Telford & Wrekin Council

Audited Statement of Accounts

2018/19

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Audited Statement of Accounts

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Narrative Report

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

A. ORGANISATIONAL OVERVIEW

1. Introduction

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

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

The Council's Vision for the Borough is

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

OUR PRIORITIES TO DELIVER THE VISION ARE:

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

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

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

2. Background Information

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

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

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

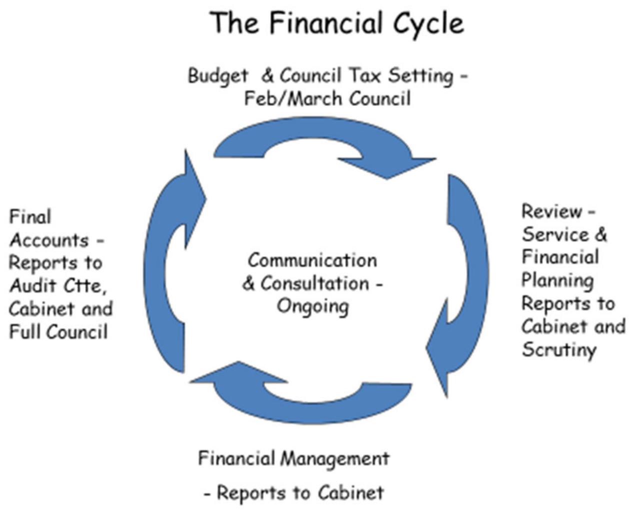
Economic Profile
The Borough has a diverse manufacturing sector, a flourishing tourism sector and research and development facilities. There is a strong focus on manufacturing with other important sectors being advanced engineering, food and drink, construction, education and retail.

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

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

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

3. The Council's Financial and Reporting Cycles



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

4. An Overview of the Budget 2018/19

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

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

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

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

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

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

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

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

5. Workforce Analysis

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

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

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

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

B. GOVERNANCE & TRANSPARENCY

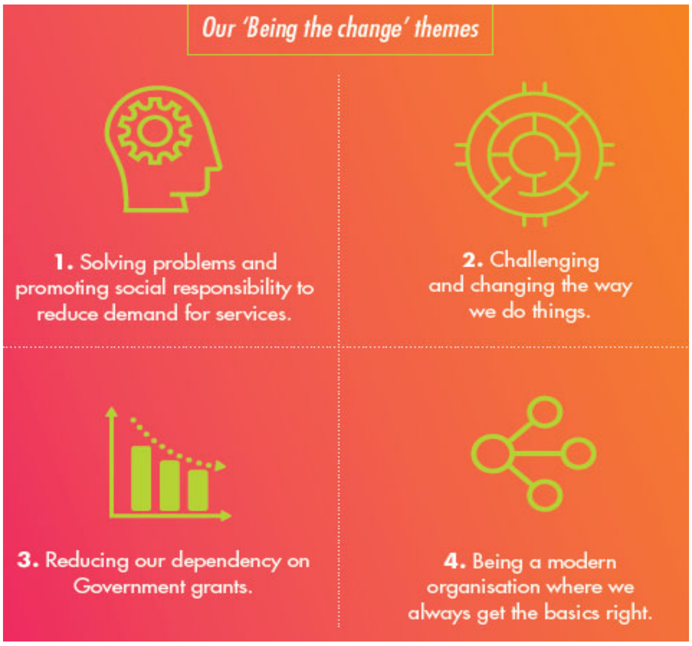
The 2018/19 Annual Governance Statement is included within the Statement of Accounts – see page 30. The Statement outlines that the Council has adhered to its Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that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

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

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

C. BEING THE CHANGE - OPERATIONAL MODEL

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



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

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

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

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

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

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

D. RISKS AND OPPORTUNITIES

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

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

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

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

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

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

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

E. PERFORMANCE

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

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

Council Plan	http://www.telford.gov.uk/downloads/file/1604/council_plan
Service & Financial Planning Strategy	http://www.telford.gov.uk/info/20262/the_councils_budget/3622/council_budget_-_2019
Risk Register	http://www.telford.gov.uk/downloads/file/8233/appendix_14_-_corporate_risk_register
Performance Report	http://www.telford.gov.uk/downloads/file/8239/appendix_16_-_driving_delivery_of_the_councils_priorities_-_cabinet_feb_2019_final

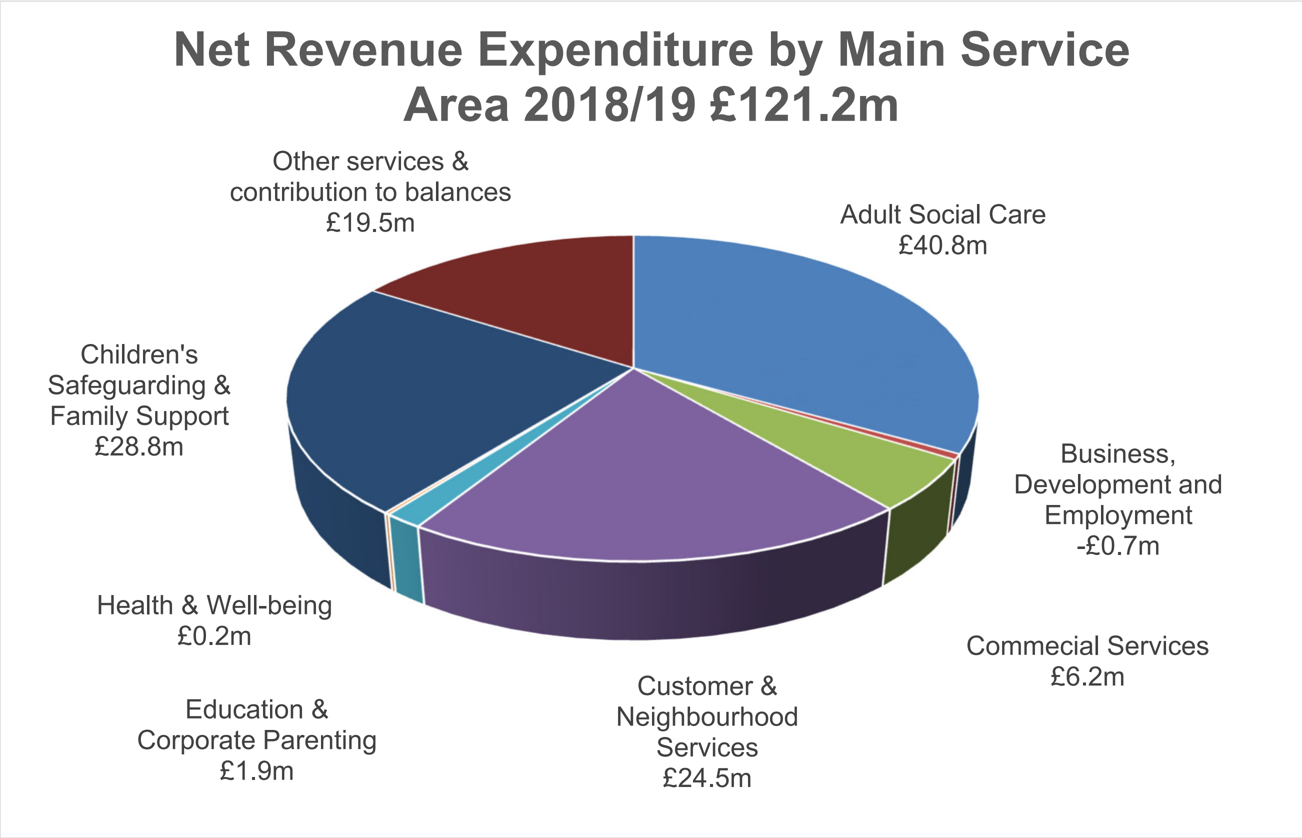
1. Revenue Outturn for 2018/19

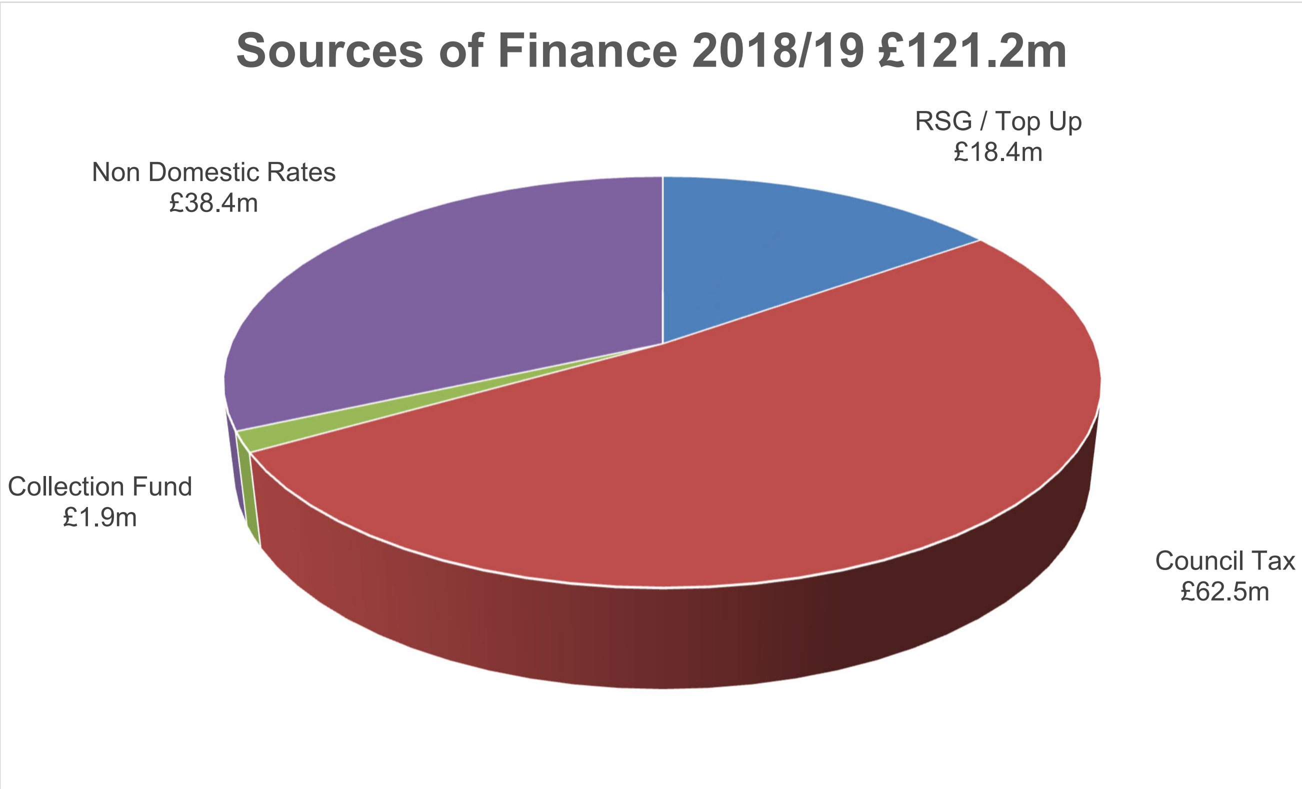
The final net service expenditure for 2018/19 was £120.791m compared to a budget of £121.066m, an underspend of £0.275m (or -0.2%). This was also after making a number of provisions to support priorities and sustain the financial position going forward. Given the context of the Council having to make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

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

This position can be reconciled with the formal Income and Expenditure Account as shown on page 14.

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





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

Description	Expenditure £m	Income £m	Net Expenditure £m
Net Cost of Services (See Comprehensive Income and Expenditure Account on page 55)	466.279	290.320	175.959
Trading Services	3.799	9.208	(5.409)
Pensions Adjustments under IAS 19	(13.403)	0.000	(13.403)
Interest Payable and Similar Charges	9.118	0.000	9.118
Gains and Losses on Repurchase or Early Settlement of Borrowings (net)	0.222	0.000	0.222
Interest and Investment Income	0.000	(0.065)	0.065
Capital Grants and Revenue Grants Unapplied	0.000	(26.484)	26.484
Remove Depreciation & Impairments, REFCUS etc. from Net Operating Cost	(79.144)	0.000	(79.144)
Accumulated Absences	0.919	0.000	0.919
Minimum Revenue Provision	1.239	0.000	1.239
Net Movement on Reserves	5.197	0.000	5.197
Total Service Outturn (see table on page 12)	**394.226**	**272.979**	**121.247**

2. Issues Highlighted During 2018/19

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

	Final Budget £	Outturn £	Variance £
Business, Development & Employment	(1,238,714)	(1,261,997)	(23,283)
Finance & Human Resources	9,669,511	6,609,651	(3,059,860)
Cooperative Council	1,281,684	1,231,424	(50,260)
Children's Safeguarding & Family Support	28,335,408	31,397,462	3,062,054
Education & Corporate Parenting	5,916,289	6,065,553	149,264
Adult Social Care	42,402,862	42,606,652	203,790
Governance, Procurement & Commissioning	2,820,018	2,799,007	(21,011)
Health & Wellbeing	2,725,666	2,826,007	100,341
Customer & Neighbourhood Services	26,088,744	25,774,451	(314,293)
Commercial Services	(1,290,560)	(854,760)	435,800
Corporate Items	4,355,567	5,783,235	1,427,668
Total Net Position	121,066,475	122,976,685	1,910,210
Funding Variance			(455,029)
One Off Benefits			(1,730,664)
Overall Final Outturn			**(275,483)**

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

A summary of the key issues, highlighting variances over £100,000 during the year is shown below:
(A "+" is an increase in expenditure or a reduction in income, a "-" is a reduction in expenditure or an increase in income)

Service Area	**Variance £m**
Business, Development & Employment	
Property Investment Portfolio – early delivery of Growth Fund investments.	-0.743
Planning – additional income achieved during the year.	-0.158
Contribution to Reserve – to support future investment proposals – approved at Cabinet on 15 November 2018.	+0.724
Contribution to Reserve – further contribution to reserves to support future investment proposals.	+0.425
Finance & HR	
Treasury Management – benefit due to reduced borrowing costs associated with short-term borrowing at very low interest rates. The position is regularly monitored by senior finance staff and the Council's external treasury management advisors.	-3.161
External Audit Fee – saving from procurement of external audit fee.	-0.107
Contribution to Reserves – towards the cost of Phase 2 of Resourcelink, the Council's payroll and HR system and to meet the cost of posts funded from one-offs.	+0.360
Cooperative Council Team	
There were no variations over £100k to report.	
Children's Safeguarding & Family Support	
Children in Care Placements –spend during the year was higher than the budget as there was an increasing number of more expensive specialist placements for looked after children with complex and severe behaviours or emotional/health needs over the course of the year.	+2.886
Children and Young People aged 16+ – the overspend relates to a small number of children in care aged 16+ who continue to require a high level of support due to their high level of individual need.	+0.630

Service Area	Variance £m
Application of Contingency – earmarked as part of the 2018/19 budget strategy.	-1.150
Education & Corporate Parenting	
School Transport (pre 16) – the overspend relates to a savings target not yet delivered and expenditure has also been impacted by the increase in the numbers of children and young people with high needs. Work is ongoing to reduce costs.	+0.419
Transport (post 16) – there was a significant increase in the costs of transporting post 16 high needs pupils since September 2018.	+0.171
Corporate Parenting – an increase in Pupil Premium Grant allocated to Telford & Wrekin which has funded an element of the costs resulting in an underspend.	-0.165
Adult Social Care	
Purchasing – the benefits of social care interventions are starting to materialise, however there is a lead time and some cost reductions will take longer to achieve. The result is a residual pressure on the 2018/19 budget at year end.	+3.063
Income – projected client contributions are higher than budgeted reflecting higher than budgeted costs.	-1.095
Income – projected contributions from Health due to successful negotiations with the CCG and receiving contributions to fund client's health needs.	-0.605
Income – enablement arising from the Government's additional winter funding grant.	-0.232
Application of Contingency – earmarked as part of the 2018/19 budget strategy.	-0.350
Government Grant – reflects the residual announced "Winter Funding".	-0.590
Community Safeguarding & Social Work – underspend arising from vacant posts.	-0.163
Contribution to Reserves –set aside to meet demands on social care, including the cost of staff employed in accordance with the Winter Funding plan agreed with the CCG and to assist the NHS with the timely discharge of patients from hospital.	+0.268
Governance, Procurement & Commissioning	
Contribution to Reserves – a combination of ICT equipment for elected members following the May 2019 elections; procurement of a Transport IT system; and to support the delivery of future savings. This is funded from underspends within the Service Area.	+0.145

Service Area	Variance £m
<u>Health & Wellbeing</u> There were no variations over £100k to report.	
<u>Customer & Neighbourhood Services</u>	
Environmental Maintenance – core environmental maintenance work required in advance of the new contract service standards from 1 April. Also, additional costs of watering due to the dry summer. The new Grounds and Cleansing contract is performance based and will see improved service standards as well as releasing an annual saving of nearly £700k p.a.	+0.173
Customer Services – additional income from transformational specialist supporting capital schemes.	-0.132
Housing Benefit/Council Tax Support – additional grant income received in respect of Welfare Reforms.	-0.265
Housing Benefit/Council Tax Support – contribution to reserves to support the ongoing roll out of Universal Credit and sustain customer contact service levels.	+0.266
Housing Benefit Subsidy – additional income from recovery of overpaid benefits as a result of proactive work undertaken by the Benefits Team.	-0.392
Street Lighting/ Highway Lighting – reduction in electricity costs due to the implementation of the LED efficiency programme across the Borough.	-0.291
Waste – tonnages for green waste, recyclates are higher than last year and higher than budgeted due to housing growth.	+0.182
Highways Procurement – procurement costs associated with new highways contract	+0.141
Transfer to Reserves – to fund essential play area resurfacing in 2019/20 – approved at Cabinet on 15 November 2018.	+0.225
<u>Commercial Services</u>	
Temporary Accommodation – rental income shortfall in relation to the move from one large refuge to two smaller properties which was necessary in order to meet the needs of the client group.	+0.121
BiT – Architects & Building – net over achievement of fee income from additional project work	-0.141
BiT – employee costs – to deliver the programme of works; offset by the overachievement of income above.	+0.129
Leisure – income pressures linked to the potential impact of new competitors entering the market locally together with a reduction in income relating to Arthog Outdoor Education Centre which has been closed for improvements. An action plan is in place to mitigate this pressure as far as possible.	+0.325

Service Area	Variance £m
Contribution to Reserves – to support homelessness pressures in 2019/20	+0.175
Corporate **Transfers to Reserves** – including an additional contingency for Children's Safeguarding & Family Support in 19/20 and funds to support the medium term service and financial planning strategy. **One off Benefits during 2018/19 –** including a one-off back-dated VAT refund of £2.673m, following a successful claim for VAT relating to the change in VAT regulations for leisure activities, less transfers to reserves approved by Cabinet in February 2019 of £1.673m; and capitalisation of efficiency/transformation spend permitted under statutory guidance.	 +3.007 -1.730

Child Sexual Exploitation

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

3. International Accounting Standard Note No 19 – Retirement Benefits

The objectives of IAS 19 are to ensure that:

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

Overall the deficit on the Council's share of the Shropshire County Pension Fund has increased by £55.97m; this has been as a result of a change to actuarial assumptions to calculate the future value of scheme liabilities. The estimated contributions expected to be paid into the Local Government Pension Scheme next year are £15.067m (comprising contributions of £11.207m plus a lump sum payment of £3.860m). Following the valuation at 31/3/17 the contribution rate was increased to 14.1% for 2017/18 and subsequent years, this is supplemented with a lump sum payment as stated above.

4. Capital Outturn 2018/19

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

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

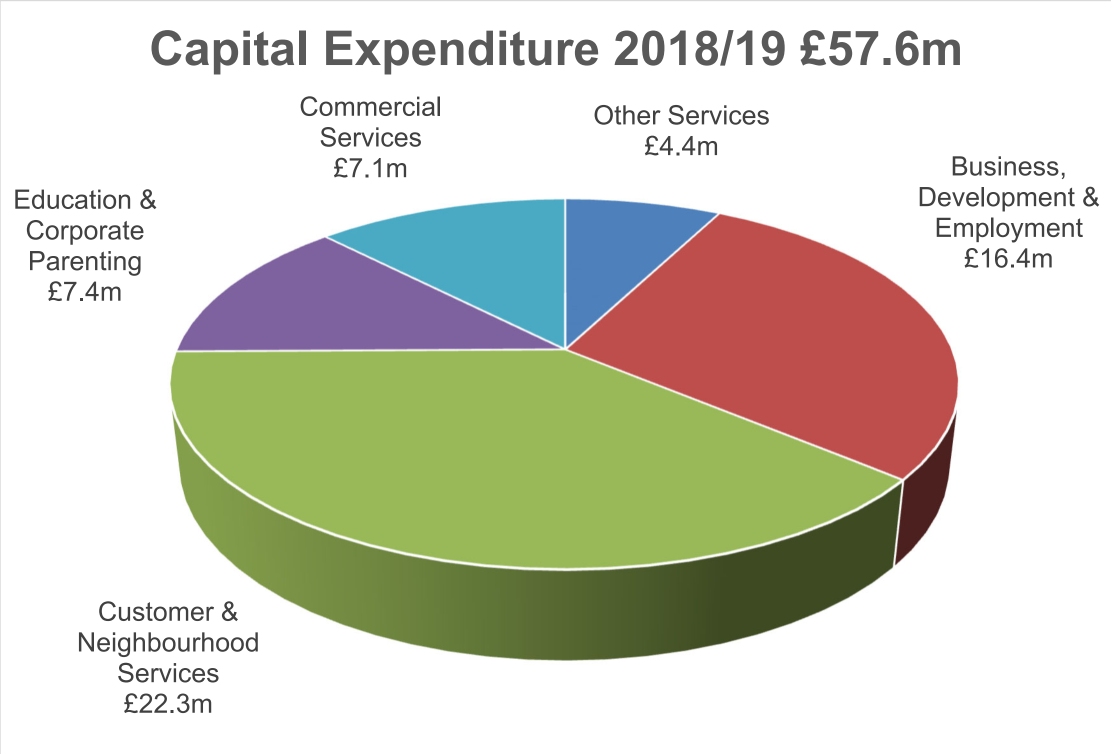
The Council has ready access to borrowings from both the Money Markets and Public Works Loans Board (PWLB), which lends to Local Authorities at very competitive rates.

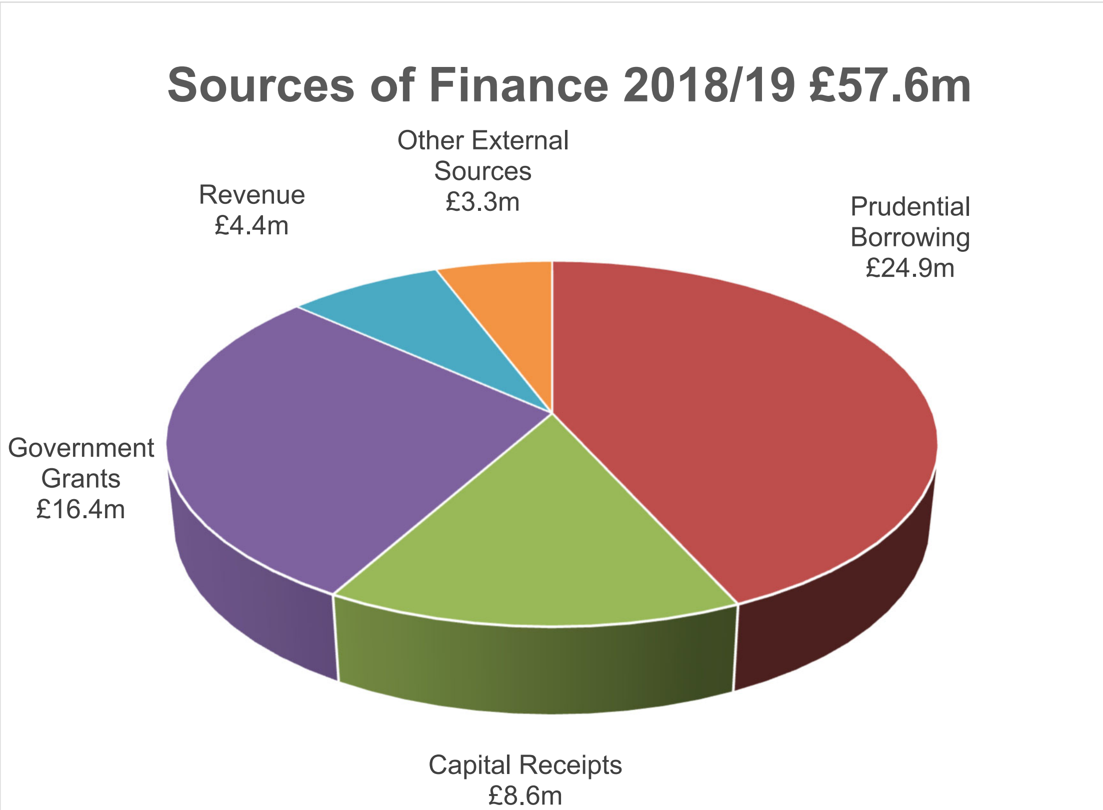
Overall the Council's net indebtedness is £239.6m (inclusive of equity investments) at 31st March 2019 which is an increase of £11.8m from the previous year.

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

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

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





5. Provisions (see Note 26)

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

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2018/19 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2019 was £15.717m.

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

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

6. Achievements During 2018/19

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

People

Children and Adults

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economy

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

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

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

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

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

Organisation

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

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

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

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

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

F. STRATEGIC OUTLOOK

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

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

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

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

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

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

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

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

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

G. LOOKING AHEAD

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

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

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

H. BASIS OF PREPARATION

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

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

The Council has examined the relationship with other partners including West Mercia Energy (see note 56 to the accounts) and has concluded that group accounts only need to be prepared in respect of NuPlace.

I. STATEMENT OF ACCOUNTS – EXPLANATORY OVERVIEW

The Statement of Accounts features the Expenditure and Funding Analysis, which does not form part of the Primary Statements and is included as a Note, and four Primary Statements reporting on the Council's core activities plus Group Accounts.

The Primary Statements include:

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

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

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

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

- **The Expenditure and Funding Analysis (EFA)** – this is not one of the Primary Statements but is included as a note to the accounts. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This shows an adjustment of £66.828m to move from an underspend of £0.275m to a deficit of £66.553m in the Comprehensive Income and Expenditure Statement. This adjustment reflects technical accounting requirements and does not alter the underlying position of £0.275m underspend reported in the Outturn Report to Cabinet.
- **The Comprehensive Income and Expenditure Account** - covering revenue income and expenditure during the year on all Council services. This statement reports on how the Authority performed financially during the year and whether its operations resulted in a surplus or deficit. This shows a deficit for the year of £66.553m (after technical accounting adjustments referred to above) compared with the outturn report which shows an underspend of £0.275m. The reasons for this difference relate to technical transactions required to put the accounts on an IFRS basis, including capital grants offset by losses on disposal of fixed assets, depreciation, Revenue Expenditure Financed from Capital Under Statute (REFCUS), impairments and pensions. **These technical accounting adjustments do not impact on either General Fund Balances or Council Tax.**
- **The Movement in Reserves Statement** - which brings together recognised movements in and out of Reserves including the General Fund Balance (which stands at £5.082m at 31st March 2019). This statement represents the Authority's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable.
- **The Balance Sheet** - this is a "snapshot" of the Authority's financial position which sets out the financial position of the Council on 31st March 2019 and shows net liabilities for the Council of £67.325, a decrease from a net asset of £20.837m for the previous year.
- **The Cash Flow Statement** - summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties, analysing them into operating, investing and financing activities, and shows a net reduction in Cash and Cash Equivalents of £4.248m.
- **The Notes to the Core Financial Statements** - provide further information supporting the financial statements including the Statement of Accounting Policies and provide further detailed information on specific items.

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

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

J. FURTHER INFORMATION

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

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

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

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

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

Ken Clarke

Ken Clarke MBA CPFA
Chief Financial Officer

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I hereby certify that the Statement of Accounts on pages 4 to 151 complies with the requirements of the Accounts and Audit Regulations 2015.

Ken Clarke

Ken Clarke MBA CPFA,
Assistant Director: Finance & H.R. (C.F.O.)
Dated: 18th July 2019

APPROVED BY AUDIT COMMITTEE

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

Councillor Paul Watling
Chair of Audit Committee
Dated: 23rd July 2019

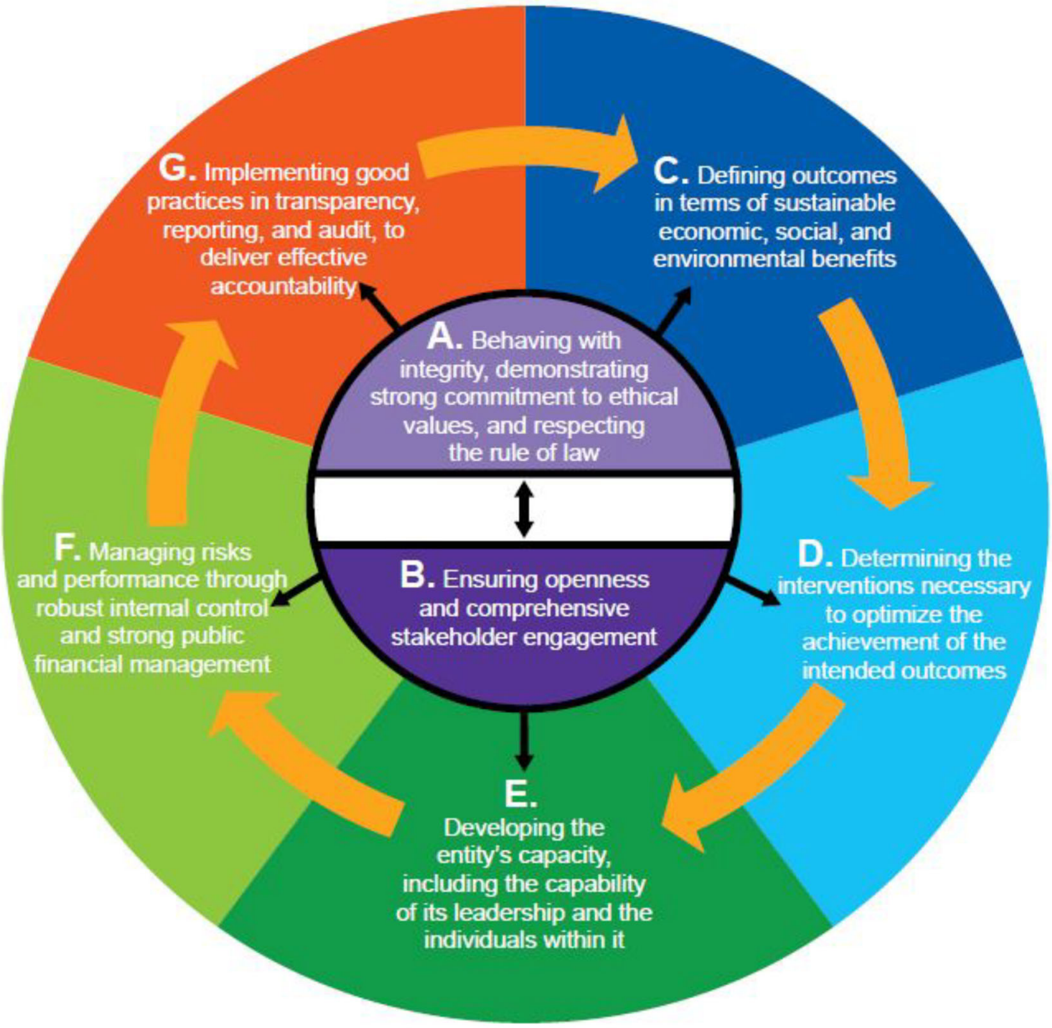
Annual Governance Statement 2018/19

1. Introduction

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

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

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



CIPFA's Principles of Good Governance

2. Standards of Governance

2.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the employee and Members Code of Conducts, Constitution, Corporate Priorities as well as applicable statutory requirements.

3. Scope of Responsibility

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

3.2 To meet this responsibility, the Council puts in place proper governance arrangements for overseeing what it does including putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations and ensuring the effective exercise of its functions. These arrangements are intended to make sure that the Council does the right things, in the right way, for the right people, in a timely, open and accountable manner. The Council takes into consideration all systems, processes, policies, cultures and values that direct and control the way in which we work and through which we account, engage and lead our communities.

4. The Governance Framework

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

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

5. Review of Effectiveness

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

5.2 The Council recognises the importance of information governance and formalised its Information Governance Framework. The main focus of the Information Governance Team in 2018/19 has been to ensure the Councils compliance with the requirements of the General Data Protection Regulations (GDPR) / Data Protection Act 2018. The Information Governance Team has continued to report to the Audit Committee during the year including information on responses to information rights requests and data security breaches. During 2018/19 no enforcement action has been taken by the Information Commissioners Office (ICO) against the Council in respect to data breaches.

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

5.4 The Accounts and Audit Regulations 2015 require a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, management, other internal assurance services and the External Auditors' review. The Internal Audit Annual Report 2018/19 sets out the Internal Audit opinion.

5.5 The Council have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, Senior Managers, Internal Audit and external review, and in our opinion conclude that the review of the governance arrangements provides a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Attached as Annex 1 is an agreed action plan to address any key governance issues and ensure continuous improvement.

5.6 Issues from the previous action plan (2017/18) that have been addressed or mainstreamed have been deleted and those that continue to be addressed are included in 2018/19 action plan.

5.7 The Senior Management Team has monitored implementation of the 2017/18 actions and reported back to the Audit Committee in January 2019.

5.8 Detailed below is a statement explaining how the Council has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015 and CIPFA Code on the Principles of Good Governance.

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

5.9.1 Members and officers recognise the importance of compliance with the Constitution, specifically Financial and Contract Rules; Procurement Regulations, Scheme of Delegation, Codes of Conduct and Gifts & Hospitality Policy.

5.9.2 There is ongoing training, both classroom based and via the on-line learning platform (OLLIE) for Codes of Conduct, Equality Awareness, Leadership & Governance and Contract Procedure Rules/Procurement.

5.9.3 The Council has an Anti-Fraud & Corruption Policy, supported by a Speak Up Policy encouraging internal referrals. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Speak Up Policy supports this internally. Internal Audit along with the Investigations Team undertakes proactive fraud work based on a fraud risk register and/or other intelligence. Other specific anti-fraud and corruption activities are undertaken by Trading Standards. An annual report on anti-fraud and corruption activities and an update to the Anti-Fraud & Corruption Policy is presented to the Audit Committee.

5.9.4 Officers comply with their professional organisations codes of conduct when delivering services.

5.9.5 All internal audits consist of an ethics questionnaire that is sent to a sample of staff in specific teams to demonstrate their understanding of key corporate policies. Results of these questionnaires demonstrate that some staff do not have regular 1:2:1 supervision meetings. This issue has been addressed and there should be improvements with the introduction of the new corporate APPD process. Responses have also highlighted some lack of understanding with key policies such as the Gifts & Hospitality Policy particularly as to what should and should not be accepted under the policy. Ethic questionnaire findings have been shared when discussing individual audits with relevant Service Delivery Managers and Assistant Directors and taken to SMT as part of reporting corporate recommendations.

5.9.6 There are both internal and external reviews in social care to monitor compliance with the law, e.g. the Care Act, Deprivation of Liberties, Safeguarding and the Mental Health Act.

5.9.7 Human Resource and recruitment polices and processes ensure the Council is fully compliant with employment law. Annual audits are undertaken in these areas and ongoing checks take place to ensure compliance with IR35 legislation. This year a project has been set up for the implementation of the new HR ICT system (Resourcelink).

5.9.8 Senior officers meet regularly and work closely with Members to ensure that they understand and can undertake their respective roles effectively and legally.

5.9.9 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet Members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to Cabinet.

5.9.10 Statutory responsibilities across the Council are discharged openly and proactively, examples include having key statutory officers in place, i.e. Data Protection Officer, Section 151 Officer, Monitoring Officer, Director of Children Services and Director of Public Health.

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

5.10 Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

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

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

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

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

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

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

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

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

5.11.6 Economic growth strategy supports and drives increased economic productivity.

5.11.7 The financial strategy sets out the short and long-term implications for service delivery across the Council. The Service & Financial Planning reports include various papers to Cabinet regarding the budget and sets out short/ medium and long-term implications, including the capital strategy and saving strategy.

5.11.8 Adult Social Services in respect to systems, financial management and implementation of the cost improvement plan have continued to provide updates during the year to Members including the Audit Committee. To support the revised target operating model there has been commissioned external support and management changes.

5.11.9 All Council reports to Members show relevant financial implications and risk.

5.11.10 Implementation of the ICT Strategy has continued, including infrastructure upgrades, the ongoing roll-out of Office 365 and further security improvements particularly in response to spam, phishing/ whaling and ransomware threats.

5.11.11 The results of the annual governance certification process has highlighted the need for further development of modern slavery awareness throughout the procurement process. Officers are following corporate guidance on modern slavery but as with all new initiatives further work is required to fully embed modern slavery checks throughout the whole procurement process.

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

5.12.1 The Council can demonstrate its longer and medium term action plans through the 'Medium Term Council Plan' and the 'Shaping our Future – Our Journey to 2020' which are aligned to the Treasury Management Plan to ensure a joined up approach to delivering the organisation outcomes and savings plans.

5.12.2 Budget plans are produced for all service areas for planning purposes. Budget consultation is undertaken annually with Council Members and members of the public.

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

5.13.1 To deliver the vision of 'Being the Change' a Workforce Development Strategy 2017-2019 is in place. This focuses on 4 key themes – Employer of Choice, Planning for the Future, Healthy Organisation and Workforce of the Future. The Organisational Delivery & Development Team are in place to bring together the corporate values and planning function and align these with workforce development.

5.13.2 Officers understand their respective roles and these are set out in job descriptions. The Constitution and Contract Procedure Rules clearly shows roles and responsibilities, specifically with regard to delegation and authorisation.

5.13.3 Officers receive ongoing support and training and there are various training methods such as mentoring, Ollie (On-line learning platform) and classroom based. 17/18 saw the first roll out of the future leaders training programme, which is a yearlong development opportunity for future Team Leaders/Managers. The next cohort of future leaders will take place in 19/20. There is also a current management programme taking place to further develop existing managers.

5.13.4 Other support includes CPD sessions, team meetings and the introduction in 18/19 of the improved APPD (1:2:1) process.

5.13.5 Members receive an induction session and annual training with regard to the Treasury Management Strategy and other training relevant to their position. All Members and staff have had the opportunity to undertake training on General Data Protection Regulations (GDPR) / Data Protection Act (DPA) 2018 legislation. There is also online training available to all staff on GDPR/DPA 18 Requirements.

5.13.6 The results of the annual governance certification process has highlighted that service areas are having difficulty recruiting. This, in addition to reduction in staffing, is creating single points of failure. However Service Delivery Managers are aware of these issues and where possible are putting measures in place to try to address matters.

5.13.7 The results of the annual governance certification process has also highlighted that service areas have experienced data breaches and potential near misses in respect to personal data. Where data breaches have been experienced, these have been reported to the Information Governance Team and managers have changed processes and procedures, where possible, based on lessons learned to prevent similar breaches occurring.

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

5.14.1 Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. Our approach to managing risk is explained in our Risk Management Strategy. The Strategic Risk Register is reviewed by SMT and taken to Audit Committee annually.

5.14.2 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking intelligence, comments from Senior Management and their opinion of the current state of the governance risk and internal control arrangements. During 2018/19 the Internal Audit team achieved 85% of their planned work and this has been used with the relevant output from unplanned work to form their opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework. All recommendations made in audit reports show a risk category and is used to inform the overall grading of the report. More detailed information on the work of Internal Audit can be seen on the Annual Audit Report, reported to Audit Committee at the May meeting.

5.14.3 Internal Audit report to the Audit Committee 4 times a year. The Audit Committee has asked for additional information during the year and requested Directors/Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations.

5.14.4 Large projects include the maintenance of a project risk register, this is an ongoing working document that is amended throughout the project. Project risk registers have been in place for 2 key projects in 2018/19; the Resourcelink Project (new HR/Payroll system) and the new social care system – Liquidlogic.

5.14.5 The Council have adopted the CIPFA code of practice for managing the risk of fraud and corruption and this has been reflected in our updated Anti-Fraud & Corruption Policy.

5.14.6 Services report regularly through to Council committees such as Audit Committee, Planning, Licencing, Cabinet etc. These reports detail any impact assessment, including risk and opportunity. Financial decisions are reported through to Cabinet, full Council and Audit Committee, who often challenge to ensure appropriate financial management and to demonstrate transparency.

5.14.7 Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available. Financial roles and responsibilities are clearly shown in this document and it provides a framework for financial decision making.

5.14.8 The Treasury Management Strategy and regular updates on treasury matters are provided to Audit Committee. This information clearly show investments, loans, and the financial position of the Council.

5.14.9 The Council's financial strategy identifies the short term budget plan and the long term aspirational plan linked to the corporate plan for a self-sustaining council.

5.14.10 Final accounts are produced on time and in line with best practice and our External Auditor's ISA260 Report 2017/18 included in its headlines:

- Value for Money conclusion - we have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

- Audit opinion - we issued an unqualified opinion on your financial statements on 31 Jul 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

5.14.11 The Council has continued to make savings in light of ongoing financial pressures. Over £117 million savings have been made since 2010 by the Council to date with further future savings of £30 million required by 2022.

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

5.15.1 As a public body we endeavour to always be open and transparent in our activities and reporting. Council and committee agendas, reports and minutes are published on our corporate website to demonstrate decisions made. The Council undertake public consultation on areas such as the budget and selective licensing. We publish expenditure over £100 on our website, as part of the transparency agenda.

5.15.2 The Audit Committee has responsibility for internal and external audit matters, the Council's arrangements for Corporate Governance and risk management.

5.15.3 The Audit Committee terms of reference also incorporate the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy and during the year were provided with an update on by Arlingclose the Council's Treasury Management advisors.

5.15.4 There are various committees, all with their own terms of reference and areas of responsibility, i.e. Licensing Committee, Planning Committee, and there are elected members who are responsible for service areas within the Council.

5.15.5 Arrangements are in place to ensure Internal Audit fully comply with the Public Sector Internal Audit Standards (PSIAS).

5.15.6 The Internal Audit plan is developed using a risk-based approach taking into consideration the Strategic Risk Register, Service Plans and other audit intelligence. Audit recommendations made are communicated to relevant Service Delivery

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

5.15.7 The Council's Communication Team works with Officers and Members to ensure key messages are in plain English and in consistent format.

5.15.8 The Council's performance management framework is monitored by the Senior Management Team and has procedures in place that drive continuous improvement in performance.

5.15.9 The Annual Governance certification process demonstrated that service areas are aware that their intranet and web pages are not up to date and are in the process of updating them.

	Signed	Dated
Richard Partington Managing Director		15 May 2019
Leader of the Council		15/5/19
Chair of Audit Committee		30/5/19.

Annex 1

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

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

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

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

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Borough of Telford & Wrekin Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Account, the Group Comprehensive Income and Expenditure Account, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Expenditure & Funding Analysis, Notes to Expenditure & Funding Analysis, Segmental income, Notes to the Core Financial Statements, Introduction to the Group Accounts, the Group Expenditure & Funding Analysis and the Group Notes. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and 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 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Director: Finance, & Human Resources (Chief Financial Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director: Finance, & Human Resources (Chief Financial Officer)'s has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Assistant Director: Finance, & Human Resources (Chief Financial Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority and Group financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.
- We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 29, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Assistant Director: Finance, & Human Resources (Chief Financial Officer). The Assistant Director: Finance, & Human Resources (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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Director: Finance, & Human Resources (Chief Financial Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director: Finance, & Human Resources (Chief Financial Officer) is responsible for assessing the Group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements - Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Percival

Richard Percival, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

21 November 2019

EXPENDITURE & FUNDING ANALYSIS AND ACCOMPANYING NOTES

Expenditure & Funding Analysis

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

2017/18				**2018/19**		
Net Expenditure Chargeable to the General Fund Balance £000	**Adjustments Between the Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £000**	**SERVICE**	**Net Expenditure Chargeable to the General Fund Balance £000**	**Adjustments Between the Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £000**
42,463	3	42,466	Adult Social Care	40,815	193	41,008
(767)	2,305	1,538	Business, Development & Employment	(676)	13,434	12,758
2,277	(2,349)	(72)	Cooperative Council	2,277	(302)	1,975
16,903	(670)	16,233	Commercial Services	6,245	5,593	11,838
(1,865)	6,104	4,239	Council Wide	(3,134)	15,047	11,913
30,129	(15,485)	14,644	Customer & Neighbourhood Services	24,536	3,411	27,947
15,715	(11,243)	4,472	Education & Corporate Parenting	1,888	28,867	30,755
(15,311)	18,903	3,592	Finance & Human Resources	14,017	(11,428)	2,589
6,738	31	6,769	Governance, Procurement & Commissioning	6,260	203	6,463
(832)	110	(722)	Health & Well-being	241	72	313
26,755	(722)	26,033	Children's Safeguarding & Family Support	28,778	(377)	28,401
122,205	**(3,013)**	**119,192**	**Net Cost Of Services**	**121,247**	**54,713**	**175,960**
(122,355)	60,194	(62,161)	Other Income & Expenditure	(121,522)	12,115	(109,407)
(150)	**57,181**	**57,031**	**(Surplus) or Deficit**	**(275)**	**66,828**	**66,553**
4,657			Opening General Fund Balance	4,807		
150			Surplus or (Deficit) for year	275		
4,807			**Closing General Fund Balance**	**5,082**		

Expenditure & Funding Analysis Notes

1. Adjustments between funding and accounting basis

2018/19

	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other* Adjustments £000	Total Adjustments £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Social Care	40,815	848	0	(655)	193	41,008
Business, Development & Employment	(676)	6,709	0	6,725	13,434	12,758
Co-Operative Council	2,277	344	0	(646)	(302)	1,975
Commercial Services	6,245	4,765	0	828	5,593	11,838
Council Wide	(3,134)	2,498	13,403	(854)	15,047	11,913
Customer & Neighbourhood Services	24,536	1,826	0	1,585	3,411	27,947
Education & Corporate Parenting (Note 8)	1,888	36,113	0	(7,246)	28,867	30,755
Finance & Human Resources	14,017	434	0	(11,862)	(11,428)	2,589
Governance, Procurement & Commissioning	6,260	65	0	138	203	6,463
Health & Well-being	241	(75)	0	147	72	313
Children’s Safeguarding & Family Support	28,778	(2,410)	0	2,033	(377)	28,401
Net Cost of Services	**121,247**	**51,117**	**13,403**	**(9,807)**	**54,713**	**175,960**
Other Income & Expenditure	(121,522)	(4,014)	6,502	9,627	12,115	(109,407)
(Surplus) or deficit on provision of services	**(275)**	**47,103**	**19,905**	**(180)**	**66,828**	**66,553**

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

2017/18

	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Social Care	42,463	719	0	(716)	3	42,466
Business, Development & Employment	(767)	1,840	0	465	2,305	1,538
Commercial Services	16,903	(478)	0	(192)	(670)	16,233
Co-Operative Council	2,277	(8)	0	(2,341)	(2,349)	(72)
Council Wide	(1,865)	1,964	9,321	(5,181)	6,104	4,239
Customer & Neighbourhood Services	30,129	(16,755)	0	1,270	(15,485)	14,644
Education & Corporate Parenting (Note 8)	15,715	(5,411)	0	(5,832)	(11,243)	4,472
Finance & Human Resources	(15,311)	23,840	0	(4,937)	18,903	3,592
Governance, Procurement & Commissioning	6,738	5	0	26	31	6,769
Health & Well-being	(832)	(337)	0	447	110	(722)
Safeguarding and Early Help	26,755	0	0	(722)	(722)	26,033
Net Cost of Services	**122,205**	**5,380**	**9,321**	**(17,713)**	**(3,012)**	**119,193**
Other Income & Expenditure	(122,355)	47,108	6,548	6,537	60,193	(62,162)
(Surplus) or deficit on provision of services	**(150)**	**52,488**	**15,869**	**(11,176)**	**57,181**	**57,031**

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

2. Segmental Income

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

CORE FINANCIAL STATEMENTS
AND
ACCOMPANYING NOTES

Comprehensive Income and Expenditure Account

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

SERVICE	2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000	2018/19 Gross Expenditure £000	2018/19 Income £000	2018/19 Net Expenditure £000
Adult Social Care	61,391	18,925	42,466	63,004	21,996	41,008
Business, Development & Employment	12,594	11,056	1,538	21,492	8,734	12,758
Co-Operative Council	1,049	1,121	(72)	2,610	635	1,975
Commercial Services	16,517	284	16,233	34,822	22,984	11,838
Council Wide	12,583	8,344	4,239	20,242	8,330	11,912
Customer & Neighbourhood Services	109,600	94,956	14,644	116,023	88,076	27,947
Education & Corporate Parenting (Note 8 provides details of DSG)	125,579	121,107	4,472	148,076	117,321	30,755
Finance & Human Resources	5,713	2,121	3,592	8,100	5,511	2,589
Governance, Procurement & Commissioning	9,987	3,218	6,769	9,323	2,860	6,463
Health & Well-being	15,537	16,259	(722)	12,641	12,328	313
Children's Safeguarding and Family Support	27,174	1,141	26,033	29,946	1,545	28,401
Net Cost of Services	**397,724**	**278,532**	**119,192**	**466,279**	**290,320**	**175,959**
Other Operating Expenditure (Note 7)			51,298			298
Financing and Investment Income and Expenditure (Note 8)			11,021			17,350
Taxation & Non Specific Grant Income and Expenditure (Note 9)			(124,480)			(127,054)
(Surplus) or deficit on provision of services			**57,031**			**66,553**
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(3,091)			(14,452)
(Surplus) or deficit on revaluation of Available for Sale financial assets			(282)			0
Re-measurements of the net defined benefit pension liability (Note 12)			(32,630)			36,060
Other Comprehensive Income & Expenditure			**(36,003)**			**21,608**
Total Comprehensive Income and Expenditure			**21,028**			**88,161**

Movement in Reserves Statement

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

	General Fund Balance & Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2017 carried forward	**67,929**	**3,320**	**71,249**	**(29,385)**	**41,864**
Total Comprehensive Income and Expenditure	**(57,031)**	**0**	**(57,031)**	**36,003**	**(21,028)**
Adjustments between accounting basis & funding basis under regulations (Note 14)	70,665	(377)	**70,288**	(70,288)	**0**
Increase/ (Decrease) in 2017/18	**13,634**	**(377)**	**13,257**	**(34,285)**	**(21,028)**
Balance at 31 March 2018 carried forward	**81,563**	**2,943**	**84,506**	**(63,670)**	**20,836**
Total Comprehensive Income and Expenditure	**(66,553)**	**0**	**(66,553)**	**(21,608)**	**(88,161)**
Adjustments between accounting basis & funding basis under regulations (Note 14)	70,480	3,915	**74,395**	(74,395)	**0**
Increase/ (Decrease) in 2018/19	**3,927**	**3,915**	**7,842**	**(96,003)**	**(88,161)**
Balance at 31 March 2019 carried forward	**85,490**	**6,858**	**92,348**	**(159,673)**	**(67,325)**

It should be noted that of the total £92.3m usable reserves, only £5.1m is uncommitted general fund balances. The remainder includes, earmarked reserves and school balances, see note 29 and 30. There are also unusable reserves see note 31.

Balance Sheet

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

31 March 2018 Restated £000		31 March 2019 £000	31 March 2019 £000
471,531	Property, Plant & Equipment (Note 15a)	464,669	
95,657	Investment Properties (Note 15b)	93,413	
2,081	Intangible Assets (Note 17)	2,048	
9,265	Long Term Investments (Notes 21,22,24)	11,915	
25,917	Long Term Debtors (Note 21)	29,568	
604,451	Total Long Term Assets		**601,613**
	Current Assets		
323	Inventories	297	
37,267	Debtors (Note 23)	32,528	
14,213	Assets Held for Sale (Note 18)	6,062	
19,746	Cash and Cash Equivalents (Note 25)	15,498	
71,549		54,385	
	Current Liabilities		
(20,160)	Provisions (Note 26)	(18,574)	
(102,176)	Short term Borrowing (Notes 21,22)	(75,101)	
(62,352)	Creditors (Notes 27)	(68,259)	
(184,688)		(161,934)	
(113,139)	**Net Current Assets/(Liabilities)**		**(107,549)**
(154,526)	Less Long Term Borrowing (Notes 21,22)		(191,823)
(53,282)	Less Long Term Creditors (PFI & Finance Leases) (Note 21,28)		(50,668)
(258,739)	Less Pensions Liability (Note 12)		(314,704)
(3,928)	Capital Grants Receipts in Advance (Note 41)		(4,194)
20,837	**Net Assets/(Liabilities)**		**(67,325)**
84,506	Usable Reserves (Note 29,30)		92,348
(63,669)	Unusable Reserves (Note 31)		(159,673)
20,837	**Net Reserves**		**(67,325)**

Cash Flow Statement

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

2017/18		2018/19
£000		£000
57,031	Net (surplus) or deficit on the provision of services	64,184
(90,921)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 36)	(89,137)
46,096	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 37)	42,799
12,206	**Net cash flows from Operating Activities**	**17,846**
20,832	Investing Activities (Note 38)	(6,877)
(32,751)	Financing Activities (Note 39)	(6,721)
287	**Net (increase) or decrease in cash and cash equivalents**	**4,248**
20,033	Cash and cash equivalents at the beginning of the reporting period	**19,746**
19,746	Cash and cash equivalents at the end of the reporting period (Note 25)	**15,498**

Notes to the Core Financial Statements

1. Accounting Policies

a) General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (COP), based on International Financial Reporting Standards (IFRS), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is supported by a number of detailed accounting recommendations including interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). They are further supplemented by International Public Sector Accounting Standards (IPSAS).

b) Concepts

These accounts have been prepared in accordance with the all-pervading concepts of accruals and going concern, together with relevance, reliability, comparability, understandability and primacy of legal requirements as set out in the COP. Under the going concern concept, although the Council has net current liabilities of £107.5m, it is a going concern as the Council has access to Public Works Loan Board borrowing and future Council Tax revenues. (See Note 22 for detail on interest rate risk).

c) Accruals of Expenditure & Income

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice, IAS 18 and IFRS 15. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. In particular,

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

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

d) Cash and Cash Equivalents

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

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

e) Contingent Asset

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

f) Contingent Liability

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

g) Employee Benefits

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

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

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

Salaries and Wages

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

Compensated Absences

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

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

Pensions Benefits

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

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

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

See Notes 11, 12 and 13.

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

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

Termination Benefits

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

h) Events After the Reporting Period

Where a material post balance sheet event occurs which

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

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

i) Exceptional Items and Prior Period Adjustments

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

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

j) Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

- Financial Assets Measured at Amortised Cost

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

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

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

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

- Expected Credit Loss Model

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

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

- Financial Assets Measured at Fair Value through Profit & Loss

  Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

k) Government Grants and Other Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is recognised in the comprehensive income and expenditure statement (CIES) unless there is an outstanding condition, where it is transferred to capital grant receipts in advance until the condition is met or the grant is returned. Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

l) Intangible Assets

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

m) Inventories and Long Term Contracts

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

n) Investment Properties

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:
(a) Use in the production or supply of goods or services or for administrative purposes; or
(b) Sale in the ordinary course of operations.
The Council Property Portfolio is included under Property Plant & Equipment as it has other objectives including regeneration and economic development.

o) Leases

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

The use of leasing, together with the amount of rentals paid during the year and the undischarged obligation, is explained in Note 49 to the Core Financial Statements.

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

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

p) Non-current Assets Held for Sale

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

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

q) Interests in Companies and Other Entities

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

The Council is one of four constituent authorities for the West Mercia Energy purchasing consortium (WME). WME transactions are excluded from the Council's financial statements on the basis that they are not material to the fair presentation of the financial position of the Council. Note 56 shows an extract of WME's balance sheet at 31 March 2019.

r) Overheads

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

s) Private Finance Initiative

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has one PFI scheme which was entered into in March 2006 and is for the provision of school and leisure facilities at Hadley Learning Community and Queensway for £289m.

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

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

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

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

t) Property, Plant & Equipment

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

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

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

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

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

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

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

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

u) Depreciation

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

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

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

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

w) Provisions

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

x) Reserves

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The purpose of the Council's reserves is explained in Notes 29, 30 and 31.

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

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

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

Legislation allows some expenditure to be classed as capital for funding purposes when it does not result in an asset on the balance sheet, for example work on properties owned by another organisation. This is charged to the relevant service in the Comprehensive Income

& Expenditure Account and then transferred via the Movement in Reserves Statement to the Capital Adjustment Account so that there is no impact on the General Fund balance.

z) Value Added Tax

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

aa) Direct Revenue Financing of Capital Expenditure

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

ab) Interest on Surplus Funds and Balances

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

ac) Capital Receipts

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

ad) The Redemption of Debt

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

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

ae) Estimation Techniques

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

af) Heritage Assets

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For the Council's heritage assets no cost information is available and the cost of obtaining that value is disproportionate to the benefit.

A list of the Council's Heritage assets is included in Note 19.

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

ag) Capitalisation Of Interest

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

ah) Accounting for Council Tax and Non Domestic Rates

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

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

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

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

ai) Accounting for Local Authority Maintained Schools

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

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

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

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

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

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

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

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

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020.
- **Amendments to IAS 40 Investment Property: Transfers of Investment Property** – clarifies instances when property can be reclassified as investment property which should only take place where there is an evident change of use.
- **Annual Improvements to IFRS Standards 2014 - 2016 Cycle**
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** – clarifies the treatment of payments in a foreign currently made in advance of obtaining or delivering services or goods.

- **IFRIC 23 Uncertainty over Income Tax Treatments** – provides additional guidance on income tax treatment where there is uncertainty.
- **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation** – amends IFRS9 to clarify that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.

Prior Period Adjustments

A Prior Period Adjustment is required to the Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement to reflect a reassessment of how to account for the Councils Long Term Debtors and Investment which has made to NuPlace Ltd, the Councils wholly own housing subsidiary. The deferred capital receipt and REFCUS charges have been removed inline with the CIPFA Code of Practice. Prior year figures have been restated to account for these changes as detailed below –

Expenditure and Funding Analysis

	Original Figure £000	Adjustment £000	Revised Figure £000
Business, Development & Employment – adjustment between funding and accounting basis	15,773	(13,467)	2,306
Business, Development & Employment – Net expenditure in the CIES	15,006	(13,467)	1,539
Net Cost of Service – adjustment between funding and accounting basis	10,455	(13,467)	(3,012)
Net Cost of Service – Net expenditure in the CIES	132,660	(13,467)	119,193
Other Income & Expenditure – adjustment between funding and accounting basis	46,726	13,467	60,193
Other Income & Expenditure – Net expenditure in the CIES	(75,629)	13,467	(62,162)

Comprehensive Income & Expenditure Statement

	Original Figure £000	Adjustment £000	Revised Figure £000
Business, Development & Employment – Gross Expenditure	26,062	(13,467)	12,595
Business, Development & Employment – Net Expenditure	15,006	(13,467)	1,539
Net Cost of Service – Gross Expenditure	411,192	(13,467)	397,725
Net Cost of Service – Net Expenditure	132,660	(13,467)	119,193
Other Operating Expenditure	37,830	13,467	51,297

The following Notes to the Accounts were also amended to correspond with these figures –

- Note 7 – Other Operating Expenditure
- Note 14 – Adjustments between accounting basis and funding basis under regulation

- Note 31 – Unusable Reserves
- Note 32 – Revenue Expenditure Funded from Capital Under Statute (REFCUS)
- Note 34 – Capital Expenditure and Capital Funding

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for Local Government. However, given levels of uncommitted reserves and the long track record of managing significant budget reductions and sound financial management, the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Council has one PFI contract for the provision of school and leisure facilities at Hadley Learning Community and Queensway. Under the requirements of IFRIC 12, it has been determined that the arrangements is controlled by the Council and the accounting policy (Note 1(s)) relating to PFI schemes has been applied.

- West Mercia Energy – the Council has determined that the exclusion of WME's transactions from the Council's own accounts will not materially impact the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by the reader. Note 56 provides details of the arrangement and an extract of the balance sheet of the West Mercia Energy Joint Committee.

- Pension Fund Liability – an actuarial evaluation of the Shropshire Local Government Pension Fund is undertaken every three years by the Fund actuary, Mercers, with annual updates in the intervening years. The methodology used is in line with IAS 19. Estimates of Pension Assets and Liabilities are sensitive to actuarial assumptions and can vary significantly based on changes to these assumptions.

- Recognition of Schools – the Council recognises the land and buildings used by schools in line with the provisions of the Codes of Practice. An assessment of the different schools operated has been undertaken to determine the accounting treatment (see Note 1(ai) above).

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

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and equipment would increase by £2.2m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £14.9m. However, the assumptions interact in complex ways.
Arrears	At 31 March 2019, the Authority had a balance of £38.690m for sundry debtors. The Council has set aside a bad debts provision of 15.9% (£6.162m) in relation to these. It is our view that this level of provision is sufficient.	If collection rates were to deteriorate, an increase in the provision of 5% would require an additional £1.9m to be set aside as an allowance.
Single Status	Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not	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

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

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

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

5. Events After the Reporting Period

The draft Statement of Accounts was authorised for issue by the Assistant Director on 29 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Disclosure of Deployment of Dedicated Schools Grant

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

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

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/19			145,667
Academy figure recouped for 2018/19			(46,491)
Total DSG after Academy recoupment for 2018/19			**99,176**
Brought forward from 2017/18			(543)

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Agreed budgeted distribution in 2018/19	15,995	82,638	**98,633**
In Year Adjustments	0	(313)	**(313)**
Final Budget Distribution for 2018/19	**15,995**	**82,325**	**98,320**
Actual Central Expenditure	(15,990)		(15,990)
Actual ISB deployed to Schools		(82,310)	(82,310)
Carry Forward to 2019/20	**5**	**15**	**20**

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

7. Other Operating Expenditure

2017/18 £000		2018/19 £000
4,003	Parish Council Precepts	4,170
186	Payment of RSG to Parishes	142
48,024	(Gains)/losses on the disposal of non-current assets – Academies and Trust Schools	0
(14,383)	(Gains)/losses on the disposal of non-current assets – Other Assets	(4,014)
37,830	**Total**	**298**

8. Financing and Investment Income and Expenditure

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

9. Taxation and Non Specific Grant Income and Expenditure

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

2017/18 £000		2018/19 £000
(18,457)	Revenue Support Grant	(14,147)
(2,579)	Section 31 Grant	(3,065)
(124,480)	**Total**	**(127,054)**

10. Expenditure and Income Analysed by Nature

	2018/19 £000
Expenditure	
Employee benefits expenses	88,766
Other services benefits	348,020
Depreciation, amortisation and impairment	72,642
Interest Payments	9,119
Precepts and levies	4,312
Gains / (losses) on disposal of assets	(4,014)
Expenditure Total	**518,845**
Income	
Fees, charges and other service income	(73,664)
Interest & investment income	(134)
Income from Council Tax & NDR	(105,285)
Government Grants and other contributions	(273,209)
Income Total	**(452,292)**
(Surplus) / Deficit on the Provision of Services	**66,553**

Revenue from Contracts with Service Recipients

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

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

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

11. Pension Schemes

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

The Council participates in three formal Pension Schemes:

- The Local Government Pension Scheme, administered by Shropshire County Pension Fund

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department of Education
- The NHS Pension Scheme, administered by NHS Pensions

12. Defined Benefit Pension Schemes Participation in Pension Schemes

The Local Government Pension Scheme is a Defined Benefit Scheme and as such falls under IAS 19 and has resulted in transactions impacting on the Income and Expenditure Account.

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

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

The Council's share of the deficit on the Local Government Pension Scheme has increased by £55.97m; this has been as a result of re-measurements on liabilities (due to changes in assumptions, see main assumptions table on page 79).

The Superannuation Act 1972 provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

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

The estimated contributions expected to be paid into the Local Government Pension Scheme next year is £14.219m The contribution rate was set for 2019/20 at 14.1% (2018/19 14.1%), plus a lump sum. The combined rate for 2019/20 is estimated at 20.5%.

Actuarial Gains and Losses are recognised immediately through Other Comprehensive Income. As at the 31/3/19 the cumulative amount of actuarial losses recognised in the statements is £174.343m.

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

2017/18 £000		2018/19 £000
(768,018)	Present Value of Funded Benefit Obligations	(843,099)
(9,803)	Present Value of Unfunded Benefit Obligations	(9,775)
(777,821)	**Total Present Value of Benefit Obligations**	**(852,874)**
519,082	Fair Value of Pension Fund Assets	538,170
(258,739)	**Surplus/(Deficit)**	**(314,704)**

Change in Benefit Obligation during year.

2017/18 £000		2018/19 £000
(780,393)	Benefit Obligation at Beginning of Year	(777,821)
(22,695)	Current Service Cost	(21,280)
(19,335)	Interest on Pension Liabilities	(20,015)
(4,246)	Member Contributions	(4,280)
31,481	Re-measurements (Liabilities)	(43,325)
(245)	Past Service Costs	(5,679)
(549)	Curtailment Cost	(761)
18,161	Benefits / Transfers Paid	20,287
(777,821)	**Benefit Obligation at End of Year**	**(852,874)**

Change in Plan Assets during year.

2017/18 £000		2018/19 £000
504,893	Fair Value of Plan Assets at Beginning of Year	519,082
12,787	Expected Return on Plan Assets	13,513
1,149	Re-measurements (Assets)	7,265
14,578	Employer Contributions	14,732
4,246	Member Contributions	4,280
(410)	Administration Expenses	(415)
(18,161)	Benefits / Transfers Paid	(20,287)
519,082	**Plan Assets at End of Year**	**538,170**

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

2017/18			2018/19	
£000	%		£000	%
274,749	52.9	Equity Investments	272,422	50.6
39,295	7.6	Government Bonds	40,094	7.5
80,665	15.5	Other Bonds	46,283	8.6
25,643	5.0	Property	28,684	5.3
10,382	2.0	Cash/Liquidity	34,335	6.4
88,348	17.0	Other	116,352	21.6
519,082	**100.0**	**Total**	**538,170**	**100.0**

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

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

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

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

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

Sensitivity Analysis as at 31/3/2019

Disclosure Item	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
	£000	+0.1%p.a. discount rate £000	+0.1%p.a. inflation/ pensions £000	+0.1%p.a. pay growth £000	1 year increase in life expectancy £000
Liabilities	852,874	837,965	868,048	854,939	869,359
Assets	(538,170)	(538,170)	(538,170)	(538,170)	(538,170)
Deficit/(Surplus)	314,704	299,795	329,878	316,769	331,189
Projected Service Cost for next year	24,346	23,668	25,054	24,346	24,824
Projected Net Interest Cost for next year	7,382	7,317	7,754	7,439	7,785

Pensions Asset/Liability Account

2017/18 £000		2018/19 £000
(275,500)	Opening Balance	(258,739)
(794)	Past Service Cost - Added Years	(6,440)
(22,695)	Current Service Cost	(21,280)
(19,335)	Interest Cost	(20,015)
12,787	Return On Assets	13,513

2017/18 £000		2018/19 £000
14,578	Payments to Pension Fund	14,732
(410)	Administration Expenses	(415)
32,630	Actuarial Gain or (Loss)	(36,060)
(258,739)	**Closing Balance**	**(314,704)**

Pensions Reserve

2017/18 £000		2018/19 £000
275,500	Opening Balance	258,739
794	Past Service Cost - Added Years	6,440
(14,578)	Charging Pensions Costs Payable	(14,732)
29,653	Reversing Out IAS 19 Items	28,197
(32,630)	Actuarial (Gain) or Loss	36,060
258,739	**Closing Balance**	**314,704**

Risk Management

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

13. Pensions Schemes Accounted for as Defined Contribution Schemes

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

Teachers Pensions Authority:

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

National Health Service Pension Scheme:

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

14. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2018/19	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	74,311	0	0	(74,311)
Movement in the market value of Investment Properties	(1,669)	0	0	1,669
Revenue expenditure funded from capital under statute	9,573	0	0	(9,573)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,512	0	0	(1,512)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(1,239)	0	0	1,239
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(28,028)	0	28,028	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(24,113)	24,113
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,596)	8,596	0	0

2018/19	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(8,596)	0	8,596
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	6,851	0	0	(6,851)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	34,637	0	0	(34,637)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,732)	0	0	14,732
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(1,221)	0	0	1,221
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(919)	0	0	919
Total Adjustments	**70,480**	**0**	**3,915**	**(74,395)**

2017/18 Comparative figures	General Fund Balance & Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	22,932	0	0	(22,932)
Movement in the market value of Investment Properties	883	0	0	(883)
Revenue expenditure funded from capital under statute	13,200	0	0	(13,200)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	48,102	0	0	(48,102)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(467)	0	0	467
Adjustment primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(30,377)	0	30,377	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(30,754)	30,754
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,252)	2,252	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,252)	0	2,252
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	164	0	0	(164)
Adjustments primarily involving the Pensions Reserve:				

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

15. Property, Plant & Equipment and Investment Properties

15a. Property, Plant & Equipment

Movements in 2018/19:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2018	**311,094**	**38,747**	**179,980**	**11,042**	**540,863**	**19,280**
Deminimus items added in year	31	0	0	0	**31**	0
Additions	12,416	1,893	21,954	7,917	**44,181**	2,922
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15,792	0	0	0	**15,792**	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(62,437)	(1,659)	1	(1,759)	**(65,854)**	0
Derecognition – disposals	(378)	0	0	0	**(378)**	0
Assets reclassified (to)/from Other Land & Buildings	0	28	0	0	**28**	
Assets reclassified (to)/from Assets Under Construction	0	0	0	0	**0**	0
Assets reclassified (to)/from Held for Sale	5,798	0	0	0	**5,798**	0
Assets reclassified (to)/from Investment Properties	(30)	0	0	0	**(30)**	0
Assets reclassified (to)/from Vehicles, Plant & Equipment	(28)	0	0	0	**(28)**	0
At 31 March 2019	**282,258**	**39,009**	**201,935**	**17,200**	**540,402**	**22,202**
Less Accumulated Depreciation and Impairment						
At 1 April 2018	**24,397**	**26,794**	**18,141**	**0**	**69,332**	**6,804**
Depreciation charge	7,469	2,610	4,496	0	**14,575**	263

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
Depreciation written out to the Revaluation Reserve	1,070	7	2	0	**1,079**	0
Depreciation written out recognised in the Surplus/Deficit on the Provision of Services	(8,793)	(992)	0	0	**(9,785)**	0
Impairment loss/(reversals) recognised in the surplus/deficit on the Provision of Services	591	0	0	0	**591**	0
Derecognition – disposals	(59)	0	0	0	**(59)**	0
At 31 March 2019	**24,675**	**28,419**	**22,639**	**0**	**75,733**	**7,067**
Net Book Value						
at 31 March 2019	**257,583**	**10,590**	**179,298**	**17,200**	**464,669**	**15,135**
at 31 March 2018	**286,697**	**11,953**	**161,839**	**11,042**	**471,531**	**12,476**
Nature of Holding						
Owned	242,448	9,609	179,296	17,200	**44,553**	0
Leased	0	981	0	0	**981**	0
PFI	15,135	0	0	0	**15,135**	15,135
Total	**257,583**	**10,590**	**179,296**	**17,200**	**464,669**	**15,135**

Comparative Movements in 2017/18:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2017	**366,345**	**36,426**	**159,954**	**11,318**	**574,043**	**66,091**
Additions	9,042	2,382	20,026	10,274	**41,724**	1,778
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(262)	0	0	1,192	**930**	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,984)	0	0	(334)	**(10,318)**	0
Derecognition – disposals	(51,165)	(61)	0	0	**(51,226)**	(48,589)
Assets reclassified (to) /from Assets Under Construction	109	0	0	(11,408)	**(11,299)**	0
Assets reclassified (to)/from Held for Sale	(3,044)	0	0	0	**(3,044)**	0
Assets reclassified (to) /from Investment Properties	53	0	0	0	**53**	0
At 31 March 2018	**311,094**	**38,747**	**179,980**	**11,042**	**540,863**	**19,280**
Less Accumulated Depreciation and Impairment						
At 1 April 2017	**24,696**	**24,172**	**14,138**	**0**	**63,006**	**7,962**
Depreciation charge	8,528	2,683	4,003	0	**15,214**	1,606
Depreciation written out to the Revaluation Reserve	(2,160)	0	0	0	**(2,160)**	0
Depreciation written out recognised in the Surplus/Deficit on the Provision of Services	(3,839)	0	0	0	**(3,839)**	0
Derecognition – disposals	(2,828)	(61)	0	0	**(2,889)**	(2,764)
At 31 March 2018	**24,397**	**26,794**	**18,141**	**0**	**69,332**	**6,804**

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

Depreciation

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

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

Capital Commitments

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

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

15b. Investment Properties

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

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 the investment properties over the year:

2017/18 £000		2018/19 £000
71,617	Balance at 1st April 2018	**95,657**
0	Deminimus assets added	106
17,207	Additions	329
0	Revaluation increase/(decrease) recognised in the revaluation reserve	0
0	Revaluation Increase/Decrease met from Revaluation Reserve	(957)
(883)	Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	2,626
(844)	Disposals	(4,400)
	Transfer:	
(53)	to/(from) Other Land & Buildings	30
8,613	to/from Assets Under Construction	0
0	to/(from) Assets Held for Sales	22
95,657	**Balance at 31st March 2019**	**93,413**

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

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

16. Valuation of Property Plant & Equipment and Investment Properties

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

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

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

The valuation of the property was on the basis of:

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

Special assumptions – Operational Property:

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

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

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

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

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

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

Investment Properties are valued annually and their current value is £93.413m. Other Land & Buildings are valued over a 5 year rolling programme and the value of assets valued as part of the revaluation cycle in each of the last 5 years is shown in the table below.

Year	Value £000
2014/15	37,504
2015/16	45,747
2016/17	119,094
2017/18	37,372
2018/19	53,468
Total	**293,185**

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

17. Intangible Assets

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

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

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

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

18. Assets Held for Sale

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

19. Heritage Assets

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

Asset	Location
Anstice Backwalls & Ice House	Ironbridge
Bridge Structure, Former Castle	Little Dawley
Canal & 2 Railway Bridges	Coalport
Canal & Lock Gates	Hadley
Canal Basin	Granville Park
Canal Blists Hill to Sutton Hill	Madeley
Captain Webb Memorial	Dawley
Crossing Gates, Station Platform, Sidings	Ironbridge
Furnaces	Granville Park
Incline	Ironbridge
Incline Plane	Coalbrookdale
Incline Plane	Madeley
Ladywood Brickworks	Ironbridge
Loam Hole Dingle	Jiggers Bank

Asset	Location
Lydbrook Sandstone Outcrop	Jiggers Bank
Mining Landscape	Shortwood, Wellington
Monument	Lilleshall
Newport Canal	Newport
Norman Chapel	Town Park
Overhead Bridge, Footbridge at Low Level	Madeley
Pumping Engine House Including Reservoir Weirs	Ironbridge
Railway Bridge	Newport
Railway Bridge (Wings)	West of Newport
Shafts Compressor House	Granville Park
Slag Block Wall	Ironbridge
Station Yard	Coalport
Stirchley Chimney	Stirchley
Stirchley Railway Station	Stirchley
Stirchley Tunnels	Stirchley
Track Beds/Railway Lines	Ironbridge
Ventilation Shaft	Ironbridge
Wappenshall Canal Basin	Wappenshall
Wide waters, Canal Basin	Little Dawley

20. Impairment Losses

During 2018/19, the Authority has recognised revaluation loss of £56.555m (2017/18 revaluation loss £7.362m) in relation to Property, Plant & Equipment, Assets Held for Sale and Investment Properties. The impairment loss will be charged to the Comprehensive Income and Expenditure Statement where there is an insufficient balance held in the Revaluation Reserve for a specific asset being impaired. The charge to the CIES is then reversed out as part of the Movement in Reserves Statement. Of the recognised revaluation loss, £41.281m (72.5%) relates to schools which have converted to Academy status during the financial year and been granted 125 year leases.

21. Financial Instruments

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

Financial Assets

	Non-current				Current				
	Long Term Investments		Long Term Debtors		Investments (inc. Cash & Cash Equivalents)		Debtors		Total
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair Value through Profit and Loss									
Amortised Cost									
Cash & Cash Equivalents	0	0	0	0	19,622	15,370	0	0	**15,370**
Debtors*	0	0	441	568	0	0	36,948	32,472	**33,040**
Debtors with Subsidiaries	0	0	0	0	0	0	152	143	**143**
NuPlace Loan	0	0	25,476	29,000	0	0	0	0	**29,000**
Nuplace Equity	8,950	11,600	0	0	0	0	0	0	**11,600**
Shropshire Waste Management (SWM) Equity	315	315	0	0	0	0	0	0	**315**
Fair Value through other comprehensive income - designated equity instruments	0	0	0	0	0	0	0	0	**0**
Fair value through other comprehensive income - other	0	0	0	0	0	0	0	0	**0**
Total Financial Assets	**9,265**	**11,915**	**25,917**	**29,568**	**19,622**	**15,370**	**37,100**	**32,615**	**89,468**
Non-Financial Assets - Other	0	0	0	0	124	128	6,832	5,507	**5,635**
Total	**9,265**	**11,915**	**25,917**	**29,568**	**19,746**	**15,498**	**43,932**	**38,122**	**95,103**

Financial Liabilities

	Non-Current				Current				Total
	Long Term Borrowing		Long Term Creditors		Short Term Borrowing		Creditors		
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair Value through Profit and Loss									
Amortised Cost									
Borrowing	154,526	191,823	0	0	102,176	75,101	0	0	266,924
PFI and finance lease liabilities	0	0	53,282	50,668	0	0	3,015	3,196	53,864
Other Creditors*	0	0	0	0	0	0	47,999	53,628	53,628
Total Financial Liabilities	**154,526**	**191,823**	**53,282**	**50,668**	**102,176**	**75,101**	**51,014**	**56,824**	**374,416**
Non-Financial Liabilities	0	0	0	0	0	0	11,338	11,435	11,435
Total	**154,526**	**191,823**	**53,282**	**50,668**	**102,176**	**75,101**	**62,352**	**68,259**	**385,851**

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

Income, Expense, Gains and Losses

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net Gain/Losses on:				
Financial assets measured at fair value through profit and loss	0	0	0	0
Financial asset measured at amortised cost	0	0	0	0
Investment in equity instrument designated at fair value through other comprehensive income	0	0	0	0
Financial assets measured at fair value through other comprehensive income	0	0	0	0
Financial liabilities measured at fair value through profit and loss	0	0	0	0
Financial liabilities measured at amortised cost	0	0	0	0
Total net gains loss	**0**	**0**	**0**	**0**
Interest revenue:				
Financial assets measured at amortised cost	0	(16)	0	65
Other financial assets measured at fair value through other comprehensive income	0	0	0	0
Total interest revenue	**0**	**(16)**	**0**	**113**
Interest expense	**0**	**8,813**	**0**	**9,118**
Fee income				
Financial assets or financial liabilities that are not at fair value through profit and loss	0	0	0	0
Trust and other fiduciary activities	0	0	0	0
Total fee income	**0**	**0**	**0**	**0**
Fee expense				

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

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

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

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

	2017/18		2018/19	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	9,265	9,265	0	0
Amortised Cost	0	0	11,915	11,915
Long-term debtors	25,917	25,917	29,568	29,568

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

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

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

Fair Value of Assets & Liabilities

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

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

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

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

Methodology and Assumptions

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

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

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

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

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

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

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

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

Exposure to Risk
The Authority’s activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit risk

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

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

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

The Council has not experienced any defaults with any of the above counterparty types in the last 10 years. No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. The Council has one long term investment which is our wholly owned subsidiary NuPlace where we hold a mixture of equity (classed as 'Other' in the above analysis) and debt. The equity is not traded therefore has no credit risk. Arlingclose, the Council's independent treasury advisor, have reviewed the Expected Credit Losses associated with the debt and these are not deemed to be material.

Liquidity risk

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

The maturity analysis of long term financial liabilities can be found in the table on page 103.

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

Market risk

Interest rate risk

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

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

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

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

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

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

Price risk

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

Foreign exchange risk

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

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

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

Sensitivity Analysis

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

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

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

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

Long Term Borrowing

Source of Loan	Range of Interest rates payable (%)			Total Outstanding		
				2017/18 £000		2018/19 £000
Public Works Loan Board	1.2		9.375	94,526		151,823
Money Market Loans (including LOBOs)	3.98		4.50	60,000		40,000
				154,526		**191,823**

An analysis of loans by maturity is:

		2017/18 £000		2018/19 £000
Maturing in 1-2 years		5,098		7,226
Maturing in 2-5 years		12,793		20,318
Maturing in 5-10 years		18,741		30,115
Maturing in more than 10 years		117,894		134,164
		154,526		**191,823**

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

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

23. Debtors

2017/18 £000		2018/19 £000
	Amounts falling due in one year:	
5,363	Central Government	2,810
42	Other Local Authorities	266
1,403	NHS Bodies	2,431
24	Public Corporations and Trading Funds	0
152	Amounts due from Subsidiaries	143
36,948	Other Entities and Individuals	33,040
43,932	**Gross Debtors**	**38,690**
(6,665)	Provision for Expected Credit Loss & Incurred Loss	(6,162)
37,267	**Total**	**32,528**

Provision for Expected Credit Loss & Incurred Loss

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

24. Investments

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

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

The Council has no short fixed term deposits, with the exception call accounts or investments placed overnight with the Debt Management Office (DMO). Such investments are shown within cash and cash equivalents.

Summary of Investments

2017/18 £000	Category	2018/19 £000
	Long Term Investments	
0	Fixed Term Deposits	
9,265	Other	11,915
9,265	**Total Long Term**	**11,915**
	Short Term Investments	
0	Fixed Term Deposits	0
0	**Total Short Term**	**0**
19,622	**Cash & Cash Equivalent Investments**	**15,370**
28,887	**Total Investments**	**27,285**

Investments are valued as “loans and receivables”. See also note 19 on fair value.

25. Cash and Cash Equivalents

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

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

26. Provisions

	2018/19 Opening £000	Transfers/ Receipts in year £000	Transfers/ Payments in year £000	2018/19 Closing £000
Restructure Provision	487	0	(472)	**15**
Single Status Provision – Schools	3,428	62	(190)	**3,300**
Single Status Provision – Non Schools	12,417	0	0	**12,417**
NDR Appeals Provision	3,808	2,842	(3,808)	**2,842**
Litigation Costs	20	38	(58)	**0**
Total	**20,160**	**2,942**	**(4,528)**	**18,574**
2017/18	19,808	3,836	(3,484)	20,160

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

Single Status - Single Status is a national pay and conditions agreement for staff employed under NJC terms and conditions, who form a significant proportion of the Council's workforce. The agreement is effective from 1st April 2007, however the process is not yet complete and it has been necessary to include a provision against the potential costs in the 2018/19 accounts, as was the case last year and previous years. The total amount in the provision at 31 March 2019 was £15.717m (of which £11.9m related to General Fund).

NDR Appeals – under the new arrangements for the retention of business rates, authorities are required to make a provision for refunding ratepayers who successfully appeal against the rateable value of their property on the rating list. Based on information relating to outstanding appeals provided by the Valuation Office, £5.7m is estimated as the amount required to set aside for this purpose in the 2018/19 accounts (£7.8m in 2017/18). Telford & Wrekin Council's proportion of this is £2.8m (49%) (£3.8m in 2017/18).

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

27. Creditors

2017/18 £000		2018/19 £000
9,705	Central Government	9,747
1,623	Other Local Authorities	1,688
10	NHS Bodies	0
898	Public Corporations and Trading Funds	922
0	Amounts due to Subsidiaries	0
47,101	Other Entities and Individuals	52,706
3,015	PFI and Leases	3,196
62,352	**Total**	**68,259**

28. Private Finance Initiatives and Similar Contracts

The Council has one PFI scheme in relation to Hadley Learning Community and Queensway. We have assets held of £15.1m shown within Property, Plant & Equipment. The equivalent figure for 2017/18 was £12.5m. The PFI scheme relates to a number of properties of which Hadley Learning Community Primary and Secondary schools and Queensway North converted to Academy status during 2017/18 and as such these assets do not appear on our Balance Sheet. The Bridge School and four properties formerly used as children's residential homes remain with the Council.

A finance lease creditor has also been recognised to the value of £53.250m as at 31st March 2019 (£55.491m as at 31st March 2018). The payment made to the operator has been analysed between the service element and the interest charge. The latter has added £4.4m to the interest paid for 2018/19 (£4.6m in 2017/18). Amounts due are shown in the table below:

	2017/18				2018/19			
	Service £000	**Lifecycle £000**	**Interest £000**	**Finance Lease £000**	**Service £000**	**Lifecycle £000**	**Interest £000**	**Finance Lease £000**
Within 1 year	2,409	308	4,621	2,548	2,312	472	4,441	2,791
2 to 5 years	5,048	6,513	17,250	12,077	5,453	6,397	16,783	12,814
6 to 10 years	8,999	7,154	17,728	20,523	9,166	7,391	16,628	22,000
11 to 15 years	13,918	4,358	10,694	27,614	14,506	4,227	8,757	29,366
16 to 20 years	5,745	1,194	1,257	12,256	2,274	732	320	5,498

29. Usable Reserves - Transfers to/from Earmarked Reserves & Balances

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

This note sets out the amounts set aside from General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	General Fund Balance £000	Earmarked General Fund Reserves* £000	School Balances £000	Revenue Grants & Other Balances £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Balance at 31 March 2017 carried forward	**4,657**	**55,529**	**5,120**	**2,623**	**3,320**	**71,249**
Movement / Use of reserves during 2017/18	150	14,586	(1,332)	230	(377)	**13,257**
Balance at 31 March 2018 carried forward	**4,807**	**70,115**	**3,788**	**2,853**	**2,943**	**84,506**
Movement / Use of reserves during 2018/19	275	3,226	1,971	(1,545)	3,915	**7,842**
Balance at 31 March 2019 carried forward	**5,082**	**73,341**	**5,759**	**1,308**	**6,858**	**92,348**

Analysis of Earmarked General Fund Reserves

	Opening Balance £000	Payments £000	Receipts £000	Closing Balance £000
Environmental Mtce. & Improvements (Pride)	2,219	(1,090)	0	1,129
Capacity Fund & Invest to Save	8,415	(2,529)	2,723	8,609
HCA Land Deal funds	5,920	(1,080)	306	5,146
Pride in our Community funding reserve	3,720	(435)	0	3,285
Self Insurance Fund	2,447	(155)	471	2,763
Hadley PFI Sinking Fund	1,334	(10,697)	10,825	1,462
Community Initiatives 2019	0	0	1,300	1,300
Redundancy costs	2,750	(1,503)	0	1,247
Pride in Our Community 2019 – Regeneration projects	0	0	1,000	1,000
Pride in Your High Street 2019	0	0	1,000	1,000

	Opening Balance £000	Payments £000	Receipts £000	Closing Balance £000
Reserves earmarked as part of medium term Service and Financial Planning Strategy(1)	13,886	(1,004)	11,368	24,250
Other reserves below £1,000,000(2)	29,424	(13,284)	6,010	22,150
Total	**70,115**	**(31,777)**	**35,003**	**73,341**
Previous Year	**55,529**	**(21,690)**	**36,276**	**70,115**

1 These balances have been set aside to support the medium term financial strategy, following a review of one-off resources undertaken as part of the 2019/20 budget process. Due to the number of uncertainties about future funding, including a completely new Relative Needs Assessment due in April 2020, the 2019 Comprehensive Spending Review, and the Adult Social Care Green Paper, it is prudent to hold sufficient reserves to ensure a sustainable financial position.

2 The total includes residual grant balances: Public Health Grant, Troubled Families Programme Grant and Improved Better Care Fund Grant; provision for insurance excesses and funding committed for the capital programme. There are also a number of service balances which support the delivery and development of services, such as to provide Youth Unemployment support, Public Transport Initiatives and homelessness prevention. A robust review of all reserves and balances is untaken annually as part of the Service & Financial Planning Process and a detailed schedule is included in the Service & Financial Planning Strategy.

30. School Balances

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

2017/18 £000		2018/19 £000
3,216	School Balances – Revenue	4,477
572	School Balances - Capital	1,282
3,788	**Total School Balances**	**5,759**

31. Unusable Reserves

2017/18 £000		2018/19 £000
34,633	Revaluation Reserve	48,005
162,466	Capital Adjustment Account	113,766
282	Available for Sale Financial Investment Reserve	282
(1,332)	Financial Instruments Adjustment Account	(8,183)
(258,739)	Pensions Reserve	(314,704)
2,677	Collection Fund Adjustment Account	3,898
0	Deferred Capital Receipts	0
(3,656)	Accumulated Absences Account	(2,737)
(63,669)	**Total Unusable Reserves**	**(159,673)**

Revaluation Reserve

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

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

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

2017/18 £000		2018/19 £000
40,016	**Balance brought forward**	**34,633**
3,091	Upwards revaluation of assets	14,451
0	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on provision of services	0
(1,040)	Difference between fair value depreciation and historical cost depreciation	(1,079)
(7,434)	Accumulated gains and losses on assets sold or scrapped	0
34,633	**Balance carried forward**	**48,005**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 15 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £000		2018/19 £000
184,677	**Balance Brought Forward**	**162,466**
20,959	Prior period adjustment	0
	Deminimus items added to asset register	137
(20,368)	Charges for depreciation and impairment of non-current assets	(55,397)
(1,239)	Amortisation of intangible assets	(1,125)
(13,200)	Revenue expenditure funded from capital under statute	(9,573
(48,102)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,649)
5,383	Adjusting amounts written out of the Revaluation Reserve	(13,372)
2,252	Capital financing - Capital receipts	8,596
30,754	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	24,113
467	Minimum Revenue Provision	1,239
883	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,669)
162,466	**Balance Carried Forward**	**113,766**

Financial Instruments Adjustment Account

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

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. During the year the Council paid a premium on the redemption of LOBO's and as a result the balance on the account at 31 March 2019 will be charged to the General Fund over the next 47 years, which represents the outstanding period to the original redemption date.

2017/18 £000		2018/19 £000
(1,168)	**Balance at 1 April**	**(1,332)**
(164)	Proportion of premiums/discounts incurred in previous financial years to be apportioned against the General Fund Balance in accordance with statutory requirements	223
0	Premium/discount on loan redemption	(7,074)
(1,332)	**Balance at 31 March**	**(8,183)**

Pensions Reserve

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

2017/18 £000		2018/19 £000
275,500	**Balance at 1 April**	**258,739**
(32,630)	Actuarial (gains) or losses on pensions assets and liabilities	36,060
794	Added Years	6,440
29,653	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	28,197
(14,578)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,732)
258,739	**Balance at 31 March**	**314,704**

Collection Fund Adjustment Account

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

2017/18 £000		2018/19 £000
4,741	**Balance at 1 April**	**2,677**
(2,064)	Amount by which council tax and Non Domestic Rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and Non Domestic Rate income calculated for the year in accordance with statutory requirements	1,221

2,677	**Balance at 31 March**	**3,898**

Deferred Capital Receipts Reserve

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

2017/18 £000		2018/19 £000
20,959	**Balance at 1 April**	**0**
(20,959)	Prior Period Adjustment	0
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	**Balance at 31 March**	**0**

Accumulated Absences Account

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

2017/18 £000		2018/19 £000
(3,109)	**Balance at 1 April**	**(3,656)**
3,109	Settlement or cancellation of accrual made at the end of the preceding year	3,656
(3,656)	Amounts accrued at the end of the current year	(2,737)
(3,656)	**Balance at 31 March**	**(2,737)**
(547)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	919

Available for Sale Financial Investment Reserve

2017/18 £000		2018/19 £000
0	**Balance at 1 April**	**282**
282	Upward revaluation of investment	0
282	**Balance at 31 March**	**282**

32. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure funded from Capital under Statute is created when expenditure, classified as capital expenditure with respect to capital controls, does not result in the creation of a fixed asset. During 2018/19 expenditure on this totalled £9.573m. However, none of this expenditure created a benefit to the Authority beyond the financial year in which it was incurred. Consequently, the net cost has been transferred to the Capital Adjustment Account during the year.

33. Usable Capital Receipts Reserve

2017/18 £000		2018/19 £000
0	Opening balance	0
2,252	Capital receipts received during year	8,596
	Less	
(2,252)	Capital receipts used for financing during year	(8,596)
0		**0**

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

34. Capital Expenditure and Capital Financing

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

2017/18 £000		2018/19 £000
367,781	**Opening Capital Financing Requirement**	**420,809**
	Capital Investment	
41,724	Property, Plant & Equipment	44,180
17,207	Investment Properties	329
1,187	Assets Held for Sale	(120)
974	Intangible Assets	1,091
13,200	Revenue Expenditure funded from Capital under Statute (REFCUS)	9,573
2,500	Long Term Investments	2,650
10,967	Capital Loans	3,524
490	Leased Vehicles	228
	Sources of Finance	
(2,252)	Capital Receipts	(8,596)
(1,748)	Finance Leases & De Minimis Capital Expenditure	(3,296)
(30,754)	Government Grants and Other Contributions	(24,113)
(467)	Revenue Provision (NB: includes MRP)	(1,239)
420,809	**Closing Capital Finance Requirement**	**445,020**
53,028	Movement for Year	24,211
	Explanation of movements in the year	
7	Increase in underlying need to borrow (supported by Government financial assistance)	0
53,021	Increase in underlying need to borrow (unsupported by Government financial assistance)	24,211
53,028	Increase/(decrease) in Capital Financing Requirement	24,211

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

At 31 March 2019 there was 1 significant contract in place with outstanding commitments of £1.1m, as detailed in note 15.

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

Unitary payments are being paid to the operator, and PFI credits received from the Government as a specific annual grant from 2007/08, when all of the buildings became operational. The Council has approved a budget strategy which makes provision for its future commitments. In 2018/19 the Authority made payments of £10.4m in respect of this PFI contract with Interserve Limited. The Authority is committed to making payments estimated at £9,071,500 pa (index linked starting point September 2006) until the contract expiry date of 2034.

35. Minimum Revenue Provision

The net amount charged to revenue in compliance with the statutory requirement to set aside a minimum revenue provision for the repayment of external loans was £3.552m, this was offset by an adjustment to prior years MRP of £2.718m, the principal repayment in respect of leases was £0.405m and due to a previous change in methodology and over provision in previous years the principal repayment in respect of the PFI lease was £0.0m giving a total provision of £1.239m in 2018/19 (£0.467m in 2017/18).

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

2017/18 £000		2018/19 £000
(18,583)	Impairment and depreciation of property, plant and equipment and intangible assets	(61,915)
(169)	(Increase)/decrease in interest creditors	(397)
(4,430)	(Increase)/decrease in creditors	(5,416)
5	Increase/(decrease) in interest/dividend debtors	0
(1,282)	Increase/(decrease) in debtors	250
2	Increase/(decrease) in inventories	(26)
(15,869)	Pension Liability	(19,905)
(352)	Contribution (to)/from provisions	1,586
(49,360)	Carrying amount of non-current assets sold	(4,983)
(883)	Movement in Investment Property Values	1,669
(90,921)	**Total**	**(89,137)**

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

2017/18 £000		2018/19 £000
30,377	Capital grants credited to surplus or deficit on the provision of services	28,029
0	Proceeds from sale of short and long term investments	0

15,719	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,770
46,096	**Total**	**42,799**

38. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
58,779	Purchase of property, plant and equipment, investment property and intangible assets	46,855
2,782	Purchase of short-term and long-term investments	2,650
10,968	Other payments for investing activities	3,525
(12,669)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(21,914)
0	Proceeds from short-term and long-term investments	0
(39,028)	Other receipts from investing activities	(37,993)
20,832	**Net cash flows from investing activities**	**(6,877)**

39. Cash Flow Statement – Financing Activities

2017/18 £000		2018/19 £000
(279,000)	Cash receipts of short and long term borrowing	(258,850)
409	Other receipts from financing activities	347
701	Appropriation to/from Collection Fund Adjustment Account	200
242,346	Repayments of short and long term borrowing	248,628
2,793	Cash payments in relation to finance leases and PFI agreements	2,954
(32,751)	**Net cash flows from financing activities**	**(6,721)**

40. Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2017/18 £000		2018/19 £000
(16)	Interest received	65
8,813	Interest paid	9,118
8,797	**Net cash flows from operating activities**	**9,183**

41. Grant Income

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

2017/18 £000		2018/19 £000
	Credited to Taxation and Non Specific Grant Income	
18,457	Revenue Support Grant	14,147
4,364	Non Domestic Rates Top Up Grant	4,597
2,579	Section 31 Grant	3,065
25,400	**Total – Credited to Taxation and Non Specific Grant Income**	**21,809**

2017/18 £000		2018/19 £000
	Credited to Services	
108,289	Dedicated Schools Grant	99,176
66,285	Mandatory Rent Allowances Subsidy	64,028
12,664	Public Health Grant	12,338
7,381	Pupil Premium Grant	6,550
592	Education Services Grant	0
6,544	New Homes Bonus	6,242
2,007	Universal Free School Meals	1,866
12,742	Other grants	15,755
216,504	**Total Credited to Services**	**205,955**

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

2017/18 £000		2018/19 £000
	Capital Grants Receipts in Advance	
3,641	Standards Fund	4,004
287	Park for People 10 year Maintenance Programme	190
3,928	**Total**	**4,194**

42. Market Undertaking and Industrial Units

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

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

2017/18 £000		2018/19 £000
7,361	Income from rents	7,896
1,380	Other income	1,397
(883)	Net gains/(losses) on revaluation of property	1,669
(3,534)	Direct operating expenses	(5,553)
4,324	**(Deficit)/Surplus taken to General Fund**	**5,409**

43. Pooled Budgets

The Better Care Fund is a pooled fund governed by a Section 75 agreement. The parties to this joint arrangement are Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group. The fund was established for the first time in 2015/16 in order to meet the Government’s requirement to encourage closer working and integration between health and care services and to improve outcomes for Patients and Service Users and Carers. There are performance targets regarding the reductions in non-elective admissions to hospital and to deliver more care in the community helping people to remain independent.

In 2018/19 the Government provided additional grant funding through the BCF and iBCF (improved better care fund), totalling £5.478m. This was used to provide stability to the market, including funding core Social Care activity and providing support to the NHS by maintaining an already well performing discharge from hospital scheme.

Better Care Fund where Telford & Wrekin Clinical Commissioning Group was the host in 2018/19

The revenue fund is hosted by the Telford & Wrekin Clinical Commissioning Group and a Section 75 pooled budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics. The relevant funding contributions are reported below, but the contribution by the Telford & Wrekin Clinical Commissioning Group includes revenue funding targeted to the protection of Adult Social Care for which the local authority commissions services.

The net surplus will be retained in the fund and carried forward by the Council into 2019/20.

2017/18 £000	Better Care Fund Revenue Pooled Budget	2018/19 £000
160	Surplus from 2017/18 brought forward	592
4,718	Funding from Telford & Wrekin Council	6,604
11,573	Funding from Telford & Wrekin Clinical Commissioning Group	12,154
(9,859)	Expenditure met from pooled budget Telford & Wrekin Council	(12,763)
(6,000)	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	(5,786)
592	**Net Surplus/(Deficit) arising on Pooled budget carried forward**	**801**

Better Care Fund where Telford & Wrekin Council was the host in 2018/19.

The capital fund is hosted by Telford & Wrekin Council, and a section 75 Pooled Budget agreement governs how it is to be operated and reported and includes a risk sharing agreement which details how risks are to be managed and shared. These risks arise from the management of overspends and underspends from Commissioned Services and the delivery of performance metrics.

The expenditure has been incurred in the year entirely on local authority commissioned services. The relevant funding contributions are reported below, and the underspend in 2018/19 will be retained in the fund and carried forward by the council into 2019/20.

2017/18 £000	Better Care Fund Capital Pooled Budget	2018/19 £000
583	Brought forward from 2017/18	620
1,730	Funding from Telford & Wrekin Council	1,884
(1,693)	Expenditure met from pooled budget Telford & Wrekin Council	(1,991)
620	**Net Surplus/(Deficit) arising on Pooled budget carried forward**	**513**

Transforming Care Partnership (TCP) Revenue Pooled Budget

TCPs are made up of clinical commissioning groups, NHS England's specialised commissioners and local authorities. They work with people with a learning disability, autism or both and their families and carers to agree and deliver local plans for the programme.

In England there are 48 TCPs who are changing services in a way that is making a real difference to the lives of local people. This includes making community services better so that people can live near their family and friends, and making sure that the right staff with the right skills are supporting people.

Shown below is the summary for the Section 75 Pooled budget movements arising from the joint working of Telford & Wrekin Council and Telford & Wrekin Clinical Commissioning Group, part of the Shropshire footprint of the TCP.

2017/18 £000	Transforming Care Partnership (TCP) Revenue Pooled Budget	2018/19 £000
	Brought forward from 2017/18	0
37	Funding from Telford & Wrekin Council	37
128	Funding from Telford & Wrekin Clinical Commissioning Group	1,657
(81)	Expenditure met from pooled budget Telford & Wrekin Council	(82)
(84)	Expenditure met from pooled budget Telford & Wrekin Clinical Commissioning Group	(772)
0	**Net Surplus/(Deficit) arising on Pooled budget carried forward**	**840**

44. Members' Allowances

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

2017/18 £000		2018/19 £000
620	Allowances	620
1	Expenses	0
621	**Total**	**620**

45. Senior Officers' Remuneration & Employee Remuneration in Bands

This note shows the amounts paid to Senior Officers in 2018/19 and 2017/18. Senior Officers are defined as:

- named employees whose annualised salary is £150,000 or more (Nil in the case of this Council)
- posts where the annualised salary is £50,000 or more and who are either: statutory chief officers (per the Local Government and Housing Act 1989); or non-statutory chief officers who report directly to the Head of Paid Service (Managing Director); or posts which have responsibility for management of the Authority, whether solely or collectively.

2018/19

Post Holder Information (Post title)	Notes	Annualised salary £	Salary (Including Fees & Allowances) £	Compensation for Loss of Office £	Total Remuneration excluding Pension contributions 2018/19 £	Pension contributions £	Total Remuneration including pension contributions 2018/19 £
Managing Director			142,550	0	142,550	20,100	**162,650**
Director: Customer, Neighbourhood & Wellbeing Services			114,040	0	114,040	16,080	**130,120**
Director: Children's & Adult Services			114,040	0	114,040	16,080	**130,120**
Assistant Director: Finance & Human Resources			87,350	0	87,350	12,316	**99,666**
Assistant Director: Business, Development & Employment			87,350	0	87,350	12,316	**99,666**
Assistant Director: Education & Corporate Parenting			87,350	0	87,350	0	**87,350**
Assistant Director: Governance, Procurement & Commissioning			87,350	0	87,350	12,316	**99,666**
Assistant Director: Customer & Neighbourhood Services			87,350	0	87,350	12,316	**99,666**
Assistant Director: Health & Wellbeing	*1*		87,350	0	87,350	12,561	**99,911**
Assistant Director: Adult Social Care			86,492	0	86,492	12,195	**98,687**
Assistant Director: Children's Safeguarding and Specialist Services			87,350	0	87,350	12,316	**99,666**
Assistant Director: Commercial Services			87,350	0	87,350	12,316	**99,666**
Service Delivery Manager: Organisational Delivery & Development			62,056	0	62,056	8,750	**70,806**
Service Delivery Manager: Community Participation			62,056	0	62,056	8,750	**70,806**
			1,280,034	**0**	**1,280,034**	**168,412**	**1,448,446**

Notes

Those roles shown in bold above represent the current posts.

1) Current post holder is part of the NHS Pension Scheme

2017/18

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

Notes

Those roles shown in bold above represent the current posts.

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

The following table excludes Senior Officers shown above.

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

Number of Employees 2017/18	Salary Band	Number of Employees 2018/19
37	£50,000 - £54,999	28
15	£55,000 - £59,999	33
24	£60,000 - £64,999	15
15	£65,000 - £69,999	5
8	£70,000 - £74,999	3
4	£75,000 - £79,999	3
3	£80,000 - £84,999	1
2	£85,000 - £89,999	0
1	£90,000 - £94,999	0
1	£95,000 - £99,999	0

The 2018/19 figures include 53 school based employees (67 in 2017/18). The 2018/19 figures include 4 employees (3 in 2017/18) who left under redundancy or retired during the year.

46. Exit Packages

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies included in the 2018/19 financial statements are set out in the table below.

Exit package cost band	Number of Compulsory Redundancies		Number of other Departures Agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
							£	£
£0 - £20,000	11	6	12	10	23	16	174,996	112,260
£20,001 - £40,000	2	4	6	3	8	7	244,845	217,238
£40,001 - £60,000	0	0	1	2	1	2	52,158	106,200
£60,001 - £80,000	0	0	2	1	2	1	126,441	63,347
£80,001 - £100,000	0	0	0	1	0	1	0	93,880
£100,001 - £150,000	1	0	1	0	2	0	248,226	0
£150,001 - £200,000	1	0	0	0	1	0	155,421	0
Total	**15**	**10**	**22**	**17**	**37**	**27**	**1,002,087**	**592,925**

An analysis of the total cost of exit packages shows:	Redundancy etc. £	Pension Fund Charges* £	Total £
Exit Packages agreed and charged to the Income & Expenditure Account during 2018/19	367,449	209,660	577,109
Provision Included in the Authority's Income & Expenditure Account for the cost of exit packages where the authority had made a commitment at 31 March 2019 (i.e. Employees who had received formal notice at 31 March 2019 and will leave during 2019/20)	12,077	3,739	15,816
Total	**379,526**	**213,399**	**592,925**

* Charges made by Shropshire Pension Fund in respect of early payment of pensions.
Please note that the exit packages charged to the Income & Expenditure Account during 2018/19 were funded from Capital Receipts under the Government's flexible use of capital receipts announced as part of the 2015 Spending Review.

47. External Audit Costs

The Council's accounts were audited by KPMG in 2017/18 and Grant Thornton in 2018/19. The Council incurred the following fees relating to external audit and inspection:

2017/18 £000		2018/19 £000
117	Fees payable to KPMG with regard to external audit services	0
0	Fees payable to Grant Thornton with regard to external audit services	90
0	Fees payable to Cabinet Office in respect of statutory inspection	4
9	Fees payable to KPMG for the certification of grant claims and returns	0
0	Fees payable to Grant Thornton for the certification of grant claims and returns	9
5	Fees payable in respect of other services provided by the appointed auditor. Includes dealing with elector questions under statutory responsibilities.	1
(17)	Reimbursements from PSAA	0
114	**Total**	**104**

48. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grant receipts are shown in Note 41.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 44. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

During the year transactions with related parties arose as follows:

Councillor Shaun Davies is a member of Marches LLP and Wrekin Housing Trust.

Councillor Stephen Burrell is a Director of Peace of Mind Homecare a company that provided services to the Council through service contracts and received £362,096 in 2018/19 (£326,259 in 2017/18).

Councillor Joy Francis is the owner of Tortoise Day Nursery and Managing Director of Smiley Faces Day Nursery. The Council administers the payment of 2/3/4 year old nursery place funding on behalf of the government. The money offsets the cost of this care to the parent and is deducted off their invoice. The Council made total payments in relation to this of £243,531 during 2018/19 (£193,857 in 2017/18).

Councillor Kuldip Sahota is a voluntary director of Meeting Point Trust and as such has no financial interest in the company. The Council makes payments to the Trust in relation to Room Hire at Meeting Point House. During 2018/19 the Council made payments totalling £57,598 (£26,603 in 2017/18).

Councillor Barry Tillotson is a director of Shropshire County Training Ltd who lease two council owned properties at market rates totalling £15,980 in 2018/19. Cllr Tilloston is also Chairman of Admaston House Community Centre Trust who hire facilities to council services for the delivery of adult and young people cookery classes and for use as a polling station. The value of the hires in 2018/19 was £2,160.

Councillor Rae Evans holds a number of director and trustee posts for organisations who have received monies in 2018/19 as follows:

	Amount Received by Organisation (£)
• Park Lane Centre (Director of)	£51,632
• Meeting Point House Trust (Trustee)	£57,598
• Telford and Wrekin CVS (Director of)	£487,896
• Telford & Wrekin Citizens Advice (Director of)	£490,601

Councillor Richard Overton is centre manager for Donnington Charitable Trust. The value of all financial transactions between Donnington Charitable Trust and Telford and Wrekin Council /19 is £26,344 including £10,000 Partnership Grant.

Councillor Stephen Bentley manages Waters Upton Stores in Telford which receives 100% Rural in 2018Rate Relief in line with national legislation and Council Policy.

Councillor Andy Burford is a Director for Telford & Wrekin Citizens Advice Bureau (CAB). The CAB received grant funding in year of £490,601 for the provision of free, accessible, independent, impartial and confidential advice service to local residents who need them, helping them resolve problems and find a way forward.

Councillor Angela McClements is a Trustee of Arleston Community Centre of which her husband is the Chairman. The value of transactions between to Community Centre and the Council in 2018/19 were £16,821 including £8,760 which is Year 3's Transition Grant payment as part of the Partnership Support Programme and £3,917 for a boiler replacement at the centre which was funded through the Telford @ 50 Legacy programme.

Councillor Chris Turley is a Director of Severn Gorge Countryside Trust. The value of all financial transactions between the Trust and the Council is £235,659 which includes the payment of rental incomes, £223,348, collected by the Council on behalf of the Trust.

Telford @ 50

A number of Council members are also Parish Council Members. Various Parish Councils have received grants in 2018/19 in relation to Telford @ 50 celebrations.

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

The Authority has pooled budget arrangements with Telford & Wrekin Clinical Commissioning Group. Transactions and balances outstanding are detailed in Note 44.

Subsidiaries

NuPlace Ltd is a Wholly Owned Company for the provision of market rented housing in the Borough. For 2018/19 the company had a net profit of £0.492m (£0.343m in 2017/18) and Net Assets of £15.814 (£11.96m in 2017/18). There are 3 Council employees, Jonathan Rowe, Kate Callis and Katherine Kynaston, who are Directors of NuPlace Ltd and receive no remuneration or benefit for this role. The Council produces Group Accounts in relation to NuPlace Ltd and these can be found on page 135.

49. Leases

Finance Leases

During 2018/19 the value of vehicles, plant and equipment acquired under finance lease arrangements amounted to £213,301. Finance lease rentals of £404,632 were paid during the year. Total outstanding obligations net of financing costs at the end of the year were as follows:

	Within 1 Year £000	2 to 5 years £000	Over 5 years £000	Total £000
Outstanding Obligations	263	351	0	614

The aggregate amount of finance charges in respect of finance leases was £25,965 for 2018/19 (£26,064 for 2017/18).

The value of assets held, which have been financed by, is shown within Vehicles, Plant and Equipment (see note 13)

Operating Leases
During 2018/19 the value of vehicles, plant and equipment acquired under operating leases amounted to £0. Operating lease rentals of £69,883 were paid during the year. Total outstanding obligations at the end of the year were as follows:

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

Hire Purchase Contracts
During 2018/19 no hire purchase payments were made to lessors. No new hire purchase agreements were entered into during the year and the total obligation outstanding at the end of the year was zero.

Building Leases
The Council owns a number of industrial units, commercial premises and offices throughout the Borough. The Council acts as lessor in respect of these properties which are rented out at commercial rates, these are classified as operating leases. The rental and other income received from these properties for 2018/19 amounted to £9.293m (£8.741m for 2017/18). See also Note 42 Market Undertaking and Industrial Units and note 15 in respect of the valuation of these assets as Property Portfolio.

50. Contingent Liabilities

At 31 March 2019, the Authority had no known material contingent liabilities.
However, the Council has received a proposed claim for damages in relation to an alleged failure to disclose some information in a property search response. This is currently being dealt with as an insurance claim. The outcome is not yet known, so we are unable to include a value. The process is ongoing.

51. Contingent Assets

At 31 March 2019, the Authority had no material contingent assets.

52. Special Fund Revenue Account

2017/18 Net Expenditure £000		2018/19 Gross Expenditure £000	2018/19 Income £000	2018/19 Net Expenditure £000
	EXPENDITURE ON SERVICES			
(81)	Cemeteries	191	(260)	(69)
672	Highways – footway lighting	567	(8)	559
591	**Total expenditure on services**	**758**	**(268)**	**490**

	INCOME			
(724)	Council Tax			(750)
(133)	**(Surplus) or deficit for year**			**(260)**
	Special Fund			
974	Balance at beginning of the year			756
(351)	Adjustment to Balance in relation to previous years charges			0
133	Surplus or (deficit) for year			260
756	**Balance at end of year**			**1,016**

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

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 2018/19 and the balance at 31st March is £202,672. This is shown as a debtor on the Balance sheet at a fair value of £188,885 and a notional £13,787 has been charged to the I&E account to reflect the preferential rate given. There is however a financial guarantee in place from The Ironbridge (Telford) Heritage Foundation Limited, which covers the outstanding amount of the loan.

During 2015/16 the Council advanced a loan for 40 years to AFC Telford of £45,000 at an interest rate of 4.66%, which was below the market rate and therefore constitutes a Soft Loan in the accounting statements. Part of this has been repaid during 2018/19 and the balance at 31st March is £44,088. This is also shown as a debtor in the Balance sheet at a fair value of £22,815 and a notional £21,273 has been charged to the I&E account to reflect the preferential rate given. The Council owns the freehold of the ground and the loan was provided to fund a new fire alarm system at the ground.

54. Building Control Account

Expenditure	**Chargeable 2018/19 £000**	**Non-Chargeable 2018/19 £000**	**Total Building Control 2018/19 £000**
Employee Expenses	127	141	268
Support Services	122	136	258

Expenditure	Chargeable 2018/19 £000	Non-Chargeable 2018/19 £000	Total Building Control 2018/19 £000
	249	**277**	**526**
Income			
Building Regulation Charges	(255)		(255)
(Surplus)/Deficit	**(6)**	**277**	**271**
(Surplus)/Deficit 2017/18	**(115)**	**93**	**(22)**

Note the Building Control Account is not covered by the Audit Opinion.

55. Insurance Reserves

The Council has insurance reserves on its General Fund and specifically for Education.

The reserves are in existence for the following purposes:

- to enable the Council to move towards an element of self-insurance and risk management to mitigate premium increases.
- to provide for unbudgeted potentially significant increases in annual premiums and late premium adjustments in a volatile insurance market.
- to meet any potential liabilities resulting from the winding up of MMI.

An analysis of the reserves for 2018/19 indicates the following:

	General Fund		Education	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance b/f	2,577	2,900	945	945
Charges in the Year	(308)	(332)	0	(19)
Transfers to other reserves	0	0	0	0
Contributions	631	680	0	0
Balance c/f	**2,900**	**3,248**	**945**	**926**

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

There are two general fund insurance provisions as follows:

	General Provision		Self-Insurance	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Balance b/f	465	453	2,112	2,447
Charges In Year	(172)	(168)	(136)	(164)
Contributions	160	200	471	480
Balance c/f	**453**	**485**	**2,447**	**2,763**

For 2018/19 self-insurance relates to the first £100,000 of each and every loss for all non-Education property claims, £250,000 in relation to Education property claims, £10,000 in relation to Investment property claims and £20,000 on each public liability claim, employers liability, libel and slander and officials' indemnity claims.

56. West Mercia Energy Joint Committee

West Mercia Energy (WME) is a Purchasing Consortium (formerly West Mercia Supplies (WMS) established in 1987) which is constituted as a Joint Committee (JC). Telford & Wrekin Council is one of four constituent authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Shropshire Council. On 19 April 2012, the stationery division of WMS - JC was sold with only the energy division being retained by the four member authorities. The energy division trades under the name "West Mercia Energy".

Telford & Wrekin Council has reviewed the accounting treatment that should be applied and has concluded that WME is a Joint Venture. Under International Accounting Standards, Group Accounts should be prepared unless it is considered not to be material.

The conclusion of the Council is that the exclusion of its share of WME's assets, liabilities, income, expenditure and cash flows from the Council's own accounts will not be material to the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by a reader.

However, in the interests of transparency and accountability the unaudited 2018/19 balances of WME - JC are included below, along with an analysis of this Council's proportion of those balances based on an estimated share of 24.9%. The WME balance sheet has been provided by Shropshire Council, in their capacity as provider of the Section 151 role to the joint committee.

Extract from WME Balance Sheet	**2018/19**	**Telford & Wrekin Share**
	£000	**£000**
Long Term Assets		
Property, Plant & Equipment	1	0
Current Assets		
Short Term Debtors	10,350	2,581
Cash and Cash Equivalents	5,801	1,446
Current Liabilities		
Short Term Creditors	(14,891)	(3,712)
Long Term Liabilities		
Other Long Term Liabilities	(6,809)	(1,698)
Total Assets Less Liabilities	**(5,548)**	**(1,383)**

Extract from WME Balance Sheet	2018/19	Telford & Wrekin Share
	£000	£000
Financed By		
General Fund	690	172
Net Operating surplus	732	183
Capital Adjustment Account	1	0
Pension Reserve	(6,971)	(1,738)
	(5,548)	**(1,383)**
Turnover	**66,277**	**3,205**

57. Apprentice Levy

The Apprentice Levy came into effect in April 2017. It is a Government tax which aims to deliver new apprenticeships. All UK employers who have a total employee pay bill above £3m must pay the levy. The levy rate is 0.5% of the pay bill and includes schools. The money is collected by HMRC and is held in a Digital Apprenticeship Service (DAS) account which can be accessed to fund apprentice training. The levy has been treated as an employee expense in the CIES. The total amount paid in 2018/19 was £0.475m.

COLLECTION FUND ACCOUNT

Collection Fund Account

	NDR 2017/18 £000	Council Tax 2017/18 £000	Total 2017/18 £000	NDR 2018/19 £000	Council Tax 2018/19 £000	Total 2018/19 £000
Income						
Income from Council Tax (Note 1)		79,369	79,369		83,723	83,723
Transfers from the Council's General Fund						
– Transitional Relief	(798)	0	(798)	157	0	157
Income collectable from business ratepayers (Note 2)	71,726		71,726	73,574		73,574
Contributions						
Adjustment of previous years' community charges		0	0		0	0
Total Income	**70,928**	**79,369**	**150,297**	**73,731**	**83,723**	**157,454**
Expenditure						
Precepts, demands and Shares						
Telford & Wrekin Council	35,100	61,885	96,985	35,316	64,474	99,790
West Mercia Police Authority		9,590	9,590		10,054	10,054
Shropshire & Wrekin Fire Authority	716	4,780	5,496	721	4,967	5,688
Parish Councils		4,003	4,003		4,170	4,170
Central Government	35,816		35,816	36,036		36,036
Cost of Collection	217		217	218		218
Bad and Doubtful Debts/Appeals						
– Write Offs	634	347	981	708	349	1,057
– Provisions	1,011	(364)	647	(2,142)	(52)	(2,194)
Contributions						
Adjustment of previous years' community charge		0	0		0	0
Total Expenditure	**73,494**	**80,241**	**153,735**	**70,857**	**83,962**	**154,819**
Movement on fund balance (Increase)/Decrease	**2,566**	**872**	**3,438**	**(2,874)**	**239**	**(2,635)**

Notes To Collection Fund Accounts

1. Council Tax Base for 2018/19

2017/18 Equivalent Band D Dwellings		Number of Dwellings	Discounted Dwellings	Net Dwellings	Equivalent Band D Dwellings
11,076	Band A	26,621	(10,149)	16,472	10,974
11,891	Band B	20,135	(4,528)	15,607	12,139
8,657	Band C	11,881	(1,783)	10,098	8,976
7,779	Band D	8,586	(808)	7,778	7,778
5,194	Band E	4,679	(333)	4,346	5,312
2,851	Band F	2,136	(124)	2,012	2,906
1,576	Band G	1,051	(81)	970	1,617
78	Band H	49	(12)	37	73
49,102	**TOTAL**	**75,138**	**(17,818)**	**57,320**	**49,775**
(489)	Adjustments for growth and losses				(195)
48,613	Tax base for year				49,580
£1,588.57	Average Council Tax for year				£1,639.73
2017/18 £000					**2018/19 £000**
77,225	Gross Yield				81,297
0	Less Benefits and Transitional Relief				0
2,144	Add increase in debit net of exemptions and reliefs				2,426
79,369					**83,723**

2. Income Collectable from Business Rate Payers

2017/18 £000		2018/19 £000	2018/19 £000
169,971	Effective Non-Domestic Rateable Value for the year	152,176	
47.9p	Uniform Business Rate for the year	49.3p	
81,416	Gross yield for the year		75,023
(9,690)	Less reductions & Transitional Relief		(1,449)
71,726	**Total**		**73,574**

The rateable value was £181,169,735 at 31/03/2019 (£180,704,257 at 31/03/2018)

3. Allocation of Fund Balance (Council Tax)

2017/18 £000		2018/19 £000
(2,280)	Telford & Wrekin Council	(2,080)
(332)	West Mercia Police Authority	(308)
(165)	Shropshire Fire Authority	(150)
(2,777)	**Total**	**(2,538)**

4. Allocation of Fund Balance (NDR)

2017/18 £000		2018/19 £000
(396)	Telford & Wrekin Council	(1,804)
(8)	Shropshire Fire Service	(37)
(404)	Central Government	(1,841)
(808)	**Total**	**(3,682)**

GROUP ACCOUNTS

Group Accounts

Introduction

During 2015/16 the Council established a Wholly Owned Company (NuPlace Ltd) for the provision of market rented housing in the Borough. The standard financial statements consider the Council only as a single entity, accounting for its interests in other organisations only to the extent of its investment, and not current performance and balances. Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements.

As a result, group financial statements are produced to reflect the extent of Telford & Wrekin Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures from organisations considered to be part of the group.

The following pages include:

- Group Expenditure and Funding Analysis
- Group Comprehensive Income and Expenditure Statement
- Reconciliation of the Single Entity Deficit to the Group Deficit
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts where they differ from the notes to the Single Entity Accounts

The Narrative Report has not been replicated in the Group Accounts as the overview below provides a summary of NuPlace performance for 2018/19.

The group financial statements are presented in accordance with the IFRS based Code.

NuPlace Ltd's property assets were valued on 31 March 2018 by Registered Valuer's of Telford & Wrekin Council. The valuations were in accordance with the required valuation standards. The valuation of each property was on the basis of current value, which equates to the Market Value. Investment property is initially valued at cost, and recognised once the entire development has been completed, and then revalued annually. Investment properties are not depreciated as they are anticipated to appreciate in value.

Accounting policies are aligned between the group members.

NuPlace – 2018/19 Overview

Nuplace Limited was incorporated on 1 April 2015. NuPlace is a wholly owned subsidiary of Telford and Wrekin Council, limited by shares.

The principal activity of the company is the procurement of the construction and management of private and affordable residential property for rent. In addition, the company aims to:

- Raise the standard of rental provision, both in terms of the quality of the rental homes and the landlord service.
- Deliver added value and stimulate local economic growth through supply chain engagement, offering skills and employment opportunities and working with the community.
- Develop brownfield and stalled sites in order to deliver widespread regeneration benefits.

The company is financed by Telford and Wrekin Council, through a combination of equity in the form of share capital and debt finance in the form of a 30 year loan.

The year ended 31 March 2019 was the fourth year of operation for NuPlace Ltd. During the year, the company completed sites at Miners Walk, Madeley (53 units) and The Oaklands, Dawley (47 units) and Springfields, Newport (33 units). A further 39 units are under development at Coppice Court, Snedshill and are expected to be complete by May 2019, taking the number of properties completed and available to let at 31 March 2019 to 309, (232 properties, 2017/18).

In accordance with the Company's/Group accounting policy, the housing portfolios at Woodland Walk (Madeley), Pool View (Randlay) and Blossom Walk (Hadley) were revalued at the year end, which has resulted in an increase in value of 3.72% (£0.8m) over the three sites.

NuPlace Ltd is a separate legal entity and as such will prepare its own Statement of Accounts and comply with company regulations. The accounts will be audited by Grant Thornton, who also audit the Council's accounts.

As planned, no dividends were distributed at the end of 2018/19 and the company ended the year with an operating profit before taxation of £0.492m. It should be noted that the Council has received income totalling £1.2m from NuPlace during 2018/19 net of additional interest and other costs which is a combination of interest paid relating to the loan agreement and services NuPlace purchased from the Council. The Council will also benefit from additional Council Tax, and New Homes Bonus as NuPlace properties are completed.

NuPlace final audited accounts will be published on the Council's website once finalised.

GROUP EXPENDITURE & FUNDING ANALYSIS

Group Expenditure & Funding Analysis

The EFA is not a Primary Financial Statement and as such should be treated as a note to the accounts. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. See Note 1 of the Expenditure and Funding Analysis to the main accounts.

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund Balance	**Adjustments Between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**	**SERVICE**	**Net Expenditure Chargeable to the General Fund Balance**	**Adjustments Between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income & Expenditure Statement**
44,348	3	44,351	Adult Social Care	40,815	193	41,008
926	15,773	16,699	Business, Development & Employment	(636)	19,608	18,972
1,362	(2,349)	(987)	Co-Operative Council	2,277	(302)	1,975
9,598	(13,943)	(4,345)	Commercial Services	5,954	36	5,990
1,454	6,104	7,558	Council Wide	(3,134)	15,046	11,912
31,120	(15,485)	15,635	Customer & Neighbourhood Services	24,536	3,411	27,947
17,526	(11,243)	6,283	Education & Corporate Parenting	1,888	28,867	30,755
(18,233)	18,903	670	Finance & Human Resources	14,076	(11,428)	2,648
3,470	31	3,501	Governance, Procurement & Commissioning	6,260	203	6,463
1,624	110	1,734	Health & Well-being	241	72	313
29,312	(722)	28,590	Children's Safeguarding & Family Support	28,778	(377)	28,401
122,507	**(2,818)**	**119,689**	**Net Cost Of Services**	**121,055**	**55,329**	**176,384**
(122,355)	59,999	(62,356)	Other Income & Expenditure	(121,522)	11,499	(110,023)
152	**57,181**	**57,333**	**(Surplus) or Deficit**	**(467)**	**66,828**	**66,361**
4,301			**Opening General Fund Balance**	**4,149**		
(152)			Surplus of (Deficit) for year	467		
4,149			**Closing General Fund Balance**	**4,616**		

GROUP CORE
FINANCIAL STATEMENTS AND
ACCOMPANYING NOTES

Group Comprehensive Income and Expenditure Account

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

SERVICE	2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000	2018/19 Gross Expenditure £000	2018/19 Income £000	2018/19 Net Expenditure £000
Adult Social Care	63,276	18,925	44,351	63,004	21,996	41,008
Business, Development & Employment	30,252	13,553	16,699	27,666	8,694	18,972
Co-Operative Council	1,729	2,716	(987)	2,610	635	1,975
Commercial Services	10,344	14,689	(4,345)	28,770	22,780	5,990
Council Wide	16,538	8,980	7,558	20,242	8,330	11,912
Customer & Neighbourhood Services	116,587	100,952	15,635	116,023	88,076	27,947
Education & Corporate Parenting	127,532	121,249	6,283	148,076	117,321	30,755
Finance & Human Resources	8,086	7,416	670	8,100	5,452	2,648
Governance, Procurement & Commissioning	10,799	7,298	3,501	9,323	2,860	6,463
Health & Well-being	18,509	16,775	1,734	12,641	12,328	313
Children's Safeguarding & Family Support	29,731	1,141	28,590	29,946	1,545	28,401
Net Cost of Services	**433,383**	**313,694**	**119,689**	**466,401**	**290,017**	**176,384**
Other Operating Expenditure			51,297			298
Financing and Investment Income and Expenditure			10,827			16,733
Taxation & Non Specific Grant Income and Expenditure			(124,480)			(127,054)
(Surplus) or deficit on provision of services			**57,333**			**66,361**
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(5,549)			(15,307)
(Surplus) or deficit on revaluation of Available For Sale Financial Assets			(282)			0
Re-measurements of the net defined benefit pension liability			(32,630)			36,060
Other Comprehensive Income & Expenditure			**(38,461)**			**20,753**
Total Comprehensive Income and Expenditure			**18,872**			**87,114**

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

2017/18 £000		2018/19 £000
57,031	Deficit from the Single Entity Accounts (Page 55)	66,553
(261)	Deficit/(Surplus) contained within Subsidiary Accounts	(365)
563	Removal of Trading Surpluses from Single Entity Accounts	173
57,333	**Deficit in Group Accounts (Page 140)**	**66,361**

Group Movement in Reserves Statement

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

	General Fund Balance & reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of the reserves of the subsidiary	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017 carried forward	**67,929**	**3,320**	**71,249**	**(29,385)**	**41,865**	**(356)**	**41,508**
Total Comprehensive Income and Expenditure	(57,031)	0	(57,031)	36,003	(21,028)	2,156	(18,872)
Adjustments between accounting basis & funding basis under regulations	70,665	(377)	**70,288**	(70,288)	**0**	**0**	**0**
Increase/ (Decrease) in 2017/18	**13,634**	**(377)**	**13,257**	**(34,285)**	**(21,028)**	**2,156**	**(18,872)**
Balance at 31 March 2018 carried forward restated	**81,563**	**2,943**	**84,506**	**(63,670)**	**20,837**	**1,800**	**22,636**
Total Comprehensive Income and Expenditure	(66,553)	0	(66,553)	(21,608)	(88,161)	1,047	(87,114)
Adjustments between accounting basis & funding basis under regulations	70,480	3,915	74,395	(74,395)	0	0	**0**
Increase/ (Decrease) in 2018/19	**3,927**	**3,915**	**7,842**	**(96,003)**	**(88,161)**	**1,047**	**(87,114)**
Balance at 31 March 2019 carried forward	**85,490**	**6,858**	**92,348**	**(159,673)**	**(67,325)**	**2,847**	**(64,478)**

It can be seen from this table that there is total usable reserves of £92.3m, of this only £4.6m is uncommitted general fund balances. The remainder includes, earmarked reserves and school balances. There are also unusable reserves.

Group Balance Sheet

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

31 March 2018 £000		**31 March 2019 £000**	**31 March 2019 £000**
487,521	Property, Plant & Equipment (Note 2a)	468,235	
118,638	Investment Properties (Note 2b)	134,641	
2,081	Intangible Assets	2,048	
315	Long Term Investments	315	
441	Long Term Debtors	0	
608,996	**Total Long Term Assets**		**605,239**
	Current Assets		
323	Inventories	297	
39,280	Debtors	32,392	
14,213	Assets Held for Sale	6,062	
20,071	Cash and Cash Equivalents	16,310	
73,887		55,061	
	Current Liabilities		
(20,306)	Provisions	(18,769)	
(102,176)	Short term Borrowing	(75,101)	
(65,931)	Creditors	(68,989)	
(188,413)		(162,859)	
(114,526)	**Net Current Assets/(Liabilities)**		**(107,798)**
(154,526)	Less Long Term Borrowing		(191,823)
(54,640)	Less Long Term Creditors		(51,198)
(258,739)	Less Pensions Liability		(314,704)
(3,928)	Capital Grants Receipts in Advance		(4,194)
22,637	**Net Assets**		**(64,478)**
83,848	Usable Reserves		91,882
(61,211)	Unusable Reserves		(156,360)
22,637	**Net Reserves**		**(64,478)**

Group Cash Flow Statement

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

2017/18 £000		2018/19 £000
57,333	Net (surplus) or deficit on the provision of services	63,992
(92,251)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(88,486)
32,629	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36,625
(2,289)	**Net cash flows from Operating Activities**	**12,131**
36,841	Investing Activities	(2,477)
(34,023)	Financing Activities	(5,893)
529	**Net (increase) or decrease in cash and cash equivalents**	**3,761**
20,600	Cash and cash equivalents at the beginning of the reporting period	20,071
20,071	Cash and cash equivalents at the end of the reporting period	16,310

Notes to the Group Financial Statements

Group Note 1. Accounting Policies

a) General

The single entity accounting policies are detailed on pages 59 - 70 have been adopted and applied to the group accounts.

b) Reasons for Consolidation

Nuplace Ltd is a wholly owned by Telford & Wrekin Council. As the Council has significant influence and control over the company, in line with the CIPFA Code of Practice Group Accounts are produced which consolidate Telford & Wrekin single entity accounts and Nuplace accounts.

c) Basis for Consolidation

Nuplace has been included in the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Finance Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and Balance Sheet. Figures have been consolidated based on the statement of accounts for 31 March 2019.
Where figures in the group accounts differ materially from the Council's single entity accounts, the relevant explanatory notes have been prepared.

d) PPE Recognition and Measurement

Nuplace Ltd's property assets are valued by Registered Valuer's of Telford & Wrekin Council in accordance with the required standards. The valuation of each property is on the basis of current value, which equates to the Market Value. Property is initially valued at cost and recognised once the entire development has been completed, and then revalued annually. Investment properties are not depreciated as it is anticipated that they will appreciate in value.

Group Note 2. Property, Plant & Equipment and Investment Properties

2a. Property, Plant & Equipment

Movements in 2018/19:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2018	**311,094**	**38,747**	**179,980**	**27,032**	**556,853**	**19,280**
Deminimus items added in year	31	0	0	0	31	0
Additions	12,416	1,893	21,954	12,885	**49,148**	2,922
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	15,792	0	0	0	**15,792**	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(62,437)	(1,659)	1	(1,759)	**(65,854)**	0
Derecognition – disposals	(378)	0	0	0	**(378)**	0
Assets reclassified (to)/from Assets Under Construction	0	0	0	0	**0**	0
Assets reclassified (to)/from Other Land & Buildings	0	28	0	0	**28**	
Assets reclassified (to)/from Held for Sale	5,798	0	0	0	**5,798**	0
Assets reclassified (to)/from Property Portfolio	(30)	0	0	(17,392)	**(17,422)**	0
Assets reclassified (to)/from Vehicles, Plant & Equipment	(28)	0	0	0	**(28)**	0
At 31 March 2019	**282,258**	**39,009**	**201,935**	**20,766**	**543,968**	**22,202**
Less Accumulated Depreciation and Impairment						
at 1 April 2018	**24,397**	**26,794**	**18,141**	**0**	**69,332**	**6,804**
Depreciation charge	7,469	2,610	4,496	0	**14,575**	263

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
Depreciation written out to the Revaluation Reserve	1,070	7	2	0	**1,079**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(8,793)	(992)	0	0	**(9,785)**	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	591	0	0	0	**591**	0
Derecognition – disposals	(59)	0	0	0	**(59)**	0
At 31 March 2019	**24,675**	**28,419**	**22,637**	**0**	**75,731**	**7,067**
Net Book Value						
at 31 March 2019	**257,611**	**10,562**	**179,296**	**20,766**	**468,235**	**15,135**
at 31 March 2018	**286,697**	**11,953**	**161,839**	**27,032**	**487,521**	**12,476**
Information on Assets Held at 31/3/19						
Nature of Holding						
Owned	242,448	9,609	179,296	20,766	**452,119**	
Leased	0	981	0	0	**981**	
PFI	15,135	0	0	0	**15,135**	
Total	**257,583**	**10,590**	**179,296**	**20,766**	**468,235**	

Capital Commitments

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

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

Comparative Movements in 2017/18:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation						
At 1 April 2017	**366,345**	**36,426**	**159,954**	**14,362**	**577,087**	**66,091**
Additions	9,042	2,382	20,026	26,283	**57,733**	1,778
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(262)	0	0	1,192	**930**	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,984)	0	0	(334)	**(10,318)**	0
derecognition – disposals	(51,165)	(61)	0	0	**(51,226)**	(48,589)
assets reclassified (to) /from Assets Under Construction	109	0	0	(11,408)	**(11,299)**	0
assets reclassified (to)/from Held for Sale	(3,044)	0	0	0	**(3,044)**	0
assets reclassified (to) /from Property Portfolio	53	0	0	(3,063)	**(3,010)**	0
At 31 March 2018	**311,094**	**38,747**	**179,980**	**27,032**	**556,853**	**19,280**
Less Accumulated Depreciation and Impairment						
at 1 April 2017	**24,696**	**24,172**	**14,138**	**0**	**63,006**	**7,962**
depreciation charge	8,528	2,683	4,003	0	**15,214**	1,606
depreciation written out to the Revaluation Reserve	(2,160)	0	0	0	**(2,160)**	0
depreciation written out to the Surplus/Deficit on the Provision of Services	(3,839)	0	0	0	**(3,839)**	0
derecognition – disposals	(2,828)	(61)	0	0	**(2,889)**	(2,764)
At 31 March 2018	**24,397**	**26,794**	**18,141**	**0**	**69,332**	**6,804**

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
Net Book Value						
at 31 March 2018	**286,697**	**11,953**	**161,839**	**27,032**	**487,521**	**12,476**
at 31 March 2017	**341,649**	**12,254**	**145,816**	**14,362**	**514,081**	**58,129**
Information on Assets Held at 31/3/18						
Nature of Holding						
Owned	274,221	10,815	161,839	27,032	**473,907**	
Leased	0	1,138	0	0	**1,138**	
PFI	12,476	0	0	0	**12,476**	
Total	**286,697**	**11,953**	**161,839**	**27,032**	**487,521**	

2b. Investment Properties

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

2017/18 £000		2018/19 £000
89,077	Balance at 1st April 2018	**118,638**
0	Deminimus assets added	106
17,207	Additions	329
0	Revaluation increase/(decrease) recognised in the revaluation reserve	(957)
1,575	Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	3,481
(844)	Disposals	(4,400)
	Transfer:	
(53)	to/(from) Other Land & Buildings	30
11,676	to/(from) Assets Under Construction	17,392
0	to/(from) Assets Held for Sales	22
118,638	**Total Net (gain)/loss**	**134,641**

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

2017/18 £000		2018/19 £000
(9,966)	Rental income from investment property	(11,442)
3,917	Direct operating expenses arising from investment property	6,222
(6,049)	**Net Operational (gain)/loss**	**(5,220)**
883	Net (gain)/loss on revaluation of properties	(1,669)
(5,166)	**Total Net (gain)/loss**	**(6,889)**

There are no restrictions on the Authority's ability to realise the value inherent in its property portfolio 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 properties or repairs, maintenance or enhancement.

Glossary

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

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

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