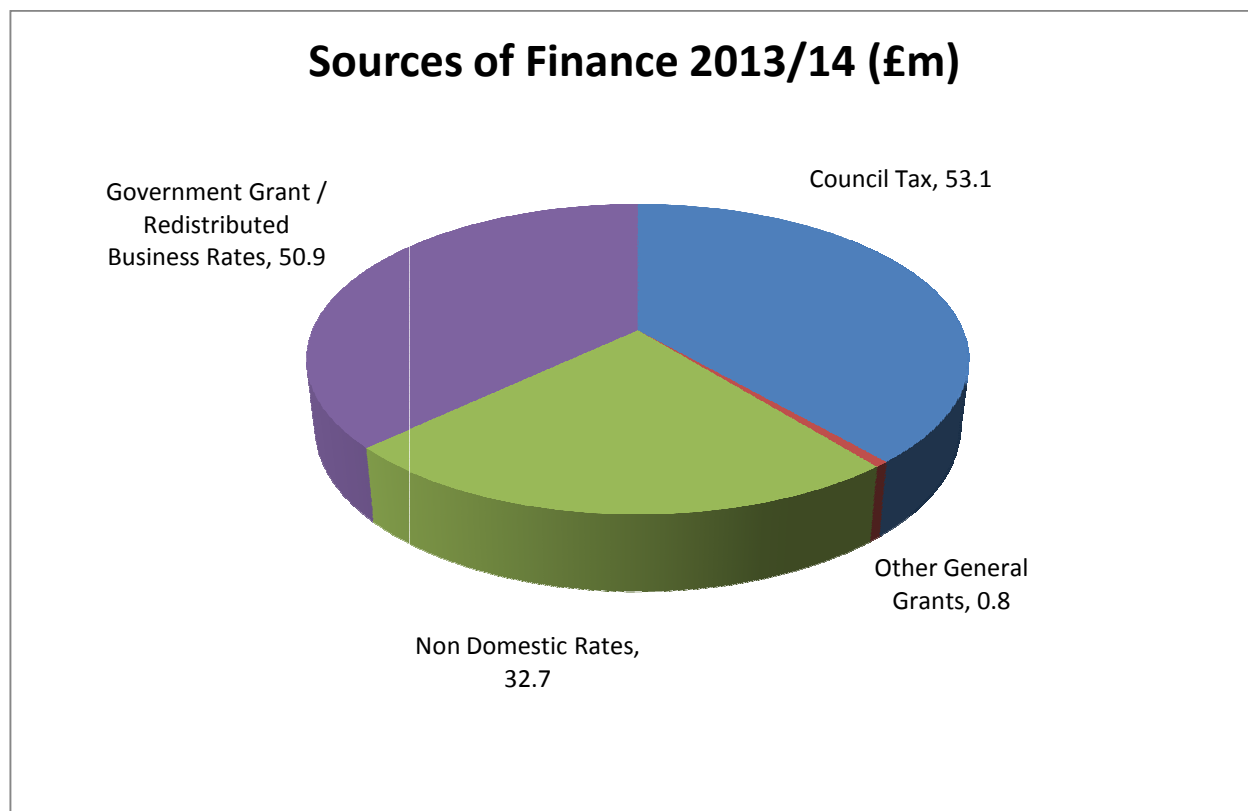


Chart 4

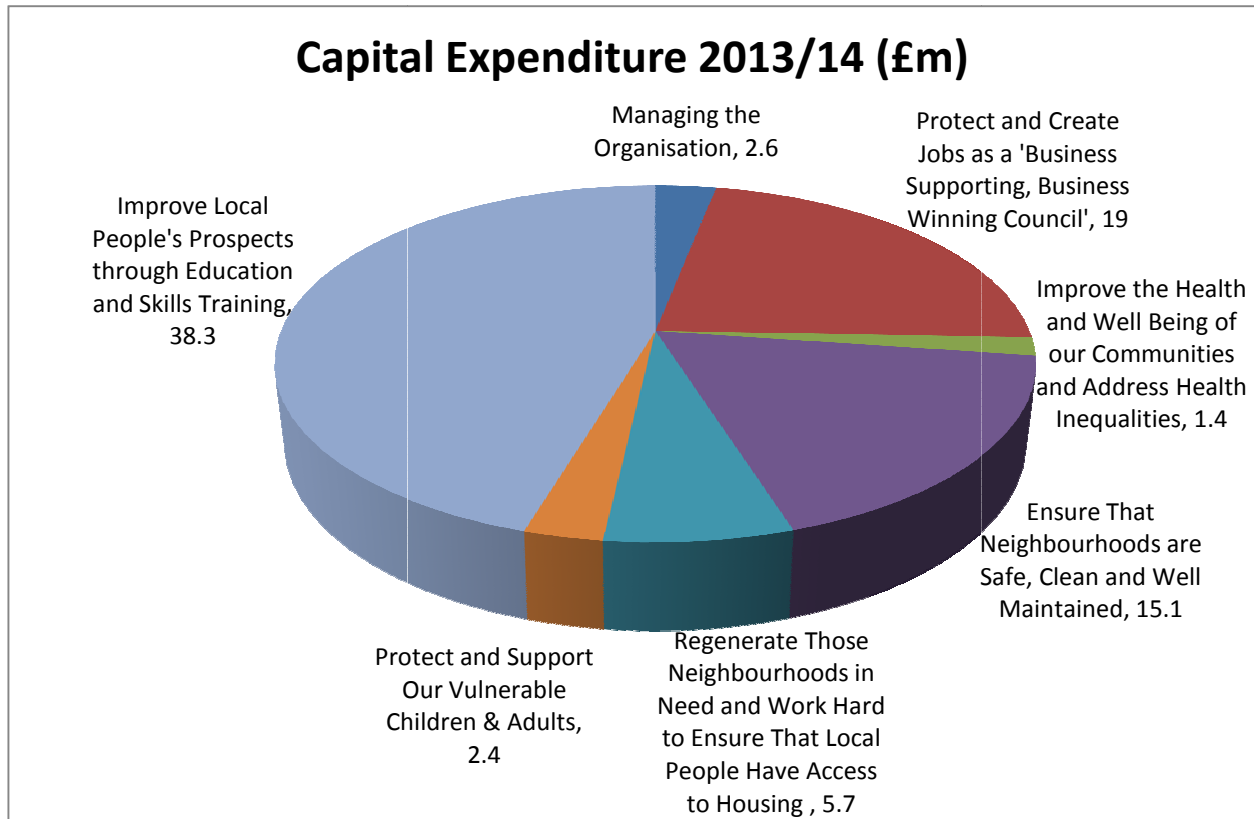
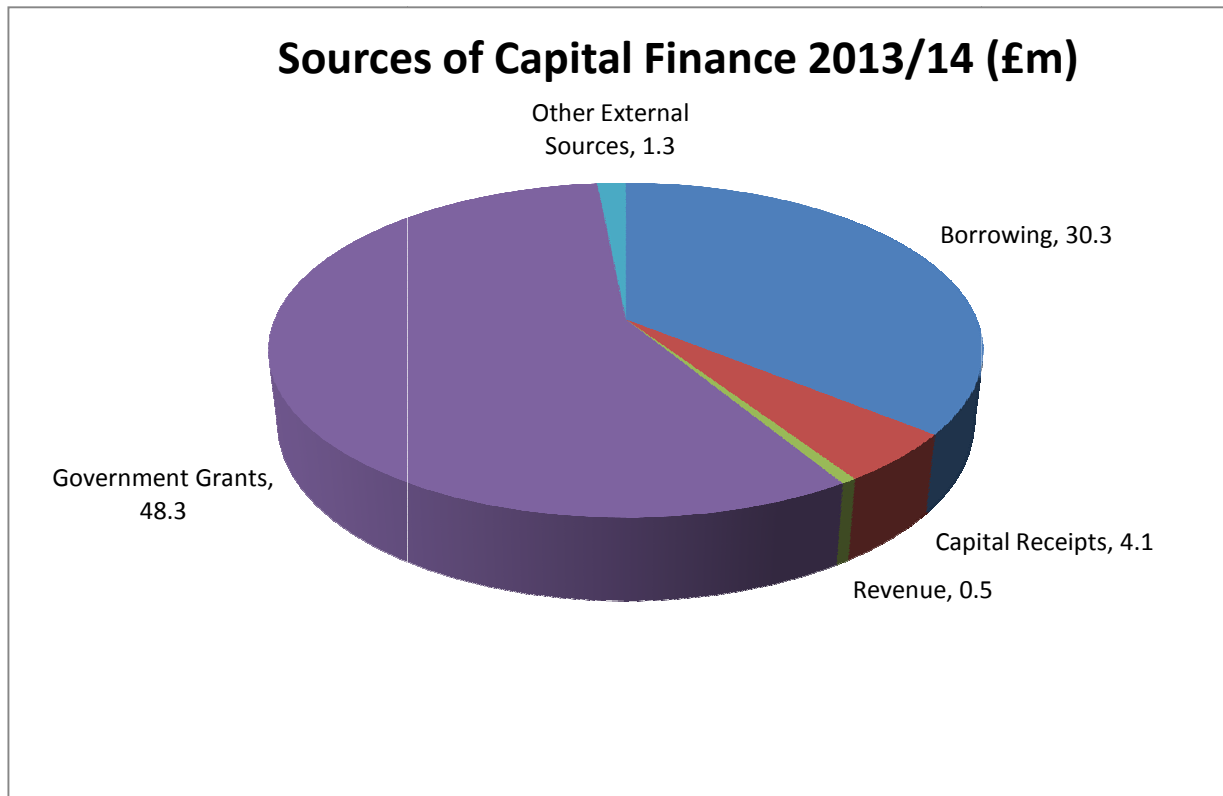


Chart 5



## **Statement Of Responsibilities** ***The Council's Responsibilities***

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

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

## ***The Chief Finance Officer's Responsibilities***

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2014.

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

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

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

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

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

I hereby certify that the Statement of Accounts on pages 3 to 104 complies with the requirements of the Accounts and Audit Regulations 2011 as amended.



Ken Clarke CPFA,  
Assistant Director  
**Dated: 16 September 2014**

## **APPROVED BY AUDIT COMMITTEE**

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



Councillor Rob Sloan  
Chair of Audit Committee  
**Dated: 16 September 2014**

## ANNUAL GOVERNANCE STATEMENT 2013/14

### Introduction

Under the Accounts and Audit (England) Regulations 2011 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee (those charged with governance). The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

### 1. Standards of Governance

1.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, Constitution, and policies of the Council as well as applicable statutory requirements.

### 2. Scope of Responsibility

2.1 Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively to secure continuous improvement.

2.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities 2012 edition. Within this code and to meet its responsibilities, the Council (members and officers) is responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations<sup>1</sup> and ensuring the effective exercise of its functions.

2.3 The Council continues to review its arrangements against best practice and

implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

### 3. The Purpose of the Governance Framework

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

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

3.3 The governance framework has been in place at the Council for the year ended 31st March 2014 and up to the date of approval of the statement of accounts. Reviews and updates to the framework will take place during 2014/15 and beyond to support good governance, revised service delivery and organisational change.

### 4. The Governance Framework

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

- Community Strategy- Shaping Our Future – Telford and Wrekin's Journey to 2020 - approved by Council on 2nd May 2013;
- The Council's Medium Term Plan 2013/14 to 2015/16 which outline the Council's ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial

<sup>1</sup> Regulations 4(2), 4 (3) and 4(4) of the Accounts and Audit (England) Regulations 2011

regulations and contract standing orders), Forward Plan and decision making processes;

- Co-operative Council principles and clear vision and values<sup>2</sup> for the Council and the Community;
- Clear governance arrangements to manage the Council's change programmes and restructuring occurring across the Council and key capital projects;
- Designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services, Director of Public Health and Scrutiny Officer;
- The Council's Information Governance Framework including a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- The Performance management framework and data quality systems. These provide reports to SMT<sup>3</sup>, Cabinet and Scrutiny;
- A Legal Services Team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/Team Leaders;
- Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's people services and workforce/organisational development

procedures<sup>4</sup> are supported by clear recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development;

- Member and Officer<sup>5</sup> Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected from members and officers;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;
- The Council's communication and consultation strategies ensure that the local community knows what the Council is doing and receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The deputy Leader of the Cabinet is the lead member responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and the strategic risks are reviewed by SMT;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit, on a risk basis, reviews the Council's systems and processes set out to

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<sup>2</sup> Co-operative values of ownership, openness & honesty, involvement, fairness & respect

<sup>3</sup> Senior Management Team – Managing Director, Directors and Assistant Directors.

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<sup>4</sup> Further development work is continuing on these during 2014/15 to reflect the implementation of the People Services reorganisation and the Councils priority of Business Supporting, Business Winning Council

<sup>5</sup> The Employee Code of Conduct and was re-issued in April 2013.

achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;

- Anti-fraud and Corruption, Speak Up and Prosecution policies to support the Council's governance processes and anti-fraud and corruption culture;
- The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
- The External Auditor has previously satisfactorily measured the Audit & Information Governance Manager against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010) and they have also reviewed the Internal Audit team against the Public Sector Internal Audit Standards;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management.
- Awareness and training for members within their member development programme and for officers through induction, Staff news, and update sessions on any revised governance arrangements (including information governance).

## **5. Review of Effectiveness**

5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-

- a) the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment;
- b) the work of internal audit; and also
- c) by comments made by the external auditors and other external review agencies and inspectorates.

5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and

objectives. Issues of strategic and corporate importance are referred to the Cabinet.

5.3 The Council's Scrutiny 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 and the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.

5.4 The Internal Audit plan is informed by the Council's service and financial planning processes, external inspection reports, external networking, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance risk and internal control arrangements. During 2013/14 the Internal Audit team achieved over 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on adequacy and effectiveness of the Council's governance, risk management and internal control framework.

5.5 Internal Audit report on a quarterly basis and also annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.

5.6 Internal Audit undertook a review of the Adult Social Services financial system and associated processes reporting initially in September 2011 a grading of limited assurance. This was followed up in July 2012 with the grading remaining at the same level so another follow up took place in March 2013 which was reported by the Assistant Director to the Audit Committee to provide assurance that the desired improvements were being made. Further work was undertaken by Internal Audit in August 2013 and reported to the Audit Committee in January 2014, but limited improvements have been made. Senior Management changes have been implemented and additional resources have been allocated. The Audit Committee have been kept up to date with progress and received a further update at their meeting in June 2014 in addition to an interim update meeting with the

Chair of the Audit Committee and Cabinet member which was held in April 2014. A further report will be provided to the September 2014 Audit Committee.

5.7 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up policy. 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. Internal Audit undertakes proactive fraud work based on a fraud risk register and will be re-reviewing the Council's anti-fraud activities against best practice (Audit Commission's Red Book) during 2014/15. Other specific anti-fraud and corruption activities are undertaken by Revenues & Benefits and Trading Standards. An annual report on these activities is presented to the Audit Committee

5.8 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy

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

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

5.11 The Council recognises the importance of Information Governance and has been formalising its Information Governance framework which will be agreed in 2014/15. It has taken significant steps to improve the security of its IT, paper and handling processes

to meet the compliance requirements for Data Handling in Government. The Information Governance team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2013/14 no enforcement action has been taken by the ICO against the Council despite exchanges of correspondence between the ICO and the Council due to referrals to the ICO by the public and other third parties.

5.12 ICT infrastructure upgrades during the year have further improved security, data handling and business continuity and work has commenced on a full review of the ICT strategy.

5.13 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.

5.14 The requirements under the Accounts and Audit (England) Regulations 2011 require a review of internal audit and the External Auditors review of Internal Audit has been used to meet this requirement. The results of the review will be presented to the Audit Committee as part of the Internal Audit Annual Report.

5.15 The External Auditor's Annual Audit Letter 2012/13 included in its headlines:

- VFM conclusion – We issued an unqualified value for money ("VFM") conclusion for 2012/13 on 24 September 2013. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
- Audit opinion - We issued an unqualified opinion on your financial statements on 24 September 2013. 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. We noted improvement in the quality of the accounts and many of the supporting working



papers. We issued our certificate on 4 October 2013.

5.16 The External Auditors undertook their interim visit at the end of March 2014 in preparation for their Final accounts audit 2013/14. They completed their control evaluation work, examining the work of Internal Audit, to ensure that the Council's controls are in line with good practice and so that any significant matters could be reported to those charged with governance in a timely manner. They reported in letter form to the CFO which was also presented to the June 2014 Audit Committee that they had "identified no matters which we are required to draw to the attention of the Authority".

5.17 Whilst T&W Council is primarily a commissioner of care services, the Council does directly provide some care services which are registered and inspected by the Care Quality Commission. In 2013/14 CQC undertook the following inspections and the outcomes were:

Service	Comments	Date
Intermediate Care - Care in the Home and supported living	All standards met	15/03/14
Carwood Residential Home	All standards met	25/01/14
Downing House Residential Home	All standards met	30/10/13
Shared Lives - Adult Placement Scheme	All standards met	20/03/14
Community Services – Learning Disability, Domiciliary Care	All standards met	11/02/14

5.18 There were 2 Ofsted inspections of Childrens Centres in the Borough during 2013/14. Copies of the reports are available at [www.ofsted.gov.uk](http://www.ofsted.gov.uk) but the main findings were

Location	Date	Grading <sup>6</sup>
Hadley Castle Group	17/12/2013	Requires improvement (3)
Lakeside South	12/11/2013	Requires improvement (3)

<sup>6</sup> Grades are 1 = Outstanding; 2 = Good; 3 = Requires improvement; 4 = Inadequate

Improvements have already been made and action plans have been agreed and are in place to address remaining recommendations and these are being monitored by senior management and members.

5.19 In addition to formal external reviews Children and Family Services had a Peer Review in June 2013 and Peer Challenge in March 2014. There was an Adult Social Care Peer Challenge in July 2013. From these peer reviews/challenges improvement plans have been developed to ensure efficient, effective and robust processes including appropriate governance.

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



Richard Partington  
Managing Director  
**Dated 3/9/2014**



Kuldeep Sahota  
Leader of the Council  
**Dated: 3/9/2014**



Rob Sloan  
Chair of Audit Committee  
**Dated: 16/9/2014**

## AGS ACTION PLAN FOR 2013/14 TO BE IMPLEMENTED 2014/15

No	Action	Lead Officer	Comments	Date
1.	Continued strategic management of organisational change in respect to revised structures, new ways of working and business approach which links to the continued development and implementation of revised governance framework (encompassing information security, information technology, partnership and project governance).	Managing Director and SMT	Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members. Final Constitution changes to be in place by May 2015.	Ongoing 31/03/15
2.	Preparations for the revised external audit arrangements.	AD Finance, Audit & IG	Local Audit and Accountability Act 2014 is now statute but secondary legislation and guidance still to be developed. Therefore continued need to respond to any consultations on these.	On going-respond to any consultations during 14/15 as required.
3.	Complete the review and implementation of Workforce Development priorities and delivery. Continue to review and update the management competencies and skills required in the revised organisation. Review of People Services policies and procedures to support the priorities and organisational change.	AD – Law, Democracy & People Services	Continue the work on workforce development, management competencies and policy and procedures review.	On going as agreed with SMT (31/03/15).
4.	Deliver the improved processes and associated governance to deliver savings and service improvements in Adult Social Services alongside the development of the processes and Council governance arrangements for the revised Social Care and Health agendas and changes proposed for 2014/15 and beyond.	Interim Director: Care, Health & Wellbeing; Interim AD – Adult Social Services	Implement control changes and deliver savings targets. Implement appropriate governance arrangements to meet the changes arising from the Care Act.	31/03/15 and on-going
5.	Implement the governance aspects of the improvement plans arising from external Ofsted and Care Quality Commission (CQC) inspection reports and peer reviews/challenges.	Director: Children & Family Services & Interim Director: Care, Health & Wellbeing	This action plan is particularly focussed on any recommendations that improve the governance arrangements in these areas.	Various dates throughout 2014/15
6.	Continue to develop and implement appropriate governance arrangements to support commercial projects including the setting up of a company.	Managing Director/ Monitoring Officer/CFO/ Director of Development, Business & Customer Services	Some commercial activities will require a separate company to be set up and appropriate governance within and in relation to the Council will need to be implemented.	Company by 09/14 and others on going during 2014/15

# Auditors' Report

## Independent auditor's report to the members of Telford & Wrekin Council

We have audited the financial statements of Telford & Wrekin Council for the year ended 31 March 2014 on pages 30 to 103. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

## **Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 21 to 26 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

## **Conclusion on Telford & Wrekin's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Telford & Wrekin Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.


### **Delay in certification of completion of the audit**

#### **Due to work on the WGA Return not being completed by the 30 September 2014**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

#### **Due to ongoing work in relation to elector objections**

We are also in the process of completing work required as a result of objections raised by electors. Again, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to discharge our responsibilities in relation to this matter. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



**Ian Pennington**  
**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*

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Britannia Quay  
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United Kingdom  
CF10 4AX

16 September 2014

## Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2012 carried forward</b>	<b>3,686</b>	<b>30,785</b>	<b>0</b>	<b>18,035</b>	<b>52,506</b>	<b>15,150</b>	<b>67,656</b>
<b>Movement in reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services	(22,015)	0	0	0	(22,015)	0	(22,015)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(28,794)	(28,794)
<b>Total Comprehensive Income and Expenditure</b>	<b>(22,015)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22,015)</b>	<b>(28,794)</b>	<b>(50,809)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	22,752	0	53	(4,680)	18,125	(18,125)	0
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>737</b>	<b>0</b>	<b>53</b>	<b>(4,680)</b>	<b>(3,890)</b>	<b>(46,919)</b>	<b>(50,809)</b>
Transfers to/(from) Earmarked Reserves	(1,302)	1,302	0	0	0	0	0
<b>Increase/ (Decrease) in 2012/13</b>	<b>(565)</b>	<b>1,302</b>	<b>53</b>	<b>(4,680)</b>	<b>(3,890)</b>	<b>(46,919)</b>	<b>(50,809)</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>3,121</b>	<b>32,087</b>	<b>53</b>	<b>13,355</b>	<b>48,616</b>	<b>(31,769)</b>	<b>16,847</b>

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Movement in reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	(22,634)	0	0	0	(22,634)	0	(22,634)
Other Comprehensive Income and Expenditure	0	0	0	0	0	54,652	54,652
<b>Total Comprehensive Income and Expenditure</b>	(22,634)	0	0	0	(22,634)	54,652	32,018
Adjustments between accounting basis & funding basis under regulations (Note 7)	34,357	0	(53)	(6,239)	28,065	(28,065)	0
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	11,723	0	(53)	(6,239)	5,431	26,587	32,018
Transfers to/(from) Earmarked Reserves	(11,620)	11,620	0	0	0	0	0
<b>Increase/ (Decrease) in 2013/14</b>	103	11,620	(53)	(6,239)	5,431	26,587	32,018
<b>Balance at 31 March 2014 carried forward</b>	3,224	43,707	0	7,116	54,047	(5,182)	48,865

## 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	2012/13 Gross Expenditure £'000	2012/13 Income £'000	2012/13 Net Expenditure £'000	2013/14 Gross Expenditure £'000	2013/14 Income £'000	2013/14 Net Expenditure £'000
<u>Continuing Services</u>						
Children's and Education Services (note 33)	177,268	154,159	23,109	168,489	144,771	23,718
Adult Social Care	70,701	32,022	38,679	64,163	20,850	43,313
Environmental & Regulatory Services	15,898	2,777	13,121	15,923	1,974	13,949
Cultural and Related Services	22,630	10,794	11,836	22,024	10,239	11,785
Planning Services	11,865	8,681	3,184	12,377	12,071	306
Highways & Transport Services	18,368	13,249	5,119	18,574	18,572	2
Housing Services	81,384	75,504	5,880	80,828	75,051	5,777
Court & Probation Services	287	2	285	279	2	277
Contribution re Former County Council Debt	2,033	0	2,033	2,004	0	2,004
Corporate & Democratic Core	3,784	0	3,784	3,695	0	3,695
Central Services	50,634	41,343	9,291	29,740	22,782	6,958
Non Distributed Costs	2,117	0	2,117	2,218	0	2,218
<u>Acquired Services</u>						
Public Health (note 27)	0	0	0	10,807	10,616	191
<b>Net Cost of Services (Note 26)</b>	<b>456,969</b>	<b>338,531</b>	<b>118,438</b>	<b>431,121</b>	<b>316,928</b>	<b>114,193</b>

Other Operating Expenditure (Note 9)	21,364	34,020
Financing and investment income and expenditure (Note 10)	11,112	11,850
Taxation & Non Specific Grant Income and Expenditure (Note 11)	(128,899)	(137,429)
<b>(Surplus) or deficit on provision of services</b>	<b>22,015</b>	<b>22,634</b>
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets	(4,963)	1,531
(Actuarial Gains)/Losses on Pension assets/liabilities (Note 42)	33,757	(56,183)
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>28,794</b>	<b>(54,652)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>50,809</b>	<b>(32,018)</b>



## Balance Sheet

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

<b>31 March 2013</b>		<b>31 March 2014</b>	<b>31 March 2014</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
346,896	Property, Plant & Equipment (Note 12)	357,309	
52,564	Investment Properties (Note 13)	54,275	
1,842	Intangible Assets (Note 49)	1,627	
10,033	Long Term Investments (Notes 14,45,48)	33	
598	Long Term Debtors (Note 14)	573	
<b>411,933</b>	<b>Total Long Term Assets</b>		<b>413,817</b>
	<b>Current Assets</b>		
294	Inventories (Note 15)	298	
21,182	Debtors (Notes 14,16)	20,731	
15,000	Investments - (short term) (Notes 14,45,48)	10,000	
6,874	Assets held for sale (Note 18)	4,842	
18	Landfill Allowances Asset Account (Note 60)	0	
7,885	Cash and Cash Equivalents (Note 17)	14,467	
51,253		50,338	
	<b>Current Liabilities</b>		
(18,697)	Provisions (Note 20)	(18,654)	
(11,093)	Short term borrowing (Notes 14,45)	(37,063)	
(60,999)	Creditors (Notes 14,19)	(62,521)	
(21)	Landfill Allowances Liability Account (Note 60)	(0)	
(90,810)		(118,238)	
<b>(39,557)</b>	<b>Total Net Current Assets/(Liabilities)</b>		<b>(67,900)</b>
(99,521)	Less Long Term Borrowing (Notes 14,45)		(88,520)
(59,774)	Less Long Term Creditors (PFI & Finance Leases) (Note 14)		(58,274)
(196,006)	Less Pensions Liability (Note 42)		(150,183)
(228)	Capital Grants Receipts in Advance (Note 34)		(75)
<b>16,847</b>	<b>Net Assets</b>		<b>48,865</b>
48,616	Usable Reserves (Note 8)		54,047
(31,769)	Unusable Reserves (Note 22)		(5,182)
<b>16,847</b>	<b>Net Reserves</b>		<b>48,865</b>

## Cash Flow Statement

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>22,015</b>	Net (surplus) or deficit on the provision of services	<b>22,634</b>
<b>(85,203)</b>	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 61)	<b>(67,461)</b>
<b>59,246</b>	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 62)	<b>47,992</b>
<b>(3,942)</b>	<b>Net cash flows from Operating Activities (Note 23)</b>	<b>3,165</b>
<b>(37,088)</b>	Investing Activities (Note 24)	<b>4,469</b>
<b>36,796</b>	Financing Activities (Note 25)	<b>(14,216)</b>
<b>(4,234)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(6,582)</b>
<b>3,651</b>	Cash and cash equivalents at the beginning of the reporting period	<b>7,885</b>
<b>7,885</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 17)</b>	<b>14,467</b>

# Notes to the Accounts

## 1. Accounting Policies

### a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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.

### c) Accruals of Expenditure & Income

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and IAS 18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

### d) Local Services Support Grant

Local Services Support Grant was introduced in 2011/12. The actual sum due for the year is shown in the accounts in line with the accruals concept.

### e) Cash and Cash Equivalents

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

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

### f) Contingent Asset

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

## **g) Contingent Liability**

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

## **h) Employee Benefits**

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

The areas of remuneration that relates to the Council are as follows

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

### **Salaries and Wages**

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

### **Compensated Absences**

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

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

### **Pensions Benefits**

The Council participates in three formal pension schemes, the Local Government Pension Scheme, which is administered by Shropshire County Pension Fund, the National Health Service Pension Scheme and the Teacher's Pension Scheme administered by the Teacher's Pension Authority.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The Comprehensive Income & Expenditure account is adjusted by IAS 19 entries.

These costs have been determined on the basis of contribution rates that are set to meet the liabilities of the Pension Fund, in accordance with relevant Government regulations.

In accordance with standard accounting practice for local authorities, the additional costs that it would have been necessary to provide for in the accounts for the period under IAS 19 are disclosed by way of a note to the Core Financial Statements.

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

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) additional disclosures and transactions in relation to the assets, liabilities, income and expenditure related to pension schemes for employees are required. Valuation methods are in compliance with the 2013/14 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 that has not been paid at the balance sheet date, a provision will be created in the accounts for that year.

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

Where a material post balance sheet event occurs which

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

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

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

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

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

#### **k) Financial Instruments**

Investments are disclosed in the Balance Sheet at amortised cost.

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

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

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

**m) Intangible Assets**

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

**n) Inventories and long term contracts**

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

**o) Investment Properties**

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

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

**p) Landfill Allowances Schemes**

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

**q) Leases**

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

The use of leasing, together with the amount of rentals paid during the year and the undischarged obligation is explained in note 37 to the Core Financial Statements.

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

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

**r) Non-current Assets Held for Sale**

Assets 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

#### **s) Overheads**

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

#### **t) Private Finance Initiative**

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

#### **u) Property, Plant & Equipment**

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

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

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

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

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

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

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW for £289m.



PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries on the Balance Sheet the property, plant and equipment used under the contracts.

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

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

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

As at 31<sup>st</sup> March 2014 there were 10 significant capital contracts in place. These total £92.9m and are detailed in the notes.

#### **v) Depreciation**

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

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

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

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

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

#### **x) Provisions**

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



## **y) Reserves**

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in note 8 to the Core Financial Statements.

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

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

## **z) Revenue Expenditure funded from Capital under Statute**

Revenue Expenditure funded from Capital under Statute (formerly deferred charges) represents expenditure which may properly be capitalised, but which does not create tangible fixed assets. These are written off to the Income and Expenditure account in year.

### **aa) Value Added Tax**

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

### **ab) Direct Revenue Financing of Capital Expenditure**

We are permitted by law to finance unlimited amounts of expenditure for capital purposes through its revenue accounts. During 2013/14, the Council charged a small amount of expenditure for capital purposes to its Income and Expenditure Account.

### **ac) Interest on surplus funds and balances**

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

### **ad) Capital Receipts**

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

### **ae) The Redemption of Debt**

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

The "Minimum Revenue Provision" (MRP) is calculated by setting aside 4% of the principal outstanding in relation to assets funded from Government allocations. For assets funded from prudential borrowing, MRP is calculated on the basis of the life of the asset and the ultimate funding of that asset. MRP is not charged until the year after the asset comes into operation.

#### **af) Estimation Techniques**

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

#### **ag) 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 63.

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

#### **ah) Carbon Reduction Commitment Scheme**

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. As of 31 March 2014, the scheme reached the end of the first reporting phase. The Authority is required to report carbon emissions associated with its electricity and gas consumption annually, and purchase and surrender allowances retrospectively to cover these emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services. Allowances to cover 2013/14 emissions will be purchased and surrendered during summer 2014. The Authority does not qualify for Phase 2 of the CRC scheme. This means allowances will not need to be purchased to cover 2014/15 emissions unless the Government changes the Phase 2 qualifying criteria.

#### **ai) Capitalisation Of Interest**

Following a change in guidance the Council has amended its policy on capitalisation of interest. 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. This change in policy will generate revenue savings in the short term, but these will be offset by higher debt repayments in future years. For 2013/14 a total of £0.252m was charged to capital rather than revenue.

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

For 2013/14 the following new standards have been issued but not yet adopted;

- IFRS 10 Consolidated Financial Statements (May 2011). Identifies control as the basis for consolidation and inclusion in the accounts. The Council does not currently produce group accounts and it is not anticipated that we will have to under the new standard, however, all our relationships will be reviewed to determine whether group accounts need to be produced. However it is likely to change how we report schools. This won't produce group accounts, but will mean that our asset register will have to be increased to take account of schools not currently included. The following groups of schools will be added to the balance sheet. 3 Foundations schools valued at £14.744m, 8 Foundation Trust schools valued at £19.464m, 8 Voluntary Aided schools valued at £17.115m and 7 Voluntary Controlled schools valued at £12.279m, increasing the total for Property Plant & Equipment by £63.602m.
- IFRS 11 Joint Arrangements (May 2011). Relates to group accounts. The Council does not currently produce group accounts and it is not anticipated that we will have to under the new standard, however, all our relationships will be reviewed to determine whether group accounts need to be produced.
- IFRS 12 Disclosure of Interests in Other Entities (May 2011). Requires the entity to disclose information in relation to the nature and associated risks of its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. At present the Council does not have any significant relationships that would require disclosure.
- IAS 27 Separate Financial Statements (as amended in May 2011). Provides additional guidance for authorities in relation to group accounts.
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011). Provides additional guidance for authorities in relation to group accounts.
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended December 2011). Provides guidance for offsetting financial assets and liabilities where applicable. Has no impact on the Authority.
- IAS 1 Presentation of Financial Statements (as amended in May 2011) Part of Annual Improvements to IFRS 2009 – 2011 Cycle. As this standard only addresses presentation issues, no disclosure of the impact of the change is required.

IAS 19 Employee Benefits (June 2011 Amendments) was amended for inclusion in financial statements from 2013/14 onwards. As a result of these there are some restatements required to the statement of accounts as below (only the changed lines shown).

There are also some changes to the Balance Sheet to reflect a reassessment of how to account for Single Status in the light of updated guidance. A provision has been created in 2013/14 whereas it was previously shown mainly as a creditor, but also a small part in reserves. Prior year figures have been restated to account for these changes.

### **Movement In Reserves Statement**

The change relates to pension remeasurements being shown differently and a move between reserves and provisions in relation to single status.

<b>Description</b>	<b>Original Figure £000</b>	<b>Adjustment £000</b>	<b>Revised Figure £000</b>
Earmarked General Fund Reserves – Balance at 31/3/12	31,285	-500	30,785
Total Usable Reserves – Balance at 31/3/12	53,006	-500	52,506
Total Authority Reserves – Balance at 31/3/12	68,156	-500	67,656
Movement During 2012/13 – Surplus on the provision	(21,437)	-578	(22,015)

of services – General Fund Balance			
Movement During 2011/12 – Other Comprehensive Income and Expenditure – Unusable Reserves	(29,372)	+578	(28,794)
Adjustments between accounting basis and funding basis under regulations – General Fund Balance	22,174	+578	22,752
Adjustments between accounting basis and funding basis under regulations – Total Usable Reserves	17,547	+578	18,125
Adjustments between accounting basis and funding basis under regulations –Unusable Reserves	(17,547)	-578	(18,125)
Earmarked General Fund Reserves – Balance at 31/3/13	32,587	-500	32,087
Total Usable Reserves – Balance at 31/3/13	49,116	-500	48,616
Total Authority Reserves – Balance at 31/3/13	17,347	-500	16,847

### Comprehensive Income and Expenditure Account

<b>Description</b>	<b>Original Figure £000</b>	<b>IAS 19 £000</b>	<b>Revised Figure £000</b>
Children's and Education Services – Gross Expenditure	177,152	+116	177,268
Children's and Education Services – Net Expenditure	22,993	+116	23,109
Adult Social Care – Gross Expenditure	70,666	+35	70,701
Adult Social Care – Net Expenditure	38,644	+35	38,679
Environment & Regulatory Services – Gross Expenditure	15,892	+6	15,898
Environment & Regulatory Services – Net Expenditure	13,115	+6	13,121
Cultural and Related Services – Gross Expenditure	22,611	+19	22,630
Cultural and Related Services – Net Expenditure	11,817	+19	11,836
Planning & Development – Gross Expenditure	11,846	+19	11,865
Planning & Development – Net Expenditure	3,165	+19	3,184
Highways & Transport Services – Gross Expenditure	18,360	+8	18,368
Highways & Transport Services – Net Expenditure	5,111	+8	5,119
Housing Services – Gross Expenditure	81,373	+11	81,384
Housing Services – Net Expenditure	5,869	+11	5,880
Central Services – Gross Expenditure	50,580	+54	50,634
Central Services – Net Expenditure	9,237	+54	9,291
Non Distributed Costs – Gross Expenditure	1,823	+294	2,117
Non Distributed Costs – Net Expenditure	1,823	+294	2,117
Net Cost of Services – Gross Expenditure	456,407	+562	456,969

Net Cost of Services – Net Expenditure	117,876	+562	118,438
Financing and Investment Income and Expenditure	11,096	+16	11,112
(Surplus) or deficit on provision of services	21,437	+578	22,015
Pensions Remeasurements	34,335	-578	33,757
Other Comprehensive Income & Expenditure	29,372	-578	28,794

### Balance sheet

Description	Original Figure £000	Adjustment £000	Revised Figure £000
Creditors	(76,471)	+15,472	(60,999)
Provisions	(2,725)	-15,972	(18,697)
Total Current Liabilities	(90,310)	-500	(90,810)
Net Current Assets/Liabilities	(39,057)	-500	(39,557)
Net Assets	17,347	-500	16,847
Usable Reserves	49,116	-500	48,616
Net Reserves	17,347	-500	16,847

### The following Notes were also amended to correspond with these changes

Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations

Note 8 – Transfers to/from Earmarked Reserves & Balances

Note 10 – Financing and Investment Income and Expenditure

Note 13 – Investment Properties

Note 19 – Creditors

Note 20 – Provisions

Note 28 – Market Undertaking and Industrial Units

Note 42 - Defined Benefit Pension Schemes Participation in Pension Schemes

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for Local Government.

However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### **4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £4.0m for every year that useful lives had to be reduced.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £9.9m. However, the assumptions interact in complex ways.
<b>Arrears</b>	At 31 March 2014, the Authority had a balance of sundry debtors for £27.704m. The Council has set aside a bad debts provision of 25.2% (£6.973m) in relation to these. It is our view that this level of provision is sufficient.	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £1.4m to be set aside as an allowance.
<b>Single Status</b>	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1 <sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2013/14 accounts, as was the case last year.	The costs in relation to the scheme could be lower or higher than the sum provided. If the costs are lower then any excess in the provision would be transferred into the General Fund Balance. If the costs are higher than the provision then there will be an impact on general fund balances and future Council Tax increases.

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

## **5. Material Items of Income and Expense**

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

## **6. Events after the Balance Sheet Date**

The draft Statement of Accounts was authorised for issue by the Assistant Director on 26 June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no after Balance Sheet Date events that we are aware of.

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

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

<b>2013/14</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movements in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	<b>25,564</b>	<b>0</b>	<b>0</b>	<b>(25,564)</b>
Movement in the market value of Investment Properties	<b>(761)</b>	<b>0</b>	<b>0</b>	<b>761</b>
Revenue expenditure funded from capital under statute	<b>14,021</b>	<b>0</b>	<b>0</b>	<b>(14,021)</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>34,888</b>	<b>0</b>	<b>0</b>	<b>(34,888)</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	<b>(1,686)</b>	<b>0</b>	<b>0</b>	<b>1,686</b>

<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(43,913)	0	43,913	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(50,152)	50,152
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,079)	4,079	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,132)	0	4,132
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	469	0	0	(469)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	23,614	0	0	(23,614)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,254)	0	0	13,254
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	393	0	0	(393)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(899)	0	0	899
<b>Total Adjustments</b>	<b>34,357</b>	<b>(53)</b>	<b>(6,239)</b>	<b>(28,065)</b>



<b>2012/13 Comparative Figures</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movements in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	<b>18,578</b>	<b>0</b>	<b>0</b>	<b>(18,578)</b>
Movement in the market value of Investment Properties	<b>1,092</b>	<b>0</b>	<b>0</b>	<b>(1,092)</b>
Revenue expenditure funded from capital under statute	<b>14,748</b>	<b>0</b>	<b>0</b>	<b>(14,748)</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>47,199</b>	<b>0</b>	<b>0</b>	<b>(47,199)</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	<b>(6,978)</b>	<b>0</b>	<b>0</b>	<b>6,978</b>
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	<b>(30,664)</b>	<b>0</b>	<b>30,664</b>	<b>0</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	<b>0</b>	<b>0</b>	<b>(35,344)</b>	<b>35,344</b>
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(28,886)</b>	<b>28,886</b>	<b>0</b>	<b>0</b>
Use of the Capital Receipts Reserve to finance new capital expenditure		<b>(28,833)</b>	<b>0</b>	<b>28,833</b>
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	<b>380</b>	<b>0</b>	<b>0</b>	<b>(380)</b>
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	<b>19,837</b>	<b>0</b>	<b>0</b>	<b>(19,837)</b>

Statement (see Note 42)				
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,175)	0	0	12,175
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(291)	0	0	291
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(88)	0	0	88
<b>Total Adjustments</b>	<b>22,752</b>	<b>53</b>	<b>(4,680)</b>	<b>(18,125)</b>

#### **8. Transfers to/from Earmarked Reserves & Balances**

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

	General Fund Balance	Earmarked General Fund Reserves	School Balances	Revenue Grants & Other Balances	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 carried forward	3,686	22,050	6,384	2,351	0	18,035	52,506
Movement / Use of reserves during 2012/13	(565)	666	256	380	53	(4,680)	(3,890)
Balance at 31 March 2013 carried forward	3,121	22,716	6,640	2,731	53	13,355	48,616
Movement / Use of reserves during 2013/14	103	13,468	(627)	(1,221)	(53)	(6,239)	5,431
Balance at 31 March 2014 carried forward	3,224	36,184	6,013	1,510	0	7,116	54,047

## **9. Other Operating Expenditure**

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>3,051</b>	Parish Council precepts	<b>2,695</b>
<b>0</b>	Payment of RSG to Parishes	<b>516</b>
<b>20,231</b>	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	<b>31,184</b>
<b>(1,918)</b>	(Gains)/losses on the disposal of non-current assets – Other Assets	<b>(375)</b>
<b>21,364</b>	<b>Total</b>	<b>34,020</b>

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>9,850</b>	Interest payable and similar charges	<b>9,373</b>
<b>7,307</b>	Pensions interest cost and expected return on pensions assets	<b>7,955</b>
<b>(1,850)</b>	Interest receivable and similar income	<b>(1,581)</b>
<b>(4,181)</b>	Income and expenditure in relation to investment properties and changes in their fair value	<b>(3,906)</b>
<b>(14)</b>	Other investment income and expenditure	<b>9</b>
<b>11,112</b>	<b>Total</b>	<b>11,850</b>

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>(61,161)</b>	Council tax income	<b>(52,827)</b>
<b>(400)</b>	Collection Fund Surplus/Deficit	<b>(300)</b>
<b>(65,378)</b>	Non domestic rates	<b>(30,614)</b>
<b>(0)</b>	Non domestic rates Top Up Grant	<b>(2,037)</b>
<b>(593)</b>	Local Services Support Grant	<b>(183)</b>
<b>(1,267)</b>	Revenue Support Grant	<b>(50,871)</b>
<b>(0)</b>	Section 31 Grant	<b>(597)</b>
<b>(100)</b>	Other grants and contributions	<b>(0)</b>
<b>(128,899)</b>	<b>Total</b>	<b>(137,429)</b>

There was a change in funding arrangements between 2012/13 and 2013/14 that affect the figures in the above table. Council Tax Benefit is now a discount which results in a lower tax base, rather than a grant. This has resulted in lower Council Tax income, but is partly offset by Higher Revenue Support Grant. Revenue Support Grant is also higher because of the change in arrangements through localised non domestic rates. The Council now retains 49% of non domestic rates, whereas in 2012/13 all of non domestic rates were paid to the Government and the Council received back non domestic rates in the form of a grant.

## 12. Property, Plant and Equipment

Movements in 2013/14:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2013</b>	<b>262,711</b>	<b>21,963</b>	<b>70,145</b>	<b>24,893</b>	<b>379,712</b>	<b>60,039</b>
Additions	20,007	916	17,152	30,746	<b>68,821</b>	569
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(4,291)	0	0	0	<b>(4,291)</b>	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,591)	0	0	(672)	<b>(12,263)</b>	0
derecognition – disposals	(31,347)	0	0	0	<b>(31,347)</b>	0
assets reclassified (to) /from Assets Under Construction	29,276	0	0	(29,276)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	(543)	0	0	0	<b>(543)</b>	0
assets reclassified (to) /from Investment Properties	(934)	0	0	0	<b>(934)</b>	0
<b>At 31 March 2014</b>	<b>263,288</b>	<b>22,879</b>	<b>87,297</b>	<b>25,691</b>	<b>399,155</b>	<b>60,608</b>
<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2013	<b>15,190</b>	<b>12,359</b>	<b>5,267</b>	<b>0</b>	<b>32,816</b>	<b>2,863</b>
depreciation charge	5,989	4,290	1,715	0	<b>11,994</b>	1,380
depreciation written out to the Revaluation Reserve	(2,939)	0	0	0	<b>(2,939)</b>	0
derecognition – disposals	(25)	0	0	0	<b>(25)</b>	0
<b>At 31 March 2014</b>	<b>18,215</b>	<b>16,649</b>	<b>6,982</b>	<b>0</b>	<b>41,846</b>	<b>4,243</b>
<b>Net Book Value</b>						
<b>at 31 March 2014</b>	<b>245,073</b>	<b>6,230</b>	<b>80,315</b>	<b>25,691</b>	<b>357,309</b>	<b>56,375</b>
<b>at 31 March 2013</b>	<b>247,521</b>	<b>9,604</b>	<b>64,878</b>	<b>24,893</b>	<b>346,896</b>	<b>57,176</b>
<b>Information on Assets Held at 31/3/14</b>						
Nature of Holding						
Owned	188,698	5,311	80,315	25,691	<b>300,015</b>	
Leased	0	919	0	0	<b>919</b>	
PFI	56,375	0	0	0	<b>56,375</b>	
<b>Total</b>	<b>245,073</b>	<b>6,230</b>	<b>80,315</b>	<b>25,691</b>	<b>357,309</b>	

Comparative Movements in 2012/13:

	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 2012	<b>273,192</b>	<b>18,840</b>	<b>57,411</b>	<b>14,515</b>	<b>363,958</b>	<b>59,724</b>
Additions	16,945	3,038	12,761	13,162	<b>45,906</b>	315
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,631	56	0	0	<b>1,687</b>	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,484)	0	(27)	0	<b>(5,511)</b>	0
derecognition – disposals	(21,891)	0	0	0	<b>(21,891)</b>	0
assets reclassified (to) /from Assets Under Construction	2,755	29	0	(2,784)	<b>0</b>	0
assets reclassified (to)/from Held for Sale	(3,635)	0	0	0	<b>(3,635)</b>	0
assets reclassified (to) /from Investment Properties	(802)	0	0	0	<b>(802)</b>	0
At 31 March 2013	<b>262,711</b>	<b>21,963</b>	<b>70,145</b>	<b>24,893</b>	<b>379,712</b>	<b>60,039</b>

<b>Accumulated Depreciation and Impairment</b>						
at 1 April 2012	<b>12,569</b>	<b>7,622</b>	<b>3,866</b>	<b>0</b>	<b>24,057</b>	<b>1,489</b>
depreciation charge	5,858	4,737	1,401	0	<b>11,996</b>	1,374
depreciation written out to the Revaluation Reserve	(2,572)	0	0	0	<b>(2,572)</b>	0
derecognition – disposals	(665)	0	0	0	<b>(665)</b>	0
<b>At 31 March 2013</b>	<b>15,190</b>	<b>12,359</b>	<b>5,267</b>	<b>0</b>	<b>32,816</b>	<b>2,863</b>

Depreciation

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

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

## Capital Commitments

At 31 March 2014, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £92.9m. Similar commitments at 31 March 2013 were £40.0m. The major commitments are:

- Ercall Wood School – £4.9m
- Adams Grammar School – £3.1m
- Burton Borough School - £7.9m
- Charlton School - £14.4m
- Holy Trinity Academy £13.4m
- Lakeside Learning Community £16.4m
- Telford Co – Operative Academy £14.2m
- Southwater One – £1.7m
- Ironbridge Gorge Stability – £8.6m
- Box Road – £8.3m

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

### **12a. Fixed Asset Valuation**

The Council's property was valued on 1 April 2013 by internal valuers, James Dunn MRICS, Dylan Webster MRICS and David Scrimgeour MRICS, all Register Valuers of Telford & Wrekin Council.

The valuations were carried out in accordance with the requirements of the RICS Valuation Standards 2012 Edition, IVS 300, FRS 15, the International Valuation Standards Council (IVSC) and SSAP 19.

The valuation of the property was on the basis of:

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

#### Special assumptions – Operational Property:

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

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

- Where physically-adjointing properties that 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.
- We have not been told of any groups of properties that do not want valuing together.
- We will value units within industrial estates, office complexes and local shopping centres within the PIP as groups of properties.

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

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

Not all of the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. Assets with a value of less than £10,000 are excluded from the register.

Investment Properties are valued annually and their current value is £54.275m, 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
2009/10	40,867
2010/11	59,882
2011/12	120,710
2012/13	85,058
2013/14	27,555
Total	334,072

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

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

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

### 13. Investment Properties

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

	2012/13	2013/14
	£000	£000
Rental income from investment property	(7,753)	(6,754)
Direct operating expenses arising from investment property	2,480	3,609
<b>Net Operational (gain)/loss</b>	<b>(5,273)</b>	<b>(3,145)</b>
Net (gain)/loss on revaluation of properties	1,092	(761)
<b>Total Net (gain)/loss</b>	<b>(4,181)</b>	<b>(3,906)</b>

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

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

	2012/13	2013/14
	£000	£000
Balance at start of the year	53,611	52,564
Additions	2,349	1,604
Disposals	(3,106)	(1,588)
Revaluation Increases/Decreases met from net surplus /deficit on provision of services	(1,092)	761
Transfers:		
- to/from Property, Plant and Equipment	802	934
Balance at end of the year	52,564	54,275

### 14. Financial Instruments

Categories of Financial Instruments

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

	Long Term			Current	
	2012/13	2013/14		2012/13	2013/14
	£000	£000		£000	£000
<b>Investments</b>					
Loans and receivables	10,033	33		15,000	10,000
Financial assets at fair value through profit and loss	0	0		0	0
<b>Total investments</b>	<b>10,033</b>	<b>33</b>		<b>15,000</b>	<b>10,000</b>
<b>Debtors</b>					
Financial assets carried at contract amounts	598	573		21,182	20,731
<b>Total Debtors</b>	<b>598</b>	<b>573</b>		<b>21,182</b>	<b>20,731</b>



<b>Borrowings</b>					
Financial liabilities at amortised cost	<b>99,521</b>	<b>88,520</b>		<b>11,093</b>	<b>37,063</b>
<b>Total borrowings</b>	<b>99,521</b>	<b>88,520</b>		<b>11,093</b>	<b>37,063</b>
<b>Other Liabilities</b>					
PFI and finance lease liabilities	<b>59,774</b>	<b>58,274</b>		<b>2,150</b>	<b>2,186</b>
Other Creditors	<b>0</b>	<b>0</b>		<b>58,849</b>	<b>60,335</b>
<b>Total Other Liabilities</b>	<b>59,774</b>	<b>58,274</b>		<b>60,999</b>	<b>62,521</b>

#### Income, Expense, Gains and Losses

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	9,850	0	9,850	9,373	0	9,373
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,850</b>	<b>0</b>	<b>9,850</b>	<b>9,373</b>	<b>0</b>	<b>9,373</b>
Interest income	0	(1,850)	(1,850)	0	(1,581)	(1,581)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(1,850)</b>	<b>(1,850)</b>	<b>0</b>	<b>(1,581)</b>	<b>(1,581)</b>
<b>Net gain/(loss) for the year</b>	<b>9,850</b>	<b>(1,850)</b>	<b>8,000</b>	<b>9,373</b>	<b>(1,581)</b>	<b>7,792</b>

#### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates are based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	<b>2012/13</b>			<b>2013/14</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>		<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Financial liabilities	<b>110,614</b>	<b>155,204</b>		<b>125,583</b>	<b>156,779</b>
Long-term creditors	<b>59,774</b>	<b>59,774</b>		<b>58,274</b>	<b>58,274</b>

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 2014) arising from a commitment to pay interest to lenders above current market rates.

	<b>2012/13</b>			<b>2013/14</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>		<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Loans and receivables	<b>25,033</b>	<b>32,805</b>		<b>10,033</b>	<b>13,186</b>
Long-term debtors	<b>598</b>	<b>598</b>		<b>573</b>	<b>573</b>

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2014) attributable to the commitment to receive interest above current market rates.

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

## **15. Inventories**

The Council had inventories that totalled £0.298m at 31/3/14 and £0.294m at 31/3/13. These mainly consist of stocks at Leisure Centres, Salt and Grit Stocks, Catering Stocks and Design and Print stocks.

## **16. Debtors**

<b>2012/13 £'000</b>		<b>2013/14 £'000</b>
	Amounts falling due in one year:	
<b>1,306</b>	Central Government	<b>873</b>
<b>1,058</b>	Other Local Authorities	<b>1,174</b>
<b>4,258</b>	NHS Bodies	<b>5,190</b>
<b>58</b>	Public Corporations and Trading Funds	<b>1,045</b>
<b>20,090</b>	Other Entities and Individuals	<b>19,422</b>
<b>26,770</b>	<b>Gross Debtors</b>	<b>27,704</b>
<b>(5,588)</b>	Provision for doubtful debts	<b>(6,973)</b>
<b>21,182</b>	<b>Total</b>	<b>20,731</b>

### 17. Cash and Cash Equivalents

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>182</b>	Cash held by the Authority	<b>165</b>
<b>1,310</b>	Bank current accounts	<b>825</b>
<b>6,393</b>	Call Accounts	<b>13,477</b>
<b>7,885</b>	<b>Total Cash and Cash Equivalents</b>	<b>14,467</b>
<b>0</b>	<b>Bank Account Overdrawn</b>	<b>0</b>
<b>7,885</b>	<b>Net Cash Position for Cash Flow Purposes</b>	<b>14,467</b>

### 18. Assets Held for Sale

<b>Current</b>		<b>Current</b>
<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>25,547</b>	<b>Balance outstanding at start of year</b>	<b>6,874</b>
<b>3,635</b>	Reclassified from - Property, Plant and Equipment	<b>543</b>
<b>39</b>	Revaluation gains	<b>0</b>
<b>0</b>	Impairment losses met from the revaluation reserve	<b>(178)</b>
<b>(257)</b>	Impairment losses met from income and expenditure	<b>(247)</b>
<b>(22,090)</b>	Assets sold	<b>(2,194)</b>
<b>0</b>	Acquisitions	<b>44</b>
<b>6,874</b>	<b>Balance outstanding at year-end</b>	<b>4,842</b>

### 19. Creditors

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
<b>8,629</b>	Central Government	<b>6,629</b>
<b>276</b>	Other Local Authorities	<b>514</b>
<b>4,677</b>	NHS Bodies	<b>306</b>
<b>234</b>	Public Corporations and Trading Funds	<b>883</b>
<b>45,033</b>	Other Entities and Individuals	<b>52,003</b>
<b>2,150</b>	PFI and Leases	<b>2,186</b>
<b>60,999</b>	<b>Total</b>	<b>62,521</b>

## 20. Provisions

	2013/14 Opening £'000	Transfers/ Receipts in year £'000	Transfers/ Payments in year £'000	2013/14 Closing £000
Restructure Provision	2,458	182	(2,273)	367
Single Status Provision – Non Schools	11,947	0	(0)	11,947
Single Status Provision – Schools	4,025	304	(0)	4,329
NDR Appeals Provision	0	2,011	(0)	2,011
Insurance Provision	267	25	(292)	0
<b>Total</b>	<b>18,697</b>	<b>2,522</b>	<b>(2,565)</b>	<b>18,654</b>
<i>2012/13</i>	<i>18,742</i>	<i>1,800</i>	<i>(1,845)</i>	<i>18,697</i>

As part of the Council's ongoing drive for efficiency, an initial restructuring process took place in 2009/10. A provision to meet the one off costs associated with the re-structure was made in the 2009/10, 2010/11 and 2011/12 accounts. The balance at 1 March 2013 was mainly used during 2012/13. Further restructures took place in 2012/13 and an additional provision was created for these costs as at 31 March 2013. This balance was mainly used during 2013/14 and an additional provision was created for the one offs costs at 31 March 2014. It is anticipated that there will be further restructures as the cuts to Local Government funding continue.

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1<sup>st</sup> April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2013/14 accounts, as was the case last year and previous years. Previously this was treated as a creditor in the Statement of Accounts; the treatment has been changed, for the 2013/14 and it is now shown as a provision, which better reflects its purpose. The amount in the provision at 31 March 2014 was £16.3m.

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, £4.1m is estimated as the amount required to set aside for this purpose in the 2013/14 accounts. Telford & Wrekin Council's proportion of this is £2.0m (49%).

## 21. Usable Reserves

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

## 22. Unusable Reserves

2012/13		2013/14
£000		£000
49,828	Revaluation Reserve	46,467
116,391	Capital Adjustment Account	100,479
467	Financial Instruments Adjustment Account	(2)
0	Deferred Capital Receipts Reserve	0
(196,006)	Pensions Reserve	(150,183)
1,094	Collection Fund Adjustment Account	701
(3,543)	Accumulated Absences Account	(2,644)
(31,769)	<b>Total Unusable Reserves</b>	<b>(5,182)</b>

### Revaluation Reserve

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

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

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

2012/13		2013/14
£'000		£'000
65,022	<b>Balance brought forward</b>	49,828
8,644	Upwards revaluation of assets	3,108
(3,681)	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	(4,639)
(1,095)	Difference between fair value depreciation and historical cost depreciation	(1,080)
(19,062)	Accumulated gains and losses on assets sold or scrapped	(750)
49,828	<b>Balance carried forward</b>	<b>46,467</b>

### Capital Adjustment Account

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

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
<b>106,392</b>	<b>Balance Brought Forward</b>	<b>116,391</b>
<b>(17,765)</b>	Charges for depreciation and impairment of non-current assets	<b>(24,504)</b>
<b>(813)</b>	Amortisation of intangible assets	<b>(1,060)</b>
<b>(14,748)</b>	Revenue expenditure funded from capital under statute	<b>(14,021)</b>
<b>(46,895)</b>	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(34,888)</b>
<b>20,157</b>	Adjusting amounts written out of the Revaluation Reserve	<b>1,830</b>
<b>28,833</b> <b>35,344</b>	Capital financing - Capital receipts - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>4,132</b> <b>50,152</b>
<b>6,978</b>	Minimum Revenue Provision	<b>1,686</b>
<b>(1,092)</b>	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>761</b>
<b>116,391</b>	<b>Balance Carried Forward</b>	<b>100,479</b>

### Financial Instruments Adjustment Account

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

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 14 years.

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>847</b>	<b>Balance at 1 April</b>	<b>467</b>
<b>(380)</b>	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	<b>(469)</b>
<b>467</b>	<b>Balance at 31 March</b>	<b>(2)</b>

### Pensions Reserve

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>154,587</b>	<b>Balance at 1 April</b>	<b>196,006</b>
<b>33,709</b>	Actuarial (gains) or losses on pensions assets and liabilities	<b>(56,183)</b>
<b>939</b>	Added Years	<b>1,042</b>
<b>626</b>	Entity Combination	<b>0</b>
<b>18,320</b>	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	<b>22,572</b>
<b>(12,175)</b>	Employer's pensions contributions and direct payments to pensioners payable in the year	<b>(13,254)</b>
<b>196,006</b>	<b>Balance at 31 March</b>	<b>150,183</b>

### Deferred Capital Receipts Reserve

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>304</b>	<b>Balance at 1 April</b>	<b>0</b>
<b>(304)</b>	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>0</b>
<b>0</b>	Transfer to the Capital Receipts Reserve upon receipt of cash	<b>0</b>
<b>0</b>	<b>Balance at 31 March</b>	<b>0</b>

### Collection Fund Adjustment Account

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>803</b>	<b>Balance at 1 April</b>	<b>1,094</b>
<b>291</b>	Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	<b>(393)</b>
<b>1,094</b>	<b>Balance at 31 March</b>	<b>701</b>

### Accumulated Absences Account

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>3,631</b>	<b>Balance at 1 April</b>	<b>3,543</b>
<b>(3,631)</b>	Settlement or cancellation of accrual made at the end of the preceding year	<b>(3,543)</b>
<b>3,543</b>	Amounts accrued at the end of the current year	<b>2,644</b>
<b>3,543</b>	<b>Balance at 31 March</b>	<b>2,644</b>
<b>(88)</b>	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(899)</b>



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

The cash flows for operating activities includes the following items:

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>(516)</b>	Interest received	<b>(5,040)</b>
<b>9,942</b>	Interest paid	<b>9,281</b>

### **24. Cash Flow Statement – Investing Activities**

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>47,768</b>	Purchase of property, plant and equipment, investment property and intangible assets	<b>65,571</b>
<b>0</b>	Purchase of short-term and long-term investments	<b>0</b>
<b>754</b>	Other payments for investing activities	<b>966</b>
<b>(29,801)</b>	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>(2,667)</b>
<b>(25,000)</b>	Proceeds from short-term and long-term investments	<b>(15,000)</b>
<b>(30,809)</b>	Other receipts from investing activities	<b>(44,401)</b>
<b>(37,088)</b>	<b>Net cash flows from investing activities</b>	<b>4,469</b>

### **25. Cash Flow Statement – Financing Activities**

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>(37,590)</b>	Cash receipts of short and long term borrowing	<b>(117,500)</b>
<b>(1,974)</b>	Other receipts from financing activities	<b>(714)</b>
<b>(291)</b>	Appropriation to/from Collection Fund Adjustment Account	<b>(541)</b>
<b>74,645</b>	Repayments of short and long term borrowing	<b>102,531</b>
<b>2,006</b>	Cash payments in relation to finance leases and PFI agreements	<b>2,008</b>
<b>36,796</b>	<b>Net cash flows from financing activities</b>	<b>(14,216)</b>

## 26. Amounts Reported for Resource Allocation Decisions

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

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

For 2013/14 a number of reallocations of responsibility were made from 2012/13 and Public Health was an Acquired Service from 1/4/13 and included within Health, Well Being & Public Protection.

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

### Service Delivery Unit Income and Expenditure

2013/14	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Adult Social Services	12,776	60,610	73,386	23,942	1,276	25,218	48,168
Education & Corporate Parenting	4,121	97,830	101,951	3,894	92,563	96,457	5,494
Children's Safeguarding & Specialist Services	4,880	17,742	22,622	2,745	1,006	3,751	18,871
Family, Cohesion & Commissioning	11,946	23,543	35,489	11,426	9,617	21,043	14,446
Development, Business & Employment	7,152	12,011	19,163	18,844	2,235	21,079	(1,916)
Neighbourhood & Leisure Services	9,541	37,116	46,657	18,971	1,471	20,442	26,215
Customer Services	5,512	5,549	11,061	6,857	2,198	9,055	2,006
Law, Democracy & People Services	3,723	2,881	6,604	4,530	209	4,739	1,865
Finance, Audit & Information Governance	6,521	83,591	90,112	9,324	63,811	73,135	16,977
Health, Well Being & Public Protection	652	5,623	6,275	0	6,075	6,075	200
Co-Operative Council	2,874	1,476	4,350	2,930	15	2,945	1,405
<b>Total</b>	<b>69,698</b>	<b>347,972</b>	<b>417,670</b>	<b>103,463</b>	<b>180,476</b>	<b>283,939</b>	<b>133,731</b>

Less items in above table but not shown under provision of services in statement of accounts			(26,879)			(9,073)	(17,806)
Items not reported to Corporate Management Team but are shown within provision of services in the statement of accounts			40,330			42,062	(1,732)
Provision of services in the statement of accounts			431,121			316,928	114,193

2012/13	Employee expenses	Other service expenses	Total Expenditure	Fees, charges & other service income	Government grants	Total Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Adult Care & Support	12,282	63,084	75,366	24,969	7,948	32,917	42,449
Education & Skills	7,286	111,844	119,130	3,210	112,464	115,674	3,456
Children's Safeguarding	5,482	17,198	22,680	1,275	335	1,610	21,070
Family & Cohesion Services	12,081	21,934	34,015	9,665	11,439	21,104	12,911
Development, Business & Housing	8,501	16,005	24,506	26,256	36	26,292	(1,786)
Neighbourhood & Leisure Services	8,762	35,985	44,747	17,876	1,434	19,310	25,437
Customer & People Services	12,068	12,649	24,717	18,305	1,986	20,291	4,426
Law, Democracy & Public Protection	3,376	3,169	6,545	4,395	25	4,420	2,125
Finance, Audit & Information Governance	6,047	80,866	86,913	17,654	55,077	72,731	14,182
Co-Operative Council	2,601	2,049	4,650	3,265	226	3,491	1,159
Total	78,486	364,783	443,269	126,870	190,970	317,840	125,429
Less items in above table, but not shown under provision of services in statement of accounts			(20,412)			(9,636)	(10,776)
Items not reported to Corporate Management Team but are shown			33,550			30,327	3,223

<b>within provision of services in the statement of accounts</b>							
<b>Provision of services in the statement of accounts</b>			<b>456,407</b>			<b>338,531</b>	<b>117,876</b>

Items within "Less items in above table but not shown under provision of services in statement of accounts" General grants including Section 31 Grant reported on service lines during year but shown as general grants in the accounts, trading services not shown within provision of services in accounts, interest received shown separately in statements, IAS 19 adjustments not reported to Management Team, reserves and adjustments for support service recharges.

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

## **27. Acquired and Discontinued Operations**

Where operations have been acquired or discontinued in the year, paragraph 3.4.4.1(1) of the Code requires disclosure of the nature of the acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations.

### **Public Health**

Responsibility for Public Health transferred to the Council from the NHS in April 2013 together with the associated specific ring-fenced grant funding, totalling £10.6m in 2013/14. The conditions of the grant are that it must be used to address health needs and improve health and well-being in the community. Improving public health outcomes is delivered across a number of Service Areas and a summary of the application of the grant in 2013/14 is shown in the table below:

	£
Public Health, Well Being & Public Protection	(7,424,998)
Children's Safeguarding & Specialist Services	(100,000)
Family, Cohesion & Commissioning Services	(1,287,835)
Neighbourhood & Leisure Services	(502,490)
Development, Business & Employment	(302,809)
Adult Social Services	(997,567)
<b>Total Public Health Grant 2013/14</b>	<b>(10,615,699)</b>

Overall, the grant was fully spent during the year with only a small balance carried forward to 2014/15 in accordance with the grant conditions.

## 28. Market Undertaking and Industrial Units

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

	2012/13 £'000	2013/14 £'000
Income from Stallholders'		
Rents and charges	45	43
Expenditure	(31)	(52)
(Deficit)/Surplus taken to General Fund	<u>14</u>	<u>(9)</u>

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

	2012/13 £'000	2013/14 £'000
Income from rents	7,204	6,166
Other income	549	588
Net gains/(losses) on revaluation of property	(1,092)	761
Direct operating expenses	(2,480)	(3,609)
(Deficit)/Surplus taken to General Fund	<u>4,181</u>	<u>3,906</u>
 Total Trading Accounts	 <u>4,195</u>	 <u>3,897</u>

## 29. Pooled Budgets

During 2013/14 the Council was involved in the following pooled budgets in conjunction with Telford & Wrekin Primary Care Trust for improving life chances of all children, young people, adults and older people with learning difficulties and their families and for Integrated Community Equipment.

### **Pooled Budgets where Telford & Wrekin is the host.**

#### Learning Disability Development Fund

To improve the service for users through closer working between the National Health Service and the Council. This now forms part of Public Health for 2013/14.

	2012/13 £000	2013/14 £000
Expenditure	65	0
Income	168	0

#### Delayed Discharges Pooled Budget

To promote independence for older people through developing a range of services that are delivered in partnership between primary and secondary health care, Local Government services and the independent sector. This now forms part of Public Health for 2013/14.

	2012/13 £000	2013/14 £000
Expenditure	288	0
Income	288	0

### Carers Pooled Budget

The Authority has entered into a pooled budget arrangement with Telford & Wrekin CCG to improve the service provided to Carers through closer working between the Health Service and the Council. Under/overspends will be returned or funded in proportion to the Partners' contribution. The Council's contribution to this budget is £321k

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Expenditure	<b>0</b>	<b>385</b>
Income	<b>0</b>	<b>516</b>

### Intermediate Care Pooled Budget

To improve intermediate care services for users through closer working between the National Health Service and the Council. The Council's contribution to this budget is £52k.

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Expenditure	<b>313</b>	<b>313</b>
Income	<b>357</b>	<b>368</b>

### ALD Pooled Budget

Funding Transferred to Local Authorities from CCG to help with Valuing People, Healthcare for All, World Class Commissioning. This now forms part of Public Health for 2013/14.

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Expenditure	<b>14,522</b>	<b>0</b>
Income	<b>15,717</b>	<b>0</b>

### **Pooled Budgets where Shropshire Community NHS Trust is the host.**

#### Integrated Community Equipment Services

To improve the service for equipment users through closer working between the National Health Service and the Council. This is no longer a pooled budget.

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Expenditure	<b>76</b>	<b>0</b>
Income	<b>76</b>	<b>0</b>

#### Substance Misuse

To promote a partnership approach to the development of local systems of effective drug misuse treatment. This now forms part of Public Health for 2013/14.

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Expenditure	<b>1,195</b>	<b>0</b>
Income	<b>1,233</b>	<b>0</b>

### **30. Members' Allowances**

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>615</b>	Allowances	<b>616</b>
<b>4</b>	Expenses	<b>3</b>
<b>619</b>	Total	<b>619</b>

### 31. Senior Officers' Remuneration

This note shows the amounts paid to Senior Officers in 2013/14 and 2012/13. Senior Officers are defined as:

- named employees whose annualised salary is £150,000 or more
- 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.

#### 2013/14

<i>Post Holder Information (Post title)</i>	<i>Notes</i>	<i>Annualised salary £</i>	<i>Salary (Including Fees &amp; Allowances) £</i>	<i>Compensation for Loss of Office £</i>	<i>Benefits in Kind £</i>	<i>Total Remuneration excluding Pension contributions 2013/14 £</i>	<i>Pension contributions £</i>	<i>Total Remuneration including pension contributions 2013/14 £</i>
<b><i>Current Posts</i></b>								
Managing Director			137,000	0	0	137,000	22,331	159,331
<b><i>Director of Children &amp; Family Services</i></b>			109,600	0	0	109,600	17,865	127,465
<b><i>Director of Development, Business &amp; Customer Services</i></b>	1	109,600	100,467			100,467	16,376	116,843
<b><i>Interim Director of Care, Health &amp; Wellbeing</i></b>	2	109,600	80,727	0	0	80,727	13,158	93,885
<b><i>Assistant Director: Finance, Audit &amp; Information Governance</i></b>			82,304	0	0	82,304	13,416	95,720
<i>Assistant Director: Development, Business &amp; Housing</i>	3	82,304	6,859	0	0	6,859	1,118	7,977
<b><i>Assistant Director: Development Business &amp; Employment</i></b>	4	75,836	59,995	0	0	59,995	9,779	69,774
<b><i>Assistant Director: Planning Specialist</i></b>		82,304	80,080	0	0	80,080	13,053	93,133
<b><i>Assistant Director: Family Cohesion &amp; Commissioning</i></b>			82,304	0	0	82,304	13,416	95,720
<b><i>Assistant Director: Education &amp; Corporate Parenting</i></b>			82,304	0	0	82,304	13,416	95,720
<b><i>Assistant Director: Children's Safeguarding &amp; Specialist Services</i></b>		79,073	77,451	0	0	77,451	12,624	90,075
<b><i>Assistant Director: Adult Social Services</i></b>			82,304	71,033	0	153,337	13,416	166,753



<b>Assistant Director: Health Wellbeing &amp; Public Protection</b>	5	82,304	41,381	0	0	<b>41,381</b>	5,793	<b>47,174</b>
<b>Interim Assistant Director: Health &amp; Wellbeing</b>	6	74,220	24,740	0	0	<b>24,740</b>	3,464	<b>28,204</b>
<b>Assistant Director: Law, Democracy &amp; People Services</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
<b>Assistant Director: Neighbourhood &amp; Leisure Services</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
<b>Assistant Director: Customer Services</b>			82,304	0	0	<b>82,304</b>	13,416	<b>95,720</b>
<b>Service Delivery Manager: Delivery &amp; Planning</b>	7	58,471	58,456	0	0	<b>58,456</b>	9,528	<b>67,984</b>
<b>Service Delivery Manager: Policy</b>	7	52,821	37,168	0	0	<b>37,168</b>	6,058	<b>43,226</b>
<b>Service Delivery Manager: Community Engagement</b>	7		58,471	0	0	<b>58,471</b>	9,531	<b>68,002</b>
<b><u>Posts No Longer Within Council Structure</u></b>								
<i>Director: Adult &amp; Community Services</i>	8	109,600	27,089	88,745	0	<b>115,834</b>	4,415	<b>120,249</b>
<i>Assistant Director: Social Care Specialist</i>	9	82,304	21,096	0	0	<b>21,096</b>	3,439	<b>24,535</b>
<i>Commercial Enterprise Manager</i>	7,10	58,471	31,946	0	0	<b>31,946</b>	4,842	<b>36,788</b>
			<b>1,528,654</b>	<b>159,778</b>	<b>0</b>	<b>1,688,432</b>	<b>247,286</b>	<b>1,935,718</b>

**Notes:**

**Those roles shown in bold above represent the current posts.**

1) This post was appointed to on 1st May 2013

2) This post was appointed from 6<sup>th</sup> July 2013

3) The postholder secured the post of Director: Development Business & Employment on 1<sup>st</sup> May 2013

4) This post was appointed to on 10th June 2013

5) This post was appointed to on 30th September 2013

6) This was an interim position whilst the post was recruited to permanently

7) These Service Delivery Managers posts report directly to the Managing Director

8) Corporate Director left the organisation on 5<sup>th</sup> July. Post was deleted

9) This post was only occupied to 5<sup>th</sup> July 2013

10) This postholder left on 4<sup>th</sup> October 2013

2012/13

<i>Post Holder Information (Post title)</i>	<i>Notes</i>	<i>Annualised salary £</i>	<i>Salary (Including Fees &amp; Allowances) £</i>	<i>Compensation for Loss of Office £</i>	<i>Benefit s in Kind £</i>	<i>Total Remuneration excluding Pension contributions 2012/13 £</i>	<i>Pension contributions £</i>	<i>Total Remuneration including pension contributions 2012/13 £</i>
<b><u>Current Posts</u></b>								
<b>Managing Director</b>			137,000	0	0	137,000	22,331	159,331
<b>Director of Adult &amp; Community Services</b>		109,600	106,040	0	0	106,040	17,285	123,325
<b>Director of Children &amp; Family Services</b>	1	109,600	97,520	0	0	97,520	15,896	113,416
<b>Interim Director of Children's Services</b>	2	94,473	10,412	0	0	10,412	1,697	12,109
<b>Assistant Director: Finance, Audit &amp; Information Governance</b>			82,304	0	0	82,304	13,416	95,720
<b>Assistant Director: Development, Business &amp; Housing</b>			82,304	0	0	82,304	13,416	95,720
<b>Assistant Director: Planning Specialist</b>			80,080	0	0	80,080	13,053	93,133
<b>Assistant Director: Family &amp; Cohesion Services</b>			82,304	0	0	82,304	13,416	95,720
<b>Assistant Director: Education &amp; Skills</b>			82,304	0	0	82,304	13,416	95,720
<b>Assistant Director: Children's Safeguarding</b>	3	77,451	75,988	0	0	75,988	12,361	88,349
<b>Assistant Director: Social Care Specialist</b>			80,080	0	0	80,080	13,053	93,133
<b>Assistant Director: Adult Care &amp; Support</b>			82,304	0	0	82,304	13,416	95,720
<b>Assistant Director: Law, Democracy &amp; Public Protection</b>			82,304	0	0	82,304	13,416	95,720
<b>Assistant Director: Neighbourhood &amp; Leisure Services</b>			82,304	0	0	82,304	13,416	95,720
<b>Assistant Director: Customer &amp; People Services</b>			82,304	0	0	82,304	13,416	95,720
<b>Service Delivery Manager: Delivery &amp; Planning</b>	6	51,308	57,923	0	0	57,923	9,441	67,364
<b>Service Delivery Manager: Policy</b>	6	50,430	29,460	0	0	29,460	4,802	34,262
<b>Service Delivery Manager: Community Engagement</b>	6		58,471	0	0	58,471	9,531	68,002
<b>Commercial Enterprise Manager</b>	4,6	58,471	21,807	0	0	21,807	3,590	25,397
<b><u>Posts Made Redundant</u></b>								

Corporate Director	5	118,893	2,642	105,804	0	<b>108,446</b>	431	<b>108,877</b>
		<b>1,415,855</b>	<b>105,804</b>	<b>0</b>	<b>1,521,659</b>	<b>230,799</b>	<b>1,752,458</b>	

**Notes:**

**Those roles shown in bold above represent the current posts.**

1) This post was appointed to on 11th May 2012

2) The interim post was from 1st April 2012 to 10th May 2012

3) This post was permanently appointed to on 4th October 2012. The post was covered in an interim basis prior to this

4) This post was appointed to on 12th November 2012

5) Corporate Director post deleted as part of Management Restructure. Post holder left 8th April 2013

6) These Service Delivery Managers posts report directly to the Managing Director

The following table excludes Senior Officers shown above.

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

	<b><u>Number of Employees 2012/13</u></b>	<b><u>Number of Employees 2013/14</u></b>
£50,000 - £54,999	<b>43</b>	<b>43</b>
£55,000 - £59,999	<b>50</b>	<b>48</b>
£60,000 - £64,999	<b>28</b>	<b>22</b>
£65,000 - £69,999	<b>12</b>	<b>11</b>
£70,000 - £74,999	<b>2</b>	<b>5</b>
£75,000 - £79,999	<b>3</b>	<b>2</b>
£80,000 - £84,999	<b>2</b>	<b>3</b>
£85,000 - £89,999	<b>2</b>	<b>1</b>
£90,000 - £94,999	<b>0</b>	<b>0</b>
£95,000 - £99,999	<b>1</b>	<b>1</b>
£100,000 - £104,999	<b>0</b>	<b>0</b>
£105,000 - £109,999	<b>1</b>	<b>1</b>

The 2013/14 figures include 80 school based employees (99 in 2012/13). The 2013/14 figures include 11 employees (6 in 2012/13) who left under redundancy or retired during the year.

### **32. External Audit Costs**

The Council's accounts have been audited by KPMG in 2012/13 and 2013/14. In 2013/14 the Council incurred the following fees relating to external audit and inspection:

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Fees payable to KPMG with regard to external audit services	<b>155</b>	<b>155</b>
Fees payable to Audit Commission in respect of statutory inspection	<b>(11)</b>	<b>(18)</b>
Fees payable to KPMG for the certification of grant claims and returns	<b>17</b>	<b>16</b>
Fees payable in respect of other services provided by the appointed auditor, for 2012/13 this includes £4,000 paid to the Audit Commission in relation to the National Fraud Initiative	<b>8</b>	<b>9</b>

### 33. Disclosure of deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children Schools and Families, the Dedicated Schools Grant (DSG) which is within Children & Education Services in the Income & Expenditure Account. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

<b>Schools Budget Funded By Dedicated Schools Grant</b>			
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2013/14			<b>121,061</b>
Brought forward from 2012/13	432	161	<b>593</b>
Academy Figure recouped for 13/14			<b>(21,861)</b>
<b>Agreed budgeted distribution in 2013/14</b>	<b>7,627</b>	<b>92,166</b>	<b>99,793</b>
In Year Adjustments	0	0	<b>0</b>
<b>Final Budget Distribution for 2013/14</b>	<b>7,627</b>	<b>92,166</b>	<b>99,793</b>
Actual Central Expenditure	(7,273)		<b>(7,273)</b>
Actual ISB deployed to Schools		(92,062)	<b>(92,062)</b>
Local Authority contribution for 2013/14	0	0	<b>0</b>
<b>Carry Forward to 2014/15</b>	<b>354</b>	<b>104</b>	<b>458</b>

### 34. Grant Income

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

2012/13		2013/14
£000		£000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
1,267	Revenue Support Grant	50,871
65,378	Non Domestic Rates – no longer a grant for 2013/14	0
0	Non Domestic Rates Top Up Grant	2,037
593	Local Services Support Grant	183
0	Section 31 Grant	597
100	Other grants	0
<b>67,338</b>	<b>Total</b>	<b>53,688</b>
	<b>Credited to Services</b>	
109,290	Dedicated Schools Grant	99,200
69,566	Mandatory Rent Allowances Subsidy	69,349
14,699	Council Tax Benefits Subsidy	0
0	Public Health Grant	10,616
4,354	Pupil Premium Grant	5,740
7,933	Early Intervention Grant	0
0	Education Services Grant	2,856
6,824	Learning Disability and Health Reform Grant	0
1,430	New Homes Bonus	2,542
5,835	Other grants	6,468
<b>219,931</b>	<b>Total</b>	<b>196,771</b>

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

2012/13		2013/14
£000		£000
	<b>Capital Grants Receipts in Advance</b>	
75	Rural Enterprise Investment Programme	75
153	Other grants	0
<b>228</b>	<b>Total</b>	<b>75</b>

### 35. Related Parties

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

#### Central Government

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

## Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 30. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

During the year transactions with related parties arose as follows:

**Councillor Stephen Burrell** is a Director of Peace of Mind Homecare a company that provided services to the Council through service contracts and received £516,649 in 2013/14.

## Other Public Bodies [subject to common control by Central Government]

The Authority had pooled budget arrangement with Shropshire Community NHS Trust which ended in 2012/13. Transactions and balances outstanding for 2012/13 are detailed in Note 29.

## 36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
249,804	<b>Opening Capital Financing Requirement</b>	241,957
	<b>Capital Investment</b>	
45,962	Property, Plant & Equipment	68,820
2,349	Investment Properties	1,604
0	Assets Held for Sale	44
496	Intangible Assets	846
14,748	Revenue Expenditure funded from Capital under Statute	14,021
252	Leased Vehicles	69
	<b>Sources of Finance</b>	
(28,833)	Capital Receipts	(4,132)
(499)	Finance Leases	(285)
(35,344)	Government Grants and Other Contributions	(50,152)
(6,978)	Revenue Provision (NB: includes MRP)	(1,686)
<b>241,957</b>	<b>Closing Capital Finance Requirement</b>	<b>271,106</b>
(7,847)	Movement for Year	29,149
	Explanation of movements in the year	
361	Increase in underlying need to borrow (supported by Government financial assistance)	474
(8,208)	Increase in underlying need to borrow (unsupported by Government financial assistance)	28,675
(7,847)	Increase/(decrease) in Capital Financing Requirement	29,149

The main items of capital expenditure during the year related to improving schools (including sports & learning communities), roads, local housing improvement grants and ICT, Town Centre Regeneration, Borough Towns Initiative, Brookside and Street Lighting.

At 31 March 2014 there were 10 significant contracts in place with outstanding commitments of £92.9m, as detailed in note 12.

The Council entered into a PFI transaction in March 2006 for the provision of school and leisure facilities at Hadley Learning Community and JIGSAW for £289m.

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 2013/14 the Authority made payments of £9,718,789 in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

### 37. Leases

#### Finance Leases

During 2013/14 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £68,769. Finance lease rentals of £324,133 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:-

	<b>Within 1 Year £'000</b>	<b>2 to 5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Total £'000</b>
Outstanding Obligations	280	537	0	817

The aggregate amount of finance charges in respect of finance leases was £37,691 for 2013/14 (£56,223 for 2012/13)

The Council operates a de minimis level of £10,000 for including assets in the asset register, therefore not all the assets acquired under finance leases are shown on the balance sheet within fixed assets. Within note 12 to the accounts the value of assets held financed by leasing is shown within Vehicles, Plant and Equipment.

#### Operating Leases

During 2013/14 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £19,282 were paid during the year. Total outstanding obligations at the end of the year were as follows:-

	<b>Within 1 Year £'000</b>	<b>2 to 5 years £'000</b>	<b>Over 5 years £'000</b>	<b>Total £'000</b>
Outstanding Obligations	19	0	0	19

#### Hire Purchase Contracts

During 2013/14 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 2013/14 amounted to £6,754,000 (£7,753,000 for 2012/13). See also note 28 Trading Accounts and note 13 in respect of the valuation of these assets as Investment Properties.

### **38. Private Finance Initiatives and Similar Contracts**

The Council has one PFI scheme in relation to Hadley Learning Community and Jigsaw. We have assets held of £56.4m shown within Property, Plant & Equipment. A finance lease creditor has also been recognised to the value of £59.7m as at 31<sup>st</sup> March 2014 (£61.0m as at 31<sup>st</sup> March 2013). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £5.1m in to the interest paid for 2013/14 (£5.2m 2012/13). Amounts due are shown in the table below:-

	2012/13				2013/14			
	Service	Lifecycle	Interest	Finance Lease	Service	Lifecycle	Interest	Finance Lease
	£000	£000	£000	£000	£000	£000	£000	£000
Within 1 year	1,925	476	5,088	1,786	2,177	284	4,971	1,959
2 to 5 years	5,826	4,393	19,448	8,624	6,057	4,416	19,098	9,213
6 to 10 years	7,457	6,820	21,871	14,626	7,765	6,869	21,225	15,606
11 to 15 years	8,999	7,154	17,728	20,523	9,166	7,391	16,628	22,000
16 to 20 years	13,918	4,358	10,694	27,614	14,506	4,227	8,757	29,366
21 to 25 years	5,745	1,194	1,257	12,256	2,274	732	320	5,498

### **39. Impairment Losses**

During 2013/14, the Authority has recognised impairment losses of £11.749m (2012/13 £6.861m) in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss has been charged to the Comprehensive Income and Expenditure Statement. This is then reversed out as part of the Movement In Reserves Statement.

#### 40. 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 2013/14 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
				£'000
£0 - £20,000	3	37	40	320
£20,001 - £40,000	0	17	17	463
£40,001 - £60,000	0	6	6	309
£60,001 - £80,000	1	1	2	137
£80,001 - £100,000	0	2	2	173
£100,000 - £150,000	0	2	2	347
<b>Total</b>	<b>4</b>	<b>65</b>	<b>69</b>	<b>1,749</b>

An analysis of the total cost of exit packages shows:	Redundancy etc	Pension Fund Charges*	Total
	£'000	£'000	£'000
Exit Packages agreed and charged to the Income & Expenditure Account during 2013/14	818	625	1,443
Provisions included in the Authority's Income & Expenditure Account :			
Provision for the cost of exit packages where the Authority had made a commitment at 31 March 2014 (i.e. employees who had received formal notice at 31 March 2014 and will leave during 2014/15)	234	72	306
<b>Total</b>	<b>1,052</b>	<b>697</b>	<b>1,749</b>

\* Charges made by Shropshire Pension Fund in respect of early payment of pensions

#### 41. Pensions Schemes Accounted for as Defined Contribution Schemes

The Local Government Pension Scheme is a Defined Benefit Scheme and as such falls under IAS 19 and has resulted in transactions impacting on the Income and Expenditure Account as above. There are also further explanations and disclosures within Note 42 to the Core Financial Statements.

The Teacher's and NHS Pension Schemes are also technically a Defined Benefits Scheme. However, the Schemes are unfunded and the Department for Education and NHS use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

#### Teachers Pensions Authority:

In 2013/14 the Council paid an employer's contribution of £5,468,791 (£6,307,559 in 2012/13) representing 14.1% of Teacher's pensionable pay into the Teachers Pension Authority. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31<sup>st</sup> March 2013. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £6,360,863 (£6,307,559 in 2012/13) representing 16.4% of pensionable pay.

#### National Health Service Pension Scheme:

In 2013/14 the Council paid an employer's contribution of £42,669 representing 14.0% of pensionable pay into the NHS Pension Scheme. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on quadrennial actuarial valuations, the last review being at 31<sup>st</sup> March 2012. Under Pension Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund. This relates to Public Health which transferred to the Council on 1 April 2013.

The Fund's Actuaries have advised that the pension costs that it would have been necessary to provide for the year in accordance with IAS 19, Accounting for pension costs are £42,669 representing 14.0% of pensionable pay.

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

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

In accordance with International Accounting Standard No 19 – *Employee Benefits* (IAS 19) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in note 1(h) of the Accounting Policies, the Council participates in three formal schemes, the Local Government Pension Scheme, National Health Service Scheme and the Teacher's Scheme. The Council is not required to record information related to the Teacher's Scheme and National Health Service Scheme as the assets and liabilities of the fund cannot be attributed to individual authorities.

The Local Government Pension Scheme is administered by Shropshire Council and is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Overall the deficit on the Council's share has reduced by £45.8m; this has been as a result of remeasurements on liabilities (due to changes in assumptions as a result in the amendments to the Local Government Pension Scheme and a higher discount rate) and remeasurements (actuarial gains) on assets.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services act 2013. Under the act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. 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 19 years (2013/14).

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £13.876m (comprises contributions of £10.348m plus a lump sum payment of £3.528m).

The contribution rate was set for 2013/14 at 16.3%. Following the valuation at 31/3/13 the contribution rate was reduced to 12.6% for 2014/15 and subsequent years, this is supplemented with a lump sum payment as stated above. The combined rate for 2014/15 is estimated at 16.4% only slightly higher than 2013/14.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/14 the cumulative amount of actuarial losses recognised in the statements is £53.174m.

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

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Present Value of Funded Benefit Obligations	(530,160)	(519,302)
Present Value of Unfunded Benefit Obligations	(8,975)	(10,241)
Total Present Value of Benefit Obligations	(539,135)	(529,543)
Fair Value of Pension Fund Assets	343,129	379,360
Surplus/(Deficit)	(196,006)	(150,183)

Change in Benefit Obligation during year.

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Benefit Obligation at Beginning of Year	(453,881)	(539,135)
Current Service Cost	(11,297)	(14,300)
Interest on Pension Liabilities	(22,067)	(22,404)
Member Contributions	(3,952)	(4,024)
Entity Combinations	(2,079)	0
Remeasurements (Liabilities)	(60,099)	35,888
Curtailment Cost	(939)	(1,042)
Settlements	0	0
Benefits / Transfers Paid	15,179	15,474
Surplus / (Deficit) at End of Year	(539,135)	(529,543)

Change in Plan Assets during year.

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Fair Value of Plan Assets at Beginning of Year	299,294	343,129
Expected Return on Plan Assets	14,760	14,449
Remeasurements (Assets)	26,968	20,295
Employer Contributions	12,175	13,254
Member Contributions	3,952	4,024
Entity Combinations	1,453	0
Administration Expenses	(294)	(317)
Benefits / Transfers Paid	(15,179)	(15,474)
Surplus / (Deficit) at End of Year	343,129	379,360

## Statement of Gains and Losses

	<b>2012/13</b> <b>£000</b>	<b>%</b>	<b>2013/14</b> <b>£000</b>	<b>%</b>
Actuarial Gain/(Loss)	(33,131)	6.3% of liabilities	56,183	10.6% of liabilities
Actual Return on Plan Assets	41,728		27,125	
Experience Gains/(Losses) On Assets	26,968	7.9% of assets	20,295	5.3% of assets
Experience Gains/(Losses) On Liabilities	0	0.0% of liabilities	4,901	0.9% of liabilities

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

	<b>2012/13</b>		<b>2013/14</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equity Investments	191,123	55.7%	207,207	54.6%
Government Bonds	44,950	13.1%	38,011	10.0%
Other Bonds	34,656	10.1%	52,997	14.0%
Property	10,294	3.0%	15,061	4.0%
Cash/Liquidity	16,813	4.9%	9,294	2.4%
Other	45,293	13.2%	56,790	15.0%
Total	343,129	100.0%	379,360	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. The rates are shown in the table below:

	<b>2012/13</b>	<b>2013/14</b>
Equity Investments	7.0%	7.0%
Government Bonds	2.8%	3.4%
Other Bonds	3.9%	4.3%
Property	5.7%	6.2%
Cash/Liquidity	0.5%	0.5%
Other	7.0%	7.0%

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 2013 and updated for the following 12 months, by Mercer Human Resource Consulting, the independent actuaries to the fund. The next valuation is at 31 March 2016. The main assumptions used in the calculations are:

	<b>2012/13</b>	<b>2013/14</b>
- rate of inflation (CPI)	2.4%	2.4%
- rate of increase in salaries	3.9%	3.9%
- rate of increase in pensions	2.4%	2.4%
- proportion of employees opting to take a commuted lump sum	50%	50%
- rate for discounting scheme liabilities	4.2%	4.5%
- longevity at 65 for current pensioners		
Male	22.4	23.8
Female	25.1	26.1

- longevity at 65 for future pensioners

Male	24.2	26.0
Female	27.1	29.0

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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 31/3/2014

Disclosure Item	Central	Sensitivity 1 +0.1%p.a. discount rate	Sensitivity 2 +0.1%p.a. inflation/pensions	Sensitivity 3 +0.1%p.a. pay growth	Sensitivity 4 1 year increase in life expectancy
	£000	£000	£000	£000	£000
Liabilities	529,543	519,609	539,666	531,807	539,559
Assets	(379,360)	(379,360)	(379,360)	(379,360)	(379,360)
Deficit/(Surplus)	150,183	140,249	160,306	152,447	160,199
Projected Net	6,507	6,195	6,977	6,624	6,972
Interest Cost for next year					

#### Scheme History

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present Value of Liabilities	(448,125)	(416,773)	(453,881)	(539,135)	(529,543)
Fair Value of Assets	271,491	294,478	299,294	343,129	379,360
Surplus/(Deficit) on scheme	(176,634)	(122,295)	(154,587)	(196,006)	(150,183)
(Gains) and Losses on Assets	(21.2%)	(1.0%)	3.5%	(7.7%)	(7.2%)
Gains and (Losses) on Liabilities	0.0%	2.5%	0.0%	0.0%	0.9%

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

	2012/13 £000	2013/14 £000
Opening Balance	(154,587)	(196,006)
Past Service Cost - Added Years	(939)	(1,042)
Current Service Cost	(11,297)	(14,300)
Interest Cost	(22,067)	(22,404)
Return On Assets	14,760	14,449
Payments to Pension Fund	12,175	13,254
Administration Expenses	(294)	(317)
Entity Combination	(626)	0
Actuarial Gain or (Loss)	(33,131)	56,183
Closing Balance	(196,006)	(150,183)

## **Pensions Reserve**

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Opening Balance	154,587	196,006
Past Service Cost - Added Years	939	1,042
Charging Pensions Costs Payable	(12,175)	(13,254)
Entity Combination	626	0
Reversing Out IAS 19 Items	18,898	22,572
Actuarial (Gain) or Loss	33,131	(56,183)
Closing Balance	196,006	150,183

### **43. Contingent Liabilities**

At 31 March 2014, the Authority had no known material contingent liabilities. It should be noted however that a group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. The Council was initially informed that the value of those claims was £350,000 plus interest and costs. However, after further exchanges of information, it appears that the value of the claims could end up being reduced to around £250,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. Four additional claimants have already come forward and submitted further claims for refunds, but these later claims do not alter significantly the overall position. The legal process is ongoing.

### **44. Contingent Assets**

At 31 March 2014, the Authority had no material contingent assets.

### **45. Nature and Extent of Risks Arising from Financial Instruments**

#### **Fair Value of Assets & Liabilities**

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

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

	<b>Nominal/ Principal £000</b>	<b>Fair Value £000</b>
<b>Financial Assets</b>		
Fixed Term Deposits	10,000	13,153
Other	33	33
	10,033	13,186
<b>Financial Liabilities</b>		
Money Market Loans (LOBO's)	60,000	75,129
PWLB Loans	39,521	55,588
Temporary Loans	26,062	26,062
	125,583	156,779

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

### **Methodology and Assumptions**

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

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

#### *Complexities of the NPV calculation*

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

#### *Evaluation of PWLB debt*

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

#### *Inclusion of accrued interest*

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

#### *Discount rates used in NPV calculation*

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

### **Assumptions:**

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

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

### **Exposure to Risk**

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority



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

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

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum short term rating of A+, a minimum long term rating of F1+, a minimum support rating of 3, a minimum individual rating of C and a minimum sovereign rating of AA-. In conjunction with our treasury advisors these are overlaid with credit default swaps to produce a lending list governing both value and length of investment. The Authority has a policy of not lending more than 20% of its surplus balances to one institution.

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

	<b>Amount at 31 March 2014 £000s</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions at 31 March 2014 (rounded to 1 decimal place) %</b>	<b>Estimated maximum exposure to default and uncollectability £000s</b>
	A	B	C	A * C
Deposits with banks and financial institutions	10,000	0.0	0.0	0
Other	33	0.0	0.0	0
Debtors	27,704	12.0	25.2	6,973
Total	37,737	8.8	18.5	6,973

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

## Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	<b>2012/13</b> <b>£'000</b>	<b>2013/14</b> <b>£'000</b>
Maturing in 1-2 years	11,001	1,001
Maturing in 2-5 years	3,002	3,002
Maturing in 5-10 years	2,506	1,506
Maturing in more than 10 years	83,012	83,011
	<b>99,521</b>	<b>88,520</b>

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

## Market risk

### Interest rate risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of £0 of its net borrowings and investments in variable rate loans (i.e. variable rate borrowing will not exceed variable rate investments). During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

### Price risk

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

### Foreign exchange risk

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

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

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

### Sensitivity Analysis

At the 31<sup>st</sup> March 2014 the Council had both fixed and variable investments and borrowings. A sensitivity analysis has been carried out to assess the impact that increases or decreases in interest rates would have on the budget.

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

	<b>Investments</b>	<b>Borrowing</b>	<b>Net Total</b>	<b>1% Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Variable	(13,477)	26,062	12,585	125.9
Fixed	(10,033)	99,521	89,488	0.0
Total	(23,510)	125,583	102,073	125.9

A 1% change in interest rates would have an impact on the budget of £125,900, this is as a result of, that at 31<sup>st</sup> March 2014 we had more variable borrowing than variable investments. The most likely next move in interest rates is upwards, although not expected before late 2015, this would lead to a net increase in borrowing costs based on the position at 31<sup>st</sup> March 2014, however, since then, all of the temporary borrowing we had has been repaid and we just hold temporary investments. Other considerations are that the Council is managing ongoing maturity profiles for both investments and borrowing.

### Long Term Borrowing

<b>Source of Loan</b>	<b>Range of Interest rates payable (%)</b>			<b>Total Outstanding</b>	
				<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Public Works Loan Board	1.92	-	9.375	39,521	28,520
Money Market Loans (LOBOs)	3.98	-	4.50	60,000	60,000
				<b>99,521</b>	<b>88,520</b>

An analysis of loans by maturity is:

	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Maturing in 1-2 years	11,001	1,001
Maturing in 2-5 years	3,002	3,002
Maturing in 5-10 years	2,506	1,506
Maturing in more than 10 years	83,012	83,011
	<b>99,521</b>	<b>88,520</b>

	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Total Long Term Borrowing	99,521	88,520
Temporary Borrowing	11,093	37,063
Total Borrowing	<b>110,614</b>	<b>125,583</b>

In total fixed and temporary borrowing increased by £15.0m, from £110.614m to £125.583m during the year. This was due to some increased temporary borrowing in late March 2014, which was repaid in early April 2014 mainly as a result of capital spending during 2013/14.

#### **46. Local Services Support Grant**

Local Services Support Grant (LSSG) is non ring-fenced i.e. there are no conditions on its use. The grant is therefore not income which flows into the Net Cost of Services but instead is included alongside other general sources of funding, such as Government Revenue Support Grant and Council Tax income. The total value of LSSG received by the Council in 2012/13 was £0.593m, the value of LSSG for 2013/14 is £0.183m.

#### **47. Income & Expenditure Account Surplus/Deficit.**

For 2013/14 the accounts show a deficit on the Income and Expenditure Account of £22.634m. There was no planned use of General Fund Balances for 2013/14. The actual outturn was an underspend of £0.100m and an adjustment of Landfill Allowance Trading Scheme balance of £0.003m the actual contribution to General Fund Balances of £0.103m. To calculate the true movement in General Fund Balance the I&E deficit is adjusted for statutory items, which form part of the Movement in Reserves Statement and summarised below:

Deficit on Income & Expenditure Account	£22.634m
Less:	
Amounts included in the Income & Expenditure Account but which do not impact on the General Fund Balance	£36.645m
Plus:	
Amounts not included in the Income & Expenditure Account but which do have an impact on the General Fund Balance	£1.217m
Changes in Reserves	£12.691m
Actual Contribution to General Fund Balances	£0.103m

## 48. Investments

In total our investments have fallen by £23.5m as a result of the approved policy to run down investments rather than incur borrowing to fund capital expenditure.

The Council has a small long term investment, totalling £0.033m. Investments are shown in the Balance Sheet at market value.

The Council also has a number of short term investments totalling £10.000m. These have reduced over the year as the sum of the value of investments maturing during the year is higher than the longer term investments that are nearing maturity. Also investments that are in Liquidity Accounts are shown within cash and cash equivalents.

### Summary of Investments

<b>Category</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
<b>Long Term Investments</b>		
Fixed Term Deposits	10,000	0
Other	33	33
<b>Total Long Term</b>	<b>10,033</b>	<b>33</b>
<b>Short Term Investments</b>		
Fixed Term Deposits	15,000	10,000
<b>Total Short Term</b>	<b>15,000</b>	<b>10,000</b>
<b>Cash &amp; Cash Equivalent Investments</b>	<b>6,393</b>	<b>13,477</b>
<b>Total Investments</b>	<b>31,426</b>	<b>23,510</b>

Investments are valued as "loans and receivables". See also note 14 on fair value.

#### 49. Intangible Assets

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

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

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

	2012/13	2013/14
	£000	£000
Balance at start of the year		
- Gross Carrying Amount	2,325	2,821
- Accumulated Amortisation	(166)	(979)
Net Carrying Amount at Start of Year	2,159	1,842
Additions		
- Purchases	496	845
Amortisation for the Period	(813)	(1,060)
Net Carrying Amount at Year End	1,842	1,627
Comprising		
- Gross Carrying Amount	2,821	3,665
- Accumulated Amortisation	(979)	(2,038)
Total	1,842	1,627

#### 50 Usable Capital Receipts Reserve

	2012/13	2013/14
	£'000	£'000
Opening balance	0	53
Capital receipts received during year	28,886	4,079
Less		
Capital receipts used for financing during year	(28,833)	(4,132)
	<u>53</u>	<u>0</u>

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

## 51 Special Fund Revenue Account

	2012/13 Net Expenditure £'000	2013/14 Gross Expenditure £'000	2013/14 Income £'000	2013/14 Net Expenditure £'000
<b>EXPENDITURE ON SERVICES</b>				
Cemeteries	(92)	138	189	(51)
Highways – footway lighting	656	750	20	730
<b>Total expenditure on services</b>	<b>564</b>	<b>888</b>	<b>209</b>	<b>679</b>
<b>INCOME</b>				
Council Tax	(731)			(628)
<b>(Surplus) or deficit for year</b>	<b>(167)</b>			<b>51</b>
<b>Special Fund</b>				
Balance at beginning of the year	360			527
Surplus or (deficit) for year	167			(51)
Balance at end of year	<b>527</b>			<b>476</b>

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

## 52. School Balances

School balances do not form part of the Council's General Fund Balances. They are held separately and are solely for use by schools. The balances held are as follows:-

	2012/13	2013/14
	£000	£000
School Balances - Revenue	5,900	5,419
School Balances - Capital	740	594
<b>Total School Balances</b>	<b>6,640</b>	<b>6,013</b>

### 53. 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 2013/14 and the balance at 31<sup>st</sup> March is £387,225. This is shown as a debtor on the Balance sheet at a fair value of £299,465 and a notional £89,760 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.

### 54. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £3.521m, this was offset by an adjustment to prior years MRP of £3.843m, the principal repayment in respect of leases was £0.222m and the principal repayment in respect of the PFI lease was £1.786m giving a total provision of £1.686m in 2013/14 (*£6.599m in 2012/13*).

### 55. Building Control Account 2013/14

<b><u>Expenditure</u></b>	<b>Chargeable</b>	<b>Non- Chargeable</b>	<b>Total Building Control</b>
	<b>2013/14 £'000</b>	<b>2013/14 £'000</b>	<b>2013/14 £'000</b>
Employee Expenses	82	117	199
Support Services	67	95	162
	149	212	361
<b><u>Income</u></b>			
Building Regulation Charges	266	114	380
	266	114	380
<b>(Surplus)/Deficit</b>	<b>(117)</b>	<b>98</b>	<b>(19)</b>
<b>2012/13</b>	<b>21</b>	<b>5</b>	<b>26</b>
<b>(Surplus)/Deficit</b>			

### 56. Revenue Expenditure funded from Capital under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2013/14 expenditure on this totalled £14.021m and grant receivable amounted to £12.252m. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been written off against the Capital Adjustment Account during the year.



## 57. 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 2013/14 indicates the following:-

	General Fund		Education	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Balance b/f	1,593	2,058	1,058	1,234
Charges in the Year	(791)	(1,001)	0	(87)
Transfers to other reserves	0	0	0	(200)
Contributions	1,256	879	176	0
<b>Balance c/f</b>	<b>2,058</b>	<b>1,936</b>	<b>1,234</b>	<b>947</b>

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

	General Provision		Self Insurance	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Balance B/f	410	761	1,183	1,298
Charges In Year	(435)	(699)	(356)	(302)
Contributions	786	408	471	471
<b>Balance c/f</b>	<b>761</b>	<b>470</b>	<b>1,298</b>	<b>1,467</b>

For 2013/14 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims and £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, libel and slander and officials indemnity claims.

## 58. Single Status

This is now accounted for as a provision. See note 20.

## 59. West Mercia Energy Joint Committee

West Mercia Energy (WME) is a Purchasing Consortium (formerly West Mercia Supplies (WMS) established in 1987) which is 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' 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 2013/14 balances of WME - JC are included below, along with an analysis of this Council's share of those balances based on 23.8%. The WME balance sheet has been provided by Shropshire Council, in their capacity as Section 151 Officer to the joint committee.

<b>Extract from WME Balance Sheet</b>	<b>2013/14</b>	<b>Telford &amp; Wrekin Share</b>
	<b>£'000</b>	<b>£'000</b>
<b>Long Term Assets</b>		
Property, Plant & Equipment	15	3
<b>Current Assets</b>		
Short Term Debtors	9,388	2,234
Cash and Cash Equivalents	4,977	1,185
<b>Current Liabilities</b>		
Short Term Creditors	(11,798)	(2,808)
<b>Long Term Liabilities</b>		
Other Long Term Liabilities	(3,979)	(947)
<b>Total Assets Less Liabilities</b>	<b>(1,397)</b>	<b>(333)</b>
<b>Financed By</b>		
Usable Reserves	2,567	611
Unusable Reserves	(3,964)	(944)
	<b>(1,397)</b>	<b>(333)</b>
Turnover	64,372	4,019

## 60. Landfill Allowances Trading Scheme (LATS)

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

The scheme ended in 2012/13 and the final values used for 2012/13 are as follows. This Authority was allocated an allowance of 24,944 tonnes and used 27,714 tonnes of the allowance. This resulted in 2,770 tonnes (valued at £1,108) of shortfall in allowances purchased in 2012/13. Any balances relating to LATS have now been written out of the accounts.

The impact on the income and expenditure account is as follows. Environmental Services has reduced expenditure of £18,198, reduced income of £21,200 and the LATS balance was reduced by £3,002 to leave a nil balance.

The impact on the balance sheet is as follows;

### Liability to DEFRA for Landfill Usage

	2012/13 £'000	2013/14 £'000
Balance Brought Forward	(16)	(21)
Adjustment to previous year usage	0	0
Write out actual usage for previous year	16	21
Estimated usage for year	(21)	0
Balance Carried Forward	(21)	0

### Landfill Allowances Asset Account

	2012/13 £'000	2013/14 £'000
Balance Brought Forward	15	18
Adjustment to pricing of Brought Forward Balance	0	0
Less Confirmed usage for previous year	(15)	(18)
Allowance for Year	18	0
Purchase of Allowances		1
Written Off To Revenue		(1)
Balance Carried Forward	18	0

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>(18,570)</b>	Impairment and depreciation of property, plant and equipment and intangible assets	<b>(25,564)</b>
<b>92</b>	(Increase)/decrease in interest creditors	<b>92</b>
<b>(6,082)</b>	(Increase)/decrease in creditors	<b>4,335</b>
<b>1,334</b>	Increase/(decrease) in interest/dividend debtors	<b>(3,459)</b>
<b>(6,700)</b>	Increase/(decrease) in debtors	<b>1,576</b>
<b>(64)</b>	Increase/(decrease) in inventories	<b>4</b>
<b>(7,662)</b>	Pension Liability	<b>(10,360)</b>
<b>436</b>	Contribution (to)/from provisions	<b>43</b>
<b>(46,895)</b>	Carrying amount of non current assets sold	<b>(34,889)</b>
<b>(1,092)</b>	Movement in Investment Property Values	<b>761</b>
<b>(85,203)</b>	<b>Total</b>	<b>(67,461)</b>

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
<b>30,664</b>	Capital grants credited to surplus or deficit on the provision of services	<b>43,913</b>
	Proceeds from sale of short and long term investments	
<b>28,582</b>	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>4,079</b>
<b>59,246</b>	<b>Total</b>	<b>47,992</b>

### 63. Heritage Assets

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

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

## Collection Fund Account

	<i><b>NDR 2012/13 £'000</b></i>	<i><b>Council Tax 2012/13 £'000</b></i>	<i><b>Total 2012/13 £'000</b></i>	<i><b>NDR 2013/14 £'000</b></i>	<i><b>Council Tax 2013/14 £'000</b></i>	<i><b>Total 2013/14 £'000</b></i>
Income from Council Tax (Note 1)		60,833	60,833		66,332	66,332
Transfers from the Council's General Fund						
– Council Tax Benefits		14,989	14,989		0	0
– Transitional Relief		(2)	(2)	(353)	0	(353)
Income collectable from business ratepayers (Note 2)	66,214		66,214	68,497		68,497
<b>Contributions</b>						
Adjustment of previous years' community charges		0	0		0	0
	<b>66,214</b>	<b>75,820</b>	<b>142,034</b>	<b>68,144</b>	<b>66,332</b>	<b>134,476</b>
<b>Expenditure</b>						
Precepts, demands and Shares						
Telford & Wrekin Council	0	58,219	58,219	31,548	49,891	81,439
West Mercia Police Authority		9,238	9,238		7,769	7,769
Shropshire & Wrekin Fire Authority	0	4,492	4,492	644	3,854	4,498
Parish Councils		3,051	3,051		2,695	2,695
Central Government	66,000		66,000	32,192		32,192
Cost of Collection	214		214	213		213
Bad and Doubtful Debts/Appeals						
– Write Offs	0	128	128	1,098	155	1,253
– Provisions	0	340	340	4,356	1,303	5,659
<b>Contributions</b>						
Adjustment of previous years' community charge		0	0		0	0
	<b>66,214</b>	<b>75,468</b>	<b>141,682</b>	<b>70,051</b>	<b>65,667</b>	<b>135,718</b>
<b>Movement on fund balance (Increase)/Decrease</b>	<b>0</b>	<b>(352)</b>	<b>(352)</b>	<b>1,907</b>	<b>(665)</b>	<b>1,242</b>

## Notes To Collection Fund Accounts

### 1. Council Tax Base for 2013/14

2012/13 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
14,685	Band A	25,991	(11,296)	14,695	9,787
12,524	Band B	18,449	(4,932)	13,517	10,513
8,095	Band C	10,355	(1,835)	8,520	7,573
7,220	Band D	7,652	(663)	6,989	6,989
5,006	Band E	4,416	(390)	4,026	4,920
2,727	Band F	2,013	(137)	1,876	2,709
1,538	Band G	991	(71)	920	1,533
67	Band H	49	(14)	35	70
<b>51,862</b>	<b>TOTAL</b>	<b>69,916</b>	<b>(19,338)</b>	<b>50,578</b>	<b>44,094</b>
(517)	Adjustments for growth and losses				(877)
51,345	Taxbase for year				43,217
£1,451.17	Average Council Tax for year				£1,477.23
<b>2012/13 £'000</b>					<b>2013/14 £'000</b>
74,510	Gross Yield				63,841
(14,987)	Less Benefits and Transitional Relief				0
1,310	Add increase in debit net of exemptions and relief's				2,491
<b>60,833</b>					<b>66,332</b>

### 2. Income Collectable from Business Rate Payers

	2012/13 £'000	2013/14 £'000	2013/14 £'000
Effective non-domestic rateable value for year	160,603	162,306	
Uniform Business Rate for year	45.8p	47.1p	
Gross Yield for year	73,556		76,446
Less Reductions & Transitional Rate Relief	(7,342)		(7,949)
	<b>66,214</b>		<b>68,497</b>

The rateable value was £168,032,887 at 31.3.2014

### 3. Allocation of Fund Balance (Council Tax)

	2012/13 £'000	2013/14 £'000
Telford & Wrekin Council	(1,092)	(1,633)
West Mercia Police Authority	(162)	(245)
Shropshire & Wrekin Fire Authority	(80)	(121)
	<b>(1,334)</b>	<b>(1,999)</b>

### 4. Allocation of Fund Balance (NDR)

	2012/13 £'000	2013/14 £'000
Telford & Wrekin Council	0	934
Shropshire & Wrekin Fire Authority	0	19
Central Government	0	954
	<b>0</b>	<b>1,907</b>

## Glossary

Accounting Policies	The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 issued by the Chartered Institute of Public Finance & Accountancy and comply with the International Financial Reporting Standards (IFRS) approved by the Financial Reporting Advisory Board
Balances	See Reserves and Balances
Balance Sheet	A statement of recorded assets and liabilities at a given point in time i.e. 31 <sup>st</sup> March for Local Authorities
Business Rates	This is the income collected from business premises in respect of National Non Domestic Rates. Also know 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 Account (CI&E)	Summarised income and expenditure during the year by service area. Includes both revenue and capital items.
Council Tax	The main source of local taxation to local authorities. Council tax is levied on dwellings within the local authority area by the billing authority.
Creditors	Represent the amount that the Council owes other parties, shown on the balance sheet at year end
Debtors	Represents the amounts owed to the Council, shown on the balance sheet at year end
Depreciation	The accounting term used to describe the write off of the reduction in value of a fixed asset due to wear and tear, passing of time



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

	at which Government itself can borrow.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue 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 Formula Spending Share, also determined by Government.
Reserves & Balances	Amounts set aside to meet future expenditure. Every local authority must maintain general balances as a matter of prudence.
Section 151	Section 151 of the Local Government Act 1972 requires that Council's nominate an officer to be responsible for the proper administration of their financial affairs. For Telford & Wrekin this is the Assistant Director Finance Audit and Information Governance
Soft Loan	A loan granted at lower than the prevailing interest rate
Special Fund Revenue Account	Included in the Income And Expenditure Account but specifically summarises the cost of providing some specific services that in some areas are provided by Parish Councils but in others are provided by the Council
Trading Services	A service run in a commercial style and provides services that are mainly funded from fees and charges levied on users.
Variance	The difference between budgeted expenditure and actual outturn. Also referred to as an over or under spend.
Virement	A switch of resource from one budget head to another. The rules concerning virement are contained in the Financial Regulations.