

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: Wednesday, 18 June
2014
My Ref:
Your Ref:

Committee:
Audit Committee

Date: Thursday, 26 June 2014
Time: 9.30 am
Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury,
Shropshire, SY2 6ND

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter
Corporate Head of Legal and Democratic Services (Monitoring Officer)

Members of Audit Committee

Brian Williams (Chairman)
Michael Wood (Vice Chairman)
John Cadwallader

Chris Mellings
Mansel Williams

Your Committee Officer is:

Liz Sidaway Committee Officer
Tel: 01743 252885
Email: liz.sidaway@shropshire.gov.uk

AGENDA

- 1 Election of Chairman**
- 2 Apologies for Absence / Notification of Substitutes**
- 3 Appointment of Vice Chairman**
- 4 Disclosable Pecuniary Interests**

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

- 5 Minutes of the previous meeting held on the 27 March 2014 (Pages 1 - 6)**

The Minutes of the meeting held on the 27 March 2014 are attached for confirmation marked agenda item 5.
Contact Liz Sidaway (01743) 252885

- 6 Public Questions**

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14.

- 7 Update on Programme Management Controls and Risks (Pages 7 - 12)**

The report of the Director of Commissioning is attached marked Item 7.
Contact: George Candler 01743 255003

- 8 Council Tax and National Non Domestic Rates (NNDR) Performance Monitoring Report (Pages 13 - 20)**

The report of the Revenues Manager is attached, agenda item 8.
Contact: Phil Weir 01743 256113

- 9 Revenue Outturn Report 2013/2014 (Pages 21 - 38)**

The report of the Head of Finance, Governance and Assurance (Section 151) is attached as agenda item 9.
Contact: James Walton 01743 255011

- 10 Capital Outturn Report 2013/2014 (Pages 39 - 68)**

The report of the Head of Finance, Governance and Assurance (Section 151) is attached as agenda item 10.
Contact: James Walton 01743 255011

11 Review of the Annual Statement of Accounts 2013/2014 (Pages 69 - 236)

The report of the Head of Finance, Governance and Assurance (Section 151) is attached as agenda item 11.

Contact: James Walton 01743 255011

12 Annual Whistleblowing Report (Pages 237 - 238)

The report of the Head of Human Resources is attached marked agenda item 12.

Contact: Michele Leith 01743 254402

13 Review of the Code of Corporate Governance 2013/2014 (Pages 239 - 278)

The report of the Engagement Auditor is attached as agenda item 13.

Contact: Katie Williams 01743 252087

14 Annual Governance Statement and a Review of the Effectiveness of the Council's System of Internal Control 2013/2014 (Pages 279 - 308)

The report of the Head of Finance, Governance and Assurance (Section 151) is attached as agenda item 14.

Contact: James Walton 01743 255011

15 Internal Audit Annual Report 2013/2014 (Pages 309 - 332)

The report of the Audit Service Manager is attached marked 15.

Contact: Ceri Pilawski (01743) 252027

16 Annual Review of the Effectiveness of the System of Internal Audit and Quality Assurance and Improvement Programme (QAIP) 2013/2014 (Pages 333 - 342)

The report of the Head of Finance, Governance and Assurance (Section 151) is attached as agenda item 16.

Contact: James Walton 01743 255011

17 Annual Assurance Report of the Audit Committee to Council 2013/2014 (Pages 343 - 356)

The report of the Head of Finance, Governance and Assurance (Section 151) is attached as agenda item 17.

Contact: James Walton 01743 255011

18 External Audit: Certification Plan 2013/2014 (Pages 357 - 364)

The report of the External Auditor: Grant Thornton is attached as agenda item 18.

Contact: Grant Patterson 0121 232 5296

19 External Audit: Annual Fee Letter 2014/2015 (Pages 365 - 370)

The report of the External Auditor: Grant Thornton is attached as agenda item 19.

Contact: Grant Patterson 0121 232 5296

20 External Audit: Audit Plan for the Pension Fund 2013/2014 (Pages 371 - 384)

The report of the External Auditor: Grant Thornton is attached as agenda item 20.

Contact: Grant Patterson 0121 232 5296

21 External Audit: Audit Committee Update (Pages 385 - 420)

The report of the External Auditor: Grant Thornton is attached as agenda item 21.

Contact: Grant Patterson 0121 232 5296

22 External Audit: Value for Money Conclusion (Pages 421 - 432)

The report of the External Auditor: Grant Thornton is attached as agenda item 22.

Contact: Emily Mayne 07880 456112

23 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 18 September 2014 at 10.00 am in the Shrewsbury Room.

24 Exclusion of Press and Public

To RESOLVE that in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following item.

25 Fraud and Special Investigation Update June 2014 (Exempted by Categories 2, 3 and 7) (Pages 433 - 436)

The report of the Engagement Auditor is attached as agenda item 25.

Contact: Katie Williams 01743 252087



Audit Committee

26 June 2014

10.00 am

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 MARCH 2014 10.00 AM - 12.05 PM

Responsible Officer: Liz Sidaway
Email: liz.sidaway@shropshire.gov.uk Tel: 01743 252885

Present

Councillor Brian Williams (Chairman)
Councillors Michael Wood (Vice Chairman), John Cadwallader and Chris Mellings

74 Apologies for Absence / Notification of Substitutes

74.1 Apologies were tendered from Councillor Mansel Williams.

75 Disclosable Pecuniary Interests

75.1 The Chairman reminded members that they must not participate in the discussion or vote on any matter in which they had a disclosable pecuniary interest and that they should leave the room prior to the commencement of the debate.

76 Minutes of the previous meeting held on the 13 February 2014

76.1 RESOLVED:

That the Minutes of the meeting held on the 13 February 2014 be approved and signed by the Chairman as a correct record.

77 Public Questions

77.1 There were no public questions.

78 Chairman's Remarks

78.1 The Chairman reported that the Group Auditor, Kathy Hall would be leaving the Council on the 31 March 2014. He paid tribute to all the hard work and support she had contributed to the Audit Team and wished her a very happy future.

79 National Fraud Initiative 2012/13

79.1 The Committee considered the report of the Audit Services Manager - copy attached - giving an overview of the outcomes arising from the Audit Committee's National Fraud Initiative. She reported that £101,929.43 worth of estimated financial savings had been identified following the Initiative with the largest part relating to housing benefit fraud and confirmed that investigations were ongoing.

79.2 RESOLVED:

That the position as set out in the report of the Audit Services Manager be noted and accepted.

80 Current and Aged Debtors Update

80.1 The Committee considered the report of the Head of Financial Management and Reporting – copy attached to the signed Minutes – which gave details of the levels of aged debt held within the Council's accounts and the action being taken for recovery of these debts.

80.2 The Head of Finance, Governance and Assurance (Section 151) highlighted the progress made in the reduction of aged debt 'requiring investigation' and 'requiring further action' falling by £1.562m to £3.699m over the last six months. Members noted that bailiff services would be used by the Council to supplement the debt recovery in future.

80.3 RESOLVED:

That the contents of the report be endorsed and accepted.

81 Council Tax and Non Domestic Rates Performance Monitoring Report

81.1 The Committee considered the report of the Revenues Manager - copy attached to the signed Minutes - which set out performance monitoring information on the collection of Council Tax and National Non Domestic Rates (NNDR) for the year to 28 February 2014.

81.2 During the financial year up to 25 February 2014, 96.8% of Council Tax and 97.3% of NNDR debt had been collected against the Council's target of 98% (by the 31 March 2014). He explained that due to the legislative changes, more people had elected to pay their council tax over twelve months rather than the statutory 10 months which left more debt to be collected in February and March but he was confident the Council target would be met by the end of the financial year.

81.3 RESOLVED:

That the contents of the report be noted.

82 Internal Audit Risk Management Report 2013/14

82.1 The Committee considered the report of the Senior Group Auditor - copy attached to the signed Minutes - which summarised the detailed findings that had been identified in the Internal Audit review of Risk Management.

82.2 The Senior Group Auditor indicated that the overall control environment for the Risk Management system had been assessed as good which was the highest rating that could be given and confirmed that no control weaknesses had been identified.

82.3 RESOLVED:

That the report of the Senior Group Auditor be endorsed and accepted.

83 Draft Audit Committee Annual Work Plan and Future Training Requirements

83.1 Consideration was given to the report of the Audit Service Manager - copy attached to the signed minutes - detailing the Audit Committee's proposed work plan and a future learning and development plan for 2014/15.

83.2 It was agreed that the Chairman and the Audit Services Manager be delegated to confirm the training topics for Committee members over the course of the year.

83.3 RESOLVED:

(a) That the Work Plan for 2014/15 be approved.

(b) That the Action Plan following the Self Assessment of Good Practice be accepted.

(c) That the Audit Services Manager in consultation with the Chairman of the Audit Committee finalise the Learning and Development Plan for 2014/15.

84 Draft Internal Audit Risk Based Plan 2014/15

84.1 The Committee considered the report of the Audit Services Manager - copy attached to the signed minutes - on the draft Internal Audit Plan for 2014/15. She explained that the plan provided audit coverage across the Council's services and also delivered internal audit services for a range of external clients.

84.2 The Audit Service Manager summarised the Audit Plan and confirmed that the Plan could be adjusted during the course of the year as workflow dictated and indicated that this would be undertaken in consultation with the Section 151 Officer if necessary.

84.3 RESOLVED:

That the Internal Audit Plan for 2014/15 be endorsed and approved.

85 External Audit: Audit Committee Update Report

85.1 The External Audit Manager (Grant Thornton) presented the Audit Committee Update for Shropshire Council - copy attached to the signed minutes - which highlighted the progress made on work undertaken during the year and indicated that no major issues had been identified.

85.2 The Head of Finance, Governance and Assurance (Section 151) gave an assurance that the inclusion of the challenge questions did not pose any issues for the Council.

85.3 RESOLVED:

That the contents of the Audit Committee Update Report for Shropshire Council be noted.

86 External Audit: 2013/14 Audit Plan

86.1 Consideration was given to the External Auditor's Annual Report - copy attached to the signed Minutes - which provided an update on the progress of the Audit of the 2013/14 Statement of Accounts and emerging issues and developments.

86.2 RESOLVED:

That the contents of the report by the External Auditor be noted.

87 External Audit: 2013/14 Communicating with the Audit Committee

87.1 Consideration was given to the report of the External Auditor - copy attached to the signed minutes. The Engagement Lead indicated that the report sought to contribute towards the communication between the Council's Audit Committee and the external auditors and also formed part of the risk assessment procedures.

87.2 RESOLVED:

That the contents of the report by the External Auditor be noted.

88 Protecting the Public Purse Fraud Briefing 2013

88.1 Consideration was given to the Protecting the Public Purse Fraud Briefing 2013. The Engagement Lead reported that the Audit Commission had undertaken a national study of fraud in local government the results of which were contained within the report; he reminded members of the Audit Committee of their obligation in the fight against fraud.

88.2 RESOLVED:

That the contents of the Audit Commission's report be noted.

89 Chairman's Concluding Remarks

89.1 The Chairman announced that the Senior Group Auditor would be shortly be retiring from the Council. He paid tribute to Mr Kalinowski's hard work and contribution to the Committee over the many years as a valued member of the Audit Team. The

Chairman and Members of the Committee wished him well for the future and a long and happy retirement.

90 Date and Time of Next Meeting

90.1 The next meeting of the Audit Committee will be held on Thursday, 26 June 2014 at 10.00 am in the Shrewsbury Room.

Signed (Chairman)

Date:

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Committee and Date

Audit Committee

26/06/14

Update on Programme Management Controls & Risks

Responsible Officer George Candler – Director of Commissioning
e-mail: George.Candler@shropshire.gov.uk Tel: 01743 255003

1. Summary

This report provides an update on the existing and emerging assurance and management controls and risk management arrangements within the Council. The report gives assurance on the robustness of governance arrangements for all change related activity arising from the Council's 2014/17 Business Plan and Financial Strategy including service redesign, commissioning and service transitions to new delivery vehicles as well as IT enablement.

2. Recommendations

Members are asked to consider and endorse with appropriate comment, the contents of this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

A robust approach to risk management is in place in relation to the 2014/17 Business Plan and Financial Strategy as well as the associated Directorate business plans. All service improvements identified in the plans have been linked to the Council's strategic risks, where relevant. This provides assurance that the improvements support the mitigation of strategic risks and prevents the Council from compromising or increasing risk exposure.

Furthermore, all strategic, project and business planning risks are linked to the 4+1 outcomes (Your Council, Your Life, Your Environment, Your Money, Your Health). This is a new requirement as part of measuring performance and is in the process of being implemented. At a time of significant change, it is important that the Council

can provide assurance that controls and mitigation are strong, and therefore all strategic risks are linked to the annual governance statement action plan points. This integrated approach to managing risks across all risk areas of the Council ensures that we are managing risk cohesively and robustly.

At a project level, working closely with the Council's Risk Management Team, Programme Management services (now part of ip&e Ltd) co-ordinates service managers to ensure that they fulfil their responsibility to complete detailed risk analyses and that all change activity takes correct account of all risks and opportunities, as per the Council's agreed Opportunity Risk Management Strategy.

The recommendations contained in this report are compatible with the Human Rights Act 1998.

4. Financial Implications

The delivery of redesign proposals, particularly aligned to the significant budget savings that need to be delivered over the next three years are monitored on a monthly basis and reported to the Council's Senior Management Team. To ensure consistency and robustness of the approach, any figures reported in relation to the achievement or non-achievement of savings will be directly reflected within the Council's revenue monitoring reports.

With the reduction in the number of Cabinet Meetings introduced in 2014/15, financial monitoring reports will be approved by Cabinet on a quarterly basis. However, monthly reports will continue to be produced and will be considered in a timely manner by the Council's Director's Team. Furthermore, to ensure Cabinet Members are able to fulfil their roles in their respective Portfolio areas, monthly informal Cabinet meetings have been diarised throughout the year specifically to review and monitor progress against the delivery of the Council's savings plans (over all three years of the current Medium Term Financial Plan) and the impact on Council's in-year revenue and capital position.

5. Management Controls

Management control arrangements at Shropshire Council are based on clear, consistent governance structures and reporting, ensuring that the right people make the right decisions based on the right information. This approach is based on national 'Best Management Practice' principles, and is applied elsewhere in both the public and private sector.

5.1 Programme Management (including 'Tracking Hub') :

With effect from April 2014, the Council's Programme Management Office (PMO) has transferred to ip&e Ltd. A three year contract is now in place that sets challenging performance measures whilst reducing cost of this service to the

taxpayer. Cost of these services in Year 3 of the contract (2016/17) will be 53% of the costs in 2014/15.

As part of this contract, the Council has commissioned Programme Management services including provision of change management, governance processes and project, program and portfolio management across the Council. This involves close liaison with the Council's Members, Management Team, Service Managers and their teams to support them in their achievement of business change outcomes whilst ensuring that their project activity is consistent with the overall direction and ambitions of the Council.

Support includes the development and roll out of standard documentation as well as access to project resources and enabling technology, and facilitating activities that allow the Council's staff to learn from their experiences and continuously develop success in project development and delivery.

The programme management services included in this contract include the following responsibilities:-

- Operating and maintaining the Programme Tracking Hub (as described in the February 2014 Audit Committee report: Update on Programme Management Controls & Risks).
- Project Management of the Council's service transition/commissioning approach which manages the transfer of service areas from the Council into new delivery vehicles (see details of commission strategy below).
- Programme Management of service redesign activity related to the 2014/17 Business Plan and Financial Strategy.

The contract is monitored on a monthly basis and the service received from ip&e is performance measured in relation to quality, efficiency and consistency of project and programme approach (to facilitate better targeting of resources and minimised waste) as well as timeliness and accuracy of management information that informs decision making.

5.2 Commissioning approach – Commissioning for the future

Shropshire Council's Commissioning Strategy 'Commissioning for the Future' has now been recommended by Cabinet for adoption by Shropshire Council. The strategy sets out how the council will approach the transformational changes required to move towards a role as a commissioning body as opposed to a direct deliverer of services.

As Shropshire Council moves rapidly into the commissioning world, the need for strong, consistent and robust approaches to contract management that, in turn, mitigate risks to the Council and ensure we are receiving value for money for the resources used, will be key.

The strategy sets out the principles that will be applied in the Council's approach to commissioning and also provides guidance to those people involved in the

commissioning of services on how best to achieve desired outcomes. The strategy will be realised through a three year action plan. Key elements of this plan are:-

- Developing the commissioning approach
- Developing skills, awareness and knowledge for officers
- Developing the local commissioning approach
- Review of the Council's top 50 contracts
- Review of ip&e contracts

Work currently underway on the plan includes:-

- *5.2.1 - Developing the commissioning approach*

As described above, the Programme Management service (now commissioned from ip&e Ltd) plays a key role in the Council's service transition approach including co-ordination/support for the development of Business Cases, Business Plans, due diligence work and transition of services.

Capturing the lessons learned from the recent transition of services to ip&e and, with an eye on the Council's emerging commissioning approach, processes are currently being reviewed and updated. This review includes consideration of appropriate approach, governance arrangements and supporting documentation.

Whilst work will initially focus on how to further enhance the approach for transfers to ip&e, the intention is to develop a solution that works as a council wide approach for all commissioning activity. Once approved, this revised approach will form part of a 'toolkit' and support mechanism for staff engaged in the commissioning of services.

- *5.2.2 - Developing Skills, Awareness & Knowledge for Officers*

In order that the Commissioning Strategy is understood and applied consistently across Shropshire Council, it is recognised that there is a need to ensure that officers have the right skills, awareness and knowledge. As such, the Council is currently building an understanding of existing skills which exist in the organisation and the skills expected to be needed to deliver on the strategy and to apply the commissioning approach adopted in Shropshire.

Based on this understanding a programme for staff involved in the commissioning process will be developed, based broadly around the four component parts of the commissioning cycle – Analyse, Plan, Do, Review. Individual modules will be created around these stages and officers will determine, in conjunction with their managers, which modules they need to complete.

- *5.2.3 - Contract Management : Review of the Council's top 50 contracts*

At present Shropshire Council already commissions a range of services that have contracts associated with them in areas such as Waste Management, Highways,

Adult Social Care, Children's Services, Public Health and with the Voluntary and Community Sector. The total value of contracts in 2013/14 was £138.7m.

In order to create consistency of approach, understand skill sets amongst those staff that manage these contracts, and to establish best practice, a small team of officers are now undertaking a review of our contract management across the council by looking at the Top 50 contracts (in value) and to understand how these contracts are managed at present, what is working well and is deemed industry best practice and also identifying those areas that could learn from others.

Once this first stage of the review is complete, an agreed second stage of the review will be developed which will be about creating a single, consistent approach to contract management that ensures key principles are followed but also builds in sufficient flexibility, depending on the size and nature of the contract. It is hoped the new approach will be established by October 2014.

5.3 ICT Project Governance:

As part of the development of a new IT strategy there will be the implementation of an IT Governance process and framework which, in turn, will agree a set of criteria for IT assurance. The governance framework (to be developed via the Council's Information Governance Group) will include:-

- Control of change activity to define and approve project activity and assign resources
- Project approval procedures to ensure that all proposed projects support the Council's IT and business strategies
- Communications and escalation procedures to allow management to respond to issues as they arise
- Procedures to keep management informed of progress

The principles of the framework will be to ensure that all IT systems are managed appropriately and standards compliant, including for PSN purposes.

With this in mind, work is also underway on the new IT Systems Register which will ensure that there is a complete record of all IT systems and software operating on the Council's network. Initial data capture has been completed and work is now focussed on cross referencing this with other registers, including details of information asset owners, service recovery and business continuity plans.

Once complete, the IT Systems Register will be the single source of the Council's information about key systems and software, system managers from within the service areas and data base and system administrators. The register will primarily used by and managed by a Change Control Group (to be established via the Information Governance Group).

The Change Control Group will be chaired by the Council's ICT Implementation Manager and will include those system owners identified in the Systems Register, as well as any relevant senior system administrators. The purpose of the group will be to ensure that all systems are being managed appropriately and also that any

changes to a system (or key personnel) are recorded and the impact on IT infrastructure or other dependent systems are accounted for.

Contracts for some of the Councils IT systems will feature in the 'Top 50 Contracts' work described in the Commissioning section above. It is likely that the Change Control Group will play a key role in the success of any contract renegotiations with suppliers that stem from this top 50 review.

As part of the governance framework, IT will also provide appropriate programme management for the implementation of all IT projects and project management support for the implementation of all significant IT systems. Project management will focus on the timely execution of agreed plans, mitigation of risks as they are identified, resolution or escalation of issues, maintenance of quality, monitoring of costs and use of milestone events at key project stages (e.g. go/no-go decisions).

Project management controls will need to be efficient enough to ensure adequate oversight of the project (financial, meeting deadlines, etc.), appropriate involvement by the stakeholders, iterative evaluation of risks, monitoring and escalation of issues (where required), and secure storage of system documentation. Cost of project management will be reflected in the overall project implementation costs for each project.

It will be essential that IT services (and hence the IT Strategy) both facilitate and are subject to the Commissioning Strategy described above.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <p>Audit Committee – 13/02/14 : Update on Programme Management Controls & Risks</p> <p>Cabinet 04/06/04 - Commissioning Strategy 'Commissioning for the Future' report</p>
<p>Cabinet Member (Portfolio Holder)</p> <p>Cllr Mike Owen</p>
<p>Local Member</p> <p>N/A</p>
<p>Appendices</p> <p>N/A</p>



Committee and Date

Audit Committee

26 June 2014

COUNCIL TAX AND NON DOMESTIC RATES PERFORMANCE MONITORING REPORT

Responsible Officer Phil Weir

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256113

Fax (01743)
251444

1. Summary

The Council's Revenues Team collects over £225 million of income each year in respect of Council Tax and National Non Domestic Rates (NNDR). This report provides Members with performance monitoring information on the collection of this income for the year to 31 March 2014, and progress on the year to 31 March 2015.

2. Recommendations

Members are asked to note the report.

REPORT

1. The Council raises over 145,000 demands per year with a value of over £225 million to collect Council Tax and NNDR. It is important that this income is collected promptly so as to maximise the amount of interest earned on the Council's revenue balances.
2. The Council require the payment of liability by ten instalments from April to January in accordance with the statutory instalment scheme for council tax and business rates. However, for the 2013-14 financial year onwards the regulations have changed and now any council tax payer can request payment over twelve months rather than ten months. With effect from 1 April 2014 any business rate payer can also request payment over twelve months rather than ten months.
3. The change in regulations affects collection of council tax and business rates in two ways. Firstly, it affects the Council's cash flow, as more money is due to be collected in February and March. Secondly, it impacts on overall collection rates because if council tax payers fail to pay their February and March instalment it gives the Revenues Team less time to take appropriate action before the end of the financial year.

Council Tax

4. The final collection rate for council tax for the year 2013-14 was 98.1%. This compared favourably with the previous year's collection rate of 98.3%.

5. To put the collection rate into perspective in purely financial terms during the period 1 April 2013 – 31 March 2014 the Revenues Team collected £146,827,533 Council Tax whereas during the same period the previous year we collected £142,382,861, which is an increase of £4,444,672.
6. The final collection rate for Council Tax for 2013-14 was slightly down on the previous year for three reasons. Firstly, Council Tax Benefit has been replaced with a local Council Tax Support Scheme, meaning more people are having to pay Council Tax this year that were formally in receipt of Council Tax Benefit. Secondly, due to the increased discretion available to billing authorities there is an increase in the amount of empty property tax to be collected. And thirdly, as mentioned above, due to legislative changes more people are paying their Council Tax over twelve months rather than the statutory ten months which leaves more debt to be collected in February and March.
7. We are now able to run a report to analyse the collection rate by benefit claimant and different types of Council Tax discount. The results for the 2013-14 financial year are at **Appendix A**.
8. National statistics to monitor collection rate trends for the 2013-14 financial year are not yet available.
9. Regarding the 2014-15 financial year, in the year to 10 June 2014 the Revenues Team had collected 26.7% of its Council Tax debt. In the equivalent period last year we had collected 26.8% Council Tax.
10. As at 31 March 2014 the total arrears for Council Tax stood at 8.2 million. Work is continuing to recover this debt. As at 5 June 2014 Council Tax arrears stood at 7.4 million (a reduction of £800,000, see **Appendix B**).
11. A report categorising the debt stages of all Council Tax arrears is attached at **Appendix C**.

Business Rates

12. The final collection rate for Business Rates for the year 2013-14 was 98.3%. This compare favourably with the previous year's collection rate of 98.4%.
13. To put this collection rate into perspective in purely financial terms during the period 1 April 2013 to 31 March 2014 the Revenues Team collected £74,783,313 Business Rates whereas during the same period the previous year we collected £71,833,079, an increase of £2,950,234.
14. National statistics to monitor collection rate trends for the 2013-14 financial year are not yet available.
15. Regarding the 2014-15 financial year, in the year to 10 June 2014 the Revenues Team had collected 24.7% of its Business Rates debt. In the equivalent period last year we had collected 27.1% Business Rates. The comparative position is slightly down due to extending instalments through to February and March and a delay in payments that had been made directly to the Council's bank account being allocated to the Business Rates accounts.

16. As at 31 March 2014 the total arrears for Business Rates stood at four million. Work is continuing to recover this debt. As at 5 June 2014 Business Rates arrears stood at 3.7 million (a reduction of £300,000 see **Appendix D**)
17. A report categorising the debt stages of all Business Rates arrears is attached at **Appendix E**.

3. Risk Assessment and Opportunities Appraisal

Effective monitoring of outstanding debt will enable early action to be taken to minimise the risk of financial loss to the Council.

The targets seek to increase the number of income collections transacted electronically.

4. Financial Implications

Failure to collect these debts will have a major impact on the council's ability to deliver services.

5. Background

Council Tax is collected and administered in accordance with The Council Tax (Administration and Enforcement) Regulations 1992. The Local Government Finance Act 1988 introduced business rates in 1990.

6. Additional Information

None

7. Conclusions

Members are asked to note the content of the report.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) N/A

Cabinet Member (Portfolio Holder) Mike Owen
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Local Member N/A

Appendices

Appendix A – Collection Rate Breakdown

Appendix B - Council Tax Arrears Analysis
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Appendix C - Council Tax Aged Debt Analysis
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Appendix D – Business Rates Arrears Analysis

Appendix E – Business Rates Debt Analysis
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Appendix A

2013-14	Debit £000	Payments £000	Collection rate
Total Collection Rate	150,976	148,094	98.1%
Total Benefit Claimants	2,862	2,712	94.8%
former class C exempt	1,730	1,580	91.3%
former class A exempt	169	169	100.0%
second home full tax	1,771	1,734	97.9%
second home job protected	35	35	100.0%
LTE 25% discount (first 6 mths)	730	693	94.9%
LT zero discount	1,493	1,446	96.9%

Glossary of Terms

Total Collection Rate – overall collection rate for Shropshire

Total Benefit Claimants – collection rates for benefit claimants with a council tax liability

Former class C exempt – This is unoccupied and unfurnished property. Prior to 1 April 2013 this property was exempt from council tax for up to 6 months. For the 2013-14 financial year Shropshire Council awards 25% discount

Former class A exempt – unoccupied and unfurnished property that is undergoing or requiring major repair work to make it habitable or undergoing structural alteration. Prior to 1 April 2013 this property was exempt from council tax for up to 12 months. For the 2013-14 financial year Shropshire Council awards 50% discount.

Second Homes – This is furnished property that is no one's main residence. No discount is currently awarded.

Second Homes job protected – Under certain circumstances some second homes retain a 50% discount.

Long Term Empty 25% discount – unoccupied and unfurnished property that has been unoccupied for more than 6 months but less than 12 months

Long Term Empty zero discount – Unoccupied and unfurnished property that has been unoccupied for more than 12 months

Appendix B

COUNCIL TAX ARREARS ANALYSIS AS AT 5 June 2014				
As at rollover 1 April 2014	TOTALS	DR	CR	NET TOTAL
		8,274,948.60	-1,723,293.09	6,551,655.51
As at 5 June 2014		DR	CR	
	1993-94	239.54	-5,444.12	-5,204.58
	1994-95	172.76	-8,942.64	-8,769.88
	1995-96	50.52	-12,112.86	-12,062.34
	1996-97	1,716.48	-11,974.20	-10,257.72
	1997-98	2,662.43	-10,840.30	-8,177.87
	1998-99	4,668.97	-9,466.75	-4,797.78
	1999-00	8,495.16	-14,679.86	-6,184.70
	2000-01	8,740.46	-11,118.97	-2,378.51
	2001-02	12,655.84	-21,456.49	-8,800.65
	2002-03	21,108.02	-25,918.80	-4,810.78
	2003-04	44,096.90	-29,831.22	14,265.68
	2004-05	68,914.40	-41,231.64	27,682.76
	2005-06	107,542.28	-62,676.53	44,865.75
	2006-07	165,024.20	-66,213.22	98,810.98
	2007-08	210,821.52	-65,711.68	145,109.84
	2008-09	363,419.10	-121,569.74	241,849.36
	2009-10	526,729.18	-242,176.38	284,552.80
	2010-11	717,638.90	-157,143.74	560,495.16
	2011-12	901,716.18	-116,119.09	785,597.09
	2012-13	1,254,018.15	-127,957.34	1,126,060.81
	2014-15	2,987,956.85	-347,697.42	2,640,259.43
		7,408,387.84	-1,510,282.99	5,898,104.85
Reduction in Arrears		866,560.76	-213,010.10	653,550.66

Appendix C

Council Tax Aged Debt analysis 5th June 2014		
	accounts	£ value
14 Day letter	1,523	£598,581.93
Adjourned Committal		
Potential Special Arrangement		
Arrest Warrant - Bail	78	£45,536.45
Charging Order	72	£79,809.37
Attachment of Benefits	834	£291,306.64
Attachment of Earnings	786	£397,499.92
Bailiff Return	395	£226,782.70
Bailiff Return Spa		
Bankruptcy		
Committal - Suspended Sentence	6	£2,761.91
Committal		
Committal Summons	2	£442.50
Dataload 14 Day		
Dataload Bailiff		
Dataload AOB		
Enforcement Hold	170	£78,179.12
Liability Order Granted		
Mutiple Liability Order	10	£5,190.55
No Enforcement Stage		
Pending Attachment of Benefits	679	£293,747.00
Pending Attachment of Earnings	280	£209,172.76
Pre Committal Letter	1,814	£1,126,187.06
Small Balance Letter	266	£10,979.46
Special Arrangement	861	£313,518.80
Special Arrangment Reminder	195	£69,291.21
Tracing Agent	127	£87,165.62
With Bailiff	4,154	£2,163,071.62
Write Off	11	£2,801.19
Write Off Pending	1,805	£613,405.51
Totals	14,068	£6,615,431.32

Appendix D

BUSINESS RATES ARREARS ANALYSIS AS AT 5th June 2014				
As at rollover 31 Mar 2014		DR	CR	
TOTALS		4,065,636.55	-1,098,867.66	2,966,768.89
As at 5 June 2014		DR	CR	
1990-91		0.00	0.00	0.00
1991-92		0.00	0.00	0.00
1992-93		0.00	0.00	0.00
1993-94		0.00	0.00	0.00
1994-95		0.00	0.00	0.00
1995-96		0.00	-352.16	-352.16
1996-97		277.15	-543.55	-266.40
1997-98		1,230.83	-4,400.71	-3,169.88
1998-99		150.82	-3,565.68	-3,414.86
1999-00		0.00	-423.08	-423.08
2000-01		0.00	-5,551.07	-5,551.07
2001-02		0.00	-11,398.07	-11,398.07
2002-03		5.00	-12,779.53	-12,774.53
2003-04		557.58	-10,312.22	-9,754.64
2004-05		1,594.11	-11,862.22	-10,268.11
2005-06		39,465.99	-18,261.87	21,204.12
2006-07		100,216.83	-17,754.42	82,462.41
2007-08		95,908.31	-18,135.18	77,773.13
2008-09		190,807.64	-72,270.44	118,537.20
2009-10		212,180.55	-251,689.79	-39,509.24
2010-11		331,028.14	-93,948.96	237,079.18
2011-12		468,431.94	-85,862.55	382,569.39
2012-13		905,488.53	-78,849.21	826,639.32
2013-14		1,427,839.91	-128,771.33	1,299,068.58
		3,775,183.33	-826,732.04	2,948,451.29
Reduction in Arrears		290,453.22	-272,135.62	18,317.60

Appendix E

Business Rates Aged Debt Analysis 5th June 2014		
	accounts	£ value
Small Balance	23	4,639.34
7 Day Letter	40	142,182.39
warrant no bail	1	1,053.50
Bailiff Return	197	412,847.66
Insolvency proceeding		
Bankruptcy		
Committal Summons	3	2,326.75
Enforcement Hold	5	29,645.23
Liquidation		
Multiple Liability Order	2	5,090.50
No Enforcement Stage	2	0.00
Pre Committal Letter	185	481,717.49
Spa Reminder	5	22,827.79
Special Arrangement	51	115,975.83
Tracing Agent	16	95,144.12
Warrant with bail	1	988.00
With Bailiff	237	706,234.25
Write Off	273	598,856.95
Totals	1,041	2,619,529.80



Committee and Date

Cabinet
4th June 2014

Audit Committee
26th June 2014

Council
17th July 2014

REVENUE OUTTURN 2013/14

Responsible Officer James Walton

Email: james.walton@shropshire.gov.uk Tel: (01743) 255011

1. Summary

1.1 This report provides details of the revenue outturn position for Shropshire Council for 2013/14 and provides a summary of:

- The revenue outturn for each service area with a commentary on the main variations and an outline of how the position has changed since Period 11.
- The movements in the Council's general balance.
- The Council's reserves and provisions.

1.2 The Council's financial position for 2013/14 has improved by £0.978m when compared to projections made at Period 11 resulting in a net underspend of £0.390m.

2. Recommendations

2.1 Members are asked to:

- A. Note that the Outturn for the Revenue Budget for 2013/14 is an underspend of £0.390m, this represents 0.06% of the original gross budget of £639m.
- B. Note that the level of general balance stands at £14.497m, which is above the anticipated level included within the Financial Strategy.
- C. Note that the level of school balances stand at £5.855m (2012/13 £4.953m).
- D. Note that the Outturn for the Housing Revenue Account for 2013/14 is an underspend of £1.426m and the level of the Housing Revenue Account reserve stands at £2.542m (2012/13 £1.041m).

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Details of the potential risks affecting the balances and financial health of the Council are detailed within the report. Each variation from budget is also RAG rated to confirm the level of risk to the Council's balances.

4. Financial Implications

4.1 This report is based on the financial outturn of the Council's budget for 2013/14 and therefore considers the effect that the underspend has on the Council's balances.

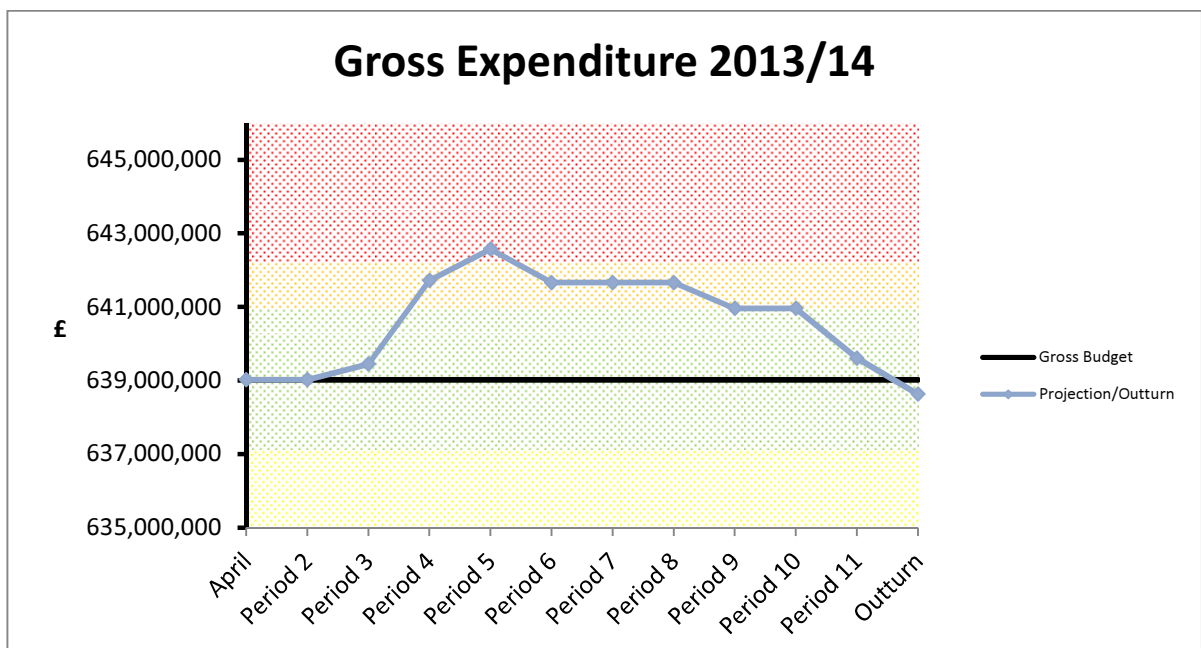
5. Background

5.1 Cabinet has received monthly monitoring reports on the revenue budget during the course of the year. This has meant that Service Areas have identified problem areas as they have arisen and management have been able to take the action necessary to deal with the issues arising.

6. Overall Position

6.1 The final outturn for 2013/14 shows overall net revenue expenditure of £231.142m and an underspend of £0.390m. The overall position for Service areas and Schools' balances is detailed below:

	£000
Original Budget	231,532
Outturn for 2013/14	231,142
Underspend for 2013/14	(390)



- 6.2 The underspend of £0.390m for 2013/14 is presented below by Service Area (shaded column). End of year entries include items of non-controllable spend (e.g. depreciation) that are not included within service projections throughout the year. To enable comparison with previous monitoring reports, the non-controllable element of spend has been separately identified within this report where relevant. This allows a direct comparison to be made between controllable spend at year end, and projections made throughout the year.

Table 1: 2013/14 Budget Variations Analysed by Service Area (£'000)

Service Area	Revised Budget	Outturn	(Under) / Overspend	Non - Controllable (Under)/Overspend	RAGBY	Controllable (Under)/Over spend
	£'000	£'000	£'000	£'000		£'000
Commissioning	94,862	96,142	1,280	2,153	Y	(873)
Adults Services	69,355	72,190	2,835	(1,179)	R	4,014
Children's Services	60,709	59,493	(1,216)	(632)	Y	(584)
Public Health	1,545	1,214	(331)	(57)	Y	(274)
Resources & Support	5,061	2,103	(2,958)	(285)	Y	(2,673)
TOTAL	231,532	231,142	(390)	0		(390)

- 6.3. The outturn position has improved by £0.978m since Period 11 as a result of further underspends achieved within Resources & Support. The housing benefit overpayments original anticipated to be over the lower threshold, was kept below the threshold and so this cost pressure was not realised. Additional income and further savings within Resources & Support budgets also delivered further savings. Further analysis of the variations to budgets for all service areas is provided within Appendix 1.

7. General Fund Balance

- 7.1 The effect on the Council's Reserves is detailed below. The Council's policy on balances is to have a general fund balance (excluding schools balances) of between ½% and 2% of the gross revenue budget. For 2013/14 the minimum balance required is £3.27m. The general fund balance as at 31st March 2014 is shown in Table 2 below:

Table 2: General Fund Balance As At 31st March 2014 (£'000)

General Fund Balances as at 1 April 2013	6,820
Budgeted contribution to General Fund Balance	5,909
Repayment of Overspend (County Training Yr3)	418
Repayment of Redundancies provided for in 2012/13	3
Release of earmarked reserves	864
Over-recovery of Insurance costs	68
Release of surplus grant balances	25
2013/14 Revenue Outturn	390
General Fund Balance at 31 March 2014	14,497

- 7.2 The General Fund Balance at 31 March is above the level anticipated within the Financial Strategy, however it still lies below the risk based target for 2013/14 which stands at £15.547m.
- 7.3 The council's policy is to hold general fund balances of between ½ and 2% of the gross revenue budget, however the balance of £14.497m now falls above this policy level. This is considered appropriate given the significant increase in the risk based general fund calculation for 2014/15 to £18.513m (as agreed by Council in February 2014) and the significant level of savings required in the budget strategy for 2014/15. The expectation is that the level of general fund balance will be brought in line with the risk based calculation over years 2 and 3 of the Council's Medium Term Financial Plan, on the basis that all savings targets are achieved. Unlike year 1, the risk based calculations in years 2 and 3 are in line with the Council's policy to hold between 0.5% and 2% of gross revenue budget.

8. School Balances

- 8.1 The movement in schools' balances is as follows:

	2012/13 £000	2013/14 £000	Increase/ (Decrease) £000
Schools:			
- Revenue Balances	2,789	3,927	1,138
- Invested Balances	1,630	1,550	(80)
- Extended Schools Grant Balance	534	378	(156)
Total	4,953	5,855	902

- 8.2 Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion. The Council does employ a policy of clawback for school balances where the balance is greater than 8% of the schools' funding for primary and special schools, and 5% for secondary schools. It has not been necessary to clawback any balances in 2013/14. Of the 152 schools, 129 schools have surplus balances, 14 have deficit balances, and 9 have zero balances due to the school converting to Academy or Free status.
- 8.3 The Extended Schools Grant allocations for schools are paid over during 2013/14, however as the balance will not be fully committed until the end of the school academic year, these balances have been ringfenced to each individual school within School Balances.
- 8.4 Following consultation with the school's forum and head teachers, the school balances have been used to purchase IT equipment for schools, the cost of this equipment is then recharged to schools over the life of that equipment, effectively operating as an internal leasing arrangement. At the end of 2013/14 £214,960 of the £5,855,000 was being used in this way.
- 8.5 School balances have also been used to fund carbon efficiency measures within schools. At the end of 2013/14, £117,336 of the £5,855,000 was used for this purpose.

9. Housing Revenue Account (Appendix 2)

- 9.1 The Housing Revenue Account (HRA) outturn for 2013/14 shows an underspend of £1.426m against gross turnover (8.6%) which has mainly arisen due to increased rent income from faster turnaround on voids, reduction in corporate recharges to the HRA and less revenue contributions to capital due to slippage in the capital programme.
- 9.2 The underspend takes the closing balance on the HRA Reserve to £2.542m which represents a contingency of £618 per home.

10. Reserves and Provisions (Appendix 4)

- 10.1 The Council has created a number of specific reserves and provisions to provide for known or anticipated future liabilities and to assist in protecting essential services. Earmarked reserves are balances held for specific items that will occur in the future. Provisions are held to meet expenses that will occur as a result of past events and where a reliable estimate can be made of the obligation.
- 10.2 The overall position for reserves and provisions is set out in the Statement of Accounts 2013/14, an extract from the Statement of Accounts is contained at Appendix 4, with an explanation of each reserve and provision. These figures may be subject to change before the Council's final Statement of Accounts is produced. The change in revenue reserves and provisions is as follows:

Balance of Reserves and Provisions	£000
As at 31 March 2013	62,547
As at 31 March 2014	51,955
Increase/(Decrease)	(10,592)

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Revenue & Capital Budget 2013/14

Financial Rules

Revenue Monitoring Report – Period 3 2013/14

Revenue Monitoring Report – Period 4 2013/14

Revenue Monitoring Report – Period 5 2013/14

Revenue Monitoring Report – Period 6 2013/14

Revenue Monitoring Report – Period 9 2013/14

Revenue Monitoring Report – Period 10 2013/14

Revenue Monitoring Report – Period 11 2013/14

Cabinet Member

All

Local Member

All

Appendices

App 1 – Service Area Outturn and Actions

App 2 – Housing Revenue Account 2013/14

App 3 – Amendments to Original Budget

App 4 – Reserves and Provisions

Service Area Outturn and Actions 2013/14**Summary**

	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	
Commissioning	94,861,750	96,141,934	1,280,184	2,152,606	(872,422)	Y
Adult Services	69,355,320	72,190,422	2,835,102	(1,178,417)	4,013,519	R
Children Services	60,709,300	59,493,020	(1,216,280)	(631,838)	(584,442)	Y
Public Health	1,544,970	1,213,964	(331,006)	(57,063)	(273,943)	Y
Resources & Support	5,060,850	2,102,894	(2,957,956)	(285,288)	(2,672,668)	Y
Total	231,532,190	231,142,234	(389,956)	0	(389,956)	

Detail

COMMISSIONING	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	
Total	94,861,750	96,141,934	1,280,184	2,152,606	(872,422)	

Director of Commissioning	690,250	707,851	17,601	(6,210)	23,812	G
Includes £0.025m one-off grant payment not budgeted for within Commissioning.						
Director of Commissioning Total	690,250	707,851	17,601	(6,210)	23,812	

Local Commissioning	508,620	508,060	(560)	(15,040)	14,480	G
Minor variation projected from budget as at outturn.						
Local Commissioning Total	508,620	508,060	(560)	(15,040)	14,480	

Area Commissioner North – Positive Activities	1,195,400	1,254,141	58,741	34,276	24,465	G
In Activities for Young People there has been a projected overspend on premises costs and redundancy costs not budgeted for.						
Area Commissioner North – Community Action	1,593,060	1,475,645	(117,415)	(36,781)	(80,634)	Y
Vacancy management savings incurred in Community Working and in Broadplaces, and savings on supplies and services within Community Working. Also includes savings within the local joint committee budgets.						

Service Area Outturn and Actions 2013/14

COMMISSIONING	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	
Area Commissioner North - Libraries	4,169,010	3,921,133	(247,877)	(171,794)	(76,083)	Y
Underspends on supplies and services, transport and employee costs at most libraries, together with the freezing of the budget and centrally held IT and equipment budgets has resulted in Libraries' in year savings target being met.						
Area Commissioner North - Markets	121,010	100,141	(20,869)	(53,538)	32,669	G
Staff costs and various premises related costs exceeding service budgets. Significant one-off repairs and maintenance costs incurred this year.						
Area Commissioner North - Waste	26,610,020	26,312,668	(297,352)	42,395	(339,747)	Y
The provision set aside for the year end contract reconciliation payment has reduced further at outturn, in line with Veolia's forecast of the annual reconciliation payment due.						
Area Commissioner North	247,950	238,514	(9,436)	(8,420)	(1,016)	Y
Minor variation from budget as at outturn.						
Area Commissioner North Total	33,936,450	33,302,241	(634,209)	(193,862)	(440,348)	Y
Area Commissioner South – Environmental Maintenance	25,341,350	28,557,181	3,215,831	917,553	2,298,278	R
The cleansing exercise of Shropshire Council's 'Confirm' system and reconciliation with 'Ringway' systems has resulted in a number of payments in 2013/14 which relate to previous years. The overspend position therefore includes £1m as a consequence of reconciling jobs between IT systems and clearing the backlog of payments. In addition, there are a number of transactions that were originally coded to capital. The review of expenditure has now been completed and a total of £2.435m has been charged to revenue. This has been partially funded by releasing a revenue contribution to capital of £0.900m and the winter maintenance budget is projected to absorb £0.829m of these costs, leaving a potential overspend pressure of £0.706m. Costs of the recent storm damage have been incurred in this financial year to the value of £0.5m.						
Area Commissioner South – Highways & Transport	6,070,930	5,492,536	(578,394)	(154,086)	(424,308)	Y
Reduced costs on 'Transport Initiatives' (Local Public Transport and Concessionary Transport) and additional income from road closures.						
Area Commissioner South – Passenger Transport	659,160	600,552	(58,608)	(58,608)	0	G
No variation from budget as at outturn.						
Area Commissioner South – Arts	267,370	257,883	(9,487)	(8,046)	(1,441)	Y
Minor variation from budget as at outturn.						
Area Commissioner South – Sports	356,400	318,072	(38,328)	(31,959)	(6,369)	Y
Minor variation from budget as at outturn.						
Area Commissioner South – Leisure	4,482,570	3,763,125	(719,445)	(408,728)	(310,717)	Y
Underspends have been realised against repairs and maintenance, grounds maintenance and furniture and equipment budgets across the facilities portfolio this year due to the spending freeze as well as savings on rates bills for joint use facilities.						
Area Commissioner South	364,160	352,291	(11,869)	(9,711)	(2,157)	Y
Minor variation from budget as at outturn.						
Area Commissioner South Total	37,541,940	39,341,641	1,799,701	246,415	1,553,286	

Contact: James Walton, on 01743 25011

Service Area Outturn and Actions 2013/14

COMMISSIONING	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	

Public Protection & Enforcement - Healthier People and Communities	1,623,620	1,459,295	(164,325)	(110,115)	(54,211)	Y
Savings resulting from restructure of service and VR savings. There has also been an increase in income from trader registration and animal health licenses plus additional spending freeze implementation.						
Public Protection & Enforcement - Healthier and Sustainable Environment	1,149,510	950,860	(198,650)	(70,531)	(128,120)	Y
Savings resulting from restructure of service and VR savings. There has also been an increase in projected Penalty Charge Notice income plus additional spending freeze implementation.						
Public Protection & Enforcement - Safer and Stronger Communities	1,109,620	883,390	(226,230)	(80,351)	(145,878)	Y
Savings resulting from restructure of service and VR savings. Increase in taxi license income plus additional spending freeze implementation.						
Public Protection & Enforcement – Public Protection Management	1,074,920	1,262,553	187,633	(42,884)	230,517	R
Managed overspend within supplies and services and meeting redundancy costs within the service in order to realise savings for 2014/15.						
Public Protection & Enforcement – Housing Health	6,826,830	6,110,954	(715,876)	(26,182)	(689,694)	Y
Significant underspend generated from staffing budgets due to vacancies held open within a number of services and additional savings within the Homelessness budget..						
Public Protection & Enforcement Total	11,784,500	10,667,052	(1,117,448)	(330,063)	(787,385)	Y

Business Growth & Prosperity - Enterprise & Business	1,048,560	1,465,049	416,489	598,327	(181,838)	Y
Planned vacancies within the service and reduced expenditure on development activities in order to mitigate additional costs and reduced income in 'Infrastructure and Growth' (please see below).						
Business Growth & Prosperity - Visitor Economy	2,264,730	3,447,303	1,182,573	1,147,552	35,021	G
Small overspend pressure within property budgets including rates and utilities.						
Business Growth & Prosperity - Outdoor Recreation	2,590,150	2,514,897	(75,253)	218,874	(294,127)	Y
Net staffing savings and release of grant income attributable to the service.						
Business Growth & Prosperity - Theatre Severn	627,840	549,673	(78,167)	(60,620)	(17,548)	Y
Minor variation projected from budget as at outturn.						
Business Growth & Prosperity - Infrastructure & Growth	(24,640)	240,090	264,730	109,094	155,636	R
Combined effect of increased expenditure on Repair and Maintenance items and reduced income from lettings. This is mitigated by planned savings in 'Enterprise and Business' (please see above).						
Business Growth & Prosperity - Sustainability	1,620,720	1,543,119	(77,601)	(48,877)	(28,724)	Y
This includes abortive capital costs of £0.089m partially offset by staff savings, reduced expenditure, spending freeze implementation and increased income and grant income.						

Appendix 1

Service Area Outturn and Actions 2013/14

COMMISSIONING	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	
Business Growth & Prosperity - Development Management	708,250	(372,172)	(1,080,422)	(218,597)	(861,825)	Y
Increased Planning Application fee income (increased activity).						
Business Growth & Prosperity – Planning Policy	799,250	1,476,305	677,055	713,490	(36,436)	Y
Staffing savings generated.						
Business Growth & Prosperity - Management	765,130	750,826	(14,304)	(7,879)	(6,425)	Y
Minor variation from budget as at outturn.						
Business Growth & Prosperity Total	10,399,990	11,615,088	1,215,098	2,451,365	(1,236,267)	Y

ADULT SERVICES	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	
Total	69,355,320	72,190,422	2,835,102	(1,178,417)	4,013,519	

Social Care Operations	53,554,310	56,313,994	2,759,684	(386,590)	3,146,274	R
The purchasing pressures identified during the year came out less than anticipated at outturn and so generated an underspend compared to the position reported at Period 11.						
Social Care Efficiency & Approval	13,946,800	13,866,709	(80,091)	(742,176)	662,085	R
Income received has been lower than originally anticipated at outturn as confirmation of funding sources and grants was determined. This has had an adverse impact within provider services.						
Adult Services Management	1,854,210	2,009,719	155,509	(49,651)	205,160	R
Overspend on staffing budgets and costs of legal advice relating to the judicial review						

Service Area Outturn and Actions 2013/14

CHILDREN'S SERVICES	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	
Total	60,709,300	59,493,020	(1,216,280)	(631,838)	(584,442)	

Learning & Skills	33,865,490	32,891,766	(973,724)	(234,207)	(739,517)	Y
Further transport recharges were processed in period 12 which reduced the available savings to £0.35m. Other savings have been realised due to the spending freeze, vacancy management and voluntary redundancy savings of £0.4m.						
Children's Safeguarding	26,843,810	26,601,254	(242,556)	(397,631)	155,075	Y
Overspend of £2.6m mainly in relation to placement costs is being offset by the allocation of Early Intervention Grant carry forward of £1.5m, £0.215m Youth Offending Service reserve, £0.5m Adoption Reform Grant and spending freeze implementation savings. Additional grant income has been applied where possible to reduce the budget pressure.						

PUBLIC HEALTH	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	
Total	1,544,970	1,213,964	(331,006)	(57,063)	(273,943)	

Public Health	1,544,970	1,213,964	(331,006)	(57,063)	(273,943)	Y
Savings have been realised within Public Health due to rephasing of the delivery of public health projects. Savings have also been identified from services not within the ring-fenced grant funding including; Emergency planning, with in year efficiencies of £0.054m; Registrars with increased registration fees contributing to £0.095m underspend; and Coroners making efficiencies within salaries and expenses contributing to a £0.063m underspend.						

Service Area Outturn and Actions 2013/14

RESOURCES & SUPPORT	Full year					RAGBY
	Budget	Outturn	Total Variation	Non Controllable Variation	Controllable Variation	
	£	£	£	£	£	
Total	5,060,850	2,102,894	(2,957,956)	(285,288)	(2,672,668)	
Commercial Services	3,076,950	4,582,029	1,505,079	734,179	770,900	R
Property Services had a £0.45m savings target which they did not achieve. This was partially offset by voluntary redundancy savings of £0.289m in the service. Other overspends were realised on Shirehall running costs. A further pressure of £0.2m was incurred in relation to accommodation rationalisation which cannot be achieved in 2013/14. Following final capital works, income has reduced by £0.03m within Design and £0.15m on Surveyors. Savings have been identified on building maintenance costs.						
Customer Involvement	2,051,480	599,084	(1,452,396)	(6,719)	(1,445,677)	Y
The underspend within Customer Involvement has arisen primarily within Benefits, where there was an underspend on the subsidy return and benefit overpayments remained within the Government thresholds and so the service had a further underspend at outturn. Also discretionary relief on Non Domestic Rates is now a collection fund cost rather than a charge to the general fund, therefore a saving has been realised within Customer Involvement of £0.341m. Savings have been realised on staffing in Customer Care of £0.198m (unfilled vacancies and VR), Business Design of £0.041m, Communications of £0.018m and £0.043m from the Web Team due to the VR programme. Other small savings across all teams on general items such as travel and equipment Overspend on Print Unit reduced due to service restructure which was £0.179m. There is an overspend within IT due to the agreement to provide funding for one year to offset the costs of the schools broadband service (£0.25m), additional spend on Microsoft licences (£0.189m) Citrix Renewal (£0.07m) and VMWare (£0.069m).						
Finance, Governance & Assurance	2,174,520	1,276,634	(897,886)	(169,668)	(728,218)	Y
Staffing and voluntary redundancy savings of £0.433m have been delivered across Finance, Procurement, Audit and the PA Team. Staff transferred from Customer Involvement had not previously been projected within this service and show an additional spend of £0.1m in Finance, Governance and Assurance and an equivalent saving in Customer Involvement. Additional income has been received over that projected for recovery of costs in Revenues.						
Human Resources & Development	(23,380)	(249,380)	(226,000)	(12,144)	(213,856)	Y
Staffing savings have been achieved which includes those from the voluntary redundancy programme and a restructure of HR services. Spending freeze implementation has delivered additional saving from across all the budgets. Schools income is less than expected due to reduced buyback of services, but this has been offset by additional savings in corporate training, postage costs, and additional voluntary redundancies.						
Legal, Democratic & Strategy	1,794,610	1,067,974	(726,636)	(39,155)	(687,481)	Y
Staffing savings including those from the voluntary redundancy programme, have delivered savings of £0.125m against the budget. Elections have also generated savings against the budget (£0.33m). The spending freeze delivered additional savings from across all the budgets in Legal, Democratic & Strategy. Additional income (£0.049m) has been received within the services due to employee secondments. These underspends were offset by an overspend in Legal Services relating to legal disbursements of £0.146m.						
Strategic Management Board	0	(58,874)	(58,874)	1,737	(60,611)	Y
Following reallocation of budgets and staffing, savings have been identified on salary costs.						
Corporate Budgets	(4,013,330)	(5,114,573)	(1,101,243)	(793,518)	(307,725)	Y
Savings relate to the corporate budgets set aside for transformation and increased savings from Treasury Management.						

2013/14 Housing Revenue Account

Outturn (pre Audit)	Budget £	Outturn £	Variance Adverse/ (Favourable) £
<u>Income</u>			
Dwellings Rent	(16,120,490)	(16,653,021)	(532,531)
Garage Rent	(195,600)	(184,189)	11,411
Other Rent	(60,380)	(52,238)	8,142
Charges for Services	(115,250)	(167,186)	(51,936)
Other Income	(58,160)	(170,886)	(112,726)
Total Income	(16,549,880)	(17,227,519)	(677,639)
<u>Expenditure</u>			
ALMO Management Fee	7,172,300	7,172,300	0
Supplies and Services	198,350	879,807	681,457
Capital Charges - Dwelling Depreciation	4,171,900	4,171,900	0
Capital Charges - Depreciation Other	69,810	43,030	(26,780)
Capital Charges - Cost of Capital	4,079,290	3,240,840	(838,450)
Increase in Bad Debt Provision	200,000	70,000	(130,000)
Corporate & Democratic Core	603,120 #	178,250	(424,870)
Total Expenditure	16,494,770	15,756,126	(738,644)
Net Cost of Services	(55,110)	(1,471,393)	(1,416,283)
PWLB Premium amortised	560	560	0
Interest on Balances	(20,000)	(29,678)	(9,678)
Net Operating Expenditure	(74,550)	(1,500,511)	(1,425,961)
Net Cost of Service	(74,550)	(1,500,511)	(1,425,961)
<u>HRA Reserve</u>			
B/fwd 1 April	1,041,350	1,041,350	
Surplus/(Deficit) for year	74,550	1,500,511	
Carried Forward 31 March	1,115,900	2,541,863	

Central Recharge Budget re-allocated to Operational Areas except Corporate Democratic Charge.

Appendix 3**Amendments to Original Budget 2013/14**

	Total £'000	Commiss ioning £'000	Adult Services £'000	Childrens Services £'000	Public Health £'000	Resources & Support £'000
Original Budget as agreed by Council <u>Period 3</u>	231,532	97,626	63,278	61,933	427	8,268
In Year Savings <u>Period 4</u>	0	(2,336)	5,777	(556)	(10)	(2,875)
Minor budget variations <u>Period 5</u>	0	2	0	(10)	0	8
Minor budget variations including structure changes <u>Period 6</u>	0	107	330	(302)	(11)	(123)
Structure Change <u>Period 9</u>	0	240	0	0	0	(240)
Structure Change <u>Period 10</u>	0	150	0	0	0	(150)
No changes <u>Period 11</u>	0	0	0	0	0	0
Structure Change <u>Period 12</u>	0	(145)	99	120	869	(943)
Internal Market Virements	0	(640)	(141)	(365)	270	876
Structure Changes	0	115	342	(413)	(11)	(33)
Revised Budget	231,532	94,862	69,355	60,709	1,545	5,061

Reserves and Provision 2013/14

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2013/14 (£'000)	Income in 2013/14 (£'000)	Balance Carried Forward (£'000)
Reserves					
Council Elections	Was established to meet the periodic cost of Council Elections which take place every four years, however this is now built into the budget strategy so no need to hold this reserve.	43	(43)	0	0
Economic Development Workshops Major Maintenance	Established to meet the costs of major maintenance of Economic Development Workshops.	280	0	111	391
Education – Staff Sickness Insurance	Schools' self help insurance for staff sickness with premiums met from delegated budgets.	568	(481)	2	89
Education – Theft Insurance	Schools' self help insurance scheme to cover equipment damage and losses.	183	(100)	4	87
Fire Liability	Required to meet the cost of excesses on all council properties.	1,857	0	30	1,887
Landfill Allowance Trading Scheme	Set up to recognise the notional surplus generated because the council's liability for waste disposal tonnage since 2005/06 has been less than the allowances allocated by DEFRA. This scheme no longer operates and so the reserve has been closed in 2013/14.	0	0	0	0
Legal Disbursements	Required to meet extraordinary legal costs incurred by service directorates over and above budgets.	50	(50)	0	0
Local Joint Committees	Was used to carry forward any balance of funding remaining within Local Joint Committees in each financial year. This was the final year of LJC grants, therefore this reserve is not required anymore.	209	(209)	0	0
Major Planning Inquiries	Required to meet the one-off costs of major planning inquiries, and is a corporate reserve.	482	(70)	150	562
Major Repairs Reserve	Required to meet the costs of major repairs to be undertaken on the Council's housing stock.	1,402	(2,599)	4,920	3,723
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	727	(1)	65	791
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	4,435	(1,009)	0	3,426
People Services	Reserve established to safeguard the council against pressures within Assessment & Eligibility and external children's placements given the service areas volatility.	107	(107)	0	0
PFI Buildings Equipment Replacement	Established in 2007/08 to fund replacement equipment in PFI buildings. This relates to items of equipment not covered by the PFI contract, that the council are responsible for maintaining.	12	(7)	0	5

Reserves and Provision 2013/14

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2013/14 (£'000)	Income in 2013/14 (£'000)	Balance Carried Forward (£'000)
Public Health Reserve	This reserve includes balances committed to specific public health projects.	793	(178)	615	1,230
Redundancy	Required to meet one-off costs arising from approved staffing reductions, allowing the full approved savings in salaries or wages to reach the revenue account.	465	(11,429)	23,902	12,938
Resources Efficiency	Established for investment in new developments, particularly information technology, that service area would not be expected to meet from their internal service level agreements for support services.	834	(314)	81	601
Revenue Commitments for Future Capital Expenditure	Comprises of underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants.	2,211	(1,719)	53	545
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2014/15.	3,394	(2,192)	1,684	2,886
Schools Building Maintenance Insurance	The schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school.	1,323	(221)	342	1,444
Severe Weather	Required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve. Includes additional grant received for recent storm damage.	710	0	2,129	2,839
Shire Catering and Cleaning Efficiency	Built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.	143	(12)	0	131
Shropshire Waste Partnership (Smoothing)	The PFI smoothing reserve reflects the budgeted contributions in the early years of the Waste PFI contract that will be used to smooth the step up in the Unitary This increase has now been included within the 2014/15 budget strategy to cover the annual increase therefore the bulk of this reserve has been released in 2013/14.	20,258	(20,828)	1,193	623
Theatre Severn R&M	Established from underspends within culture and leisure, the reserve is earmarked towards future capital and revenue	29	0	0	29

Appendix 4**Reserves and Provision 2013/14**

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2013/14 (£'000)	Income in 2013/14 (£'000)	Balance Carried Forward (£'000)
	expenditure on repairs, maintenance and replacement of essential equipment at the Theatre.				
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	2,012	(1,170)	198	1,040
Transformation	Required to fund invest to save projects in order to deliver the service transformation programme.	1,867	(7)	1,455	3,315
Total Reserves		44,394	(42,746)	37,192	38,840
Provisions					
Liability Insurance	Provision to meet the estimated actuarial valuation of claims for public liability and employers' liability	3,926	(585)	0	3,341
Accumulated Absences Account	Provision to cover potential future payments of employee benefits not taken as at the end of the year. This is required under IFRS accounting regulations.	4,467	(4,467)	3,217	3,217
General Fund Bad Debts	Held for potential write offs of debtor balances for General Fund Services including Housing Benefits.	3,450	(303)	1,122	4,269
HRA Bad Debts	Held for potential write offs of debtor balances for Housing Revenue Account rents and other debtor balances.	443	(51)	0	392
Redundancy Provision	Provides for redundancy costs that the Council is committed to from issuing redundancy notices prior to 31 st March 2014.	165	(165)	947	947
CRC Provision	This provides for the council's liability in relation to the Carbon Reduction Commitment for carbon emissions from the Council's properties.	324	(324)	320	320
Highways Provision	Provided for potential outstanding claims against the Highways budget. The liability no longer exists and so the provision has been released in 2013/14.	130	(130)	0	0
Tenancy Deposit Clawbacks	This represents deposits held for the economic development workshops that may be repaid at some point in the future.	62	(3)	11	70
Streetscene Provision	This was created for a potential contract payment in Streetscene and has been committed in 2013/14.	865	(865)	0	0
Other Provisions	Includes a number of small provisions including S106 Accrued Interest and Profit share agreements.	573	(109)	95	559
Total Provisions		14,405	(7,002)	5,712	13,115

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Committee and Date

Cabinet
04 June 2014

Audit Committee
26 June 2014

Council
17 July 2014

CAPITAL OUTTURN REPORT – 2013/14

Responsible Officer James Walton
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1. Summary

1.1 The purpose of this report is to inform Members of the final outturn position for the Council's 2013/14 capital programme and the current position regarding the 2014/15 to 2016/17 capital programme taking into account the slippage following the closure of the 2013/14 programme, and any budget increases/decreases for 2014/15 and future years. The report reflects:

- § The re-profiled 2013/14 budget of £47.4m and the future years capital programme budget;
- § The outturn capital expenditure of £40.7m, representing 85.9% of the re-profiled budget for 2013/14;
- § An underspend of £6.7m, of which £6.56m has been slipped to 2014/15 and £115k of which is no longer required/available to the capital programme; and
- § The current funding of the programme and its future affordability.

2. Recommendations

Members are asked to:

- A. Approve budget variations of £17,700 to the 2013/14 capital programme, detailed in Appendix 1/Table 1 and the re-profiled 2013/14 capital budget of £47.4m.
- B. Approve the re-profiled capital budgets of £71.4m for 2014/15, including slippage of £6.6m from 2013/14, £13.7m for 2015/16 and £5.3m for 2016/17 as detailed in Appendix 1/Table 4.
- C. Accept the outturn expenditure set out in appendix 1 of £40.7m, representing 85.9% of the revised capital budget for 2013/14.

- D. Approve the Highways & Transport programme of schemes for delivery in 2014/15 and delegate authority to the Area Commissioner South in consultation with the Portfolio Holder to approve any changes to the implementation plan of schemes for delivery in 2014/15, within the parameters of the outline capital programme.
- E. Approve the setting aside of capital receipt of £1.35m to replace the self-financed prudential borrowing previously applied to finance the Solar PV schemes. This will generate an ongoing revenue saving from 2014/15.
- F. Approve retaining a balance of capital receipts set aside of £13.25m as at 31st March 2014 to generate a Minimum Revenue Provision saving of £530,000 in 2014/15.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk assessments are undertaken as part of the evaluation of all capital bids.
- 3.2 Capital receipt levels and the timing of receipts are dependant on planning approvals and prevailing market conditions.
- 3.3 Environmental appraisals are carried out for individual schemes as appropriate.
- 3.4 Community consultations are carried out for individual schemes as appropriate.

4. Financial Implications

- 4.1 This report considers the capital spend within the capital programme for 2013/14 and considers the impact that slippage within the programme will have on the financing of the capital programme in the future, including any future revenue implications.

5. Background

- 5.1 The capital programme for 2013/14 and future years, was updated as part of the Capital Strategy 2013/14 to 2016/17 report, approved by Council 28 February 2013. This included updated allocations of capital grants and followed a review of internally financed schemes to re-prioritise schemes based on current priorities and to ensure the programme is affordable based on the projected level of capital resources available to the Council. The Council's capital programme is subject to regular review and an updated Capital Strategy 2014/15 to 2016/17 was approved by Council on 27 February 2014.

6. Original and latest proposed capital programme for 2013/14

- 6.1 The capital budget for 2013/14 is subject to change, the largest element being slippage from 2012/13 and re-profiling into future years. In Period 12 there

has been a net budget decrease of £17,700, compared to the position reported at Period 11 2013/14. Table 1 summarises the overall movement, between that already approved, and changes for Period 12 that require approval.

Table 1: Revised Capital Programme Period 11 2013/14

Service Area	Agreed Capital Programme - Council 28/02/13	Slippage and budget changes approved to Period 11 13/14	Period 12 budget changes to be approved	Revised 2013/14 Capital Programme Period 12
General Fund				
Commissioning	46,668,987	(15,198,787)	(15,787)	31,454,413
Adult Services	1,531,768	(747,176)	-	784,592
Children's Services	12,139,904	(1,960,454)	-	10,179,450
Resources & Support	2,939,136	(1,967,933)	(1,913)	969,290
Total General Fund	63,279,795	(19,874,350)	(17,700)	43,387,745
Housing Revenue Account	5,131,300	(1,135,423)	-	3,995,877
Total Approved Budget	68,411,095	(21,009,773)	(17,700)	47,383,622

6.2 Full details of all budget changes are provided in Appendix One to this report, there have been no significant changes in Period 12.

7. Current Capital Programme and Forecast Outturn

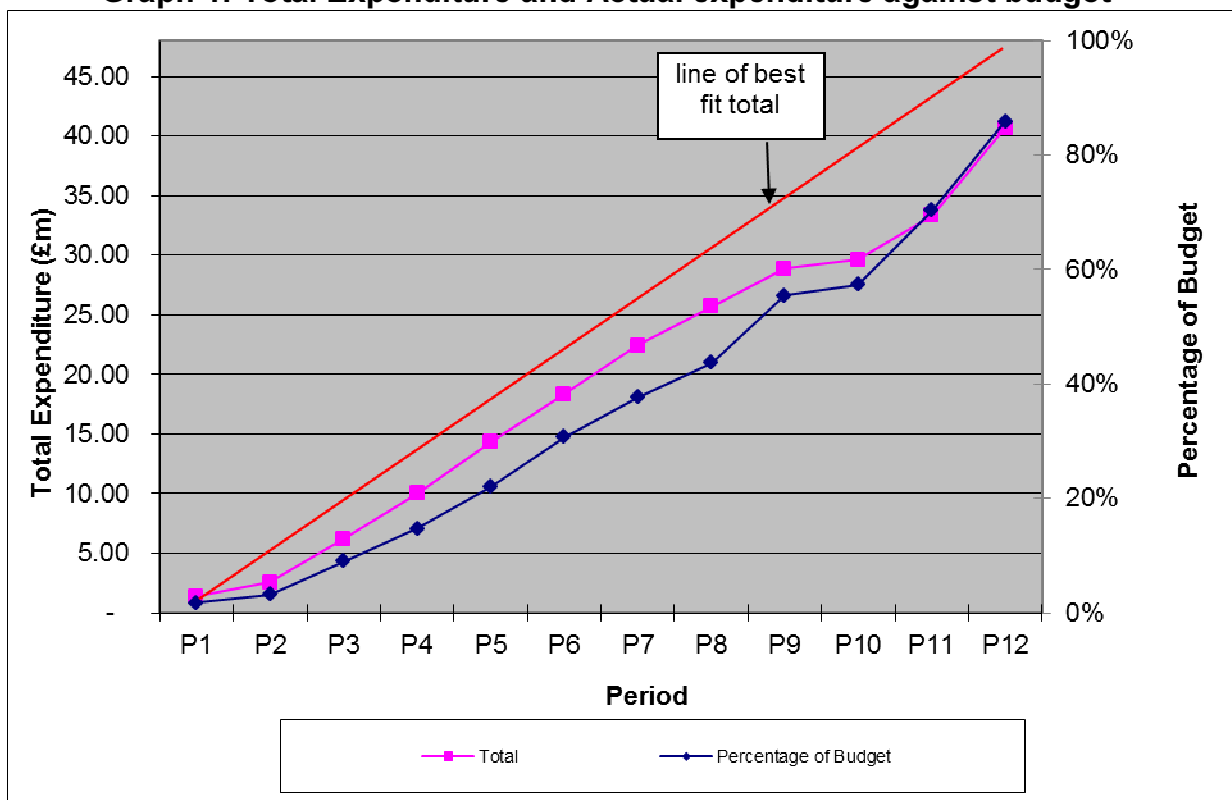
7.1 The capital programme is reviewed on a regular basis to re-profile the budget to reflect the multi-year nature of capital schemes, whereby spend may slip into later years. However, it is possible that a level of underspend or overspend may be experienced against the revised capital budget at outturn. Outturn projections are incorporated into the capital monitor to enhance the monitoring information provided and allow the early identification where schemes are deviating from budget. Table 2 summarises the outturn position for 2013/14.

Table 2: Capital Programme Outturn Position by Service area 2013/14

Service Area	Revised Capital Programme – Outturn 2014/15	Actual Expenditure 31/03/14	Variance	Spend to Budget %
General Fund				
Commissioning	31,454,413	27,732,237	3,722,176	88.2%
Adult Services	784,592	483,647	300,945	61.6%
Children's Services	10,179,450	8,586,899	1,592,551	84.4%
Resources & Support	969,290	626,958	342,332	64.7%
Total General Fund	43,387,745	37,429,741	5,958,004	86.3%
Housing Revenue Account	3,995,877	3,275,666	720,211	82.0%
Total	47,383,622	40,705,407	6,678,215	85.9%

- 7.2 Total capital expenditure for 2013/14 was £40.7m, which equated to 85.9% of the re-profiled capital programme of £47.4m. £6.56m of the £6.7m underspend has been slipped to 2014/15. The balance has been allocated to the depot redevelopment programme to replace self-financed prudential borrowing. Full details of expenditure variances at scheme level are in Appendix 1. A summary of significant variance by service area are provided below:
- 7.3 **Commissioning** – Total underspend against the Commissioning capital programme was £3.7m. The most significant area of underspend was £1.42m against Highways & Transport, this was due to the failure to deliver schemes scheduled for 2013/14. From the underspend, £1.3m has been slipped to 2014/15 for the delivery of schemes delayed from 2013/14 and £112k has been allocated against the depot redevelopment programme in place of self-financed prudential borrowing.
- Other significant areas of underspend include £415k on Housing Health & Wellbeing grants, mainly on Disabled Facilities Grants. This is due to a backlog in cases being processed, delaying the drawdown of allocated funding. Under the Market Town Revitalisation Programme there has been an underspend of £453k across the programme against the deadline of 31/03/14 for bodies to drawdown grants. A decision will be taken in early 2014/15 financial year on how to reallocate these monies based on the position with existing projects and other pressures within the capital programme.
- 7.4 **Adult Services** – The total underspend against Adult Services was £331k, this was across all schemes in the programme and despite significant re-profiling earlier in the year.
- 7.5 **Children's Services** – The total underspend against the Children's Services capital programme was £1.6m. This was spread through-out the different areas of the programme, following delays in commissioning and delivery of schemes.
- 7.6 **Resources & Support** – The underspend against the Resources & Support capital programme was £340k, the main area of this was on the Gypsy Site schemes, where delays pushed completion into 2014/15.
- 7.7 **Housing Revenue Account** – The Housing Revenue Account underspent by £720k, this was across the various elements of the programme.
8. **Actual Expenditure to Date – *is the programme being delivered to plan?***
- 8.1 The outturn capital expenditure is £40.7m, which represents 85.9% of the revised outturn capital budget. Graph One below shows actual expenditure by Period and actual expenditure on the total capital programme by Period as a percentage of the total budget.

Graph 1: Total Expenditure and Actual expenditure against budget



9. Financing of the capital programme

9.1 Appendix 1 provides a full summary of the financing of the 2013/14 capital programme. Table 3 summarises the financing sources and changes made to Period 11 and to be approved in Period 12.

Table 3: Revised Capital Programme Financing

Financing	Agreed Capital Programme - Council 28/02/13	Slippage and budget changes approved to Period 11 13/14	Period 12 budget changes to be approved	Revised 2013/14 Capital Programme Period 12
Self-Financed Prudential Borrowing*	9,205,671	(9,279,283)	-	(73,612)
Government Grants	34,305,175	(6,220,449)	638,328	28,723,054
Other Grants	1,009,669	207,368	-	1,217,037
Other Contributions	877,095	569,868	3,494	1,450,457
Revenue Contributions to Capital	2,677,800	93,438	(142,372)	2,628,866
Major Repairs Allowance	3,200,000	(583,409)	141,070	2,757,661
Corporate Resources (Capital Receipts/ Prudential Borrowing)	17,135,685	(5,797,306)	(658,220)	10,680,159
Total Confirmed Funding	68,411,095	(21,009,773)	(17,700)	47,383,622

* Borrowing for which on-going revenue costs are financed by the Service, usually from revenue savings generated from the schemes.

10. Projected Longer Term Capital Programme to aid Medium Term Financial Plan

10.1 The updated capital programme for 2014/15 to 2016/17 is summarised by year and financing in Table 4 below (2014/15 includes £6.6m slippage from 2013/14):

Table 4: Capital Programme 2014/15 to 2016/17

Service Area	2014/15	2015/16	2016/17
General Fund			
Commissioning	39,918,330	8,264,157	3,500,000
Adult Services	1,757,519	314,663	-
Children's Services	16,404,252	1,709,784	1,795,273
Resources & Support	2,547,675	130,000	50,000
Total General Fund	60,627,776	10,418,604	5,345,273
Housing Revenue Account	10,811,102	3,287,090	-
Total Approved Budget	71,438,878	13,705,694	5,345,273
Financing			
Self-Financed Prudential Borrowing*	163,046	-	-
Government Grants	37,375,282	1,789,784	1,795,273
Other Grants	650,993	9,023	-
Other Contributions	502,588	-	-
Revenue Contributions to Capital	3,530,447	414,000	-
Major Repairs Allowance	7,456,526	3,200,000	-
Corporate Resources (Capital Receipts/ Prudential Borrowing)	21,759,996	8,292,887	3,550,000
Total Confirmed Funding	71,438,878	13,705,694	5,345,273

* Borrowing for which on-going revenue costs are financed by the Service, usually from revenue savings generated from the schemes.

10.2 Significant changes across the life of the programme include £1.74m new Homes and Communities Agency funding for the refurbishment of 3 gypsy site, profiled to be delivered mainly in 2014/15. £0.558m from revenue contributions from New Home Bonus monies for Community Led Affordable Housing grant schemes across 2014/15 and 2015/16. £0.654m in Severe Weather Recovery funding from Department for Transport.

10.3 **Highways and Transport Capital Programme:** the 2014/15 Capital Strategy report included the Highways and Transport capital programme for 2014/15 of £16.7m. Following slippage from the 2013/14 programme and other funding changes, this has increased to £18.5m. An updated Highways and Transport capital programme is detailed in appendix 2 to this report, this has been updated to include the implementation plan of schemes for delivery in 2014/15.

10.4 The programme detailed in appendix 2 is the programme the Council plan to deliver for 2014/15; however factors beyond the Councils control can delay the delivery of the programme. As such, it is recommended authority is delegated to the Area Commissioner South in consultation with the Portfolio Holder to approve any changes to the implementation plan of schemes for delivery in 2014/15, within the parameters of the outline capital programme. Any changes will be formally reported as virements through the monthly capital monitoring reports.

10.5 Following the Capital Strategy 2014/15 to 2016/17 report the above programme has been made more affordable by matching capital receipts financing to projected receipts and reducing the potential element of corporately financed prudential borrowing that may be required and the associated ongoing revenue costs. The Corporate Resources financing line above is the element of internal resources through capital receipts and corporately financed prudential borrowing required to finance the programme. See section 11 for the current projected split.

11. Capital Receipts Position

11.1 The current capital programme is reliant on the Council generating capital receipts to finance the capital programme. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. Table 5 below, summarises the current allocated and projected capital receipt position across 2013/14 to 2016/17. A RAG analysis has been included for capital receipts projected, based on the current likelihood of generating them by the end of each financial year. Those marked as green are where they are highly likely to be completed by the end of the financial year, amber are where they are achievable, but challenging and thus there is a risk of slippage and red are highly unlikely to complete in year and thus there is a high risk of slippage. However, no receipts are guaranteed to complete in this financial year as there may be delays between exchanging contracts and completing.

Table 5: Projected capital receipts position

Detail	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Corporate Resources Applied to finance Capital Programme	5,325,116			
Capital Receipts applied direct to CAA (including £1.35m to replace Prudential Borrowing on Solar PV schemes)	1,390,118			
Corporate Resources Allocated in Capital Programme		21,759,996	8,292,887	3,550,000
To be allocated from Ring Fenced Receipts	-	2,575,778	1,145,410	1,762,500
Total Commitments	6,715,234	24,335,774	9,438,297	5,312,500
Capital Receipts in hand/projected:				
Brought Forward in hand	12,393,574	13,245,785		
Generated 2013/14	7,567,446			
Future Years - 'Green'		5,949,820	2,399,225	4,000,000
Total in hand/projected	19,961,020	19,195,605	2,399,225	4,000,000
Surplus to be carried forward to 2014/15	(13,245,785)			
Shortfall / (Surplus) to be financed from Prudential Borrowing		5,140,169	7,039,072	1,312,500
Further Assets Being Considered for Disposal		12,331,915	6,525,000	3,595,000

11.2 Capital receipts of £7.6m have been generated in 2013/14. As previously reported, following the re-profiling in the capital programme, sufficient receipts had been generated to finance this year's capital programme without any corporate prudential borrowing.

- 11.3 In 2011/12 and 2012/13 as part of the Councils Carbon Management Programme, £1.41m of expenditure was incurred in installing Solar PV at 16 schools. As well as the benefits the schools gain from cheaper energy costs, the Council also receives annual revenue income from the feed-in tariffs, In 2013/14 this income to the Council amounted to £96k. However as the scheme was financed by self-financed prudential borrowing, annual payments have to be made to cover the cost of the borrowing (£112k in 2013/14). Given the high level of receipts in hand, it is proposed to set aside receipts to replace the balance of the borrowing (£1.35m) and generate an ongoing revenue saving.
- 11.4 Following the outturn underspend position for the capital programme for 2013/14, the changes to financing of Solar PV schemes and the Council policy of applying un-ringfenced capital grants in place of capital receipts where they are not required in full due to scheme underspends, the Council has £13.25m in capital receipts in hand at 31/03/14. These will be set-aside, enabling the Council to achieve an additional MRP saving of £0.530m in 2014/15.
- 11.5 The above capital receipt projections for 2014/15 to 2016/17 are based on current scheduled disposals that are profiled for each year. Those listed as Green are where it is rated as 'highly likely' that the disposals will be completed in year. In addition to these there are a number of further disposals that have been identified for potential disposal in future years. These receipts hold significant risk against delivery and therefore until the plans for disposal against these assets are formally agreed, these will not be included when considering the programmes affordability. On the basis that the current programme is unaffordable, further work is required on the deliverability of the list of assets being considered for disposal.
- 11.6 If the Council cannot generate the required level of capital receipts, the Council will need to further reduce or re-profile the capital programme or undertake prudential borrowing, which will incur revenue costs that are not budgeted in the revenue financial strategy.

12. Unsupported borrowing and the revenue consequences

- 12.1 The Council can choose what level of unsupported (prudential) borrowing to undertake to fund the capital programme, based on affordability under the prudential code. There is an associated revenue cost to fund the cost of the unsupported borrowing. This consists of the Minimum Revenue Provision (MRP) charge for the repayment of the principal amount, based on the asset life method and the interest charge associated with the borrowing. The current PWLB borrowing rate over 25 years is around 4.6% and is projected to remain at around 5.0% in 2014/15. At this rate, £1m of Prudential Borrowing would result in additional revenue financing costs of £0.086m (MRP and interest cost) in the following year, reducing by £1,840 each year over the 25 year period. The Council is working towards generating sufficient capital receipts (see section 11), to avoid any unsupported borrowing requirement.

Cabinet 4 June 2014, Audit Committee 26 June 2014, Council 17 July 2014: Capital Outturn – 2013/14

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Capital Strategy 2014/15 to 2016/17 – Council 28 February 2013
Capital Monitoring Report – Period 10 2012/13 – Cabinet 13 March 2013
Capital Monitoring Report – Period 11 2012/13 – Cabinet 17 April 2013
Capital Outturn Report – 2012/13 – Council 18 July 2013
Capital Monitoring Report – Period 3 2013/14 – Cabinet 24 July 2013
Capital Monitoring Report – Period 4 2013/14 – Cabinet 18 September 2013
Capital Monitoring Report – Period 5 2013/14 – Cabinet 16 October 2013
Capital Monitoring Report – Period 6 2013/14 – Cabinet 13 November 2013
Capital Monitoring Report – Period 9 2013/14 – Cabinet 19 February 2014
Council Business Plan and Financial Strategy 2014 to 2017 – Council 27 February 2014
Capital Monitoring Report – Period 10 2013/14 – Cabinet 12 March 2014
Capital Monitoring Report – Period 11 2013/14 – Cabinet 9 April 2014

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council.

Portfolio holders

Local Member

All

Appendices

1. Capital Budget and Expenditure 2013/14
2. Highways Capital Programme 2014/15

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Shropshire Council - Capital Programme 2013/14 - 2016/17

Capital Programme Summary - Period 12

Scheme Description	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14	Spend to Budget Variance £	% Budget Spend	Slipped to 2014/15 £	No longer required/ available £	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
General Fund												
Commissioning	31,470,200	-	(15,787)	31,454,413	27,732,237	3,722,176	88.2%	3,609,977	112,199	39,918,330	8,264,157	3,500,000
Adult Services	784,592	-	-	784,592	483,647	300,945	61.6%	300,945	-	1,757,519	314,663	-
Children's Services	10,179,450	-	-	10,179,450	8,586,899	1,592,551	84.4%	1,592,544	7	16,404,252	1,709,784	1,795,273
Resources & Support	971,203	-	(1,913)	969,290	626,958	342,332	64.7%	339,636	2,696	2,547,675	130,000	50,000
Total General Fund	43,405,445	-	(17,700)	43,387,745	37,429,741	5,958,004	86.3%	5,843,102	114,902	60,627,776	10,418,604	5,345,273
Housing Revenue Account	3,995,877	-	-	3,995,877	3,275,666	720,211	82.0%	720,212	(1)	10,811,102	3,287,090	-
Total Approved Budget	47,401,322	-	(17,700)	47,383,622	40,705,407	6,678,215	85.9%	6,563,314	114,901	71,438,878	13,705,694	5,345,273
Approved Self-Financing Borrowing Schemes, not included in main programme pending development of schemes												
Commissioning	-	-	-	-	-	-	-	-	-	3,791,457	-	-
	-	-	-	-	-	-	-	-	-	3,791,457	-	-

Expenditure funded from Operating Leases

Scheme Description	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £
Commissioning	1,842,992	-	-	1,842,992	1,842,992	-	100.0%	-	-
Total	1,842,992	-	-	1,842,992	1,842,992	-	100.0%	-	-

Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14 £	Spend to Budget Variance £	Slipped to 2014/15 £	No Longer required / available £	RAG Status on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
Commissioning																		
Leisure																		
Oswald Leisure Centre	K5T02	N Willcox	10,981,923	10,784,928	-								Green	Green		196,995	-	-
Broseley MUGA	K5T09	A Penton	196,265	176,534	19,731			19,731	19,085	646	646		Green	Green		646	-	-
Sundorne Sports Village Skate Park	K5T27	A Penton	28,908	195	28,713			28,713	28,027	686	686		Green	Green		686	-	-
Market Drayton Swimming Centre - Changing Rooms	K5T51	P Davis	262,000	-	252,000			252,000	151,186	100,814	100,814		Green	Green		110,814	-	-
Bridgnorth Leisure Centre - Lighting Replacement	K5T54	D Hinves	59,750	-	59,750			59,750	59,750	-	-		Green	Green		-	-	-
Total					360,194			360,194	258,048	102,146	102,146					309,141		
Community Action																		
Community Grants	K5C03	J Bubb	Ongoing	-	7,174			7,174	7,174	-	-		Green	Green		-	-	-
Whitchurch Civic Centre	K5T48	N Willcox	744,792	53,398	539,658			539,658	537,168	2,490	2,490		Amber	Amber	1	154,226	-	-
Ellesmere Town Market & Event Enhancement	K5CA1	J Bubb	44,329	18,124	26,205			26,205	26,206	(1)	-		Green	Green		-	-	-
Total					573,037			573,037	570,548	2,489	2,490					154,226		
Waste Management																		
In Vessel Composting Facility	K6WM0	L Wolfe	325,000	-	-			-	-	-	-		Green	Green		325,000	-	-
Road Vanguard Way	K6WMB	L Wolfe	128,510	123,508	-			-	-	-	-		Green	Green		5,002	-	-
Food Waste Disposal Units	K6WMC	J Thompson	16,000	2,560	13,440			13,440	11,280	2,160	2,160		Green	Green		2,160	-	-
Total					13,440			13,440	11,280	2,160	2,160					332,162		
Bereavement Services																		
New Burial Site - Shrewsbury	K6BS1	L Wolfe	1,078,000	60,582	889,418			889,418	780,387	109,031	109,031		Green	Green		237,031	-	-
Total					889,418			889,418	780,387	109,031	109,031					237,031		
Highways & Transport - LTP																		
Structural Maintenance of Bridges																		
Bridgeguard Rolling Programme	K6BG4	T Sneddon	Ongoing	-	1,632,268			1,632,268	1,791,122	(158,854)	1,733	(160,587)	Green	Green		56,733	-	-
Bridgeguard - Unallocated	KBG01	T Sneddon	-	-	-			-	-	-	-		Green	Green		-	-	-
Bridgeguard - Miscellaneous Expenditure	KBG02	T Sneddon	190,706	-	-			-	-	-	-		Green	Green		190,706	-	-
Bridgeguard - Consultancy Fees	KBG03	T Sneddon	425,000	-	-			-	-	-	-		Green	Green		425,000	-	-
Bridgeguard - Tern No 1 Bridge	KBG04	T Sneddon	200,000	-	-			-	-	-	-		Green	Green		200,000	-	-
Bridgeguard - Hadnall Culvert	KBG05	T Sneddon	375,000	-	-			-	-	-	-		Green	Green		375,000	-	-
Bridgeguard - Bankfields Lane Bridge	KBG06	T Sneddon	150,000	-	-			-	-	-	-		Green	Green		150,000	-	-
Bridgeguard - Snailbeach Retaining Wall	KBG07	T Sneddon	-	-	-			-	-	-	-		Green	Green		-	-	-
Bridgeguard - Aston Bridge	KBG08	T Sneddon	80,000	-	-			-	-	-	-		Green	Green		80,000	-	-
Bridgeguard - Church Window Bridge	KBG09	T Sneddon	80,000	-	-			-	-	-	-		Green	Green		80,000	-	-
Bridgeguard - Heathton West Bridge	KBG10	T Sneddon	15,000	-	-			-	-	-	-		Green	Green		15,000	-	-
Bridgeguard - Wagbeach Footbridge	KBG11	T Sneddon	30,000	-	-			-	-	-	-		Green	Green		30,000	-	-
Bridgeguard - Hurst Bend, Clun	KBG12	T Sneddon	-	-	-			-	-	-	-		Green	Green		-	-	-
Bridgeguard - Glazeley Bridge	KBG13	T Sneddon	30,000	-	-			-	-	-	-		Green	Green		30,000	-	-
Bridgeguard - Outrack Bridge	KBG14	T Sneddon	-	-	-			-	-	-	-		Green	Green		-	-	-
Bridgeguard - Severe Weather Schemes	KBG9M	T Sneddon	-	-	-			-	-	-	-		Green	Green		-	-	-
Total					1,632,268			1,632,268	1,791,122	(158,854)	1,733	(160,587)				240,000		
Structural Maintenance of Roads																		
Structural Maintenance of Principal Roads		T Sneddon	Ongoing	-	2,882,432			2,882,432	2,893,145	(10,713)	548,872	(559,585)	Green	Green		1,587,799	-	-
Structural Maintenance of Secondary Roads	K6AF0	T Sneddon	Ongoing	-	9,175,526		240	9,175,766	8,259,264	916,502	584,517	331,985	Green	Green		4,066,733	-	-
Structural Maintenance of Road to be allocated				-	265,000			265,000	79,664	185,336	-	185,336	Green	Green		7,352,112	-	-
Total					12,322,958		240	12,323,198	11,232,073	1,091,125	1,133,389	(42,264)				13,006,644		
Street Lighting																		
Programme of structural replacement of lighting columns	K6SL1	R Buzzacott	Ongoing	-	370,568			370,568	397,600	(27,032)	6,764	(33,796)	Green	Green		306,764	-	-
Conversion of SOX Streetlights to Electronic Control Gear	K6SL2	R Buzzacott	Ongoing	-	4,432			4,432	4,432	-	-		Green	Green		100,000	-	-
Part Night Lighting	K6SL3	R Buzzacott	Ongoing	-	25,000			25,000	129,943	(104,943)	33,456	(138,399)	Green	Green		133,456	-	-
Total					400,000			400,000	531,975	(131,975)	40,220	(172,195)				540,220		
Local Transport Plan - Integrated Transport Plan																		
Network Management and Efficiency																		
Network Management and Efficiency General	K6NE1	R Buzzacott	Ongoing	-	400,000			400,000	339,395	60,605	-	60,605	Green	Green		-	-	-
Network Management and Efficiency Shrewsbury	K6NE3	R Buzzacott	Ongoing	-	37,000			37,000	31,624	5,376	-	5,376	Green	Green		-	-	-
Network Management and Efficiency Chester Street Gyrotory	K6NE4	R Buzzacott	Ongoing	-	161,737			161,737	109,885	51,852	56,969	(5,117)	Green	Green		-	-	-
Network Management and Efficiency Parking Strategy	K6NE5	R Buzzacott	Ongoing	-	40,000			40,000	40,000	-	-	40,000	Green	Green		-	-	-
Total					638,737			638,737	480,903	157,834	56,969	100,865						
Public Transport																		
Public Transport - General	K6PT4	R Buzzacott	Ongoing	-	144,718			144,718	72,786	71,932	-	71,932	Green	Green		-	-	-
Total					144,718			144,718	72,786	71,932								
Walking and Cycling																		
Walking and Cycling General	K6CY2	R Buzzacott	Ongoing	-	403,550			403,550	520,702	(117,152)	73,007	(190,159)	Green	Green		-	-	-
Walking and Cycling Shrewsbury	K6CY4	R Buzzacott	Ongoing	-	478,000			478,000	318,902	159,098	-	159,098	Green	Green		-	-	-
Total					881,550			881,550	839,604	41,946	73,007	(31,061)						
Safety and Speed Management																		
Speed Management - Rural	K6SM1	R Buzzacott	Ongoing	-	70,000			70,000	2,182	67,818	-	67,818	Green	Green		-	-	-
Speed Management - Urban	K6SM2	R Buzzacott	Ongoing	-	20,000			20,000	2,297	17,703	-	17,703	Green	Green		-	-	-
Speed Management - Vehicle Activated Signs	K6SM5	R Buzzacott	Ongoing	-	65,000			65,000	20,040	44,960	-	44,960	Green	Green		-	-	-
Speed Management - Safety Prioritised Interventions	K6SM6	R Buzzacott	Ongoing	-	245,000			245,000	93,476	151,524	-	151,524	Green	Green		-	-	-

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Scheme Description	Code	Project Manager	Total Approved Scheme Budget	Previous Years Spend	Revised Budget P11 13/14	Budget Virements P12	Budget Inc/Dec P12	Revised Budget P12 13/14	Actual Spend 31/03/14	Spend to Budget Variance	Slipped to 2014/15	No Longer required / available	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget	2015/16 Revised Budget	2016/17 Revised Budget
			£	£	£	£	£	£	£	£	£	£				£	£	£
Speed Management - Village Speed Limits	K6SM7	R Buzzacott	Ongoing	-	-			-	14,871	(14,871)	-	(14,871)	Green	Green		-	-	-
Speed Management - School Travel	K6SM8	R Buzzacott	Ongoing	-	240,000			240,000	188,327	51,673	-	51,673	Green	Green		-	-	-
Total					640,000			640,000	321,192	318,808		318,808						
Community Cars																		
Community Car Clubs	K6CC1	R Buzzacott	Ongoing		30,000			30,000	16,750	13,250	-	13,250	Green	Green		-	-	-
Total					30,000			30,000	16,750	13,250		13,250						
Other																		
Monitoring & Evaluation	K6ME1	R Buzzacott	Ongoing		34,000			34,000	20,595	13,405	-	13,405	Green	Green		-	-	-
Total					34,000			34,000	20,595	13,405		13,405						
Pedestrian & Cycle Facilities																		
Central																		
ITP Central - Castle Street Pedestrian Crossing, Shrewsbury	KTC01	V Merrill														3,000		
ITP Central - Claremont Bank Pedestrian Crossing Bank, Shrewsbury	KTC02	V Merrill														3,000		
North																		
ITP North - Wem Mill St/Drawell Lane Pedestrian Crossing, Wem	KTC03	V Merrill														35,000		
ITP North - Woore, Newcastle Road Footway Improvement	KTC04	V Merrill														3,000		
ITP North - B5069 Rhyn Park St Martins Crossing	KTC05	V Merrill														150,000		
ITP North - B5067 Baschurch Pedestrian Crossing	KTC06	V Merrill														6,000		
ITP North - A53 Shawbury Footway Link	KTC07	V Merrill														5,000		
ITP North- Trefonen Pedestrian Crossing	KTC08	V Merrill														5,000		
South																		
ITP South - B4555 Bridgnorth Road Highley	KTC09	V Merrill														25,000		
ITP South - A4117 Clew Hill Pedestrian Crossing	KTC10	V Merrill														10,000		
ITP South - B4363 Hollybush Road/Underhill Street Pedestrian Crossing	KTC11	V Merrill														3,000		
ITP South - Broseley Road Bridgnorth Road Pedestrian Improvement	KTC12	V Merrill														31,007		
ITP South - B4373 Wenlock Road & Westgate Crossing, Bridgnorth	KTC13	V Merrill														95,000		
ITP South - Station Road, Albrighton Pedestrian Facilities	KTC14	V Merrill														2,500		
ITP South - B4379 Sherrifhales Pedestrian Improvements	KTC15	V Merrill														7,000		
ITP South - A464 Park Street Shifnal Pedestrian Crossing	KTC16	V Merrill														5,000		
ITP South - B4386 Worthen Footway Extension	KTC17	V Merrill														5,000		
ITP South - B4376 Barrow Pedestrian Safety	KTC18	V Merrill														15,000		
ITP South - High Street Cleobury Zebra Crossing Enhancement	KTC19	V Merrill														5,000		
Total																413,507		
Signal Enhancements																		
Central																		
ITP Central - Whitchurch Road (Morrison's) Junction Improvement	KTS01	V Merrill														60,000		
ITP Central - Abbey Foregate/Monkmoor traffic signals	KTS02	V Merrill														200,000		
ITP Central - Bellstone/Barker Street crossing refurbishment	KTS03	V Merrill														5,000		
ITP Central - Coleham Gyrotory	KTS04	V Merrill														25,000		
North																		
ITP North - A53 Shrewsbury road/Wem road signal refurbishment	KTS05	V Merrill														20,000		
ITP North - B5395 Whitchurch 5 ways junction improvement	KTS06	V Merrill														260,000		
South																		
ITP South - A41 Cosford junction signal refurbishment	KTS07	V Merrill														300,000		
Total																870,000		
Safety/Speed Reductions																		
Central																		
ITP Central - A488 HGV Advance Warning signs	KTR01	V Merrill														80,000		
ITP Central - Shrewsbury Town Centre 20mph Extension	KTR02	V Merrill														10,000		
ITP Central - Lancaster Road Speed Management	KTR03	V Merrill														6,000		
North																		
ITP North - A49 Prees Green Signage	KTR04	V Merrill														8,000		
ITP North - A525 Broughall crossroads widening	KTR05	V Merrill														5,000		
ITP North - B5069 Moors Bank St Martins speed reduction	KTR06	V Merrill														3,000		
ITP North - Prees Lower Heath speed reduction	KTR07	V Merrill														5,000		
ITP North - B4397 Baschurch speed reduction	KTR08	V Merrill														5,000		
ITP North - B4396 Knockin Village speed reduction	KTR09	V Merrill														4,000		
ITP North - A49 Hadnall to Preston Brock safety	KTR10	V Merrill														5,000		
ITP North - Chirk Road Gobowen speed reduction	KTR11	V Merrill														4,000		
ITP North - B5065 Sulton road speed reduction	KTR12	V Merrill														4,000		
ITP North - A49 Prees Higher Heath speed reduction	KTR13	V Merrill														5,000		
ITP North - B5063 The Blamer speed reduction	KTR14	V Merrill														3,000		
South																		
ITP South - A442 Norton	KTR15	V Merrill														8,000		
ITP South - A456 Burford Speed Reduction	KTR16	V Merrill														30,000		
ITP South - B4368 Long Medaowend	KTR17	V Merrill														6,000		
ITP South - A5 Burlington safety	KTR18	V Merrill														35,000		
ITP South - B4176 Upper Aston junction improvement	KTR19	V Merrill														15,000		
ITP South - B4555 Severn Centre Highley traffic calming	KTR20	V Merrill														8,000		
ITP South - A458 Morville Road Safety Improvements	KTR21	V Merrill														12,000		
ITP South - A488 Hope valley safety barrier	KTR22	V Merrill														30,000		

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Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14 £	Spend to Budget Variance £	Slipped to 2014/15 £	No Longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
ITP South - Chorley speed limit	KTR23	V Merrill														3,000		
ITP South - B4378 Shipton speed limit	KTR24	V Merrill														5,000		
Total					-	-	-	-	-	-	-	-	-	-		299,000		
Traffic Management																		
Central																		
ITP Central - Traffic Management Crowmere & Belvidere schools	KTM01	V Merrill														73,000		
ITP Central - Traffic Management Meole Brace School	KTM02	V Merrill														75,000		
ITP Central - Racecourse Lane, Shrewsbury	KTM03	V Merrill														10,000		
ITP Central - Princess Street, Shrewsbury	KTM04	V Merrill														20,000		
ITP Central - Eaton Constantine traffic management	KTM05	V Merrill														5,000		
North																		
ITP north - B4579 Salop Road Car Park Access	KTM06	V Merrill														10,000		
South																		
ITP South - A41 Pickmere Roundabout signage	KTM07	V Merrill														40,000		
ITP South - B4386 Little Brampton/Purslow crossroads	KTM08	V Merrill														10,000		
ITP South - A464 Upton Crossroads Shifnal signs	KTM09	V Merrill														20,000		
ITP South - Albrighton cross road	KTM10	V Merrill														3,500		
Total					-	-	-	-	-	-	-	-	-	-		266,500		
Parking Infrastructure																		
Countywide																		
ITP Countywide - Parking Strategy Improvements	KTP02	V Merrill														40,000		
Total					-	-	-	-	-	-	-	-	-	-		40,000		
Network Improvements																		
Countywide																		
ITP Countywide - Bus Shelters	KTN02	V Merrill														30,000		
Central																		
ITP Central - Chester Street Gyrotory	K6NE5	V Merrill														56,969		
Total					-	-	-	-	-	-	-	-	-	-		86,969		
Sustainable Transport Fund																		
Central																		
LSTF - Park & Ride improvements & Signage	KST01	V Merrill														50,000		
LSTF - Canal Path Ditherington	KST02	V Merrill														30,000		
LSTF - A488 Pontesbury to Minsterley Cycle Route	KST03	V Merrill														90,000		
LSTF - A458 Old Potts Way Cycle/Pedestrian crossing	KST04	V Merrill														70,000		
LSTF - Cartmel Drive lighting phase 3, Shrewsbury	KST05	V Merrill														70,000		
LSTF - St Julians Friars shared space, Shrewsbury	KST06	V Merrill														225,000		
LSTF - Wenlock Road Shrewsbury	KST07	V Merrill														47,000		
LSTF - Heathgates Roundabout - Cycling & Pedestrian Improvement	KST08	V Merrill														10,000		
LSTF - Spring Gardens cycle path	KST09	V Merrill														10,000		
LSTF - Pritchard Way/Sutton Roundabout - crossing improvement	KST10	V Merrill														5,000		
North																		
LSTF - Oswestry branch line cycle route (aka Cambrian Railway Footpath)	KST11	V Merrill														7,000		
LSTF - A49 Hadnall pedestrian crossing	KST12	V Merrill														60,000		
LSTF - Gobowen, B5069 St martins road crossing	KST13	V Merrill														40,000		
LSTF - Gobowen footway improvements	KST14	V Merrill														6,000		
South																		
LSTF - Ludlow sign scheme	KST15	V Merrill														25,000		
LSTF - Temeside, Ludlow signs	KST16	V Merrill														3,000		
LSTF - Bull Ring Ludlow traffic management	KST17	V Merrill														2,000		
LSTF - Bromfield road cycle route	KST18	V Merrill														2,000		
LSTF - Minor walking improvements	KST19	V Merrill														40,000		
Countywide																		
LSTF - Cycle & Pedestrian Direction signs	KST20	V Merrill														5,000		
LSTF - Shrewsbury & Ludlow community car clubs	KST21	V Merrill														20,000		
Total					-	-	-	-	-	-	-	-	-	-		817,000		
Integrated Transport Unallocated																		
Countywide																		
ITP Countywide - Unallocated	KT000	V Merrill														311,000		
Total					-	-	-	-	-	-	-	-	-	-		311,000		
Total Integrated Transport Plan					2,369,005			2,369,005	1,751,830	617,175	129,976	487,199				3,103,976		
Total Highways & Transport - LTP					16,724,231		240	16,724,471	15,306,999	1,417,472	1,305,318	112,154				18,523,279		
Strategic Highways - Non LTP Project Management																		
Cleobury Mortimer Public Conveniences	K6EM3	S Brown	102,765	84,927	14,154			14,154	14,154				Green	Green		3,684		
Poachers Pocket Car park	K6PMB	A Wilde	38,727	37,420	6,802	(5,495)		1,307	1,307				Green	Green				
Bridgnorth Riverside Enhancement Scheme	K6PMC	G McGrandale	100,000		100,000			100,000	50,998	49,002		49,002	Green	Green				
Whitchurch Town Centre Improvements	K6PMD	I Walshaw	10,028		10,028			10,028		()		()	Green	Green				
Total					130,984		(5,495)	125,489	76,487	49,002		49,002				3,684		
Strategic Highways - Retaining Walls and Footbridges																		
Porthill Footbridge	K6BP1	J Williams	707,304	677,249	30,055			30,055	30,055	()		()	Green	Green				

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Scheme Description	Code	Project Manager	Total Approved Scheme Budget	Previous Years Spend	Revised Budget P11 13/14	Budget Virements P12	Budget Inc/Dec P12	Revised Budget P12 13/14	Actual Spend 31/03/14	Spend to Budget Variance	Slipped to 2014/15	No Longer required / available	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget	2015/16 Revised Budget	2016/17 Revised Budget
			£	£	£	£	£	£	£	£	£	£				£	£	£
Castle Square Car Park Retaining wall	K6BP5	J Williams	715,425	618,817	52,608			52,608	50,904	1,704	1,704		Green	Green		45,704	-	-
Total					82,663			82,663	80,960	1,703	1,704	(1)				45,704		
Flood Defences & Water Management																		
Much Wenlock - Flood & Water Management	K6FW1	D Edwards	807,572	150,705	56,867			56,867	24,415	32,452	32,452		Green	Green		632,452	-	-
Craven Arms - Flood & Water Management	K6FW2	D Edwards	70,000	33,876	36,124			36,124	10,075	28,049	28,049		Green	Green		26,049	-	-
Church Stretton - Flood & Water Management	K6FW3	D Edwards	180,411	64,949	115,462			115,462	109,687	5,775	5,775		Green	Green		5,775	-	-
Shifnal - Flood & Water Management	K6FW4	D Edwards	185,000	32,883	12,117			12,117	3,952	8,165	8,165		Green	Green		148,165	-	-
Oswestry - Flood & Water Management	K6FW5	D Edwards	91,640	78,247	13,393			13,393	7,401	5,992	5,992		Green	Green		5,992	-	-
Shrewsbury - Flood & Water Management	K6FW6	D Edwards	158,262	122,955	35,307			35,307	2,445	32,862	32,862		Green	Green		32,862	-	-
Total					269,270			269,270	157,975	111,295	111,295					851,295		
Environmental Maintenance - Depots																		
Oswestry Depot	K6H02	S Brown	1,532,761	1,468,094	28,236			28,236	(8,195)	36,431	36,431		Green	Green		36,431	-	-
Depot Redevelopment - Unallocated	K6H03	S Brown	611,865	-	-			-	-	-	-		Green	Green		611,865	-	-
Depot Redevelopment - Longden Road, Shrewsbury	K6H04	S Brown	20,376	19,336	1,040			1,040	1,040	-	-		Green	Green		-	-	-
Depot Redevelopment - Whittington, Oswestry	K6H05	S Brown	2,000	-	-			-	-	-	-		Green	Green		2,000	-	-
Depot Redevelopment - Hodnet	K6H06	S Brown	136,716	95,474	28,352			28,352	17,462	10,890	10,890		Green	Green		12,890	-	-
Depot Redevelopment - Craven Arms	K6H08	S Brown	1,166,625	43,058	347,258			347,258	278,769	68,489	68,489		Green	Green		776,309	-	-
Depot Redevelopment - Stourbridge Road, Bridgnorth	K6H09	S Brown	126,108	3,395	40,510			40,510	56,199	(15,689)	(15,689)		Green	Green		82,203	-	-
Total Environmental Maintenance - Depots					445,396			445,396	345,275	100,121	100,120					1,521,698		
Passenger Transport																		
Replacement Vehicles ITU	K6L14	A Maiden	Ongoing		290,570			290,570	290,570	-	-		Green	Green		-	-	-
Total					290,570			290,570	290,570									
Total Commissioning					19,779,203	(5,495)	240	19,773,948	17,878,529	1,895,419	1,734,264	161,155				21,978,220		
Commissioning - Heads of Service																		
Public Protection																		
Healthier & Sustainable Environment																		
Contaminated Land - Former Burford Gas Works	K6PP3	M Key	19,958	-	19,958			19,958	19,958	-	-		Green	Green		-	-	-
Contaminated Land - Former Much Wenlock Gas Works	K6PP7	M Key	9,730	-	9,730			9,730	9,730	-	-		Green	Green		-	-	-
Total					29,688			29,688	29,688									
Improving Health & Wellbeing																		
Disabled Facilities Grants	K5P03	B Carey	Ongoing	-	1,220,889			1,220,889	885,080	335,809	335,809		Green	Green		1,758,124	-	-
Black Start Local Programme	K5P11	B Carey	Ongoing	-	8,499			8,499	8,499	1	-	1	Green	Green		-	-	-
Private House Condition Survey	K5P12	B Carey	Ongoing	-	4,120			4,120	4,120	-	-		Green	Green		-	-	-
Empty Homes Strategy	K5P13	B Carey	Ongoing	-	11,847			11,847	11,847	-	-		Green	Green		-	-	-
Market Drayton Empty Property Incentive Grant	K5P14	B Carey	300,000	4,999	95,001			95,001	40,500	54,501	54,501		Green	Green		254,501	-	-
Oswestry Area Empty Property Incentive Grant	K5P15	B Carey	200,000	-	25,000			25,000	-	25,000	25,000		Green	Green		200,000	-	-
DECC Pioneer Places	K5P16	B Carey	25,450	-	41,477			(16,027)	25,450	-	-		Green	Green		-	-	-
Total					1,406,833			1,390,806	975,496	415,310	415,310	1				2,212,625		
Total Public Protection					1,436,521			1,420,494	1,005,184	415,310	415,310	1				2,212,625		
Business Growth & Prosperity																		
Visitor Economy																		
Music Hall Refurbishment	K5HA9	A Evans	9,980,205	4,882,760	4,723,665	25,266		4,748,931	4,612,269	136,662	136,662		Green	Green		485,176	-	-
Music Hall - Conservation of Collection	K5HAD	A Evans	161,991	104,857	57,143			57,143	57,134	9	9		Green	Green		-	-	-
Music Hall - Project Development	K5HAE	A Evans	432,262	304,082	133,180	(5,000)		128,180	127,781	399	399		Green	Green		399	-	-
Music Hall - ICT	K5HAJ	A Evans	14,530	5,612	19,388	(10,470)		8,918	8,918	(1)	-	(1)	Green	Green		-	-	-
Music Hall - FF&E	K5HAK	A Evans	-	-	10,000	(10,000)		-	-	-	-		Green	Green		-	-	-
Music Hall - VIC/Retail Fit out	K5HAL	A Evans	57,981	14,000	36,000	7,981		43,981	43,981	-	-		Green	Green		-	-	-
Music Hall - Relocation Costs	K5HAM	A Evans	27,393	18,918	21,082	(10,000)		11,082	7,352	3,730	3,730		Green	Green		1,123	-	-
Music Hall - Miscellaneous	K5HAN	A Evans	26,400	8,444	21,631	2,223		23,854	12,135	11,719	11,719		Green	Green		5,821	-	-
Theatre Severn	K5T14	G Candler	26,359,244	26,302,072	57,172			57,172	-	57,172	57,172		Green	Green		57,172	-	-
Heritage Assets Acquisition	K5HAA	E-K Lanyon	10,019	-	10,019			10,019	10,019	-	-		Green	Green		-	-	-
Digitalisation of Records	K5HAH	M McKenzie	70,000	57,417	6,610			6,610	6,610	-	-		Green	Green		5,973	-	-
Records, Archives & Museums Store - Hortonwood	K5HAP	M McKenzie	215,000	-	165,000			165,000	56,617	108,383	108,383		Green	Green		158,383	-	-
Total					5,260,890			5,260,890	4,942,816	318,074	318,074	(1)				714,047		
Enterprise & Business																		
Food Enterprise Centre - Construction (Battlefield)	KER38	M Pembleton	6,658,535	6,567,861	55,674			55,674	50,000	5,674	5,674		Green	Green		40,674	-	-
Tern Valley BP Phase 2	KED06	M Pembleton	4,156,995	4,156,363	632			632	632	-	-		Green	Green		-	-	-
Ludlow Eco Park Plot 3	KED20	M Pembleton	75,000	37,589	7,411			7,411	2,236	5,175	5,175		Green	Green		35,175	-	-
Adoption/Upgrade of existing Business Park/Workshop Facilities	KED22	M Pembleton	298,901	217,022	81,879			81,879	69,829	12,050	12,050		Green	Green		12,050	-	-
Shropshire Small Business Loan Scheme - Phase 1	KED32	M Pembleton	500,000	200,000	70,000			70,000	-	70,000	70,000		Green	Green		200,000	100,000	-
Shropshire Small Business Loan Scheme - Phase 2	KED36	M Pembleton	500,000	-	250,000			250,000	125,000	125,000	125,000		Green	Green		375,000	-	-
Shrewsbury Business Park Phase 2 Extension	KED33	M Pembleton	1,525,000	30,725	1,094,275			1,094,275	1,042,076	52,199	52,199		Amber	Amber	2	452,199	-	-
MTRP																		
Market Towns Revitalisation - To be re-allocated	KED01										453,167	(453,167)				453,167	-	-
Rural Challenge Fund	KED24	M Pembleton	455,516	342,974	112,542			112,542	97,452	15,090	-		Green	Green		-	-	-
Market Towns Revitalisation	KED19	M Pembleton	417,231	278,028	139,203			139,203	109,041	30,162	-		Green	Green		-	-	-

Scheme Description	Code	Project Manager	Total Approved Scheme Budget	Previous Years Spend	Revised Budget P11 13/14	Budget Virements P12	Budget Inc/Dec P12	Revised Budget P12 13/14	Actual Spend 31/03/14	Spend to Budget Variance	Slipped to 2014/15	No Longer required / available	RAG Status on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget	2015/16 Revised Budget	2016/17 Revised Budget
			£	£	£	£	£	£	£	£	£	£				£	£	£
Market Towns Revitalisation - Oswestry	KED25	M Pembleton	663,963	384,265	274,203	5,495		279,698	261,807	17,891	-	17,891	Green	Green		-	-	-
Market Towns Revitalisation - Bridgnorth	KED26	M Pembleton	330,317	198,681	131,636			131,636	1,319	130,317	-	130,317	Green	Green		-	-	-
Market Towns Revitalisation - Market Drayton	KED27	M Pembleton	425,000	293,984	131,016			131,016	62,261	68,755	-	68,755	Green	Green		-	-	-
Market Towns Revitalisation - Ludlow	KED28	M Pembleton	400,000	223,934	176,066			176,066	44,198	131,868	-	131,868	Green	Green		-	-	-
Market Towns Revitalisation - Church Stretton	KED30	M Pembleton	225,000	190,546	34,454			34,454	33,268	1,186	-	1,186	Green	Green		-	-	-
Total					2,558,991	5,495		2,564,486	1,899,118	665,368	723,265	(57,898)				1,568,265	100,000	
Outdoor Recreation																		
Abney Park Improvement	K5BCD	M Blount	55,765	52,789	3,930	(954)		2,976	2,976	-	-	-	Green	Green		-	-	-
Highley/Alveley Colliery Bridge	K5BCN	J Williams	1,874,893	1,820,304	54,589			54,589	4,076	50,513	50,513	-	Green	Green		50,513	-	-
Snailbeach Lead Mine Project	K5BCY	M Blount	105,818	93,789	12,029			12,029	6,070	5,959	5,959	-	Green	Green		5,959	-	-
Trefonen & Wildlife Heritage Project	K5BC1	M Blount	61,795	60,450	1,345			1,345	164	1,181	1,181	-	Green	Green		1,181	-	-
Breathing Life into pools of Albrighton	K5BC2	M Blount	53,058	51,989	1,069			1,069	-	1,069	-	-	Green	Green		1,069	-	-
Walking in Whitchurch	K5BC3	J Stabler	14,750	12,947	1,803			1,803	-	1,803	-	1,803	Green	Green		-	-	-
Craven Arms - Project Onion	K5BC4	M Blount	97,266	24,290	72,976			72,976	65,346	7,630	7,630	-	Green	Green		7,630	-	-
Pontesbury & Minsterley Cycling & Walking	K5BC6	J Stabler	26,870	9,238	17,632			17,632	10,539	7,093	-	7,093	Green	Green		-	-	-
Oswestry Play & Recreational Improvements	K5BC7	M Blount	50,000	-	-			-	-	-	-	-	Green	Green		50,000	-	-
Millars Field Play Area, Morda, Oswestry	K5BC8	M Blount	59,026	-	59,026			59,026	58,670	356	356	-	Green	Green		356	-	-
Mere Boathouse Heating	K5BC9	M Blount	96,162	9,395	85,893	874		86,767	79,008	7,759	7,759	-	Green	Green		7,759	-	-
Playbuilder North Shropshire	K5T34	M Blount	126,596	125,588	1,008			1,008	-	1,008	-	-	Green	Green		1,008	-	-
Short Breaks Severn Valley	K5T39	M Blount	55,000	54,477	523			523	478	45	-	45	Green	Green		-	-	-
The Mere Play Area	K5T41	M Blount	102,655	100,184	2,471			2,471	-	2,471	-	-	Green	Green		2,471	-	-
Ash Road Oswestry	K5T43	M Blount	73,519	53,229	20,290			20,290	10,116	10,174	10,174	-	Green	Green		10,174	-	-
Eardington Wildlife Park, Bridgnorth	K5T49	D Hughes	50,000	-	50,000			50,000	50,000	-	-	-	Green	Green		-	-	-
Maes Alwyn Play Area	K5T50	S Burke	39,395	-	39,315	80		39,395	39,395	-	-	-	Green	Green		-	-	-
Trefonen Playing Pitch Phase 2 - Drainage Improvements	K5T52	M Blount	37,456	-	6,000			6,000	-	6,000	6,000	-	Green	Green		37,456	-	-
Snailbeach Lead Mine Higher Level Stewardship	K5T53	C Dean	148,297	-	-			-	1,160	(1,160)	(1,160)	-	Green	Green		147,137	-	-
Wesscliffe - Higher Level Stewardship	K5T55	C Dean	27,071	-	9,024			9,024	-	9,024	9,024	-	Green	Green		18,048	9,023	-
Total					438,923			438,923	327,997	110,926	101,984	8,942				340,761	9,023	
Infrastructure & Growth - Growth Point																		
Shrewsbury Growth Point	K6GP1	A Mortimer	574,204	101,393	119,811			119,811	94,198	25,613	25,613	-	Green	Green		378,613	-	-
Flaxmill Project - Bus Depot & Sports & Social Club	K6GP2	A Mortimer	5,180,000	3,984,928	345,072			345,072	308,819	36,253	36,253	-	Green	Green		886,253	-	-
Northern Corridor	K6GP3	A Mortimer	379,500	304,038	75,462			75,462	47,993	27,469	27,469	-	Green	Green		27,469	-	-
Shrewsbury Vision	K6GP4	A Mortimer	627,239	336,599	140,640			140,640	42,559	98,081	98,081	-	Green	Green		248,081	-	-
Flaxmill Project - Implementation	K6FM1	A Mortimer	1,000,000	-	-			-	-	-	-	-	Green	Green		1,000,000	-	-
Shrewsbury Vision - New Riverside Development	K6HR1	A Mortimer	4,000,000	-	-			-	-	-	-	-	Green	Green		500,000	-	3,500,000
Total					680,985			680,985	493,569	187,416	187,416					3,040,416		3,500,000
Natural Build & Historical Landscape																		
Historic Environment Grants	K6HE1	A Mortimer	Ongoing	-	69,704			69,704	41,354	28,350	28,350	-	Green	Green		63,350	-	-
Ellesmere Heritage Interpretation Trail	K6HE2	A Mortimer	14,000	-	14,000			14,000	8,304	5,696	5,696	-	Green	Green		5,696	-	-
Partnership Schemes in Conservation Areas (North)	K6HE4	A Mortimer	300,000	125,810	74,190			74,190	50,131	24,059	24,059	-	Green	Green		124,059	-	-
Part Scheme Conservation Area Bridgnorth	K6HE9	A Mortimer	148,576	117,554	31,022			31,022	31,022	(0)	-	(0)	Green	Green		-	-	-
Total					188,916			188,916	130,811	58,105	58,105					193,105		
Sustainability																		
Renewable Heat Incentive Schemes																		
Renewable Heat Incentive Schemes	K3J01	A Mortimer	-	-	-			-	-	-	-	-	Green	Green		-	-	-
Cleobury Mortimer School - Biomass Boiler	KCB01	A Mortimer	142,055	126,501	15,554			15,554	1,496	14,058	14,058	-	Green	Green		14,058	-	-
Baschurch CE (Aided) Primary School - Biomass Boiler	KCB02	A Mortimer	-	5,486	(5,486)			(5,486)	(5,485)	(1)	-	(1)	Green	Green		-	-	-
Brockton Primary School - Biomass Boiler	KCB03	A Mortimer	-	5,486	(5,486)			(5,486)	(5,485)	(1)	-	(1)	Green	Green		-	-	-
Clunbury CE Primary School & JU - Biomass Boiler	KCB04	A Mortimer	-	5,486	(5,486)			(5,486)	(5,485)	(1)	-	(1)	Green	Green		-	-	-
Christ Church CE Primary School, Cressage - Biomass Boiler	KCB08	A Mortimer	-	5,485	(5,485)			(5,485)	(5,485)	-	-	-	Green	Green		-	-	-
Criffons CE (Cont) Primary School - Biomass Boiler	KCB09	A Mortimer	-	5,485	(5,485)			(5,485)	(5,485)	-	-	-	Green	Green		-	-	-
Brown Clee CE Primary School - Biomass Boiler	KCB10	A Mortimer	-	5,485	(5,485)			(5,485)	(5,485)	-	-	-	Green	Green		-	-	-
Trinity CE Primary School - Biomass Boiler	KCB11	A Mortimer	-	5,485	(5,485)			(5,485)	(5,485)	-	-	-	Green	Green		-	-	-
Hinstock Primary School - Biomass Boiler	KCB12	A Mortimer	-	5,656	(5,656)			(5,656)	(5,655)	(1)	-	(1)	Green	Green		-	-	-
Hodnet Primary School - Biomass Boiler	KCB13	A Mortimer	-	5,656	(5,656)			(5,656)	(5,655)	(1)	-	(1)	Green	Green		-	-	-
Hope Primary School - Biomass Boiler	KCB14	A Mortimer	-	5,680	(5,680)			(5,680)	(5,680)	-	-	-	Green	Green		-	-	-
Morville CE Primary School - Biomass Boiler	KCB15	A Mortimer	-	5,485	(5,485)			(5,485)	(5,485)	-	-	-	Green	Green		-	-	-
Onny CE (Aided) Primary School - Biomass Boiler	KCB18	A Mortimer	-	5,485	(5,485)			(5,485)	(5,485)	-	-	-	Green	Green		-	-	-
Shawbury Primary School - Biomass Boiler	KCB21	A Mortimer	-	5,832	(5,832)			(5,832)	(5,832)	-	-	-	Green	Green		-	-	-
Whittington CE (Aided) Primary School - Biomass Boiler	KCB22	A Mortimer	-	5,832	(5,832)			(5,832)	(5,832)	-	-	-	Green	Green		-	-	-
Wooer Primary School - Biomass Boiler	KCB23	A Mortimer	-	5,656	(5,656)			(5,656)	(5,655)	(1)	-	(1)	Green	Green		-	-	-
Mary Webb School - Biomass Boiler	KCB24	A Mortimer	-	5,486	(5,486)			(5,486)	(5,485)	(1)	-	(1)	Green	Green		-	-	-
Total					(73,612)			(73,612)	(87,670)	14,058	14,058					14,058		
Planning Policy - Affordable Housing																		
Affordable Housing - Idsall Crescent	K6AHF	A Mortimer	190,000	19,650	-			-	-	-	-	-	Green	Green		170,350	-	-
Affordable Housing - Rolling Fund	K6AHG	A Mortimer	Ongoing	-	-			-	-	-	-	-	Green	Green		33,500	300,000	-
Affordable Housing - Longford Turning, Market Drayton	K6AHM	A Mortimer	252,000	151,200	100,800			100,800	100,800	-	-	-	Green	Green		-	-	-
Affordable Housing - Combermere Court, Market Drayton	K6AHN	A Mortimer	378,000	226,800	151,200			151,200	151,200	-	-	-	Green	Green		-	-	-
Affordable Housing - Plas Fynnon, Oswestry	K6AHQ	A Mortimer	300,000	-	-			-	-	-	-	-	Green	Green		300,000	-	-
Shrewsbury Self Build Scheme	K6AHT	A Mortimer	300,000	-	40,000			40,000	-	40,000	40,000	-	Green	Green		300,000	-	-
Drapers Almshouses	K6AHU	A Mortimer	240,000	-	-			-	-	-	-	-	Green	Green		240,000	-	-

Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14 £	Spend to Budget Variance £	Slipped to 2014/15 £	No Longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
Community Led Affordable Housing Grant Scheme	K6AHV	A Mortimer	1,443,000	-	760,000			760,000	780,000	(20,000)	(20,000)		Green	Green		549,000	114,000	-
Affordable Housing Contributions Grant Scheme (S106)	K6AHW	A Mortimer	75,000	-	37,500			37,500	-	37,500	37,500		Green	Green		75,000	-	-
Total Strategic Planning and Public Information					1,089,500			1,089,500	1,032,000	57,500	57,500					1,667,850	414,000	-
Broadband																		
Broadband Project - Milestone 0	KB000	C Taylor	776,452	-	109,883			109,883	109,883	-	-		Green	Green		495,792	170,777	-
Broadband Project - Milestone 1	KB001	C Taylor	8,861,762	-	-			-	-	-	-		Green	Green		4,960,877	3,900,885	-
Broadband Project - Milestone 2	KB002	C Taylor	4,797,786	-	-			-	-	-	-		Green	Green		2,732,314	2,065,472	-
Broadband Project - Milestone 3	KB003	C Taylor	1,604,000	-	-			-	-	-	-		Green	Green		-	1,604,000	-
					109,883			109,883	109,883							8,188,983	7,741,134	-
Total Business Growth and Prosperity					10,254,476	5,495		10,259,971	8,848,525	1,411,446	1,460,403	(48,957)				15,727,485	8,264,157	3,500,000
Total Commissioning					31,470,200		(15,787)	31,454,413	27,732,237	3,722,176	3,609,977	112,199				39,918,330	8,264,157	3,500,000
Adult Services																		
Social Care Operations																		
Adult Social Care																		
Adults - DoH Grant	K5B71	R Houghton	Ongoing	-	-	7,808		7,808	-	7,808	7,808		Green	Green		474,592	314,663	-
Mount Pleasant - Shared Development Site	K5B60	R Houghton	470,253	160,449	289,804			289,804	292,741	(2,937)	(2,937)		Green	Green		17,063	-	-
Avalon - Extension & Alterations	K5B76	R Houghton	87,334	347	86,987			86,987	3,438	83,549	83,549		Green	Green		83,549	-	-
Aquamira	K5B78	R Houghton	-	-	2,993	(2,993)		-	-	-	-		Green	Green		-	-	-
Social Care Reform Grant	K5B80	R Houghton	157,815	140,041	17,774			17,774	-	17,774	17,774		Green	Green		17,774	-	-
Kempsfield - Fire Doors	K5B83	R Houghton	32,211	31,899	312			312	312	-	-		Green	Green		-	-	-
Mount Pleasant Bungalow Fit Out	K5B85	R Houghton	10,000	-	10,000			10,000	5,339	4,661	4,661		Green	Green		4,661	-	-
Four Rivers Specialist Beds	K5B87	R Houghton	25,000	-	25,000			25,000	-	25,000	25,000		Green	Green		25,000	-	-
Recare Call Monitoring	K5B88	R Houghton	251,413	3,264	48,149			48,149	-	48,149	48,149		Green	Green		248,149	-	-
IT/Mobile Flexible Working	K5B89	R Houghton	200,000	5,891	44,109			44,109	5,244	38,865	38,865		Green	Green		188,865	-	-
Kempsfield - Specialist Accommodation	K5B90	R Houghton	100,000	-	-			-	-	-	-		Green	Green		100,000	-	-
Safe Place Hub - ALD's Louise House	K5B91	R Houghton	50,000	-	-			-	-	-	-		Green	Green		50,000	-	-
Development Trust Bungalow - Raven Site, Market Drayton	K5B94	R Houghton	571,000	400	220,600			220,600	172,525	48,075	48,075		Green	Green		398,075	-	-
Lawley Gardens - Bathroom Upgrade	K5B96	R Houghton	4,049	-	4,049			4,049	4,049	-	-		Green	Green		-	-	-
Shared Lives Dementia Respite Adaptations	K5B98	R Houghton	30,000	-	30,000			30,000	-	30,000	30,000		Green	Green		30,000	-	-
Adult Social Care Community Capital Grant Scheme	K5B01	R Houghton	40,000	-	-			-	-	-	-		Green	Green		40,000	-	-
IT Hardware - Implementation of Care Bill	K5B02	R Houghton	40,000	-	-			-	-	-	-		Green	Green		40,000	-	-
Extra Care Initiative	K5B03	R Houghton	39,791	-	-			-	-	-	-		Green	Green		39,791	-	-
Health & Safety	K5B06	R Houghton	Ongoing	-	4,815	(4,815)		-	-	-	-		Green	Green		-	-	-
Total Assessment & Eligibility					784,592			784,592	483,647	300,945	300,945					1,757,519	314,663	-
Total Adult Services					784,592			784,592	483,647	300,945	300,945					1,757,519	314,663	-

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Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14 £	Spend to Budget Variance £	Slipped to 2014/15 £	No Longer required / available £	RAG Status on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
Children's Services																		
Children's Safeguarding																		
Early Years																		
Short Breaks	K3L59	S Wilkins	453,887	221,345	232,542			232,542	207,352	25,190	25,190	-	Green	Green		25,190	-	-
Early Years & Childcare	K3L22	S Wilkins	Ongoing	-	-	4,953		4,953	-	4,953	4,953	-	Green	Green		-	-	-
Two Year Old Funding for Early Education	K3LA1	S Wilkins	204,028	46,770	76,000			76,000	76,000	-	-	-	Green	Green		81,258	-	-
Stoke on Tern Demountable	K3LA3	S Wilkins	7,000	-	1,360			1,360	3,687	(2,327)	(2,327)	-	Green	Green		3,313	-	-
Church Stretton Sure Start Roof	K3LA4	S Wilkins	-	-	3,818	(3,818)		-	-	-	-	-	Green	Green		-	-	-
Brown Clew Nursery	K3L01	S Wilkins	282,722	-	250,000	4,000		254,000	260,679	(6,679)	(6,679)	-	Green	Green		22,043	-	-
Richmond House Refurbishment	K3L02	S Wilkins	13,119	-	11,684	1,435		13,119	13,119	-	-	-	Green	Green		-	-	-
Kinnerley EY Demountable Refurb	K3L04	S Wilkins	9,642	-	9,642			9,642	-	9,642	9,642	-	Green	Green		9,642	-	-
Woodfield Infants Demountable Roof Works & Glazing	K3L05	S Wilkins	6,346	-	5,150			5,150	-	5,150	5,150	-	Green	Green		6,346	-	-
Mereside Primary - St Giles Pre-school Extension & Refurbishment	K3L06	S Wilkins	100,000	-	-			-	-	-	-	-	Green	Green		100,000	-	-
Crowmoor Primary - Nursery Toilet Accommodation	K3L08	S Wilkins	36,652	-	4,652			4,652	25,912	(21,260)	(21,260)	-	Green	Green		10,740	-	-
Longden - EY Demountable	K3L79	S Wilkins	360	-	-	360		360	360	-	-	-	Green	Green		-	-	-
Ruyton X1 Towns - Early Years Demountable	K3L82	S Wilkins	322,317	303,247	22,000	(2,930)		19,070	19,070	-	-	-	Green	Green		-	-	-
Morda Primary EY/CC Landscaping	K3L91	S Wilkins	13,290	13,273	17			17	16	1	-	-	Green	Green		-	-	-
Total					616,865	4,000		620,865	606,194	14,671	14,669	2				341,757		
Children's Residential Care																		
Children's Services	K3A41	K Bradshaw	28,081	25,536	2,545			2,545	2,545	()	-	()	Green	Green		-	-	-
LAC Disability Adaptations	K3A46	K Bradshaw	35,000	-	35,000			35,000	35,000	-	-	-	Green	Green		-	-	-
Havenbrook - External Buildings Conversion	K3A47	K Bradshaw	35,334	-	959			959	959	-	-	-	Green	Green		34,375	-	-
Total					38,504			38,504	38,504	()		()				34,375		
Youth Work																		
Youth - Oswestry Teenspace	K3EY4	R Parkes	2,735,667	2,681,777	53,890			53,890	5,494	48,396	48,396	-	Green	Green		48,396	-	-
Total					53,890			53,890	5,494	48,396	48,396					48,396		
Total Children's Safeguarding																		
					709,259	4,000		713,259	650,192	63,067	63,065	1				424,528		
Learning & Skills																		
Primary Schools																		
Primary School Basic Need	K3AXJ	P Wilson	Ongoing	-	-			-	-	-	-	-	Green	Green		979,817	1,709,784	1,795,273
Primary School Refurbishment	K3AXK	P Wilson	Ongoing	-	23,837	21,241		45,078	23,837	21,241	21,241	-	Green	Green		171,295	-	-
Ellesmere Primary Basic Need	K3AX1	P Wilson	411,772	-	18,000	4,000		22,000	18,000	4,000	4,000	-	Green	Green		393,772	-	-
Wem St Peter's Classroom (Basic need)	K3059	P Wilson	279,445	252,292	27,153			27,153	27,153	()	-	()	Green	Green		-	-	-
Chirbury - School House Refurb	K3122	P Wilson	96,314	1,776	-			-	-	-	-	-	Green	Green		94,538	-	-
St Georges Primary - PPA/New Office/Secure Office	K3133	P Wilson	65,117	64,570	547			547	547	()	-	()	Green	Green		-	-	-
St Leonards Bridgnorth - KS1 Sink & Wet Areas	K3150	P Wilson	55,435	50,898	4,537			4,537	4,537	-	-	-	Green	Green		-	-	-
Pontesbury - Improving Staff Accom	K3151	P Wilson	60,289	60,289	11,192	(11,192)		-	-	-	-	-	Green	Green		-	-	-
Bridgnorth Castlefields - Nursery & Classbase	K3156	P Wilson	304,518	297,479	7,039			7,039	7,039	()	-	()	Green	Green		-	-	-
Oswestry Meadows - ICT Suite & Classroom Extension	K3157	P Wilson	92,417	90,421	1,996			1,996	1,996	-	-	-	Green	Green		-	-	-
West Felton Primary - Basic Need Demountable	K3161	P Wilson	183,526	171,331	12,195			12,195	4,023	8,172	8,172	-	Green	Green		8,172	-	-
Christ Church Cressage Primary - Secure Lobby	K3165	P Wilson	53,497	-	53,497			53,497	41,547	11,950	11,950	-	Green	Green		11,950	-	-
Hadnall Primary - GP Space	K3166	P Wilson	56,875	-	59,608	(2,733)		56,875	56,875	()	-	()	Green	Green		-	-	-
Pontesbury Primary - Secure Lobby / GP Space	K3168	P Wilson	75,899	70,971	4,927	(39)		4,928	4,928	()	-	()	Green	Green		-	-	-
St Peters Wem - Secure Lobby	K3169	P Wilson	32,150	31,269	881			881	881	()	-	()	Green	Green		-	-	-
Ford Trinity - Secure Lobby	K3170	P Wilson	77,428	195	77,233			77,233	67,810	9,423	9,423	-	Green	Green		9,423	-	-
Longnor - Secure Lobby	K3171	P Wilson	60,536	45,377	15,159			15,159	340	14,819	14,819	-	Green	Green		14,819	-	-
Wistanstow - Secure Lobby	K3172	P Wilson	34,851	-	34,851			34,851	31,091	3,760	3,760	-	Green	Green		3,760	-	-
Minsterley - Secure Lobby	K3174	P Wilson	11,567	11,827	(260)			(260)	(260)	()	-	()	Green	Green		-	-	-
Tilstock - Secure Lobby	K3176	P Wilson	40,763	37,743	5,413	(2,393)		3,020	3,020	-	-	-	Green	Green		-	-	-
Market Drayton - Basic Need	K3181	P Wilson	264,060	157,619	106,441			106,441	63,137	43,304	43,304	-	Green	Green		43,304	-	-
Whitchurch Infant School - Basic Need	K3182	P Wilson	307,825	-	10,000	2,000		12,000	16,000	(4,000)	(4,000)	-	Green	Green		291,825	-	-
Morda - Basic Need	K3184	P Wilson	195,652	178,908	16,744			16,744	12,664	4,080	4,080	-	Green	Green		4,080	-	-
Albrighton Primary - Toilet Refurbishment & Secure Lobby	K3A01	P Wilson	34,413	22,517	11,896			11,896	499	11,397	11,397	-	Green	Green		11,397	-	-
Alveley Primary - Alteration to Entrance Lobby	K3A02	P Wilson	20,742	-	20,743			20,743	12,587	8,156	8,156	-	Green	Green		8,156	-	-
Beckbury - Toilet Refurbishment	K3A03	P Wilson	14,787	-	14,787			14,787	14,787	()	-	()	Green	Green		-	-	-
Belvidere Primary - Creation of GP Space	K3A04	P Wilson	55,000	-	760			760	760	-	-	-	Green	Green		54,240	-	-
Bridgnorth St Leonards - Nursery Toilet Refurb	K3A05	P Wilson	37,938	32,167	5,771			5,771	842	4,929	4,929	-	Green	Green		4,929	-	-
Buildwas - Improve EFYS Outdoor Area	K3A06	P Wilson	16,185	-	16,185			16,185	16,185	()	-	()	Green	Green		-	-	-
Crowmoor - Toilet Refurbishment	K3A07	P Wilson	40,066	37,776	2,290			2,290	-	-	-	-	Green	Green		-	-	-
Highley - Reconfigure Office Area & Accessible Toilet	K3A08	P Wilson	30,000	-	-			-	-	-	-	-	Green	Green		30,000	-	-
Hinstock - Creation of GP Space	K3A11	P Wilson	52,974	34,307	18,667			18,667	10,961	7,706	7,706	-	Green	Green		7,706	-	-
Hodnet - KS1 & KS2 Toilet Refurb	K3A12	P Wilson	41,902	41,730	172			172	172	-	-	-	Green	Green		-	-	-
Ludlow Infants - Creation of PPA Space	K3A13	P Wilson	28,876	11,820	17,056			17,056	16,106	950	950	-	Green	Green		950	-	-
Morville - Secure Lobby	K3A17	P Wilson	70,000	-	-			-	-	-	-	-	Green	Green		70,000	-	-
Much Wenlock - Secure Lobby Doors	K3A18	P Wilson	4,439	-	5,002	(563)		4,439	4,439	-	-	-	Green	Green		-	-	-
Selattyn Staff Room	K3A20	P Wilson	43,136	43,021	115			115	115	-	-	-	Green	Green		-	-	-
St Andrews Shifnal KS2 GP Space	K3A21	P Wilson	98,000	2,886	95,114			95,114	91,028	4,086	4,086	-	Green	Green		4,086	-	-
St Giles Shrewsbury - GP Space	K3A22	P Wilson	107,964	378	107,586			107,586	51,043	56,543	56,543	-	Green	Green		56,543	-	-

Scheme Description	Code	Project Manager	Total Approved Scheme Budget	Previous Years Spend	Revised Budget P11 13/14	Budget Virements P12	Budget Inc/Dec P12	Revised Budget P12 13/14	Actual Spend 31/03/14	Spend to Budget Variance	Slipped to 2014/15	No Longer required / available	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget	2015/16 Revised Budget	2016/17 Revised Budget
			£	£	£	£	£	£	£	£	£	£				£	£	£
Shifnal Primary KS2 Upper & Lower Toilets	K3A23	P Wilson	56,154	45,456	10,698			10,698	-	10,698	10,698		Green	Green		10,698	-	-
Stoke On Tern Secure Lobby	K3A25	P Wilson	27,750	19,620	8,130			8,130	418	7,712	7,712		Green	Green		7,712	-	-
Sundome Infants - Nursery & Reception Toilet refurb	K3A26	P Wilson	82,242	-	82,242			82,242	80,885	1,357	1,357		Green	Green		1,357	-	-
Woodfield Infants - Refurb Nursery Demountable/Secure Lobby	K3A30	P Wilson	208,838	174,058	34,780			34,780	3,983	30,797	30,797		Green	Green		30,797	-	-
Woodside Primary - Classroom Extension	K3A32	P Wilson	101,567	73,622	27,945			27,945	-	27,945	27,945		Green	Green		27,945	-	-
Radbrook Primary - Fire exit to hall	K3A33	P Wilson	9,626	9,626	-			-	-	-	-		Green	Green		-	-	-
Hodnet Car park Extension	K3A50	P Wilson	5,795	-	5,795			5,795	5,795	-	-		Green	Green		-	-	-
St John the Baptist, Ruyton X1 Towns Wireless Network	K3A51	P Wilson	10,334	-	10,334			10,334	10,335	(1)	-	(1)	Green	Green		-	-	-
Wilfred Owen ICT Purchases	K3A52	P Wilson	8,183	-	8,183			8,183	8,183	-	-		Green	Green		-	-	-
Buidwas Primary - Demountable Toilets Refurbishment & Re-roof	K3A53	P Wilson	89,504	-	1,050			1,050	420	630	630		Green	Green		89,084	-	-
Kinlet Primary - Heads Office/PPA/Lobby Works	K3A54	P Wilson	81,030	-	-			-	-	-	-		Green	Green		81,030	-	-
Bridgnorth Castlefields - KS2 Toilets Refurbishment	K3A55	P Wilson	10,904	-	11,990	(1,086)		10,904	10,904	(1)	-	(1)	Green	Green		-	-	-
Beckbury - Improve Outside EYFS Area	K3A56	P Wilson	20,314	-	20,314			20,314	18,223	2,091	2,091		Green	Green		2,091	-	-
Radbrook Primary - Secure Lobby	K3A57	P Wilson	44,400	-	14,400			14,400	14,400	-	14,400		Green	Green		44,400	-	-
St. Thomas & St. Anne CE Primary School, Hanwood - Secure Lobby	K3A58	P Wilson	79,322	-	13,250			13,250	865	12,385	12,385		Green	Green		78,457	-	-
Worthen Primary - Secure Lobby	K3A59	P Wilson	35,520	-	5,520			5,520	195	5,325	5,325		Green	Green		35,325	-	-
St Lawrence, Church Stretton - Secure Lobby & Office Extension	K3A60	P Wilson	77,700	-	17,700			17,700	-	17,700	17,700		Green	Green		77,700	-	-
Church Preen Primary - Infants Toilet Refurbishment	K3A61	P Wilson	12,495	-	13,378	(883)		12,495	12,495	(1)	-	(1)	Green	Green		-	-	-
Rushbury Primary - Toilet Refurbishment & Secure Lobby	K3A62	P Wilson	10,097	-	10,673	(576)		10,097	10,097	-	-		Green	Green		-	-	-
Burford Primary - Toilet Refurbishment	K3A63	P Wilson	22,817	-	22,817			22,817	19,428	3,389	3,389		Green	Green		3,389	-	-
Brockton Primary - Toilet Refurbishment	K3A64	P Wilson	22,592	-	22,592			22,592	11,238	11,354	11,354		Green	Green		11,354	-	-
Stoke On Tern - Toilet Refurbishment	K3A65	P Wilson	14,459	-	14,459			14,459	14,459	-	-		Green	Green		-	-	-
West Felton Primary - Lobby/Office/Staffroom Improvements	K3A66	P Wilson	99,900	-	20,000			20,000	22,156	(2,156)	(2,156)		Green	Green		77,744	-	-
Crittins Primary - Secure Lobby	K3A67	P Wilson	48,133	-	48,133			48,133	28,050	20,083	20,083		Green	Green		20,083	-	-
Newtown - Secure Lobby	K3A69	P Wilson	20,167	-	22,200	(2,033)		20,167	20,167	-	-		Green	Green		-	-	-
Cheswardine - Create Internal Staffroom	K3A70	P Wilson	97,903	-	10,000			10,000	385	9,615	9,615		Green	Green		97,518	-	-
Cleobury Mortimer ICT	K3A71	P Wilson	25,144	-	25,144			25,144	25,144	-	-		Green	Green		-	-	-
Castlefields Bridgnorth - ICT Upgrade	K3A72	P Wilson	32,524	-	32,524			32,524	32,523	1	1	1	Green	Green		-	-	-
Hitchurch Infant School - Paving Replacement	K3A73	P Wilson	25,182	-	25,182			25,182	21,963	3,219	3,219		Green	Green		3,219	-	-
Longlands Car park Improvement	K3A74	P Wilson	11,269	-	11,270			11,270	11,185	85	85		Green	Green		84	-	-
St Peter's Wem - KS1 Access Ramp	K3A75	P Wilson	7,295	-	7,295			7,295	7,295	-	-		Green	Green		-	-	-
Shifnal Primary Wireless Network	K3A76	P Wilson	10,465	-	10,465			10,465	10,465	(1)	-	(1)	Green	Green		-	-	-
Woodfield Infants - Toilet Refurbishment	K3A77	P Wilson	72,297	-	72,297			72,297	66,600	5,697	5,697		Green	Green		5,697	-	-
Market Drayton Infant - External access & provision of Wetroom	K3A78	P Wilson	17,183	-	17,393	(210)		17,183	17,183	-	-		Green	Green		-	-	-
Church Preen Enhancement ICT	K3A79	P Wilson	7,493	-	7,493	(70)		7,493	7,493	-	-		Green	Green		-	-	-
St Peter's, Wem - New Office	K3A80	P Wilson	4,354	-	4,354			4,354	4,355	(1)	-	(1)	Green	Green		-	-	-
Stoke on Tern - Refurb FS Play	K3A81	P Wilson	5,619	-	5,619			5,619	5,619	-	-		Green	Green		-	-	-
Woorre ICT Upgrade	K3A82	P Wilson	13,270	-	13,701	(431)		13,270	13,270	(1)	-	(1)	Green	Green		-	-	-
Beckbury Fire Alarm System	K3A83	P Wilson	5,074	-	5,074			5,074	-	5,074	5,074		Green	Green		5,074	-	-
Cockshutt ICT Upgrade	K3A84	P Wilson	1,332	-	1,332			1,332	-	1,332	1,332		Green	Green		1,332	-	-
Ellesmere Primary - Secure Lobby/Reception	K3A85	P Wilson	50,519	-	-			-	-	-	-		Green	Green		50,519	-	-
Harlescott Junior Toilet Refurb	K3A86	P Wilson	49,050	-	-			-	-	-	-		Green	Green		49,050	-	-
St George's Toilet Refurb	K3A87	P Wilson	59,950	-	-			-	-	-	-		Green	Green		59,950	-	-
St John The Baptist Secure Lobby	K3A88	P Wilson	7,770	-	-			-	-	-	-		Green	Green		7,770	-	-
Longnor Primary GP Space	K3A89	P Wilson	33,300	-	-			-	-	-	-		Green	Green		33,300	-	-
Rushbury Primary Reception & Playground	K3A90	P Wilson	33,300	-	-			-	-	-	-		Green	Green		33,300	-	-
St Lawrence, Church Stretton, Lobby & Office Extension	K3A91	P Wilson	77,700	-	-			-	-	-	-		Green	Green		77,700	-	-
Stokesay Primary Toilet Reurb Annex	K3A92	P Wilson	38,150	-	-			-	-	-	-		Green	Green		38,150	-	-
Wistanstow Primary GP Space	K3A93	P Wilson	9,199	-	-			-	-	-	-		Green	Green		9,199	-	-
Belvidere Primary GP Room	K3A94	P Wilson	54,500	-	-			-	-	-	-		Green	Green		54,500	-	-
Trinity Primary Security System Upgrade	K3A95	P Wilson	2,733	-	-			-	-	-	-		Green	Green		2,733	-	-
Belvidere Primary Toilet Refurb	K3A96	P Wilson	56,680	-	-			-	-	-	-		Green	Green		56,680	-	-
Belvidere Science College Toilet Refurb	K3A97	P Wilson	81,750	-	-			-	-	-	-		Green	Green		81,750	-	-
Weston Rhyn Secure Lobby	K3A98	P Wilson	8,880	-	-			-	-	-	-		Green	Green		8,880	-	-
Hinstock Primary Reconfigure Boys/Girls Toilets	K3A99	P Wilson	21,800	-	-			-	-	-	-		Green	Green		21,800	-	-
Stoke on Tern Primary GP Room	K3AA1	P Wilson	35,280	-	-			-	-	-	-		Green	Green		35,280	-	-
Total					1,502,970	5,032		1,508,002	1,108,756	399,246	399,246					3,607,412	1,709,784	1,795,273
School Amalgamations																		
School Amalgamations - Contingency	K3061	P Wilson	Ongoing	-	-			-	-	-	-		Green	Green		323,946	-	-
Mount Pleasant	K3200	P Wilson	2,908,208	2,817,356	49,852			49,852	-	49,852	49,852		Green	Green		90,852	-	-
Holy Trinity	K3201	P Wilson	2,069,679	1,957,760	111,919			111,919	50,309	61,610	61,610		Green	Green		61,610	-	-
Oakmeadow	K3202	P Wilson	4,671,540	4,610,745	60,795			60,795	59,024	1,771	1,771		Green	Green		1,771	-	-
Grange	K3203	P Wilson	1,659,604	1,629,845	29,759			29,759	29,759	-	-		Green	Green		-	-	-
Mereside	K3204	P Wilson	1,237,643	1,189,377	48,266			48,266	47,537	729	729		Green	Green		729	-	-
Bishop Hooper	K3094	P Wilson	3,440,817	3,390,533	11,670			11,670	11,526	144	144		Green	Green		38,758	-	-
Buntingsdale - Nursery Extension /Additional Toilets/Secure Lobby	K3206	P Wilson	282,241	251,029	31,212			31,212	8,448	22,764	22,764		Green	Green		22,764	-	-
Shawbury Primary / St Mary's Amalgamation	K3207	P Wilson	1,997,001	359,752	1,472,140			1,472,140	1,479,125	(6,985)	(6,985)		Green	Green		158,124	-	-
Shawbury Amalgamation - Furniture Allocation	K3214	P Wilson	10,000	-	10,000			10,000	1,961	8,039	8,039		Green	Green		8,039	-	-
St Martins - All Through School	K3208	P Wilson	3,359,846	267,602	1,938,041			1,938,041	2,139,342	(201,301)	(201,301)		Green	Green		952,902	-	-
Total					3,763,654			3,763,654	3,827,032	(63,378)	(63,378)					1,659,495		
Secondary Schools																		
Secondary School Refurbishment	K3BXK	P Wilson	Ongoing	-	22,447	2,969		25,416	23,837	1,579	1,579		Green	Green		226,177	-	-

Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14 £	Spend to Budget Variance £	Slipped to 2014/15 £	No Longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
William Brookes School Renewal	K3BY5	P Wilson	27,036,168	27,028,318	6,791	1,059		7,850	7,850	(-)	-	0	Green	Green		-	-	-
Church Stretton - Sports Hall	K3BZ1	P Wilson	3,118,874	3,102,250	16,624			16,624	-	16,624	16,624	-	Green	Green		16,624	-	-
Idsall School Refurbish School Hall & Performing Arts Room	K3084	P Wilson	36,218	36,218	3,304	(3,304)		-	-	-	-	-	Green	Green		-	-	-
Oldbury Wells Sports Hall	K3155	P Wilson	1,710,000	1,594,571	51,387			51,387	51,780	(393)	(393)	-	Green	Green		63,649	-	-
Meole Brace Secondary - Classroom Refurbishment	K3180	P Wilson	104,112	95,152	8,960			8,960	512	8,448	8,448	-	Green	Green		8,448	-	-
Oldbury Wells - CCTV	K3186	P Wilson	12,243	11,232	1,011			1,011	1,011	-	-	-	Green	Green		-	-	-
Mary Webb - CCTV	K3188	P Wilson	15,524	-	15,524			15,524	15,524	-	-	-	Green	Green		-	-	-
Bishops Castle Community College - CCTV	K3191	P Wilson	12,574	9,737	2,837			2,837	2,836	1	-	1	Green	Green		-	-	-
Thomas Adams - CCTV	K3192	P Wilson	13,308	12,772	536			536	536	(-)	-	0	Green	Green		-	-	-
Lacon Childe - CCTV	K3196	P Wilson	8,572	6,013	2,559			2,559	2,559	-	-	-	Green	Green		-	-	-
Sir John Talbot - CCTV	K3198	P Wilson	24,928	3,641	21,287			21,287	21,287	-	-	-	Green	Green		-	-	-
Church Stretton - CCTV	K3199	P Wilson	21,930	-	21,930			21,930	21,930	-	-	-	Green	Green		-	-	-
Idsall School - MUGA Surface Replace	K3B01	P Wilson	51,375	-	51,375			51,375	51,375	-	-	-	Green	Green		-	-	-
Thomas Adams ICT Purchases	K3B02	P Wilson	22,237	-	22,237			22,237	22,238	(1)	-	(1)	Green	Green		-	-	-
Meole Brace Secondary - Toilet Refurbishment	K3B04	P Wilson	53,396	-	53,466	(724)		52,742	52,742	-	-	-	Green	Green		654	-	-
Ludlow Secondary - Toilet Refurbishment	K3B05	P Wilson	22,501	-	22,501			22,501	15,398	7,103	7,103	-	Green	Green		7,103	-	-
Belvidere ICT Equipment	K3B06	P Wilson	16,905	-	17,000	(95)		16,905	16,905	-	-	-	Green	Green		-	-	-
Thomas Adams Car Park Improvements	K3B07	P Wilson	12,458	-	12,458			12,458	12,458	(-)	-	0	Green	Green		-	-	-
Meole Brace New Floor Classroom S7	K3B08	P Wilson	25,000	-	-			-	-	-	-	-	Green	Green		25,000	-	-
Lacon Childe Games Hall Lighting Upgrade	K3B09	P Wilson	15,720	-	15,000			15,000	-	15,000	15,000	-	Green	Green		15,720	-	-
Rhyn Park Games Hall Lighting Upgrade	K3B10	P Wilson	13,869	-	-			-	-	-	-	-	Green	Green		13,869	-	-
Thomas Adams Games Hall Lighting Upgrade	K3B11	P Wilson	17,567	-	-			-	-	-	-	-	Green	Green		17,567	-	-
Ludlow School Sports Hall Lighting Upgrade	K3B12	P Wilson	15,000	-	-			-	-	-	-	-	Green	Green		15,000	-	-
Meole Brace - Toilets Near Entrance	K3B13	P Wilson	47,000	-	-			-	-	-	-	-	Green	Green		47,000	-	-
Meole Brace Drama Room Lighting Upgrade	K3B14	P Wilson	21,590	-	-			-	-	-	-	-	Green	Green		21,590	-	-
Mary Webb Sports Hall Lighting Upgrade	K3B15	P Wilson	18,000	-	-			-	-	-	-	-	Green	Green		18,000	-	-
Ludlow School Refurb of Science Classrooms	K3B16	P Wilson	157,478	-	-			-	-	-	-	-	Green	Green		157,478	-	-
Lacon Childe Refurb of Science Classrooms	K3B17	P Wilson	108,960	-	-			-	-	-	-	-	Green	Green		108,960	-	-
Oldbury Wells Improved Science Room/Arts	K3B18	P Wilson	58,000	-	-			-	-	-	-	-	Green	Green		58,000	-	-
Thomas Adams Upgrade Changing Rooms	K3B19	P Wilson	58,000	-	-			-	-	-	-	-	Green	Green		58,000	-	-
Meole Brace - New Staircase in Maths Block	K3B20	P Wilson	36,000	-	-			-	-	-	-	-	Green	Green		36,000	-	-
Lacon Childe DT Room Floor	K3B21	P Wilson	10,000	-	-			-	-	-	-	-	Green	Green		10,000	-	-
Total					369,234	(95)		369,139	320,778	48,361	48,361	1				924,839		
Universal Infant Free School Meals																		
Universal Infant Free School Meals	K3FSM	P Wilson	12,200	-	-			-	-	-	-	-	Green	Green		12,200	-	-
Total																12,200		
14-19 Special Education Diploma																		
Bridgnorth New Centre (Idsall) - 14-19 Diploma Learning	K3F02	J Vernon	583,269	577,319	5,950			5,950	-	5,950	5,950	-	Green	Green		5,950	-	-
Sir John Talbots - 14-19 Coach House	K3F06	J Vernon	638,513	577,969	-			-	-	-	-	-	Green	Green		60,544	-	-
BCCC - 14-19 Diploma Environment	K3F43	J Vernon	202,000	187,811	14,189			14,189	3,342	10,847	10,847	-	Green	Green		10,847	-	-
Total					20,139			20,139	3,342	16,797	16,797					77,341		
Harnessing Technology																		
Harnessing ICT	K36B2	P Wilson	Ongoing	0	6,001			6,001	-	6,001	6,001	-	Green	Green		6,001	-	-
Schools ICT Hardware Upgrade	K36B5	P Wilson	60,000	9,483	50,517			50,517	47,614	2,903	2,903	-	Green	Green		2,903	-	-
SLG Start up costs/server	K36B6	P Wilson	10,000	-	10,000			10,000	1,500	8,500	8,500	-	Green	Green		8,500	-	-
Total					66,518			66,518	49,114	17,404	17,404					17,404		
Asset Management Plan - Condition/Suitability																		
AMP Condition	K3R24	P Wilson	Ongoing	-	34,169	13,847		48,016	34,169	13,847	13,847	-	Green	Green		1,220,499	-	-
Adderley Primary - re-new roofing to demountable	K3R41	P Wilson	9,810	-	9,810			9,810	-	9,810	9,810	-	Green	Green		9,810	-	-
Alveley Primary tiled roof repairs - Hall/Kitchen/Entrance	K3R42	P Wilson	25,639	-	25,639			25,639	16,571	9,068	9,068	-	Green	Green		9,068	-	-
Buildwas Primary - Part Replacement Rotten Roof Joists	K3R44	P Wilson	16,023	751	15,272			15,272	2,650	12,622	12,622	-	Green	Green		12,622	-	-
Chirbury School - Structural Floor	K3R45	P Wilson	8,421	8,363	58			58	58	-	-	-	Green	Green		-	-	-
Coleham Primary - Stonework Repairs	K3R46	P Wilson	60,000	-	30,000			30,000	16,728	13,272	13,272	-	Green	Green		43,272	-	-
Ellesmere Primary - Window Replacement	K3R47	P Wilson	31,709	31,709	2,562	(2,562)		-	-	-	-	-	Green	Green		-	-	-
Harlescott Primary - Re-roofing	K3R51	P Wilson	186,905	137,451	49,454			49,454	135	49,319	49,319	-	Green	Green		49,319	-	-
Idsall - Re-roofing of Hall	K3R52	P Wilson	45,258	228	45,030			45,030	45,029	1	-	1	Green	Green		-	-	-
Idsall School - Re-roofing General	K3R53	P Wilson	56,215	50,245	5,970			5,970	-	5,970	5,970	-	Green	Green		5,970	-	-
Ludlow Secondary - Re-roof Maths Block	K3R54	P Wilson	50,275	44,148	6,127			6,127	-	6,127	6,127	-	Green	Green		6,127	-	-
Market Drayton Jnrs - Re-new Asphalt Roof	K3R56	P Wilson	15,260	-	15,260			15,260	-	15,260	15,260	-	Green	Green		15,260	-	-
Mary Webb - Roofing	K3R57	P Wilson	106,418	103,993	2,425			2,425	(6,696)	9,121	9,121	-	Green	Green		9,121	-	-
Meole Brace Secondary - Roofing	K3R58	P Wilson	43,836	33,342	10,494			10,494	2,309	8,185	8,185	-	Green	Green		8,185	-	-
Meraside Primary - Roof Repairs	K3R59	P Wilson	27,250	2,710	24,540			24,540	6,018	18,522	18,522	-	Green	Green		18,522	-	-
Much Wenlock Primary - Re Wire Lighting/Cabling	K3R60	P Wilson	161,392	158,576	3,042	(226)		2,816	2,816	-	-	-	Green	Green		-	-	-
St Leonards Bridgnorth - Re-roofing	K3R61	P Wilson	65,099	64,984	115			115	115	-	-	-	Green	Green		-	-	-
Stottesdon Primary - Re-roofing/Plain Tiles, Slippage	K3R62	P Wilson	54,210	3,614	50,596			50,596	43,932	6,664	6,664	-	Green	Green		6,664	-	-
Thomas Adams School - Replace Roof Stannier Hall	K3R64	P Wilson	49,555	240	49,315			49,315	44,312	5,003	5,003	-	Green	Green		5,003	-	-
Thomas Adams School - Replace Woodwork Stannier Hall	K3R65	P Wilson	11,151	-	-			-	-	-	-	-	Green	Green		11,151	-	-
West Felton Primary - Re-roof Demountable	K3R67	P Wilson	17,309	9,261	8,048			8,048	-	8,048	8,048	-	Green	Green		8,048	-	-
Woodside Primary - Re-Roof Demountable	K3R68	P Wilson	19,435	19,435	1,529	(1,529)		-	-	-	-	-	Green	Green		-	-	-
Clive Primary - Ventilation Works	K3R69	P Wilson	5,450	-	5,450			5,450	-	5,450	5,450	-	Green	Green		5,450	-	-
Sundorne Infants - Skylight Replacement	K3R70	P Wilson	6,905	6,737	168			168	167	1	-	1	Green	Green		-	-	-
Whitchurch Infants - Re-Roof Demountable	K3R71	P Wilson	5,500	-	5,500			5,500	-	5,500	5,500	-	Green	Green		5,500	-	-

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Scheme Description	Code	Project Manager	Total Approved Scheme Budget	Previous Years Spend	Revised Budget P11 13/14	Budget Virements P12	Budget Inc/Dec P12	Revised Budget P12 13/14	Actual Spend 31/03/14	Spend to Budget Variance	Slipped to 2014/15	No Longer required / available	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget	2015/16 Revised Budget	2016/17 Revised Budget
			£	£	£	£	£	£	£	£	£	£				£	£	£
Mereside Primary - Upgrade Electrics	K3R75	P Wilson	84,584	206	84,378			84,378	126,806	(42,428)	(42,428)		Green	Green		(42,428)	-	-
Sir John Talbots - Roof	K3R78	P Wilson	4,000	-	4,000			4,000	-	4,000	4,000		Green	Green		4,000	-	-
St Georges Primary - roof repairs	K3RA1	P Wilson	15,000	-	15,000			15,000	-	15,000	15,000		Green	Green		15,000	-	-
Woodfield Infants - roof repairs	K3RA2	P Wilson	22,000	-	22,000			22,000	-	22,000	22,000		Green	Green		22,000	-	-
Ludlow Secondary - re-roof e block	K3RA3	P Wilson	138,174	-	138,174			138,174	73,357	64,817	64,817		Green	Green		64,817	-	-
Alveley Primary - replace guttering	K3RA4	P Wilson	10,000	-	-			-	-	-	-		Green	Green		10,000	-	-
Alveley Primary - replace render	K3RA5	P Wilson	18,000	-	-			-	-	-	-		Green	Green		18,000	-	-
Bishops Castle Primary - hall lighting	K3RA6	P Wilson	8,000	-	-			-	-	-	-		Green	Green		8,000	-	-
Cleobury Mortimer Primary - re-wire	K3RA7	P Wilson	227,100	-	20,000			20,000	18,482	1,518	1,518		Green	Green		208,618	-	-
Ellesmere Primary - heating controls	K3RA8	P Wilson	10,000	-	10,000			10,000	4,845	5,155	5,155		Green	Green		5,155	-	-
St Peters Wem - replace metal windows	K3RA9	P Wilson	25,787	-	28,366	(2,579)		25,787	25,787	(-)	-	(-)	Green	Green		-	-	-
St Peters Wem - repairs to nursery demountable	K3RB1	P Wilson	19,947	-	19,947			19,947	19,947	-	-		Green	Green		-	-	-
Harlescote Jnr - final phase re-wire	K3RB3	P Wilson	41,539	-	41,653	(114)		41,539	41,539	-	-		Green	Green		-	-	-
Sundorne Infants - roof replacement/repairs	K3RB4	P Wilson	27,023	-	30,000	(2,977)		27,023	27,023	-	-		Green	Green		-	-	-
Sundorne Infants - replace skylights	K3RB5	P Wilson	10,000	-	-			-	-	-	-		Green	Green		10,000	-	-
Crowmoor Primary - boiler replacement	K3RB6	P Wilson	64,913	-	64,913			64,913	64,913	(-)	-	(-)	Green	Green		-	-	-
St Lucias Upton Magna - flat roof repairs/replacement	K3RB7	P Wilson	26,416	-	29,909	(3,493)		26,416	26,416	(-)	-	(-)	Green	Green		-	-	-
Nescliffe Primary - flat roof repairs/replacement	K3RB8	P Wilson	41,864	-	42,231	(367)		41,864	41,864	(-)	-	(-)	Green	Green		-	-	-
Prees Primary - flat roof replace/high level windows	K3RB9	P Wilson	107,671	-	107,671			107,671	77,369	30,302	30,302		Green	Green		30,302	-	-
Market Drayton Longlands - re-wire middle school	K3RC1	P Wilson	239,015	-	239,015			239,015	220,475	18,540	18,540		Green	Green		18,540	-	-
St Lucias Upton Magna - re-wire whole school	K3RC2	P Wilson	139,558	-	139,558			139,558	139,465	93	93		Green	Green		93	-	-
Belvidere School - re-roof technology block	K3RC4	P Wilson	60,000	-	60,000			60,000	46,617	13,383	13,383		Green	Green		13,383	-	-
Norbury Primary - Replace 8 x metal windows	K3RC5	P Wilson	10,528	-	10,528			10,528	4,905	5,623	5,623		Green	Green		5,623	-	-
Sundorne Youth/TMBSS - Re roofing	K3RC6	P Wilson	100,000	-	17,818			17,818	17,818	(-)	-	(-)	Green	Green		82,182	-	-
St Andrews Shifnal - Boiler Replacement	K3RC7	P Wilson	4,000	-	4,000			4,000	-	4,000	4,000		Green	Green		4,000	-	-
Harlescote Junior School - Refenestration	K3RC8	P Wilson	25,034	-	25,034			25,034	-	25,034	25,034		Green	Green		25,034	-	-
Woodfield Infants - Drainage	K3RC9	P Wilson	5,450	-	-			-	-	-	-		Green	Green		5,450	-	-
Bomere Heath - Refenestration	K3RD1	P Wilson	29,737	-	29,737			29,737	29,737	-	29,737		Green	Green		29,737	-	-
Wushbury Primary Re Roof Pitch Roof	K3RD2	P Wilson	70,850	-	-			-	-	-	-		Green	Green		70,850	-	-
Wushbury Primary - Chimney Demolition	K3RD3	P Wilson	10,900	-	-			-	-	-	-		Green	Green		10,900	-	-
Alveley Primary - Replace Quad Window	K3RD4	P Wilson	15,656	-	15,656			15,656	7,288	8,368	8,368		Green	Green		8,368	-	-
Belvidere School - Upgrade Electrics	K3RD5	P Wilson	20,690	-	-			-	-	-	-		Green	Green		20,690	-	-
Wolve School - Replace Glass Windows	K3RD6	P Wilson	5,450	-	-			-	-	-	-		Green	Green		5,450	-	-
St Peters Wem - Replace Windows & Doors	K3RD7	P Wilson	10,243	-	10,243			10,243	9,472	771	771		Green	Green		771	-	-
St Peters Wem - Replace Classroom Windows	K3RD8	P Wilson	25,114	-	-			-	-	-	-		Green	Green		25,114	-	-
Walsinghampton - Septic Tank	K3RD9	P Wilson	34,990	-	-			-	3,375	(3,375)	(3,375)		Green	Green		31,615	-	-
Abrington Junior Bring Single Pipe Heating System above Floor	K3RE1	P Wilson	92,034	-	-			-	-	-	-		Green	Green		92,034	-	-
Alveley Primary Demolition & Make Good External Store	K3RE2	P Wilson	21,800	-	-			-	-	-	-		Green	Green		21,800	-	-
Beckbury Replace Demountable Floor	K3RE3	P Wilson	10,570	-	-			-	-	-	-		Green	Green		10,570	-	-
Belvidere Primary Re-roof Nursery Demountable	K3RE4	P Wilson	15,473	-	-			-	-	-	-		Green	Green		15,473	-	-
Belvidere Primary Demountable Window Replacement	K3RE5	P Wilson	-	-	-			-	-	-	-		Green	Green		-	-	-
Belvidere Science College Re-roof admin area & corridor	K3RE6	P Wilson	65,400	-	-			-	-	-	-		Green	Green		65,400	-	-
Bomere Heath Insulate Ceiling Voids	K3RE7	P Wilson	19,620	-	-			-	-	-	-		Green	Green		19,620	-	-
Bridgnorth Castlefields Replace Windows Toilets & Class 3/4	K3RE8	P Wilson	8,720	-	-			-	-	-	-		Green	Green		8,720	-	-
Bryn Offa Primary Boiler & Controls Upgrade	K3RE9	P Wilson	54,500	-	-			-	-	-	-		Green	Green		54,500	-	-
Burford Primary Re-Roof Main Block Flat Roof	K3RF2	P Wilson	19,799	-	-			-	-	-	-		Green	Green		19,799	-	-
Church Preen Primary Re-Roof Flat Roof	K3RF3	P Wilson	109,000	-	-			-	-	-	-		Green	Green		109,000	-	-
Coleham Primary External Walls, Windows & Doors	K3RF4	P Wilson	88,290	-	-			-	-	-	-		Green	Green		88,290	-	-
Coleham Primary Part Re-Roof Main School	K3RF5	P Wilson	54,500	-	-			-	-	-	-		Green	Green		54,500	-	-
Crowmoor Primary General Roof Repairs	K3RF6	P Wilson	27,250	-	-			-	-	-	-		Green	Green		27,250	-	-
Ellesmere Primary Replace Hall & Classroom Windows Phase 2	K3RF7	P Wilson	32,700	-	-			-	-	-	-		Green	Green		32,700	-	-
Greenfields Primary Boiler & Controls Upgrade	K3RF8	P Wilson	54,500	-	-			-	-	-	-		Green	Green		54,500	-	-
Grove School Curtain Walling	K3RF9	P Wilson	87,200	-	-			-	-	-	-		Green	Green		87,200	-	-
Harlescote Junior Floor Screed Issues & New Flooring	K3RG1	P Wilson	15,805	-	-			-	-	-	-		Green	Green		15,805	-	-
Highley Primary Music Room Fenestration	K3RG2	P Wilson	13,080	-	-			-	-	-	-		Green	Green		13,080	-	-
Highley Primary Re-Wire	K3RG3	P Wilson	109,000	-	-			-	-	-	-		Green	Green		109,000	-	-
Idsall School Localised Re-Roof	K3RG4	P Wilson	32,700	-	-			-	-	-	-		Green	Green		32,700	-	-
John Wilkinson Primary Nurse External Repairs	K3RG5	P Wilson	10,900	-	-			-	-	-	-		Green	Green		10,900	-	-
Kinlet Primary Replace Timber Windows Stone Building	K3RG6	P Wilson	6,540	-	-			-	-	-	-		Green	Green		6,540	-	-
Kinlet Primary Replace Render Gable Wall	K3RG7	P Wilson	4,360	-	-			-	-	-	-		Green	Green		4,360	-	-
Kinnerley Primary Demountable Roof Over Roof	K3RG8	P Wilson	8,720	-	-			-	-	-	-		Green	Green		8,720	-	-
Ludlow Infants Renew Area of Fenestration	K3RG9	P Wilson	29,853	-	-			-	-	-	-		Green	Green		29,853	-	-
Ludlow Junior Renew Area of Fenestration	K3RH1	P Wilson	29,493	-	-			-	-	-	-		Green	Green		29,493	-	-
Ludlow Junior Fan Convectior Renewal	K3RH2	P Wilson	32,700	-	-			-	-	-	-		Green	Green		32,700	-	-
Ludlow Junior Boiler & Controls Upgrade	K3RH3	P Wilson	54,500	-	-			-	-	-	-		Green	Green		54,500	-	-
Ludlow School Re-roofing Science Block	K3RH4	P Wilson	43,600	-	-			-	-	-	-		Green	Green		43,600	-	-
Newtown Primary Hall Double Glazing	K3RH5	P Wilson	32,700	-	-			-	-	-	-		Green	Green		32,700	-	-
Norbury Primary Stone Repairs	K3RH6	P Wilson	16,350	-	-			-	-	-	-		Green	Green		16,350	-	-
Oakmeadow Primary Music Area Re-Roofing	K3RH7	P Wilson	38,150	-	-			-	-	-	-		Green	Green		38,150	-	-
Pontesbury Primary Re-Wire	K3RH8	P Wilson	216,719	-	-			-	-	-	-		Green	Green		216,719	-	-
Pontesbury Primary External Wall Repairs	K3RH9	P Wilson	16,350	-	-			-	-	-	-		Green	Green		16,350	-	-
Radbrook Primary Boiler & Controls Update	K3RJ1	P Wilson	43,600	-	-			-	-	-	-		Green	Green		43,600	-	-

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Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14 £	Spend to Budget Variance £	Slipped to 2014/15 £	No Longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
Sheriffhales Primary Damp Penetration Repairs	K3RJ2	P Wilson	16,350	-	-	-	-	-	-	-	-	-	Green	Green		16,350	-	-
Sheriffhales Primary Damp Repairs to Classroom Floor	K3RJ3	P Wilson	6,540	-	-	-	-	-	-	-	-	-	Green	Green		6,540	-	-
Sheriffhales Primary Secondary Glazing to Classroom & Draught	K3RJ4	P Wilson	8,720	-	-	-	-	-	-	-	-	-	Green	Green		8,720	-	-
Shifnal Primary Replace High Level Window Frames to Hall	K3RJ5	P Wilson	27,250	-	-	-	-	-	-	-	-	-	Green	Green		27,250	-	-
Sir John Talbots Re-Roofing Flat Roof	K3RJ6	P Wilson	76,300	-	-	-	-	-	-	-	-	-	Green	Green		76,300	-	-
St Andrew's Shifnal Boiler & Controls Update	K3RJ7	P Wilson	54,500	-	-	-	-	-	-	-	-	-	Green	Green		54,500	-	-
St Andrew's Nesscliffe Ceilings & Partial Re-Wire	K3RJ8	P Wilson	30,520	-	-	-	-	-	-	-	-	-	Green	Green		30,520	-	-
St George's Roofing & Guttering Issues	K3RJ9	P Wilson	19,620	-	-	-	-	-	-	-	-	-	Green	Green		19,620	-	-
St Peter's Wem Quad Windows	K3RK1	P Wilson	32,700	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Thomas Adams Replace Sports Hall Roof Covering	K3RK2	P Wilson	98,100	-	-	-	-	-	-	-	-	-	Green	Green		98,100	-	-
Woodlands Boiler & Control Update	K3RK3	P Wilson	32,700	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Total					1,610,404			1,610,404	1,206,076	404,328	404,327	2				4,080,631		
School Carbon Schemes																		
Carbon Loan - Brown Cleve Valves & Flanges	K3512	P Wilson	813	-	813	-	-	813	813	()	-	()	Green	Green		-	-	-
Carbon Loan - Sundome School Lighting Upgrade	K3514	P Wilson	21,945	20,133	1,812	-	-	1,812	1,812	-	-	-	Green	Green		-	-	-
Carbon Loan - Greenfields Primary Valves & Flanges	K3526	P Wilson	1,644	-	1,644	-	-	1,644	1,644	-	-	-	Green	Green		-	-	-
Carbon Loan -Oldbury Wells Lighting Upgrade	K3527	P Wilson	32,743	-	32,743	-	-	32,743	32,742	1	-	1	Green	Green		-	-	-
Total					37,012			37,012	37,011	1		1						
Fire Safety Schemes																		
Fire Safety - Unallocated	K3V01	P Wilson	Ongoing	-	24,609	1,162	-	25,771	-	25,771	25,771	-	Green	Green		409,771	-	-
Fire Safety - Idsall Fire Fire Safety Works	K3V14	P Wilson	38,552	13,496	25,056	-	-	25,056	18,501	6,555	6,555	-	Green	Green		6,555	-	-
Fire Safety - Ludlow Secondary Replacement Fire Alarm	K3V17	P Wilson	22,343	-	22,343	-	-	22,343	17,077	5,266	5,266	-	Green	Green		5,266	-	-
Fire Safety - Thomas Adams School - Replacement Fire Alarm	K3V18	P Wilson	87,757	-	87,757	-	-	87,757	50,357	37,400	37,400	-	Green	Green		37,400	-	-
Fire Safety - Albrighton Primary	K3V23	P Wilson	24,833	16,653	8,180	-	-	8,180	2,464	5,716	5,716	-	Green	Green		5,716	-	-
Fire Safety - Sir John Talbots	K3V25	P Wilson	100,000	-	-	-	-	-	-	-	-	-	Green	Green		100,000	-	-
Fire Safety - Belvidere Fire Safety Works	K3V26	P Wilson	14,156	-	14,156	-	-	14,156	9,251	4,905	4,905	-	Green	Green		4,905	-	-
Fire Safety - Meole Brace Fire Alarm Replacement	K3V27	P Wilson	69,997	-	69,997	-	-	69,997	63,363	6,634	6,634	-	Green	Green		6,634	-	-
Fire Safety - Ellesmere Primary - Doors	K3V28	P Wilson	9,988	-	10,512	(524)	-	9,988	9,988	()	-	()	Green	Green		-	-	-
Fire Safety - Bishops Castle Community College - Replacement F	K3V29	P Wilson	25,770	-	25,770	-	-	25,770	13,854	11,916	11,916	-	Green	Green		11,916	-	-
Fire Safety - Lacon Childre - Replacement Fire Alarm System	K3V30	P Wilson	20,344	-	20,344	-	-	20,344	12,438	7,906	7,906	-	Green	Green		7,906	-	-
Fire Safety - Bridgnorth St Leonards	K3V32	P Wilson	78,988	-	78,988	-	-	78,988	57,744	21,244	21,244	-	Green	Green		21,244	-	-
Fire Safety - St Giles	K3V33	P Wilson	23,250	22,140	1,110	-	-	1,110	1,110	-	-	-	Green	Green		-	-	-
Fire Safety - Oakmeadow	K3V34	P Wilson	10,000	-	10,000	-	-	10,000	4,381	5,619	5,619	-	Green	Green		5,619	-	-
Fire Safety - St Georges - Replacement Fire Alarm System	K3V35	P Wilson	43,309	-	43,309	-	-	43,309	24,085	19,224	19,224	-	Green	Green		19,224	-	-
Fire Safety - Mereside	K3V36	P Wilson	17,613	-	17,613	-	-	17,613	-	17,613	17,613	-	Green	Green		17,613	-	-
Fire Safety - Whitchurch Juniors	K3V37	P Wilson	26,768	-	26,768	-	-	26,768	20,507	6,261	6,261	-	Green	Green		6,261	-	-
Fire Safety - Meole Brace Primary	K3V38	P Wilson	8,415	-	8,415	-	-	8,415	3,786	4,629	4,629	-	Green	Green		4,629	-	-
Fire Safety - Holy Trinity	K3V39	P Wilson	6,376	-	7,014	(638)	-	6,376	6,377	(1)	-	(1)	Green	Green		-	-	-
Fire Safety - Stokesay (Craven Arms) - Fire Safety Works	K3V40	P Wilson	5,020	-	5,020	-	-	5,020	1,693	3,327	3,327	-	Green	Green		3,327	-	-
Fire Safety - Brown Cleve	K3V41	P Wilson	10,087	-	10,087	-	-	10,087	4,010	6,077	6,077	-	Green	Green		6,077	-	-
Fire Safety - Woodlands (Wem)	K3V42	P Wilson	32,750	-	-	-	-	-	-	-	-	-	Green	Green		32,750	-	-
Fire Safety - Coleham	K3V43	P Wilson	28,196	-	-	-	-	-	-	-	-	-	Green	Green		28,196	-	-
Fire Safety - Greenfields	K3V44	P Wilson	24,240	-	-	-	-	-	-	-	-	-	Green	Green		24,240	-	-
Fire Safety - Radbrook	K3V45	P Wilson	20,468	-	-	-	-	-	-	-	-	-	Green	Green		20,468	-	-
Fire Safety - Shifnal	K3V46	P Wilson	27,529	-	-	-	-	-	-	-	-	-	Green	Green		27,529	-	-
Fire Safety - Whitchurch Infants	K3V47	P Wilson	24,861	-	-	-	-	-	-	-	-	-	Green	Green		24,861	-	-
Fire Safety - Highley	K3V48	P Wilson	22,699	-	-	-	-	-	-	-	-	-	Green	Green		22,699	-	-
Total					517,048			517,048	320,986	196,062	196,063	(1)				860,806		
Special Education Needs																		
Schools Access Initiative Contingency	K3C50	P Wilson	Ongoing	-	24,366	21,611	-	45,977	-	45,977	45,977	-	Green	Green		341,902	-	-
SAI - Priory Rest Room & Sick Bay Extension	K3C04	P Wilson	47,548	47,548	2,659	(2,659)	-	-	-	-	-	-	Green	Green		-	-	-
SAI - St Andrews Nesscliffe Extension & Internal Works	K3C07	P Wilson	58,156	58,156	1,562	(1,562)	-	-	-	-	-	-	Green	Green		-	-	-
SAI - Martin Wilson Automatic Doors	K3C12	P Wilson	8,654	8,654	6,346	(6,346)	-	-	-	-	-	-	Green	Green		-	-	-
SAI - St Peters Wem	K3C13	P Wilson	3,787	3,583	204	-	204	204	204	-	-	-	Green	Green		-	-	-
SAI - Internal SEN Equipment	K3C15	P Wilson	16,524	9,530	6,995	-	6,995	392	6,603	6,603	-	-	Green	Green		6,602	-	-
SAI - Albrighton St Mary's Changing Room	K3C18	P Wilson	52,768	49,362	3,406	-	3,406	25	3,381	3,381	-	-	Green	Green		3,381	-	-
SAI - St Giles Primary Adaptions	K3C20	P Wilson	5,693	993	9,007	(4,307)	-	4,700	4,700	-	-	-	Green	Green		-	-	-
SAI - Bridgnorth St Johns - Toilet Adaption	K3C21	P Wilson	2,055	267	1,793	(5)	-	1,788	1,788	-	-	-	Green	Green		-	-	-
SAI - Whitchurch Infants Suspended Ceiling	K3C22	P Wilson	2,805	-	2,805	-	-	2,805	-	2,805	2,805	-	Green	Green		2,805	-	-
SAI - Prees Door Widening & Ramps	K3C23	P Wilson	9,423	-	9,423	-	-	9,423	-	9,423	9,423	-	Green	Green		9,423	-	-
SAI - Worthen Additional Staff Toilet	K3C24	P Wilson	3,799	-	3,700	(2,129)	-	1,571	1,571	-	-	()	Green	Green		2,168	-	-
SAI - St Leonards Hygiene Room & Music Room Relocation	K3C25	P Wilson	37,116	-	41,137	(4,021)	-	37,116	37,116	-	-	-	Green	Green		-	-	-
SAI - Belvidere Toilet Adaption	K3C26	P Wilson	5,559	-	5,559	-	-	5,212	347	347	-	-	Green	Green		347	-	-
SAI - St Georges Hoist	K3C27	P Wilson	3,279	-	3,500	(221)	-	3,279	3,279	-	-	-	Green	Green		-	-	-
SAI - St Lawrence Level Access	K3C28	P Wilson	4,175	-	4,175	-	-	500	3,675	3,675	-	-	Green	Green		3,675	-	-
SAI - Tilstock Access Alterations for Disabled Pupil	K3C29	P Wilson	3,339	-	3,700	(361)	-	3,339	3,339	-	-	-	Green	Green		-	-	-
Special Education Refurbishment	K3CX0	P Wilson	857,000	-	-	7,000	-	7,000	12,000	(5,000)	(5,000)	-	Green	Green		845,000	-	-
Severdale Outreach Unit - Mary Webb	K3CX3	P Wilson	778,500	708,491	693	-	693	693	693	-	-	-	Green	Green		69,316	-	-
Severdale School - Extension	K3CX4	P Wilson	160,000	155,708	4,292	-	4,292	4,292	4,292	-	-	-	Green	Green		4,292	-	-
Sundome PRU - Redesignation of Youth Building	K3CX6	P Wilson	144,683	690	143,993	-	143,993	143,993	133,211	10,782	10,782	-	Green	Green		10,782	-	-
Total					279,315	7,000		286,315	204,030	82,286	82,284	1				1,299,693		
Contingency																		

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Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget P11 13/14 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	Actual Spend 31/03/14 £	Spend to Budget Variance £	Slipped to 2014/15 £	No Longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
Learning & Skills Contingency	K3R25	P Wilson	Ongoing	-	22,855			22,855	-	22,855	22,855	-	Green	Green		22,855	-	-
Salary Contingency	K3050	P Wilson	Ongoing	-	200,000	(17,000)		183,000	-	183,000	183,000	-	Green	Green		383,000	-	-
Devolved Formula Capital - Allocated by schools		P Wilson	Ongoing		1,081,042	1,063	-	1,082,105	859,582	222,523	222,522	1	Green	Green		3,034,048	-	-
Total Learning & Skills					9,470,191	(4,000)		9,466,191	7,936,707	1,529,485	1,529,479	6				15,979,724	1,709,784	1,795,273
Total Childrens Services					10,179,450			10,179,450	8,586,899	1,592,552	1,592,544	7				16,404,252	1,709,784	1,795,273
Resources & Support																		
Programme Management & Systems																		
Transformation																		
CRM	KXX90	N Langford	210,678	186,928	25,663		(1,913)	23,750	23,750	()	-	()	Green	Green		-	-	-
					25,663		(1,913)	23,750	23,750	(0)	-	(0)				-	-	-
IT Social Care																		
CAF Project	K5BY7	V Banks	1,499,586	1,342,736	156,850			156,850	156,850		-		Green	Green		-	-	-
					156,850			156,850	156,850		-					-	-	-
Total Programme Management & Systems					182,513		(1,913)	180,600	180,600		-					-	-	-
Customer Care & Support Services																		
Property Services																		
Disabilities Discrimination Act (other than schools)	KXX18	S Jackson	Ongoing	-	10,000			10,000	7,304	2,696	-	2,696	Green	Green		90,000	50,000	50,000
Market Drayton Market Hall	KXX73	S Jackson	598,708	585,133	13,575			13,575	-	13,575	13,575	-	Green	Green		13,575	-	-
Lord Hill Statue Repairs	KCS01	S Jackson	140,000	-	40,000			40,000	15,368	24,632	24,632	-	Green	Green		124,632	-	-
Shirehall - Replace Roof Crown Courts	KCS02	S Jackson	168,000	-	-			-	-	-	-	-	Green	Green		168,000	-	-
					63,575			63,575	22,672	40,903	38,207	2,696				396,207	50,000	50,000
Routes & Facilities - Gypsy Sites																		
Gypsy Site - Park Hall, Oswestry	K6T01	S Law	520,000	-	420,000			420,000	224,986	195,014	195,014	-	Green	Green		295,014	-	-
Gypsy Site - Long Lane, Craven Arms	K6T02	S Law	312,000	-	312,000			312,000	192,193	119,807	119,807	-	Green	Green		119,807	-	-
Gypsy Site - Manor House Lane	K6T03	S Law	625,475	6,885	(6,885)			6,507	(13,392)	(13,392)	-	-	Green	Green		582,083	30,000	-
Gypsy Sites - Whittington Phase 2	K6T04	S Law	677,220	-	-			-	-	-	-	-	Green	Green		647,220	30,000	-
Gypsy Sites - Craven Arms Phase 2	K6T05	S Law	483,729	-	-			-	-	-	-	-	Green	Green		463,729	20,000	-
					725,115			725,115	423,686	301,429	301,429	-				2,107,853	80,000	-
Total Customer Care & Support Services					788,690			788,690	446,358	342,332	339,636	2,696				2,504,060	130,000	50,000
Legal Strategy & Democratic																		
Elections																		
Ballot Booth Replacement Programme	KL01		43,615	-	-			-	-	-	-	-	Green	Green		43,615	-	-
																43,615	-	-
Total Resources & Support					971,203		(1,913)	969,290	626,958	342,332	339,636	2,696				2,547,675	130,000	50,000
Total General Fund Capital Programme					43,405,445		(17,700)	43,387,745	37,429,741	5,958,005	5,843,102	114,902				60,627,776	10,418,604	5,345,273

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Financing	Revised Budget P11 £	Budget Virements P12 £	Budget Inc/Dec P12 £	Revised Budget P12 13/14 £	2014/15 Revised Budget £	2015/16 Revised Budget £	2016/17 Revised Budget £
Self Financed Prudential Borrowing	(73,612)			(73,612)	163,046	-	-
Government Grants							
Department of Transport	17,381,342	654,355		18,035,697	16,299,000	-	-
Department of Health	960,700			960,700	764,663	-	-
Department for Education							
- Condition Capital Grant	4,498,143			4,498,143	4,275,499	-	-
- Basic Need Capital Grant	492,821			492,821	492,821	1,709,784	1,795,273
- Universal Infant Free School Meals	-			-	587,365	-	-
- Devolved Formula Capital	1,495,747			1,495,747	2,537,487	-	-
Disabled Facilities Grants	1,085,717			1,085,717	1,122,315	-	-
Growth Fund	368,123			368,123	-	-	-
HCA - Decent Homes Backlog Funding	705,000			705,000	-	-	-
HCA - Travellers	725,115			725,115	2,062,853	80,000	-
HCA - New Build	-			-	751,000	-	-
BDUK - Broadband	109,883			109,883	7,730,117	-	-
Environment Agency	207,218			207,218	750,002	-	-
Department of Energy and Climate Change (DECC)	41,477		(16,027)	25,450	-	-	-
Local Government Association	13,440			13,440	2,160	-	-
	28,084,726	654,355	(16,027)	28,723,054	37,375,282	1,789,784	1,795,273
Other Grants							
Heritage Lottery Fund (HLF)	603,600			603,600	-	-	-
Arts Council	19,900			19,900	-	-	-
English Heritage	162,634			162,634	65,988	-	-
Sports England	238,667			238,667	130,214	-	-
Big Lottery	27,749			27,749	-	-	-
National Treatment Agency	24,675			24,675	-	-	-
Sustrans	120,000			120,000	25,000	-	-
Natural England	18,108			18,108	165,185	9,023	-
Other Grants	1,704			1,704	264,606	-	-
	1,217,037	-	-	1,217,037	650,993	9,023	-
Other Contributions							
Section 106	1,036,664	3,254		1,039,918	447,476	-	-
Development Trust	95,491			95,491	-	-	-
Other Contributions	314,808		240	315,048	55,112	-	-
	1,446,963	3,254	240	1,450,457	502,588	-	-
Revenue Contributions to Capital	2,771,238	(140,459)	(1,913)	2,628,866	3,530,447	414,000	-
Major Repairs Allowance	2,616,591	141,070		2,757,661	7,456,526	3,200,000	-
Corporate Resources (Capital Receipts/ Prudential Borrowing)	11,338,379	(658,220)		10,680,159	21,759,996	8,292,887	3,550,000
Total Confirmed Funding	47,401,322	-	(17,700)	47,383,622	71,438,878	13,705,694	5,345,273

Funding changes - Period 12

Budget Increase/Decreases	2013/14	2014/15	2015/16	2016/17	Details
Other Grants					
Department of Transport		654,355			Additional DfT grant following the damage caused by to roads by the severe winter weather
DfE - Devolved Formula Capital		33,150			Additional DFC based on the schools remaining in Shropshire Council control as at 01/04/14.
Disabled Facilities Grants		41,315			Additional DFG grant following confirmation of the 2014/15 grant settlement
HCA - Travellers		1,661,424	80,000		New HCA funding for the redevelopment of 3 existing Gypsy sites.
Department of Energy and Climate Change (DECC)	(16,027)				Reduction in capital grant as part of scheme switched to revenue.
Total Other Grants	(16,027)	2,390,244	80,000		
Other Contributions					
Other Contributions	240				Minor external contribution.
Total Other Contributions	240	-	-		
Revenue Contributions to Capital	(1,913)	249,335	102,600		New revenue contributions from New Homes Bonus monies for Affordable Housing Grant schemes, partly offset by reduction in revenue contributions to Learning & Skills and Highways schemes.
Corporate Resources (Capital Receipts/ Prudential Borrowing)					
	(17,700)	2,639,579	182,600		
	-	-	-		

Funding in capital Programme	£
DfT - Maintenance Block	11,973,000
DfT - Integrated Transport Block	2,385,000
DfT - Local Sustainable Transport Fund	714,000
DfT - Additional Highways Maintenance Funding	1,227,000
Sustrans Grant	25,000
Other Grant	264,606
Capital Receipts (Carry forward from 2013/14 & swapped for Severe Weather funding 2013/14)	1,934,673
	18,523,279

Scheme	CC	Budget Holder	Total Budget		DfT - Maintenance Block	DfT - Additional Highways Maintenance Funding	DfT - Integrated Transport Block	Financing DfT - Local Sustainable Transport Fund	Sustrans Grant	Other Grant	Corporate Resources
			£		£	£	£	£	£	£	£
Highways											
Structural Maintenance of Bridges & Structures											
Bridgeguard 2013/14 Retentions	K6BG4		56,733	Retention and final payments on previous years schemes as follows: Water Lane Retaining Wall (£13k), Sweeney Bridge (£10k), Beech House Canal Bridge (£5k), Pimley Manor & Uffington Bridges (£24k), Buildwas Bridge (£3k) and budget carry forwards from 2013/14 (£1.7k).							
Bridgeguard - Miscellaneous Programme Costs	KBG02		190,706	Small works orders, land compensations costs and other associated direct capital costs							
Bridgeguard - Consultancy Fees	KBG03		425,000	Consultancy budget for associate professional fees on all schemes.							
Bridgeguard - Tern No 1 Bridge	KBG04		200,000	Lining of existing ARMCO structure.							
Bridgeguard - Hadnall Culvert	KBG05		375,000	Culvert replacement work including substantial approach and departure work.							
Bridgeguard - Bankfields Lane Bridge	KBG06		150,000	Replace existing bridge.							
Bridgeguard - Aston Bridge	KBG08		80,000	Take down and rebuild spandrel walls.							
Bridgeguard - Church Window Bridge	KBG09		80,000	Take down and rebuild the upstream spandrel and wing walls and saddle the bridge.							
Bridgeguard - Heathon West Bridge	KBG10		15,000	Rebuild downstream wing wall.							
Bridgeguard - Wagbeach Footbridge	KBG11		30,000	Install new footbridge							
Bridgeguard - Glazeley Bridge	KBG13		30,000	Ground beam and safety fence work.							
Bridgeguard - Severe Weather Schemes	KBG9M		240,000	Morton Bridge (£40K) Rebuilding bridge parapets and Hurst Bend (£200k) river bank restoration work. Works required following severe winter weather.							
Structural Maintenance of Bridges & Structures		T Sneddon	1,872,439		1,606,100		-	-		264,606	1,733
Structural Maintenance of Roads											
Shropshire Countywide - Road Maintenance Projects											
Centralised budget for highway re-surfacing of highest priority schemes identified from network condition data. The budget will be used to design and implement these schemes in 2014/15 and also to identify schemes to be designed ready for implementation in 2015/16, based on an estimated budget available for both years at this stage.											
The order in which we deliver the schemes and also the number we be dependent on various factors including:											
<ul style="list-style-type: none"> • Complexity of design • Co-ordination of road space • Seasonal construction operations • Environmental constraints • Availability of resources • Availability of contractors resources 											
Principal Roads											
A458 Newtown Bank	KHP01		130,099	A458 Newton Bank resurfacing carried forward from 2013/14							
Sandford	KHP02		93,000	End of Bletchley Dual carriageway to B5065 junction Sandford resurfacing carried forward from 2013/14							
Spoonley Junction	KHP03		145,000	A529 Spoonley Junction to Adderley Road Roundabout resurfacing carried forward from 2013/14							
A525 Audlem Road Woore (From County Boundary)	KHP04		262,825	New 2014/15 resurfacing scheme							
A53 Albrightlee House to Bings Heath	KHP05		500,000	New 2014/15 resurfacing scheme							
A5191 Spring Gardens	KHP06		56,250	New 2014/15 resurfacing scheme							
Secondary Roads											
13/14 Carry forward Schemes	KPS9A		344,773	Completion of 2013/14 resurfacing schemes at B4555 Borlmill Junction to junction with B4363 (£130k), Cruckton to Woodcote Roundabout (£173k) and Westbury to Stoney Stretton crossroads (£41k).							
Welshampton to Hampton Bank	KHS01		203,500	New 2014/15 resurfacing scheme							
B5065 Souldon Road Wem (Wem 30MPH to Lacon Hall)	KHS03		132,500	New 2014/15 resurfacing scheme							
Frankwell (Frankwell Roundabout to left Junction Mardol)	KHS04		64,000	New 2014/15 resurfacing scheme							
B5063 Wem 30 MPH (west) to Lowe Hill Road Junction	KHS05		99,800	New 2014/15 resurfacing scheme							
Duddestone Heath Village	KHS06		165,000	New 2014/15 resurfacing scheme							
A488 Halston Bends	KHS07		44,550	New 2014/15 resurfacing scheme							
Unallocated											
Countywide - Road Maintenance Schemes to be Allocated	KHP00		1,163,583	Remaining budget included £300,000 for professional fees in relation to schemes. Balance to be allocated for further delivery in 2014/15 based on deliverability in year as per factors above.							
Shropshire Countywide - Road Maintenance Projects		A Wilde	3,404,880		1,465,008	1,227,000					712,872
North Shropshire West - Carry forward from 2013/14	Various	S Oakley	150,722	Carry forward for schemes delayed from 2013/14							150,722
North Shropshire West - Unallocated Budget	K6S1A	S Oakley	967,130	To be allocated for structural maintenance schemes on Principal & Secondary roads within in the divisional area, based on asset management need.	967,130						

Scheme	CC	Budget Holder	Total Budget		DFT - Maintenance Block	DFT - Additional Highways Maintenance Fundina	DFT - Integrated Transport Block	Financing DFT - Local Sustainable Transport Fund	Sustrans Grant	Other Grant	Corporate Resources
North Shropshire East - Carry forward from 2013/14	Various	V Doran	26,835	Carry forward for schemes delayed from 2013/14							26,835
North Shropshire East - Unallocated Budget	K6S2A	V Doran	955,465	To be allocated for structural maintenance schemes on Principal & Secondary roads within in the divisional area, based on asset management need.	955,465						
South Shropshire West - Carry forward from 2013/14	Various	C Fisher	66,142	Carry forward for schemes delayed from 2013/14							66,142
South Shropshire West - Unallocated Budget	K6S6A	C Fisher	1,105,729	To be allocated for structural maintenance schemes on Principal & Secondary roads within in the divisional area, based on asset management need.	1,105,729						
South Shropshire East - Carry forward from 2013/14	Various	G Downes	32,441	Carry forward for schemes delayed from 2013/14							32,441
South Shropshire East - Unallocated Budget	K6S4A	G Downes	1,161,235	To be allocated for structural maintenance schemes on Principal & Secondary roads within in the divisional area, based on asset management need.	1,161,235						
Shrewsbury Urban - Carry forward from 2013/14	Various	I Walshaw	70,287	Carry forward for schemes delayed from 2013/14							70,287
Shrewsbury Urban - Unallocated Budget	K6S7A	I Walshaw	643,580	To be allocated for structural maintenance schemes on Principal & Secondary roads within in the divisional area, based on asset management need.	643,580						
Shrewsbury Rural - Carry forward from 2013/14	Various	I Walshaw	74,090	Carry forward for schemes delayed from 2013/14							74,090
Shrewsbury Rural - Unallocated Budget	K6S5A	I Walshaw	805,390	To be allocated for structural maintenance schemes on Principal & Secondary roads within in the divisional area, based on asset management need.	805,390						
Countywide - Secondary Roads Severe Weather Surface Dressing	KHS9M	H Dannatt	1,543,118	Surface Dressing of B&C roads most severely effected by severe winter weather. 56 road schemes (plus 2 structures schemes - see above KBG9M) identified as priority locations. Works to be tendered externally and schemes to be reviewed based on tenders received.	888,763						654,355
Depot Fixed Costs - Principal	K6P01	T Sneddon	250,222	Budget required for capital element of Depot fixed costs; 45% of total cost, with remainder charged to revenue. Provisional split between Principal and Secondary roads based on estimated split of the capital programme.	250,222						
Depot Fixed Costs - Secondary	K6S01	T Sneddon	899,378		899,378						
Shropshire Central - Unallocated Responsive Budget	KSA01	T Sneddon	500,000	Centrally retained budget, to initially be held back in the event of any unplanned responsive works are require in year. To be allocated to specific schemes in year.	500,000						
Road Assessment Surveys	KSA94	T Sneddon	50,000	Centrally retained budget for road assessment surveys, where they are eligible as part of capital schemes.	50,000						
Shropshire Drainage - Secondary Roads	KNS9F	D Edwards	200,000	Centrally retained budget for highways drainage structural maintenance scheme on Secondary roads.	200,000						
Shropshire Drainage - Principal Roads	KPS9F	D Edwards	100,000	Centrally retained budget for highways drainage structural maintenance scheme on Principal roads.	100,000						
Total Structural Maintenance of Roads			13,006,644		9,991,900	1,227,000	-	-	-	-	1,787,744
Street Lighting											
Programme of structural replacement of lighting columns	K6S11	J Hughes	306,764	Budget for the replacement of existing lighting columns that have reached the end of their asset life. Replacement lighting will be new efficient lighting stock and will thus enable ongoing operational revenue savings to be made against street lighting budgets. Includes £6.7k carry forward for schemes delayed from 2013/14.	175,000		125,000				6,764
LED Conversions	K6S12	J Hughes	100,000	Budget for the to convert existing lighting to LED. These will be more energy efficient than existing lights and will thus enable ongoing operational revenue savings to be made against street lighting budgets.	100,000						
Part Night Lighting	K6S13	J Hughes	133,456	Budget for adapting lighting for part night lighting, this will enable ongoing operational revenue savings to be made against street lighting budgets. Includes £33.5k carry forward for schemes delayed from 2013/14.	100,000						33,456
Total Street Lighting			540,220		375,000	-	125,000	-	-	-	40,220
Total Highways			15,419,303		11,973,000	1,227,000	125,000	-	-	264,606	1,829,697
Integrated Transport											
Pedestrian & Cycle Facilities											
Central											
ITP Central - Castle Street Pedestrian Crossing, Shrewsbury	KTC01	V Merrill	3,000	Crossing			3,000				
ITP Central - Claremont Bank Pedestrian Crossing Bank, Shrewsbury	KTC02	V Merrill	3,000	Crossing			3,000				
North											
ITP North - Wem Mill St/Drawell Lane Pedestrian Crossing, Wem	KTC03	V Merrill	35,000	Crossing			35,000				
ITP North - Woore, Newcastle Road Footway Improvement	KTC04	V Merrill	3,000	Footways			3,000				
ITP North - B5069 Rhyn Park St Martins Crossing	KTC05	V Merrill	150,000	Crossing			150,000				
ITP North - B5067 Baschurch Pedestrian Crossing	KTC06	V Merrill	6,000	Crossing			6,000				
ITP North - A53 Shawbury Footway Link	KTC07	V Merrill	5,000	Footways			5,000				
ITP North- Trefonen Pedestrian Crossing	KTC08	V Merrill	5,000	Crossing			5,000				
South											
ITP South - B4555 Bridgnorth Road Highley	KTC09	V Merrill	25,000	Footways			25,000				
ITP South - A4117 Clee Hill Pedestrian Crossing	KTC10	V Merrill	10,000	Crossing			10,000				
ITP South - B4363 Hollybush Road/Underhill Street Pedestrian Crossing	KTC11	V Merrill	3,000	Crossing			3,000				
ITP South - Broseley Road Bridgnorth Road Pedestrian Improvements	KTC12	V Merrill	31,007	Footways (included £11k carried forward from 2013/14)			20,000				11,007
ITP South - B4373 Wenlock Road & Westgate Crossing, Bridgnorth	KTC13	V Merrill	95,000	Crossing			95,000				
ITP South - Station Road, Albrighton Pedestrian Facilities	KTC14	V Merrill	2,500	Pedestrian Facilities			2,500				
ITP South - B4379 Sherrifhales Pedestrian Improvements	KTC15	V Merrill	7,000	Pedestrian Facilities			7,000				
ITP South - A464 Park Street Shifnal Pedestrian Crossing	KTC16	V Merrill	5,000	Crossing			5,000				
ITP South - B4386 Worthen Footway Extension	KTC17	V Merrill	5,000	Pedestrian Facilities			5,000				
ITP South - B4376 Barrow Pedestrian Safety	KTC18	V Merrill	15,000	Pedestrian Facilities			15,000				
ITP South - High Street Cleobury Zebra Crossing Enhancement	KTC19	V Merrill	5,000	Crossing			5,000				
Total Pedestrian & Cycle Facilities			413,507				402,500	-	-	-	11,007
Signal Enhancements											
Central											
ITP Central - Whitchurch Road (Morrison's) Junction Improvement	KTS01	V Merrill	60,000	Signal Enhancements			60,000				

Scheme	CC	Budget Holder	Total Budget		DFT - Maintenance Block	DFT - Additional Highways Maintenance Fundina	DFT - Integrated Transport Block	Financing DFT - Local Sustainable Transport Fund	Sustrans Grant	Other Grant	Corporate Resources
£											
ITP Central - Abbey Foregate/Monkmoor traffic signals	KTS02	V Merrill	200,000	Signal enhancements			200,000				
ITP Central - Bellstone/Barker Street crossing refurbishment	KTS03	V Merrill	5,000	Signal enhancements			5,000				
ITP Central - Coleham Gyratory	KTS04	V Merrill	25,000	Signal enhancements			25,000				
North											
ITP North - A53 Shrewsbury road/Wem road signal refurbishment	KTS05	V Merrill	20,000	Signal enhancements			20,000				
ITP North - B5395 Whitchurch 5 ways junction improvement	KTS06	V Merrill	260,000	Signal enhancements			260,000				
South											
ITP South - A41 Cosford junction signal refurbishment	KTS07	V Merrill	300,000	Signal enhancements			300,000				
Total Signal Enhancements			870,000				870,000				
Safety/Speed Reductions											
Central											
ITP Central - A488 HGV Advance Warning signs	KTR01	V Merrill	80,000	Signs			80,000				
ITP Central - Shrewsbury Town Centre 20mph Extension	KTR02	V Merrill	10,000	Speed Reduction			10,000				
ITP Central - Lancaster Road Speed Management	KTR03	V Merrill	6,000	Safety Measures			6,000				
North											
ITP North - A49 Prees Green Signage	KTR04	V Merrill	8,000	Speed signing			8,000				
ITP North - A525 Broughall crossroads widening	KTR05	V Merrill	5,000	Widening			5,000				
ITP North - B5069 Moors Bank St Martins speed reduction	KTR06	V Merrill	3,000	Speed Reduction			3,000				
ITP North - Prees Lower Heath speed reduction	KTR07	V Merrill	5,000	Speed Reduction			5,000				
ITP North - B4397 Baschurch speed reduction	KTR08	V Merrill	5,000	Speed Reduction			5,000				
ITP North - B4396 Knockin Village speed reduction	KTR09	V Merrill	4,000	Speed Reduction			4,000				
ITP North - A49 Hadnall to Preston Brock safety	KTR10	V Merrill	5,000	Safety Measures			5,000				
ITP North - Chirk Road Gobowen speed reduction	KTR11	V Merrill	4,000	Speed Reduction			4,000				
ITP North - B5065 Souton road speed reduction	KTR12	V Merrill	4,000	Speed Reduction			4,000				
ITP North - A49 Prees Higher Heath speed reduction	KTR13	V Merrill	5,000	Speed Reduction			5,000				
ITP North - B5063 The Blamer speed reduction	KTR14	V Merrill	3,000	Speed Reduction			3,000				
South											
ITP South - A442 Norton	KTR15	V Merrill	8,000	Speed Limit			8,000				
ITP South - A456 Burford Speed Reduction	KTR16	V Merrill	30,000	Speed Limit			30,000				
ITP South - B4368 Long Medaowend	KTR17	V Merrill	6,000	Speed Reduction			6,000				
ITP South - A5 Burlington safety	KTR18	V Merrill	35,000	Safety Measures			35,000				
ITP South - B4176 Upper Aston junction improvement	KTR19	V Merrill	15,000	Realignment			15,000				
ITP South - A4555 Severn Centre Highley traffic calming	KTR20	V Merrill	8,000	Traffic Calming			8,000				
ITP South - A458 Morville Road Safety Improvements	KTR21	V Merrill	12,000	Safety Measures			12,000				
ITP South - A488 Hope valley safety barrier	KTR22	V Merrill	30,000	Safety Measures			30,000				
ITP South - Chorley speed limit	KTR23	V Merrill	3,000	Speed Reduction			3,000				
ITP South - B4378 Shipton speed limit	KTR24	V Merrill	5,000	Speed Reduction			5,000				
Total Safety/Speed Reductions			299,000				299,000				
Traffic Management											
Central											
ITP Central - Traffic Management Crowmere & Belvidere schools	KTM01	V Merrill	73,000	Traffic Management			73,000				
ITP Central - Traffic Management Meole Brace School	KTM02	V Merrill	75,000	Traffic Management			75,000				
ITP Central - Racecourse Lane, Shrewsbury	KTM03	V Merrill	10,000	Traffic Management			10,000				
ITP Central - Princess Street, Shrewsbury	KTM04	V Merrill	20,000	Traffic Management			20,000				
ITP Central - Eaton Constantine traffic management	KTM05	V Merrill	5,000	Traffic Management			5,000				
North											
ITP north - B4579 Salop Road Car Park Access	KTM06	V Merrill	10,000	Traffic Management			10,000				
South											
ITP South - A41 Pickmere Roundabout signage	KTM07	V Merrill	40,000	Directional Signs			40,000				
ITP South - B4386 Little Brampton/Purslow crossroads	KTM08	V Merrill	10,000	Directional Signs			10,000				
ITP South - A464 Upton Crossroads Shifnal signs	KTM09	V Merrill	20,000	Directional Signs			20,000				
ITP South - Albrighton cross road	KTM10	V Merrill	3,500	Traffic Management			3,500				
Total Traffic Management			266,500				266,500				
Parking Infrastructure											
Countywide											
ITP Countywide - Parking Strategy Improvements	KTP02	V Merrill	40,000	Parking Strategy			40,000				
Total Traffic Management			40,000				40,000				
Network Improvements											
Countywide											
ITP Countywide - Bus Shelters	KTN02	V Merrill	30,000	Facilities			30,000				
Central											
ITP Central - Chester Street Gyratory	K6NE5	V Merrill	56,969	Network Improvement (carried forward from 2013/14)							56,969
Total Network Improvements			86,969				30,000				56,969
Local Sustainable Transport Fund											
Central											
LSTF - Park & Ride improvements & Signage	KST01	V Merrill	50,000	Signs				50,000			

Scheme	CC	Budget Holder	Total Budget		DFT - Maintenance Block	DFT - Additional Highways Maintenance Fundina	DFT - Integrated Transport Block	Financing	Sustrans Grant	Other Grant	Corporate Resources		
								DFT - Local Sustainable Transport Fund					
				£	£	£	£	£	£	£	£		
LSTF - Canal Path Ditherington	KST02	V Merrill	30,000	Footway				30,000					
LSTF - A488 Pontesbury to Minsterley Cycle Route	KST03	V Merrill	90,000	Cycle Route (£62k carried forward from 2013/14)				28,000	25,000		37,000		
LSTF - A458 Old Potts Way Cycle/Pedestrian crossing	KST04	V Merrill	70,000	Crossing				70,000					
LSTF - Cartmel Drive lighting phase 3, Shrewsbury	KST05	V Merrill	70,000	Lighting				70,000					
LSTF - St Julians Friars shared space, Shrewsbury	KST06	V Merrill	225,000	Shared Space			41,000	184,000					
LSTF - Wenlock Road Shrewsbury	KST07	V Merrill	47,000	Crossing				47,000					
LSTF - Heathgates Roundabout - Cycling & Pedestrian Improvements	KST08	V Merrill	10,000	Traffic Management				10,000					
LSTF - Spring Gardens cycle path	KST09	V Merrill	10,000	Cycle Route				10,000					
LSTF - Pritchard Way/Sutton Roundabout - crossing improvement	KST10	V Merrill	5,000	Crossing				5,000					
North													
LSTF - Oswestry branch line cycle route (aka Cambrian Railway Path)	KST11	V Merrill	7,000	Cycle Route				7,000					
LSTF - A49 Hadnall pedestrian crossing	KST12	V Merrill	60,000	Crossing				60,000					
LSTF - Gobowen, B5069 St martins road crossing	KST13	V Merrill	40,000	Crossing				40,000					
LSTF - Gobowen footway improvements	KST14	V Merrill	6,000	Footway Improvements				6,000					
South													
LSTF - Ludlow sign scheme	KST15	V Merrill	25,000	Signs				25,000					
LSTF - Temeside, Ludlow signs	KST16	V Merrill	3,000	Signs				3,000					
LSTF - Bull Ring Ludlow traffic management	KST17	V Merrill	2,000	Traffic Management				2,000					
LSTF - Bromfield road cycle route	KST18	V Merrill	2,000	Cycle Route				2,000					
LSTF - Minor walking improvements	KST19	V Merrill	40,000	Pedestrian Facilities				40,000					
Countywide													
LSTF - Cycle & Pedestrian Direction signs	KST20	V Merrill	5,000	Facilities				5,000					
LSTF - Shrewsbury & Ludlow community car clubs	KST21	V Merrill	20,000	Car Clubs				20,000					
Total Traffic Management			817,000				41,000	714,000	25,000		37,000		
Integrated Transport Unallocated													
Unallocated		V Merrill	311,000	£12k identified in Central, North and South for area based priorities and £60k identified as Countywide contingency. Remaining budget held as contingency in case of any unidentified costs from previous years schemes. Position to be reviewed mid way through the year and an available funds to be re-allocated.				311,000					
Total Integrated Transport Unallocated			311,000				311,000						
Total Integrated Transport			3,103,976				2,260,000	714,000	25,000		104,976		
Total Highways & Transport			18,523,279				11,973,000	1,227,000	2,385,000	714,000	25,000	264,606	1,934,673



Committee and date

Audit Committee

26 June 2014

STATEMENT OF ACCOUNTS 2013/14

Responsible Officer James Walton

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Tel: (01743) 255011

1. Summary

The 2013/14 Statement of Accounts, which is subject to audit, must be certified as a true and fair view of the financial position of the authority by the S151 Officer by 30 June 2014 (Accounts and Audit Regulations 2011). The Draft Statement of Accounts for 2013/14 is appended to this report. This report provides an overview of the Accounts and also provides details of the reasons for the most significant changes between the 2012/13 Accounts and the 2013/14 Accounts.

The final revenue outturn for 2013/14 is an underspend of £0.390m on an original gross budget of £639m. The final capital outturn shows a spend of £42.280m, representing 85% of the revised budget.

The authority's specific reserves and provisions have decreased by £10.592m. The general fund balance has increased by £7.677m. Schools' balances have increased by £0.902m. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in separate reports on the Agenda for this meeting.

2. Recommendations

It is recommended that Members:

- A. To receive and comment on the draft 2013/14 Statement of Accounts.
- B. To agree that the Head of Finance, Governance and Assurance be authorised to make any final adjustments to the Statement of Accounts prior to the 30 June 2014.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the report. Each projection is also RAG rated to confirm the level of risk to the Council's balances.

4. Financial Implications

- 4.1. This report considers the projected outturn position for the 2013/14 revenue

budget and the implications on the level of general fund balances of any overspends or spending pressures.

5. Background

- 5.1. A copy of the 2013/14 Statement of Accounts is attached at Appendix 1. The external audit by Grant Thornton will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
- 5.2. The statutory deadline for the formal publication of the audited 2013/14 Statement of Accounts is 30 September 2014.

6. Statement of Accounts

- 6.1. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the "Code", to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The Code requires:
 - All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
 - Interpretation and explanation of the Statement of Accounts to be provided.
 - The Statement of Accounts and supporting notes to be written in plain language.
- 6.2. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
 - **An Explanatory Foreword** – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2013/14.
 - **The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority's financial affairs and the actual Statement of Accounts.
 - **The Audit Opinion and Certificate** – this is provided by the External Auditor following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.

- **The Core Financial Statements**, which comprises:
 - § **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into ‘usable reserves’ and other reserves.
 - § **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council’s activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2013/14 Income and Expenditure Statement reports a deficit for the year of £45.426m, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The real cash position was actually a surplus during the year of £8.491m which has resulted in an increase in the General Fund Balance, which can be seen in the Movement in Reserves Statement
 - § **The Balance Sheet** – this is fundamental to the understanding of the authority’s financial position as at the 31 March 2014. It shows the balances and reserves at the authority’s disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. As can be seen from the balance sheet the authority’s total equity amounts to £519.890m, a reduction of £45.432m which is analysed in the Movement in Reserves Statement. This is primarily due to the reduction in value of land and buildings held but has been partially offset by a reduction in the pensions liability. However the equity value in the balance sheet does demonstrate that the authority’s assets exceed liabilities and still represents a very healthy financial position.
 - § **The Cash Flow Statement** – this consolidated statement summarises the authority’s inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.
- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements and includes the Council’s accounting policies.
- **The Group Accounts** – these are prepared to account for the Council’s share in West Mercia Energy, South Shropshire Leisure Limited, Shropshire

Towns & Rural Housing and IP&E Limited. Due to delays in receiving draft or audited accounts from the organisations detailed, it is not possible for group accounts to be prepared in the draft statement of accounts attached at Appendix 1. However it is anticipated that these will be prepared prior to the Audit Committee meeting and therefore the Group Accounts section of the Statement will be circulated prior to the meeting.

- **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority's own finances. This statement is an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2013/14 and assets and liabilities as at 31 March 2014.
- **The Housing Revenue Account** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 as amended. The account details the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year.
- **The Collection Fund Account** - this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.

6.3 The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting 2013/14, published by CIPFA (the Code). For 2013/14 there have been some minor clarification points on the treatment of items within the Statement, however it also details the following changes:

- Post employment benefits – adjustments to the classification, recognition, measurement and disclosure requirements of IAS19. This has resulted in amended disclosures within the note to the accounts.
- New requirements for accounting for business rates retention. As this is the first year of the localisation of business rates in England, the Collection Fund has been amended in order to reflect the revised accounting requirements.

Analytical Review

7.1 An analytical review has been carried out on each element of the Draft Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous years accounts. For 2013/14 the materiality threshold (i.e. the level of change between 2012/13 and 2013/14) used was 10% or £8m, which is used to ensure that all

questions that the external auditors are likely to raise have been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 2.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Code of Practice (Code) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2013/14

Cabinet Member (Portfolio Holder)

Brian Williams, Chair of Audit Committee

Local Member

All

Appendices

1. Draft Statement of Accounts 2013/14 (Unaudited)
2. Analytical Review of Statement of Accounts

Analytical Review of Shropshire Council's Statement of Accounts for 2013/14

1. The analytical review for 2013/14 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Adult Services (Income)**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
(30,535)	(37,690)	7,155	19%

The reduction in income reflects the loss of grant income within this service. The service lost funding of £4.6m relating to the Learning Disability and Health Reform grant and £740k of Social Reform grant. This was anticipated in the original budget for 2013/14 and the service applied growth to this gap in funding.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Central Services to the Public (Expenditure)**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
10,687	32,545	(21,858)	67%

The difference in expenditure between 2012/13 and 2013/14 relates to £20m of Council Tax Benefit that was paid out to the public. Council Tax Benefit is no longer paid out as a separate entitlement but is deducted from their Council Tax bill.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Central Services to the Public (Income)**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
(4,595)	(26,361)	21,766	83%

As highlighted above, the change in council tax benefit payments has resulted in a corresponding £20m reduction in the council tax benefit subsidy grant.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Children and Education Services (Expenditure)**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
240,391	266,100	(25,709)	10%

Expenditure for schools has reduced by £15.9m to reflect the reduction in the Dedicated Schools Grant as described below. Other changes in expenditure are a reduction in capital charges of £8.2m. This is because the capital charges in 2012/13 were higher due to a number of revaluation losses that were charged to

the I&E reflecting the change in valuation from 2007/08. There has also been a reduced depreciation charge, reflecting the lower asset values and the number of schools that have transferred to Academy status.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Children and Education Services (Income)**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
(184,852)	(207,890)	23,038	11%

Income reduction includes £15.9m of Dedicated Schools Grant which is a net reduction from schools transferring to Academies (£30m) and additional grant provided (£14.1m). Income has also reduced due to the loss of the Early Intervention Grant of £11.2m but this has been partially offset by the new Education Services Grant of £4.2m.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Local Authority Housing (HRA) (Expenditure)**

2013/14 £000	2012/13 £000	Increase (Value) £000	Increase (%)
15,642	9,796	5,846	60%

In 2013/14 a full revaluation of the housing stock was undertaken and this resulted in a revaluation loss being charged against expenditure, however this was partly offset by an increase in house price indices during the year which has reversed some of the revaluation loss. In comparison, 2012/13 included a revaluation gain as a result of house price indices increasing.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Non Distributed Costs (Expenditure)**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
(1,608)	537	(2,145)	400%

The movement on Non Distributed Costs relates to a change in settlements, curtailments and past service costs on pension costs. Curtailments have increased by £3.4m, past service cost has increased by £0.7m and these have been offset by an increase in settlements of £6.3m resulting in a net reduction of £2.1m. Curtailments and Past Service costs will have increased as a result of members retiring early during the year. Settlements have increased as a result of the transfer of Academies from our Pension Scheme.

- **Comprehensive Income and Expenditure Statement - Other Operating Expenditure**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
106,374	58,897	47,477	81%

The increase in loss on disposal reflects the high level of asset disposals/transfers in year; in particular seven schools (and associated facilities) transferring to Academy status, which had a combined NBV of £93.9m in the 2012/13 balance sheet. This is compared to only 3 academies transferring 2012/13 and other losses on disposal being charged to the I&E of £48.7m.

- **Comprehensive Income and Expenditure Statement- Taxation and Non Specific Grant Income**

2013/14 £000	2012/13 £000	Increase (Value) £000	Increase (%)
(272,174)	(260,179)	(11,995)	5%

Revenue Support Grant has increased by £65.4m. This is being offset by a reduction in Business Rates grant of £43.0m and a reduction in income from Council Tax of £12.7m. Following the introduction of the Business Rates Retention Scheme in 2013/14 the Council now only retain 50% of the Business Rates collected. As a result of this the Revenue Support Grant has been increased to offset this reduction.

- **Comprehensive Income and Expenditure Statement, Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
2,093	11,269	(9,176)	81%

The reduction in the deficit reflects a change in property values. The majority of assets valued in 2012/13 were last valued in 2007/08, which was at the height of the property market, whilst the majority of assets revalued in 2013/14 were last valued in 2008/09, when values had already dropped and property values have not varied as much in the intervening period.

- **Comprehensive Income and Expenditure Statement, Impairment Losses on Non Current Assets Charged to the Revaluation Reserve**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
3,999	14,804	(10,805)	73%

The reduction in the impairment reflects changes in property values, the majority of assets valued in 2012/13 were last valued in 2007/08, which was at the height of the property market, whilst the majority of assets revalued in 2013/14 were last valued in 2008/09, when values had already dropped and property values have not varied as much in the intervening period.

- **Comprehensive Income and Expenditure Statement, Actuarial Gains/Losses on Pension Assets/Liabilities**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
(59,672)	53,836	(113,508)	211%

Actuarial (Gains)/Losses have changed from a loss of £53.8m in 2012/13 to a gain of £59.7m in 2013/14. The actuarial gain on assets has reduced by £31m due to a reduced return on investment (7.87%) when compared to 2012/13 (13.76%). The gain on liabilities (£145m) relates to a change in actuarial assumptions, including a lower discount rate.

- **Balance Sheet Non Current Assets – Land and Buildings**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
576,433	687,418	(110,985)	16%

The majority of the properties revalued in 2013/14 were last valued in 2008/09. The main areas of valuation falls have been on land values, reflecting the change in land values from 2008/09 to 2013/14. There have also been some reductions in valuation specific to individual assets, reflecting the change in use of assets. The most significant group of assets where this was applicable was schools, which are valued on a DRC basis and the valuation reflects the numbers on roll at the point of valuation.

The decrease over all also reflects the high level of asset disposals/transfers in year; in particular seven schools (and associated facilities) transferring to Academy status, which had a combined NBV of £93.9m in the 2012/13 balance sheet.

The reducing level and nature of schemes within the capital programme has also contributed to the reducing level of asset on the balance sheet.

- **Balance Sheet Non Current Assets – Vehicles, Plant and Equipment**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
8,873	12,702	(3,829)	30%

Expenditure on Vehicles, Plant and Equipment only fell slightly from £1.38m in 2012/13 to £1.03m in 2013/14. The reason for the large percentage fall in the value of the Vehicles, Plant and Equipment on the balance sheet is these assets are depreciated over a short asset life (general 5 years) and this there is a large depreciation charge and reduction in NBV each year.

- **Balance Sheet Non Current Assets – Surplus Assets**

2013/14 £000	2012/13 £000	Increase (Value) £000	Increase (%)
1,973	375	1,598	426%

The large percentage decrease in surplus assets is a result of the low value of assets classified as Surplus Assets in 2012/13 and the value of assets that have transferred into this category in 2013/14. The transfers into this category reflect the Council's continuing rationalisation of assets and even though the properties are no longer used by the Council for operational purposes, they do not meet the criteria of an asset held for sale.

- **Balance Sheet Non Current Assets – Assets Held for Sale**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
1,519	5,232	(3,713)	71%

The decrease is as a result of the larger number of assets in 2012/13 that were classified as asset held for sale. In 2013/14 a number of these have been disposed and there have not been significant transfers into this category as properties do not meet the criteria of asset held for sale.

- **Balance Sheet Long Term Assets – Long Term Investments**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
400	812	(412)	51%

The decrease in long term investments represents the repayment of the remaining Landsbanki investment that had been previously held against this line.

- **Balance Sheet Current Assets – Short Term Investment**

2013/14 £000	2012/13 £000	Increase (Value) £000	Increase (%)
39,100	9,328	29,772	319%

Short term investments have increased as the Treasury Team have made a conscious effort to attract better rates on investment which are generally offered on longer term deals. Therefore our invested balances with Lloyds who offer 364 day deals was £24.1m compared to £9.3m in 2012/13. Also the Council has taken out a number of new notice accounts which offer a better rate of interest than on some of the standard investment deals offered. One of these accounts is a 95 day notice account, which falls into the category of a short term investment. £15m was held in this account at the year end.

- **Balance Sheet Current Assets – Short Term Debtors**

2013/14 £000	2012/13 £000	Increase (Value) £000	Increase (%)
68,715	54,806	13,909	25%

The increase in short term debtors includes a pension fund lump sum payment of £5.5m which has been treated as a payment in advance. This payment was due to the Pension Fund on 1 April and has been made in advance for the full 2014/15 year in order to deliver a saving against the lump sum payment in 2014/15. The Waste PFI prepayments have also increased by £5.1m which reflect the delay in certain assets being delivered in line with the contract, the main asset being the Energy Recovery Facility. The remaining increase relates to movements on general debtors balances and grant accounts, and the council's share of Non-Domestic Rate debtors which previously used to be consolidated as a creditor to the Government with the other Non-Domestic Rate balances.

- **Balance Sheet Current Assets – Cash and Cash Equivalents**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Increase (%)
70,785	84,817	(14,032)	17%

The reduction in this balance reflects that more cash has now been invested for longer periods as detailed above. However the Council has had more cash balances in 2013/14 to invest/hold due to delays in the capital programme and capital receipts (£13.2m) being received and set aside for future years capital programme.

- **Balance Sheet Current Liabilities – Bank Overdraft**

2013/14 £000	2012/13 £000	Increase (Value) £000	Increase (%)
(17,586)	(6,937)	(10,649)	154%

Unpresented BACS at the year end have increased by £8.2m from £4m to £12.2m. This includes the pension fund payment of £5.5m which left the Council's bank account on 27th April, however would not be presented in the pension fund account until the 1 April.

- **Balance Sheet Current Liabilities – Short Term Borrowing**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
(7,397)	(12,399)	5,002	40%

Short term borrowing has decreased due to the repayment of £9.9m of maturing debt in 2013/14 which had previously been reported in this category, and only £5m being due for repayment in 2014/15.

- **Balance Sheet Current Liabilities – Pensions Liability**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
(297,394)	(349,517)	52,123	15%

The pensions liability figure has reduced in 2013/14. This is due to an improved asset position as a result of returns on assets and employer contributions being greater than the benefits paid out. There has also been a reduction on the benefit obligations as at the year end which is due to actuarial gains which have been realised in this financial year. Further details of this actuarial gain are provided above.

- **Balance Sheet Financing – Unusable Reserves**

2013/14 £000	2012/13 £000	Decrease (Value) £000	Decrease (%)
455,699	504,453	(48,754)	10%

The decrease is due to a reduction in the Capital Adjustment Account (£75m) and Revaluation Reserve (£28.5m), reflecting the downward revaluation and disposals of assets held, as described above. This has been offset by an increase in the Pensions Reserve (£52m) as detailed above in the Pension Liability movement.

2. The analytical review will be part of the papers to be considered by the external auditors during the annual audit and will be used in forming their opinion on the Statement of Accounts that will be reported in the Audit Opinion and Certificate.

**Draft
Statement
of Accounts
(Unaudited)

2013-2014**

ANNUAL STATEMENT OF ACCOUNTS 2013/14

The Statement of Accounts is the formal financial report on the Council's activities as required by the Accounts and Audit Regulations 2011, and other statutory provisions.

The statement includes:

1. An Explanatory Foreword (pages 1 to 11)
2. The Statement of Responsibilities (pages 12 to 13)
3. The Audit Opinion and Certificate (page 14)
4. The Core Financial Statements comprising:-
 - The Movement in Reserves Statement (pages 15 to 16)
 - The Comprehensive Income and Expenditure Statement (page 17)
 - The Balance Sheet (page 18)
 - The Cash Flow Statement (page 19)
5. The Notes to the Core Financial Statements (pages 20 to 99)
6. Group Accounts:
 - Introduction (pages 100 to 101)
 - The Group Movement in Reserves Statement (page 102 to 104)
 - The Group Comprehensive Income and Expenditure Statement (pages 105 to 106)
 - The Group Balance Sheet (page 107)
 - The Group Cash Flow Statement (page 108)
 - The Group Account Notes (page 109)
7. The Pension Fund Accounts (pages 110 to 115)
8. The Housing Revenue Account (pages 116 to 121)
9. The Collection Fund (pages 122 to 123)
10. Glossary (pages 124 to 135)

Further information about the Council's Accounts can be obtained from the Finance Department at the Shirehall.

For details please contact James Walton on (01743) 255011, or Cheryl Williams on (01743) 258937.

James Walton
Head of Finance, Governance & Assurance

Section 1

Explanatory Foreword

The Statement of Accounts

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (the Code). To make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be in an identical format.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain language.

For 2013/14 the following changes have been made within the Code to reflect changes in accounting practices and accounting standards. The key changes affecting the Council's statement of accounts are detailed below:

- Post employment benefits – adjustments to the classification, recognition, measurement and disclosure requirements of IAS19. This has resulted in amended disclosures within the note to the accounts.
- New requirements for accounting for business rates retention. As this is the first year of the localisation of business rates in England, the Collection Fund has been amended in order to reflect the revised accounting requirements.

This statement of accounts comprises various sections and statements, which are briefly explained below:

- **An Explanatory Foreword** – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2013/14.
- **The Statement of Responsibilities** – this details the responsibilities of the Council and the Chief Financial Officer concerning the Council's financial affairs and the actual Statement of Accounts.
- **The Audit Opinion and Certificate** – this is provided by the external auditor following the completion of the annual audit.
- **The Core Financial Statements**, comprising:
 - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into 'usable reserves' and other reserves.

EXPLANATORY FOREWORD

- **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
- **The Balance Sheet** – like the Income and Expenditure Statement this is also fundamental to the understanding of the Council's financial position as at 31 March 2014. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- **The Cash Flow Statement** – this consolidated statement summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and cash equivalents.
- **The Notes to the Core Financial Statements** provide supporting and explanatory information on the Core Financial Statements and include the Council's accounting policies.
- **Group Accounts** – group financial statements are required in order to reflect the variety of undertakings that local authorities conduct under the ultimate control of the parent undertaking of that group. The group accounts should also include any interests where the authority is partly accountable for the activities because of the closeness of its involvements i.e. in associates and joint ventures.
- **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Council, however, the pension fund has to be completely separate from the Council's own finances. This statement is an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2013/14 and assets and liabilities as at 31 March 2014.
- **The Housing Revenue Account** – There is a statutory duty to account separately for local authority housing provision.
- **The Collection Fund** – This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

A glossary to the Statement of Accounts is also included to help to make, what is ultimately a very technical accounting document, more understandable to the reader.

EXPLANATORY FOREWORD

Financial Report

This section of the Statement of Accounts for 2013/14 sets out:

- The revenue outturn for 2013/14
- The capital programme for 2013/14 – 2016/17
- The capital outturn for 2013/14
- A note on the Council's Borrowing Position
- A note on the Investment Strategy of the Council
- A note on the Pensions Liability within the Statement of Accounts
- Current and future prospects

Revenue Outturn for 2013/14

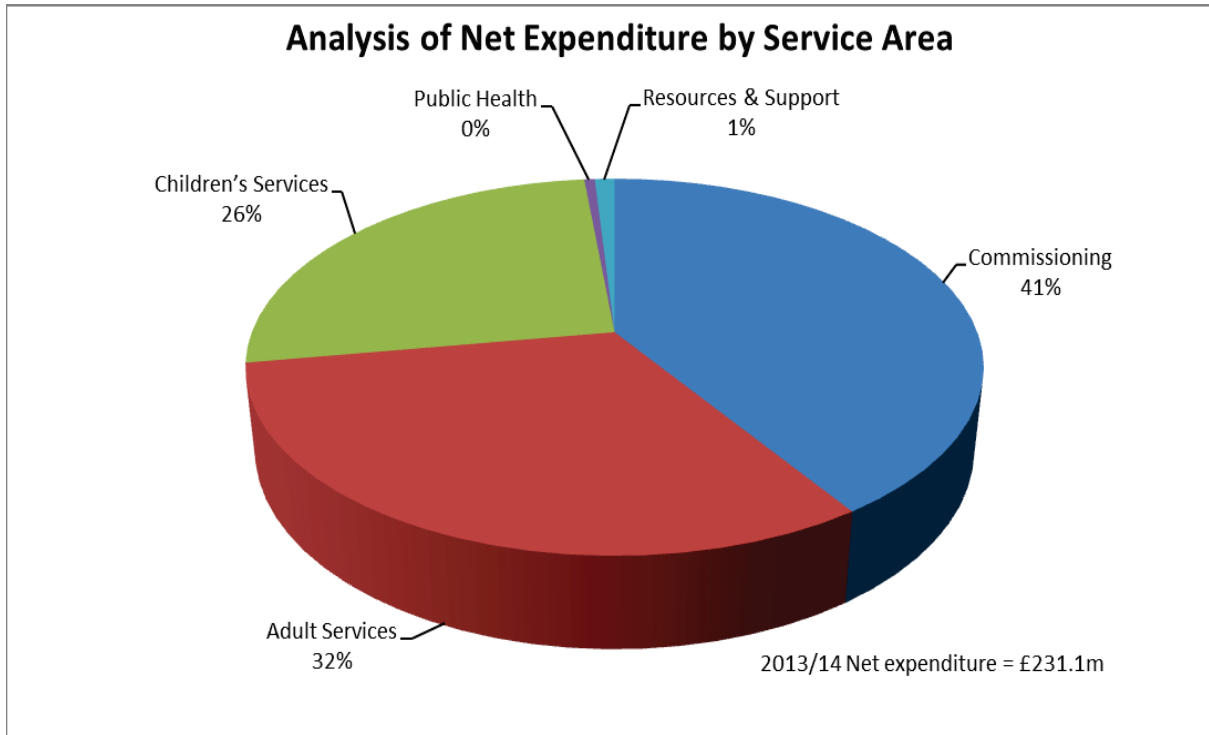
Revenue budgets are monitored and reported regularly in order that service areas can identify any problem areas and take the necessary action to deal with the issues arising. Budget monitoring reports during the course of the year have shown the following position:

	Month 3 £000	Month 4 £000	Month 5 £000	Month 6 £000	Month 9 £000	Month 10 £000	Month 11 £000	Outturn £000
Commissioning	12	0	113	(335)	(887)	166	(933)	(873)
Adult Services	3	1,914	2,895	2,895	4,646	4,189	4,163	4,014
Children's Services	400	779	401	381	(92)	(498)	(551)	(584)
Public Health	(36)	(22)	(26)	(26)	(42)	(43)	(320)	(274)
Resources & Support	48	27	166	(276)	(1,684)	(1,872)	(1,771)	(2,673)
TOTAL	427	2,699	3,549	2,639	1,941	1,942	588	(390)

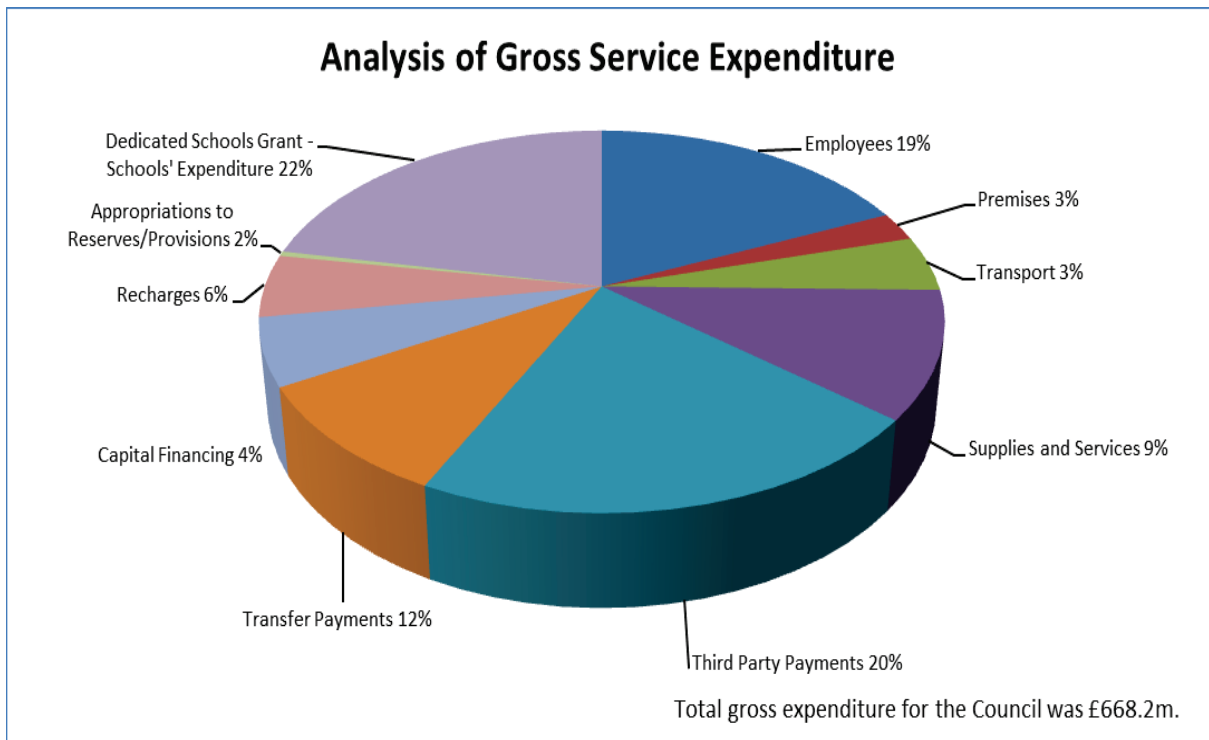
The final outturn position for each Service Area is shown in the table below which compares actual net expenditure with the approved budget.

	Final Budget £000	Actual Outturn £000	Over/ (Under) £000
Commissioning	94,862	93,989	(873)
Adult Services	69,355	73,369	4,014
Children's Services	60,709	60,125	(584)
Public Health	1,545	1,271	(274)
Resources & Support	5,061	2,388	(2,673)
TOTAL	231,532	231,142	(390)

EXPLANATORY FOREWORD

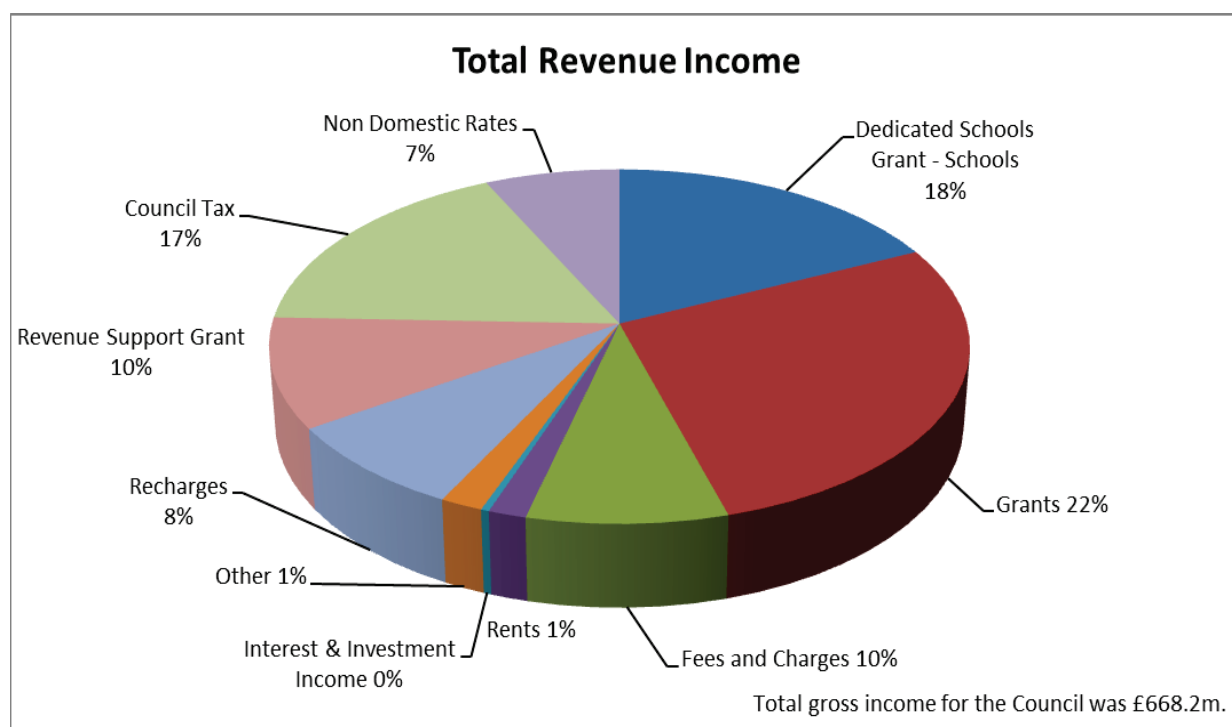


The gross expenditure for the Council was £668.2m, which was spent on the following types of expenditure:



The total sources of income, including service income and income received centrally, is shown in the pie chart below.

EXPLANATORY FOREWORD



The overall underspend of £0.399m against service area's budgets represents 0.06% of the original gross budget of £639m.

In addition, School balances, including invested sums, have increased by £0.902m from the previous year. Schools' balances have to be ring-fenced for use by schools, and schools have the right to spend those balances at their discretion.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Note 28 to the Accounts.

The Capital Programme 2013/14 to 2016/17

The Capital Strategy for the four years 2013/14 to 2016/17 details the capital schemes that Council plans to deliver in that period. The Strategy is based around two over-riding principles:

- It is priority led capital programme is priority led, in that it particularly reflects the purpose and priorities of the Council; and
- That the ongoing revenue costs of the capital programme are affordable.

The table below provides a summary of the capital budget for 2013/14 to 2016/17 as included in the 2013/14 Budget Book.

EXPLANATORY FOREWORD

Service Area	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
General Fund				
Commissioning	46,669	25,598	9,080	0
Adult Services	1,532	765	0	0
Children's Services	12,140	4,940	0	0
Resources & Support	2,939	50	50	0
Total General Fund	63,280	31,353	9,130	0
Housing Revenue Account	5,131	8,931	3,287	0
Total Capital Programme	68,411	40,284	12,417	0

The Council can fund its capital expenditure from several sources, each with its own advantages and limitations. The main source of funding is Central Government Grants, most of which is for schools and for highways and transportation schemes. For each of these service areas, funding is allocated by the appropriate Government department in accordance with underlying data held.

The table below provides a summary of the capital financing for the capital budget as per the 2013/14 Budget Book.

Financing	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Self Financed Prudential Borrowing	9,206	874	750	0
Capital Grants & Contributions	36,192	25,826	0	0
Revenue Contributions	2,678	2,497	300	0
Major Repairs Allowance	3,200	5,700	3,200	0
Corporate Resources (Capital Receipts/ Prudential Borrowing)	17,135	5,387	8,167	0
	68,411	40,284	12,417	0

Capital Outturn for 2013/14

The Capital Budget is monitored throughout the year to identify any pressures and re-profile budgets based on revised expenditure projections. The budget changes as a result of slippage from the previous financial years capital programme, new capital allocations received or reductions in existing allocations and re-profiling of capital allocations between financial years.

The table below provides a summary of the revised capital budget and expenditure for 2013/14 as at outturn and slippage into the next financial year.

EXPLANATORY FOREWORD

Service Area	Revised Budget 2013/14 £000	Actual Spend 2013/14 £000	Variance 2013/14 £000
General Fund			
Commissioning	31,454	27,732	3,722
Adult Services	785	484	301
Children's Services	10,180	8,587	1,593
Resources & Support	969	627	342
Total General Fund	43,388	37,430	5,958
Housing Revenue Account	3,996	3,276	720
Total Capital Programme	47,384	40,706	6,678

The table below provides a summary of the capital financing for the actual capital expenditure for 2013/14.

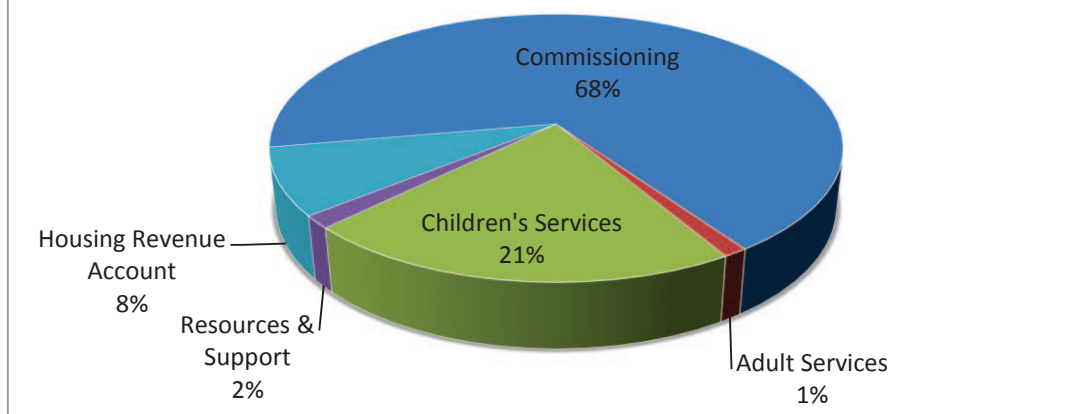
Financing	2013/14 £000
Self Financing Prudential Borrowing	(87)
Capital Grants & Contributions	31,134
Revenue Contributions	2,440
Major Repairs Allowance	1,894
Corporate Resources (Prudential Borrowing/Capital Receipts)	5,325
	40,706

The areas of most significant expenditure for schemes undertaken in 2013/14 are as follows:

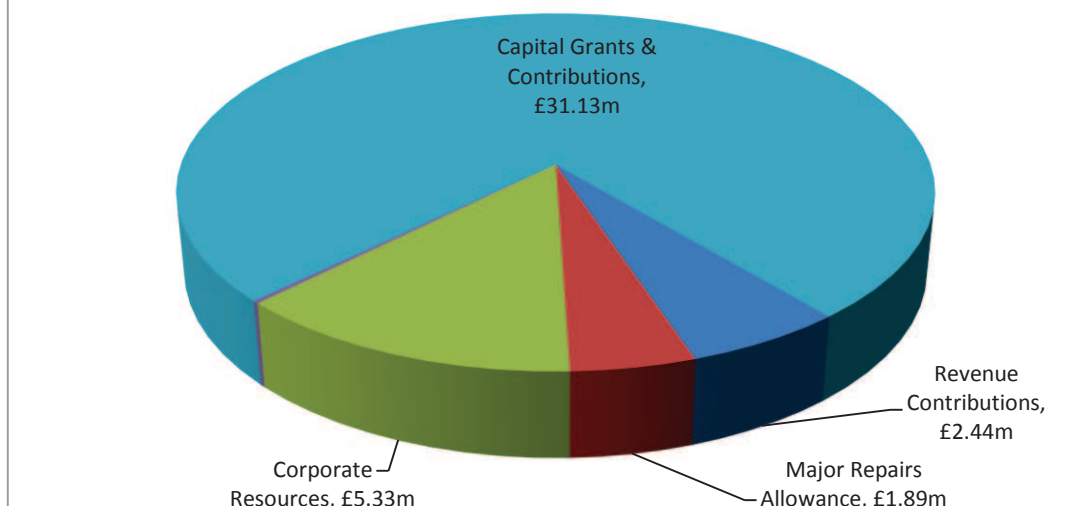
	Expenditure 2013/14 £000	Scheme Total Budget £000
Commissioning		
Whitchurch Civic Centre	537	745
Highways, Bridges & Street Lighting Infrastructure	13,555	Ongoing
Integrated Transport Plan	1,752	Ongoing
Disabled Facilities Grants	885	Ongoing
Shrewsbury Music Hall	4,870	10,700
Shrewsbury Business Park Phase 2 Extension	1,042	1,525
Affordable Housing Schemes	1,032	Ongoing
Broadband	110	16,040
Adult Services		
Mount Pleasant - Shared Development Site	293	470
Raven Site Development, Market Drayton	173	571
Children's Services		
Early Years Schemes	606	Ongoing
Primary School Schemes	1,109	Ongoing
Primary School Amalgamation Programme	3,827	Ongoing
Asset Management Plan Schemes	1,206	Ongoing
Devolved Formula Capital - Allocated by schools	860	Ongoing
Resources & Support		
Gypsy Sites	424	2,618
Housing Revenue Account		
Housing Major Repairs Programme	2,011	Ongoing
New Build Programme	1,113	7,224

EXPLANATORY FOREWORD

Actual Capital Expenditure 2013/14



Actual Capital Financing 2013/14



Borrowing

The Council undertakes long term borrowing, for periods in excess of one year, in order to finance capital spending. The Council satisfies its borrowing requirement for this purpose by securing external loans. However, the Council is able to temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice means that there is no immediate link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside for longer term purposes to temporarily defer external borrowing is to reduce the level of cash that the Council has available for investment.

Due to the reduction in the capital programme and slippage within the programme, there has been no additional borrowing required for current schemes.

EXPLANATORY FOREWORD

Investments

The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy, outlines the Council's investment priorities as the security and liquidity of its capital.

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Sector suggested creditworthiness matrices, including Credit Default Swap (CDS) overlay information provided by Sector.

A list of counterparties with whom funds could be invested was compiled with reference to the credit ratings issued by the credit agencies Fitch, Moody's and Standard & Poor.

Further details of investment activities are provided within Note 45, which commences on page 90.

Local Government Pension Scheme

The Council accounts for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. This means that:

- The financial statements reflect the liabilities arising from the Council's retirement obligations.
- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

As at 1 April 2013, the Council's net pensions liability amounted to £350m. In comparison, the deficit amounts to £297m at 31 March 2014. Statutory requirements for funding the deficit means the financial position of the Council remains healthy, as the deficit will be met by increased contributions over the remaining working life of employees.

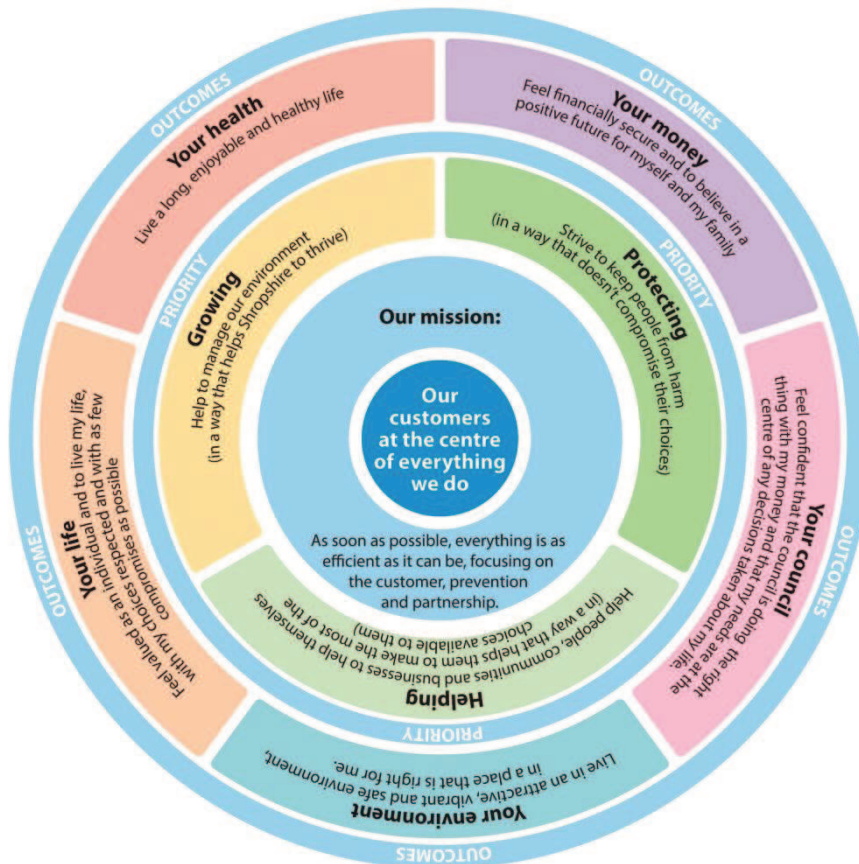
Further details on the basis on which the Council accounts for retirement benefits are provided within the Accounting Policies in note 1 on page 20, and the change to the pension liability in 2013/14 is analysed in note 42 to the accounts.

Current and Future Prospects

As a council, we are focusing on delivering better outcomes for our customers. Everything we undertake should work towards fulfilling one or more of these outcomes, with an emphasis on ensuring that our priorities are delivered.

This is summarised below, and forms the backdrop for delivering the Council's Medium Term Financial Plan over the next three years.

EXPLANATORY FOREWORD



The business plan and financial strategy agreed by members in February 2014 identified savings of £41.531m to be implemented in 2014/15, £20.136m in 2015/16 and a further £18.333m for 2016/17.

Budget pressures will continue to be identified and refined over the medium term. The following areas require further refinement (over the next twelve months) before consideration for inclusion in the 2015/16 budget (or potential revision of the 14/15 budget):

- Impact of the introduction of the Care Bill and the Dilnot review for reforming social care funding and the effect of these changes on the Council's income and expenditure.
- Demographic Growth, particularly in services provided by Adult Services, post transformation of the service.
- The movement of schools to Academy status is expected to impact on Council funding and resources.
- The basis for recharging back-office costs to frontline services is currently being reviewed.
- The impact of reducing our asset base (generation of capital receipts) can have a negative impact on revenue funding if an asset currently provides an income stream to the authority.

The Council wholly owns a company (ip&e (Group) Ltd), as a vehicle for delivering a range of public services in Shropshire. Media Services had transferred in 2013/14 and the Programme Management Office and the Business Design Team transferred to the company on 1 April 2014. Further work is ongoing on other services to be transferred into this organisation and the impact that this has on the Council's financial position will be determined over the course of this year.

EXPLANATORY FOREWORD

Shropshire Council has continued with its policy of reducing the level of prudential borrowing for the capital programme by funding schemes by capital receipts instead. The level of capital receipts required over the period 2014/15 – 2016/17 is £25.8m and the council is continuing with its asset management strategy to identify whether these potential receipts can be generated.

Section 2

Statement of Responsibilities

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 Council, the responsibility is allocated to the Head of Finance, Governance & Assurance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Responsibilities of Head of Finance, Governance & Assurance

The Head of Finance, Governance & Assurance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Head of Finance, Governance & Assurance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Head of Finance, Governance & Assurance has also:

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

CERTIFICATE OF CHIEF FINANCIAL OFFICER

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2014 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2011, and that the Pension Fund Accounts as set out in the separate publication of Shropshire County Pension Fund Annual Report 2013/14 also complies with these Regulations.

James Walton
Head of Finance, Governance & Assurance
27 June 2014

STATEMENT OF RESPONSIBILITIES

Approved by Council

The council's Statement of Accounts for 2013/14 was formally approved at a meeting of the Council on xx September 2014.

Malcolm Pate
Chairman of the Council
xx September 2014

Section 3

**Audit Opinion &
Certificate**

AUDIT OPINION AND CERTIFICATE

**TO BE UPDATED AFTER THE AUDIT OF THE
ACCOUNTS IS COMPLETE**

Section 4

**Core Financial
Statements**

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, 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 Council's services, more details of which are in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

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

	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2013	11,528	42,989	1,041	1,402	3,909	60,869	504,453	565,322
<u>Movement in reserves during 2013/14</u>								
Surplus or (deficit) on the provision of services	(98,168)	0	(844)	0	0	(99,012)	0	(99,012)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	53,580	53,580
Total Comprehensive Income and Expenditure	(98,168)	0	(844)	0	0	(99,012)	53,580	(45,432)
Adjustments between accounting basis & funding basis under regulations (Note 6)	98,793	0	2,344	2,320	(1,123)	102,334	(102,334)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	625	0	1,500	2,320	(1,123)	3,322	(48,754)	(45,432)
Transfers to/from Earmarked Reserves (Note 7)	7,866	(7,870)	4	0	0	0	0	0
Increase/Decrease in 2013/14	8,491	(7,870)	1,504	2,320	(1,123)	3,322	(48,754)	(45,432)
Balance at 31 March 2014	20,019*	35,119	2,545	3,722	2,786	64,191	455,699	519,890

* Includes General Fund Balances of £14.497m and School Balances of £5.522m.

MOVEMENT IN RESERVES STATEMENT

Restated	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012	12,605	36,684	997	0	5,751	56,037	645,834	701,871
<u>Movement in reserves during 2012/13</u>								
Surplus or (deficit) on the provision of services	(61,672)	0	5,033	0	0	(56,639)	0	(56,639)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(79,910)	(79,910)
Total Comprehensive Income and Expenditure	(61,672)	0	5,033	0	0	(56,639)	(79,910)	(136,549)
Adjustments between accounting basis & funding basis under regulations (Note 6)	66,917	0	(4,985)	1,402	(1,842)	61,492	(61,492)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	5,245	0	48	1,402	(1,842)	4,853	(141,402)	(136,549)
Transfers to/from Earmarked Reserves (Note 7)	(6,322)	6,305	(4)	0	0	(21)	21	0
Increase/Decrease in 2012/13	(1,077)	6,305	44	1,402	(1,842)	4,832	(141,381)	(136,549)
Balance at 31 March 2013	11,528*	42,989	1,041	1,402	3,909	60,869	504,453	565,322

* Includes General Fund Balances of £6.820m and School Balances of £4.708m.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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.

2012/13 (Restated)			2013/14			
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
Expenditure on Continuing Services (Note 28)						
106,204	(37,690)	68,514	Adult Social Care	106,718	(30,535)	76,183
32,545	(26,361)	6,184	Central Services to the Public	10,687	(4,595)	6,092
266,100	(207,890)	58,210	Children's and Education Services	240,391	(184,852)	55,539
32,994	(10,761)	22,233	Cultural and Related Services	30,049	(9,063)	20,986
28,820	(5,703)	23,117	Environmental and Regulatory Services	32,811	(5,500)	27,311
36,918	(10,350)	26,568	Highways and Transport Services	41,760	(11,608)	30,152
9,796	(16,848)	(7,052)	Local Authority Housing (HRA)	15,642	(17,237)	(1,595)
83,252	(76,511)	6,741	Other Housing Services	81,701	(75,728)	5,973
16,256	(6,720)	9,536	Planning Services	16,037	(8,453)	7,584
0	0	0	Public Health	10,409	(10,316)	93
4,547	0	4,547	Corporate and Democratic Core	5,078	0	5,078
537	0	537	Non Distributed Costs	(1,608)	0	(1,608)
617,969	(398,834)	219,135	Net Cost of Services	589,675	(357,887)	231,788
		58,897	Other Operating Expenditure (Note 8)			106,374
		38,786	Financing and Investment Income and Expenditure (Note 9)			33,024
		(260,179)	Taxation and Non Specific Grant Income (Note 10)			(272,174)
		56,639	(Surplus) or Deficit on Provision of Services			99,012
		11,269	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment assets			2,093
		14,804	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			3,999
		53,836	Actuarial (Gains)/Losses on Pension Assets/Liabilities			(59,672)
		79,909	Other Comprehensive Income and Expenditure			(53,580)
136,548			Total Comprehensive Income and Expenditure			45,432

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 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. 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, 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 2013 £000		31 March 2014 £000	£000
	Property, Plant & Equipment (Note 11)		
158,839	Council Dwellings	151,124	
687,418	Land & Buildings	576,433	
12,702	Vehicles, Plant and Equipment	8,873	
307,300	Infrastructure	311,906	
4,161	Community	3,710	
7,881	Assets Under Construction	8,193	
375	Surplus Assets Not Held for Sale	1,973	
2,468	Heritage Assets (Note 12)	2,475	
31,694	Investment Property (Note 13)	28,878	
864	Intangible Assets (Note 14)	776	
5,232	Assets Held for Sale (Note 19)	1,519	
1,218,934	Total Non Current Assets		1,095,860
812	Long Term Investment (Note 15)	400	
3,140	Long Term Debtors (Note 15)	3,139	
1,222,886	Total Long Term Assets		1,099,399
	Current Assets		
9,328	Short Term Investments (Note 15)	39,100	
710	Inventories (Note 16)	966	
54,806	Short Term Debtors (Note 17)	68,715	
84,817	Cash & Cash Equivalents (Notes 15 & 18)	70,785	
149,661	Total Current Assets		179,566
1,372,547	Total Assets		1,278,965
	Current Liabilities		
(6,937)	Bank Overdraft (Notes 15 & 18)	(17,586)	
(12,399)	Short Term Borrowing (Note 15)	(7,397)	
(48,710)	Short Term Creditors (Note 20)	(54,465)	
(6,021)	Provisions (Note 21)	(4,492)	
(12,738)	Grants Receipts in Advance - Revenue (Note 35)	(10,628)	
0	Grants Receipts in Advance - Capital (Note 35)	(1,040)	
(86,805)	Total Current Liabilities		(95,608)
1,285,742	Total Assets Less Current Liabilities		1,183,357
	Long Term Liabilities		
(729)	Long Term Creditors (Note 15)	(719)	
(342,825)	Long Term Borrowing (Note 15)	(337,768)	
(22,780)	Other Long Term Liabilities (Note 38)	(22,685)	
(349,517)	Pensions Liability (Note 42)	(297,394)	
(4,491)	Provisions (Note 21)	(4,901)	
(78)	Grants Receipts in Advance - Capital (Note 35)	0	
(720,420)	Total Long Term Liabilities		(663,467)
565,322	Net Assets		519,890
	Financed by:		
60,869	Usable Reserves (Note 22)	64,191	
504,453	Unusable Reserves (Note 23)	455,699	
565,322	Total Reserves		519,890

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 to the authority.

2012/13 (Restated) £000	Revenue Activities	2013/14	
		£000	£000
56,639	Net (surplus) or deficit on the provision of services	99,012	
(105,219)	Adjust net surplus or deficit on the provision of services for non cash movements	(144,532)	
41,978	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	67,684	
(6,602)	Net cash flows from Operating Activities (Note 24)		22,164
(2,830)	Investing Activities (Note 26)	(8,821)	
5,846	Financing Activities (Note 27)	11,338	
(3,586)	Net (increase) or decrease in cash and cash equivalents		24,681
74,294	Cash and cash equivalents at the beginning of the reporting period		77,880
77,880	Cash and cash equivalents at the end of the reporting period (Note 18)		53,199

Section 5

**Notes to the
Core Financial
Statements**

1. Accounting Policies

1.1 General

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted by the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Expenditure and Income

Revenue transactions are recorded on an accruals basis in accordance with proper accounting practices. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 the 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 the income that might not be collected.

1.3. Cash and Cash Equivalents

Cash is defined for the purpose of this statement, as cash in hand and deposits with financial institutions repayable on demand without penalty on notice. Cash equivalents are short term, highly liquid investments, normally with a maturity of 90 days or less, that are readily convertible to known amounts of cash.

1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors in discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5. Non Current Assets - Intangible

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Council as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the authority (e.g. computer software licences).

Intangible assets are recognised based on cost and are amortised over the economic life of the intangible asset to reflect the pattern of consumption of benefits. Only intangible assets included in the capital programme are capitalised. Each intangible asset is assessed in terms of economic life, usually up to five years.

1.6. Non Current Assets – Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year.

Recognition

The cost of an item of property, plant and equipment shall only be recognised (and hence capitalised) as an asset on the balance sheet if, and only if:

- It is probable that the future economic benefits or service potential associated with the item will flow to the entity, and
- The cost of the item can be measured reliably.

Costs that meet the recognition principle include initial costs of acquisition, production or construction of assets for use by, or disposal to, a person other than the local authority; and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as 'repairs and maintenance', should not be capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and should be charged to revenue.

In relation to Schools, the Council only recognises Community schools within the balance sheet. Foundation, Voluntary Aided, Voluntary Controlled and Academy schools (on 125 year peppercorn lease) are not recognised on the basis that the Council does not have control over the service provided in these schools. The only exception to this is schools that should have transferred to Diocese or Governor ownership under Education Legislation; but the legal transfer has not been completed. These are still recognised in the Council balance sheet with an additional note disclosing that they are due to transfer.

For schools transferring to Academy status the assets are not written out of the balance sheet until the date the asset transfers. Additional notes are included in the accounts disclosing details of any schools where approval by the Department of Education to transfer the School to Academy has been granted, but the school has not transferred by the balance sheet date.

Initial Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost and capitalised on an accruals basis. Accruals are made for capital works with a value of £75,000 or more undertaken but not paid for by the end of the financial year.

Measurement after recognition

Property, plant and equipment assets are subsequently valued at fair value on the basis recommended by the Code of Practice on Local Authority Accounting and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation Standards. Property, plant and equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

Category	Valuation Method (Fair Value definition)
<u>Operational</u>	
Council Dwellings Land & Buildings	Existing Use Value – Social Housing (EUV-SH) Existing Use Value (EUV) – in accordance with UKPS 1.3 of the RICS Valuation Standards.
Vehicles, Plant & Equipment Infrastructure Community Assets	Depreciated Replacement Cost (DRC) – for specialist properties where there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold. Depreciated Historic Cost (HC) Historic Cost (HC) Historic Cost (HC)
<u>Non-operational</u>	
Surplus Assets	Existing Use Value (EUV) or Depreciated Replacement Cost (DRC) applying the same assumptions relating to the level of usage, etc. as those of the most recent valuation as an operational asset
Assets Under Construction	Historic Cost (HC)

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum of five years. When new material assets are acquired/constructed or assets substantially enhanced, the asset will be valued in the financial year in which the asset becomes operational. When an asset is re-valued, any accumulated depreciation and impairment at the date of valuation shall be eliminated

against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset.

The Housing Revenue Account Council Dwellings are subject to an annual review of value in line with regional data provided by the Office for National Statistics (ONS).

Where the carrying amount of property, plant and equipment is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment, see 1.9), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in Surplus or Deficit on the Provision of Services.

Componentisation

Where components of an asset are significant in value in relation to the total value of the asset as a whole and they have substantially different economic lives, they are recognised and depreciated separately. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure and revaluations carried out from 1 April 2010. Significant assets for this purpose are properties with a capital value of £2.5m or over, where depreciation is £100,000 per annum or over, or any component that represents 25% of the total capital value.

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

- On disposal, or
- When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an asset shall be the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset shall be included in the Surplus or Deficit on the Provision of Services when the item is derecognised.

If the asset derecognised was carried at a re-valued amount, an additional entry is required; the balance on the Revaluation Reserve in respect of asset derecognised is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

A proportion (based on Agreement – Section 11(6) of the Local Government Act 2003) of receipts relating to dwelling disposed under the Right to Buy are payable to the Government through the pooling system. The proportion that is required to be paid over to central government as a 'housing pooled capital receipt' is charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance and reported in the Movement in Reserves Statement. Disposals of other Housing Revenue Accounts assets are subject to a 50% pooling requirement, however, the Council has opted to set

a Capital Allowance to enable the full receipt to be retained for affordable housing schemes.

Where a component of an asset is replaced or restored, the carrying amount of the old component is derecognised, based on the cost of the new component indexed back to the last valuation date. Where the new expenditure is deemed to also enhance the component of the original asset e.g. energy efficiency schemes the carrying amount of old component is reduced further based on an assessment of the level of enhancement.

1.7. Investment Properties

An Investment property is a property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations.

Investment properties shall be initially measured at cost and thereafter at fair value, which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value (MV).

Investment properties held at fair value are not depreciated. The fair value of investment properties shall reflect market conditions at the Balance Sheet date; this means the periodic (5-yearly) revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

1.8. Non-Current Assets Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use. The following criteria have to be met before an asset can be classified as held for sale under this section of the Code:

- The asset must be available for immediate sale in its present condition.
- The sale must be highly probable; with an active programme to dispose of the asset.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to complete within one year of the date of classification.

Assets Held for Sale are valued at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date, and are not subject to depreciation. Investment Properties that are to be disposed of are not reclassified to Asset Held for Sale and remain as Investment Properties until disposed.

1.9. Impairment

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the authority to undertake a significant reorganisation; or
- A significant adverse change in the statutory or other regulatory environment in which the authority operates.

An impairment loss on a re-valued asset is recognised in the Revaluation Reserve (to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset) and thereafter in Surplus or Deficit on the Provision of Services.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.10. Depreciation

Land and buildings are separate assets and are accounted for separately, even when they are acquired together. Depreciation applies to all property, plant and equipment, whether held at historical cost or re-valued amount, with the exception of:

- Investment properties carried at fair value;
- Assets Held for Sale; and
- Land where it can be demonstrated that the asset has an unlimited useful life (excluding land subject to depletion, i.e. quarries and landfill sites).

An asset is not depreciated until it is available for use and depreciation ceases at the earlier of: the date the asset is classified as held for sale and the date the asset is derecognised.

The finite useful life of an asset is determined at the time of acquisition or revaluation. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is calculated using the straight-line method, with the exception of Council Dwellings for which the depreciation charge is based on the Major Repairs Allowance for the year as this is considered to be a reasonable estimate of depreciation.

On a re-valued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the re-valued carrying amount of the asset and the depreciation based on the asset's historical cost.

1.11. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and Impairment losses used by relevant service in excess of any balance on the Revaluation Reserve for the asset.
- Amortisation of intangible fixed assets attributable to the service.

Depreciation, amortisation, impairments, revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund or Housing Revenue Account. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The only exception is depreciation charges for HRA dwellings and other properties, which are real charges to the HRA since the Major Repairs Allowance constitutes a reasonable estimate of depreciation for HRA dwellings.

This ensures the Council is not required to raise Council Tax to cover depreciation, amortisation or revaluation/impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement; further details are provided at Accounting Policy 1.16 (The Redemption of Debt). Depreciation, amortisation and revaluation/impairment losses are therefore replaced by revenue provision transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Interest payable is reported within Net Operating cost within the Income and Expenditure Account and depreciation, calculated in accordance with Accounting Policy 1.10 (Depreciation), is charged directly to service revenue accounts.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately on the Movement on Reserves Statement.

1.12. Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Such expenditure is charged to Surplus or Deficit on the Provision of Services in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure shall be accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Movement in Reserves Statement.

1.13. Heritage Assets

Tangible Heritage Assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture. Intangible heritage asset are intangible assets with cultural, environmental, or historical significance.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Councils accounting policies on property, plant and equipment. However, due to the unique nature of Heritage Assets, some of the measurement rules are relaxed in relation to the categories of Heritage Assets held as detailed below. This is due to the lack of valuation information and the disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.

▪ **Outdoor Statues/Monuments/Historic Building Remains**

The Council has a small number of assets relating to Outdoor Statues/Monuments/Historic Building Remains. These assets are reported on the balance sheet, but valuation of these assets is not practical due to the unique nature and lack of comparable market values. These assets are held on the balance sheet at depreciated historic cost, where this is available. Where historic cost information is not available due to the age of the asset, the assets are held at nil value.

The Council's Historical Environment Team, including the Shropshire Archaeology Service manage the Council's historic environment and archaeological sites. The Council does not consider that reliable cost or valuation information can be obtained for the assets held under the Historic Environment and Archaeology Service and the majority would fall into the de-minimus category. This is because of the unique nature of the assets held and lack of comparable market values. It is also recognised that the cost of obtaining this information outweighs any benefits. Consequently, the Council does not recognise these assets on the balance sheet, other than those included under Statues/Monuments/Historic Building Remains.

▪ **Museum and Archives artefacts**

Museum Service

The Shropshire Museum Service runs a countywide service which collects, documents, preserves, exhibits and interprets the material remains of Shropshire's natural and human history for public benefit. The service operates six museums and a museum resource centre.

The Museum Service holds 530,000 objects with an estimated 40% documented and 72,000 full catalogue entries. The collection includes items on loan to the service, but in general the Museum Service will not accept material on permanent or long term loan.

Principal collections held by the Museum Service include:

- Agricultural
- Archaeology (including Prehistory, Roman, Medieval, Post-Medieval and Foreign)
- Archives
- Biology
- Costume & Textiles
- Decorative & Applied Arts
- Ethnography
- Fine Art

- Geological
- Numismatics
- Social History

The Museum Service has a Collections Policy which contains the Acquisition and Disposal Policies together with more details of the Museum Service and the collections held.

The acquisition priorities vary between the principal collections based on existing gaps in the collection and the capabilities and resources available to the service to adequately store, conserve and display collections. For all collections there are defined procedures to be undertaken once it is established an item falls with the Museum Service's collecting policy as follows:

1. An acquisition statement is prepared which considers the items significance, relevance to the collection and potential impact upon the service.
2. The potential acquisition is discussed by the Museum Service's Curatorial Board which takes a decision on the appropriateness of the acquisition.

The Museum Service exercises due diligence and makes every effort not to acquire, whether by purchase, gift, bequest or exchange, any object or specimen unless the governing body can acquire a valid title to the item.

By definition, the Museum Service has a long-term purpose and should possess permanent collections in relation to its stated objectives. As a consequence there is a strong presumption against the disposal of any items in the museum's collection. In the event of the Museum Service closing the collections would be offered to other museum authorities and neither the collections nor individual items within them would be sold to generate income.

In exceptional circumstances, where the Museum Service is legally free to dispose of an item, any decision will only be taken after preparation of a full disposal statement for due consideration by the Curatorial Board and agreement of Cabinet. Decisions will not be taken with the principal aim of generating funds and any monies received will be applied for the benefit of the collections.

Complete holdings are not valued, as items are generally unique and full valuation would be extremely expensive; however, some significant items have a market valuation at purchase or insurance valuation. As a consequence only those items for which the Museum Service holds an existing valuation (above a de-minimus threshold of £5,000) are recognised in the balance sheet. These principally consist of fine art paintings and items of decorative art. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Any new acquisitions will be recognised at purchase price valuation. Assets are not subject to a revaluation cycle, with revaluations only undertaken where required by the Museum Service.

A full current valuation of the museum's heritage assets is not available as:

1. It is recognised that due to scale of the collection and current documentation issues mean that the cost of obtaining this information outweighs any benefits.

2. Items are generally held for their unique historic value for Shropshire rather than any financial value. This contextual relevance is hard to quantify in financial terms and in most cases makes the object unique.

Archives

The Shropshire archives and local studies service preserves and make accessible documents, books, maps, photographs, plans and drawings relating to Shropshire past and present. The collection consists of 807 cubic metres of archives, of which it is estimated 50% is catalogued, consisting of 260,000 existing record entries, across 8,500 separate collections. Not all material is owned by the Council, with a significant proportion on deposit from record owners. No reliable cost or valuation information is held for holdings, with items generally unique and valuation would be considered to be extremely expensive. Consequently the Council does not recognise these assets on the balance sheet.

Shropshire Archives has an Acquisition and Disposal policy. Shropshire Archives will acquire material for the study of all aspects of Shropshire past and present. Material will be acquired by transfer, gift, purchase or deposit. All gifts and deposits will be completed with a written agreement. Shropshire Archives will only acquire material if the responsible officer is satisfied that the vendor, donor or depositor has a valid title to the material and will not acquire material if it cannot provide adequate storage or professional care for it. Shropshire Archives will not acquire museum artefacts and will consult with other similar collecting institutions if a conflict of interest is thought possible.

Shropshire Archives will, with the written agreement of any depositor and subject to the terms of any statutory or other regulatory measure, transfer material to a more suitable collecting institution if it is judged that the material and potential users of that material will benefit from their re-location. All transfers shall be recorded.

Shropshire Archives will, with the written agreement of any depositor and subject to the terms of any statutory or other regulatory measure, evaluate and select for destruction or return, material not considered worthy of permanent preservation.

There is a strong presumption against the disposal by sale of any material in Shropshire Archives ownership. If materials are to be sold they should first be offered to other appropriate public collecting institutions. Any decision to sell materials shall be the responsibility of Shropshire Council on the advice of the County Archivist. All monies received by Shropshire Archives from the sale of material shall be used for the benefit of the Service's collections.

▪ **Civic Regalia**

The Council does not hold significant items of Civic Regalia and no current valuation information is held for these items. Consequently the Council does not recognise these assets on the balance sheet.

Heritage Assets – Impairment

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

1.14. Capital Receipts

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure or to repay debt. At the balance sheet date, the Council may opt to set-a-side capital receipts in-hand within the Capital Adjustment Account to reduce the Capital Financing Requirement and the Minimum Revenue Provision (MRP) charge for the following financial year.

1.15. The Redemption of Debt

The Council makes provision for the repayment of debt in accordance with the statutory "Minimum Revenue Provision" (MRP) requirements. For supported borrowing MRP is 4% p.a. of the adjusted (by the *A adjustment*) Capital Financing Requirement. For unsupported borrowing under the Prudential system MRP is calculated over the estimated life of the asset for which the borrowing is undertaken. This amount is transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

For HRA debt there is no mandatory requirement to make provision in the HRA for annual MRP payments. However, the Council will make annual voluntary provision for debt repayment in the HRA based on affordable levels in the HRA against the need for investment and delivering services in the HRA.

For assets under on-balance sheet PFI contracts and finance leases, the annual principal payment amount in the PFI or finance lease model is used as the MRP payment amount, with no additional charges above those within the contract.

Where the Council has made capital loans to third parties financed from the Councils balances, the annual repayments of principal amounts are treated as capital receipts and set aside in the Capital Adjustment Account in place of a revenue MRP charge.

1.16. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- 1) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- 2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised;
- 3) the lease term is for the major part of the economic life of the asset;

- 4) the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- 5) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Should a yes response be given to two or more of the above questions, then consideration is given to treating the lease as a finance lease.

The Council as Lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the council's Revenue Account balance.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

The Council as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the council's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the council's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.17. Government Grants and Contributions

Revenue Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. If there are outstanding conditions on the grant income the income is held on the Balance Sheet as a Government debtor/creditor. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure

(e.g. Revenue Support Grant and New Homes Bonus) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure.

Capital Grants

Grants and contributions relating to capital expenditure shall be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the authority has not satisfied.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution shall be transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement.

Community Infrastructure Levy

The Council has elected to charge Community Infrastructure Levy (CIL) with effect from 1 January 2012. The levy applies to planning applications for the following types of development:

- The formation of one or more new dwellings, (including holiday lets), either through conversion or new build, regardless of size (unless it is 'affordable housing'); or
- The establishment of new residential floor space (including extensions and replacements) of 100sqm or above.

The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund infrastructure projects. This will largely be capital expenditure and includes roads and other transport schemes, flood defences, schools and other education facilities, medical facilities, sporting and recreation facilities and open spaces. Five percent of CIL charges will be used to meet the administrative costs of operating the levy.

CIL is received without outstanding conditions; it is therefore recognised in the Comprehensive Income and Expenditure Statement in accordance with the Council CIL instalment policy, following commencement date of the chargeable development in accordance with the accounting policy for government grants and contributions set out above.

The only exception for this is CIL monies received on developments where the CIL Liability Notice has been issued after 25th April 2013. On these receipts 15% of gross receipt or 25% in areas with a statutory Neighbourhood Plan in place; is treated as the Neighbourhood Fund element. The Neighbourhood Fund is the portion of CIL provided directly to Town and Parish Councils to be used for the provision, improvement, replacement, operation or maintenance of infrastructure or anything else which is concerned with addressing the demands that development places on an area.

1.18. Financial Assets

The Council holds financial assets in the form of loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market. The loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, adjusted for accrued interest receivable at the year end. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to individuals at less than market rates (soft loans). Ordinarily when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement 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 would then be credited at a marginally higher effective rate of interest than the rate receivable from the individual, 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 Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, the soft loans that the Council has made are not material to the accounts so the impact has not been incorporated into the Core Financial statements, instead Note 15 to the Core Financial Statements provides details about these soft loans.

1.19. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means the amount presented in the Balance Sheet is the outstanding principal repayable, adjusted for accrued interest payable at the year end. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to

be spread over future years. The Council has a policy of spreading the gain/loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement 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.

1.20. Interest on Surplus Funds and Balances

Interest earned on surplus cash or funds and balances is taken to the revenue account except for some interest that is credited to certain reserves and provisions, and unused school balances deposited with the Council reflecting the level of the account balance.

1.21. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

1.22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by the transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes apparent that a transfer of economic benefits is not required, the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if it is probable that there will be an inflow of economic benefits or service potential.

1.23. Inventories

Inventories and stock are valued at the lower of cost price or net realisable value.

1.24. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

1.25. Group Accounts

The Council has financial relationships with a number of entities and partnerships and, therefore, is required to prepare Group Accounts, in addition to its main financial statements. All of the financial relationships within the scope of Group Accounts have been assessed.

The Council has accounted for Group Accounts in accordance with IFRS 3 - Business Combination, IAS 27 - Consolidation and Separate Financial Statements, IAS28 - Investments in Associates and IAS 31 - Interests in Joint Ventures except where interpretations or adaptations to fit the public sector have been detailed in the Code of Practice on Local Authority Accounting.

1.26. Value Added Tax (VAT)

Only irrecoverable VAT is included in revenue and capital expenditure. All VAT receivable is excluded from income.

1.27. Employee Benefits

The Council accounts for employee benefits in accordance with the requirements of IAS 19 – Employee Benefits. This covers short-term employee benefits such as salaries, annual leave and flexi leave, termination benefits and post-employment benefits such as pension costs.

In accounting for annual leave the Council has categorised the staff into teachers and other staff. Teaching staff have been accounted for on the basis that working during term time entitles them to paid leave during the holidays e.g. working the Spring Term entitles them to paid Easter holidays. An accrual has been calculated based on the untaken holiday entitlement relating to the Spring Term. An accrual has been calculated for other staff based on the amount of untaken leave as at 31 March.

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. The cost of these are charge on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure statement.

Employees of the Authority are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The NHS Pensions Scheme, administered by NHS Pensions;
- The Local Government Pensions Scheme, administered by Shropshire Council.

All schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the two schemes in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bonds of appropriate duration)

- The assets of the Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Shropshire County pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.28. Foreign Currency Transactions

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transaction, by applying the spot exchange rate at the date of the transaction.

1.29. Carbon Reduction Commitment Allowances

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the last year of its introductory phase, which ends on 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

1.30. PFI – Statement of Accounting Policy Private Finance Initiative Schemes (PFI)

PFI contracts are agreements to receive services, where the PFI contractor has responsibility for making available the assets needed to provide the services. The Council pays the contractor a payment, which is called a unitary charge, for the services delivered under the contract.

The Council has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. Further details of these PFI projects are set out later in the document. The Council is deemed to control the services provided under these two PFI schemes, and as ownership of property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the operational assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the QICS scheme, the liability was written down by an initial capital contribution of £2.5m. At the commencement of the Waste contract the Council made various existing waste infrastructure assets available to the contractor. Under the Waste scheme, not all property, plant and equipment scheduled to be provided in the initial years of the contract is yet to be provided and as a result part of the payments made to the scheme operator have been accounted for as a prepayment, with a corresponding entry is also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **Finance cost** – an interest charge as a percentage (based on the Internal Rate of Return of the scheme) of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **Lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out. On recognising the prepayment for lifecycle replacement costs a corresponding entry is also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 27 *Separate Financial Statements* (as amended in 2011)
- IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)
- IAS 32 *Financial Instruments: Presentation*
- IAS 1 *Presentation of Financial Statements*

These changes are predominantly affecting presentation or disclosure of items within the Notes to the Accounts, and so will not have a material effect on the Council.

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 regarding future levels of funding for local government. The Council has undertaken the rigorous challenge of reviewing its spending and as a result has ensured appropriate savings are built into its medium term financial plans. The Council has determined that this uncertainty regarding future funding levels is not known in sufficient enough detail to provide an indication that its assets would be impaired or services reduced significantly. Any action to reduce spending would be taken in a planned and systematic way to reduce the impact on service delivery.
- The authority takes judgements over the element of control in terms of deciding which assets should be on our balance sheet. One such judgement has been taken around schools and particularly Voluntary Aided or Controlled schools that

are not controlled by the Council. A Public Sector working group is specifically reviewing accounting for schools. The initial overriding view of the group is that any community schools, voluntarily controlled, voluntary aided and foundation schools should be included on the Council's financial statements as control still lies with the Council. However, this has not been adopted into the 2013/14 Code and as such has not been adopted in the Councils accounts for 2013/14, but may be a change required in future years. Therefore balances for voluntary aided and controlled schools are not included within the asset valuations. The asset valuation does however include balances relating to assets that are awaiting formal completion to the Diocese. Until detailed work is completed regarding the elements of the assets to be transferred, these will remain on balance sheet.

- The authority is part of the Marches Local Enterprise Partnership (LEP) along with Herefordshire and Telford & Wrekin. The Council acts as accountable body for the Growing Places Fund which is a grant scheme controlled by the LEP. The Council has concluded that the role of accountable body is to be deemed as an agent, and therefore the full grant should not be accounted within the authority's accounts.

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 Council 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.

There is a risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2014:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Full valuation involving an inspection is carried out every 5 years. An impairment and valuation review is carried out as a desk exercise for properties not valued in the year.	There is a risk of material adjustment in the year when the property is revalued.
Dwellings	The value of dwellings held on the balance sheet is subject to impairments due to an estimated increase or decrease in house prices. The Council accounting policy is to use ONS data as the basis for this estimate.	The valuation of dwellings may require a material adjustment in the following year if ONS data is not a reliable estimate.
NDR Appeals Provision	The provision set aside for Non Domestic Rate appeals is estimated based on the number of outstanding appeals as per the Valuation Office and then the percentage rateable value change of successful appeals is applied.	There is a risk that successful appeals will be significantly more than the estimate leading to an increased demand on the NDR collection fund in the year.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £16.592m.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to. The proportion of estimates within the accruals processed for debtors and creditors are: <ul style="list-style-type: none"> • Debtors 6% • Creditors 6% 	The expense or the income could be either higher or lower than expected. A 10% increase in the estimates for debtors would result in an additional debtor of £0.053m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.224m.

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

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Finance, Governance & Assurance on 27 June 2014. Events taking place after this date are not reflected in the financial statement or notes.

On the 1st April 2014 the Council transferred the management of the Shropshire Hills Discovery Centre (SHDC) and neighbouring Onny Meadows to Shropshire Housing Group (SHG) and their partner Grow Cook Learn. Ownership will then transfer on the 1st July 2014, once all Legal documentation has been completed. The value of the SHDC in the 2013/14 balance sheet is £5.2m. This is considered as a non adjusting event after the reporting date.

At balance sheet date, Department of Education approval had been granted to one school to convert to Academy School status in early 2014/15 financial year. The value of these schools and associated facilities in the 2014/15 accounts is £17.9m. This is considered as a non adjusting event after the reporting date. Approval had been granted to three further schools to transfer, but their conversion dates are not until later in 2014/15.

6. 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i>						
Charges for depreciation and impairment of non current assets	29,985	170	4,215	0	0	(34,370)
Revaluation losses on Property Plant and Equipment	5,945	3,219	0	0	0	(9,164)
Movement in the market value of Investment Properties	(1,163)	(73)	0	0	0	1,236
Amortisation of intangible assets	420	0	0	0	0	(420)
Capital grants and contributions applied	(28,628)	(850)	0	0	0	29,478
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	6,996	0	0	0	0	(6,996)
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	105,844	2,038	0	0	0	(107,882)
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(17,681)	0	0	0	0	17,681
Capital expenditure charged against the General Fund and HRA balances	(2,061)	(379)	0	0	0	2,440
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(533)	0	0	0	533	0
Application of grants to capital financing transferred to CAA	0	0	0	0	(1,656)	1,656
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	(6,135)	(1,805)	0	8,029	0	(89)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(7,567)	0	7,567
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	34	0	(34)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	458	0	0	(458)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	30	0	(30)
Adjustment primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	(1,895)	0	0	1,895
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	(301)	(1)	0	0	0	302

2013/14

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 42)	32,223	0	0	0	0	(32,223)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,674)	0	0	0	0	24,674
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(661)	0	0	0	0	661
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	(1,241)	(9)	0	0	0	1,250
Total Adjustments	98,793	2,344	2,320	0	(1,123)	(102,334)

2012/13 Comparative Figures (Restated)

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i>						
Charges for depreciation and impairment of non current assets	50,772	920	4,108	0	0	(55,800)
Revaluation losses on Property Plant and Equipment	6,649	(3,087)	0	0	0	(3,562)
Movement in the market value of Investment Properties	357	0	0	0	0	(357)
Amortisation of intangible assets	351	0	0	0	0	(351)
Capital grants and contributions applied	(29,338)	(1,313)	0	0	0	30,651
Income in relation to donated assets	(37)	0	0	0	0	37
Revenue expenditure funded from capital under statute	8,287	0	0	0	0	(8,287)
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	55,160	615	0	0	0	(55,775)
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i>						

2012/13 Comparative Figures (Restated)

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Statutory provision for the financing of capital investment	(26,956)	(1,200)	0	0	0	28,156
Capital expenditure charged against the General Fund and HRA balances	(2,676)	(101)	0	0	0	2,777
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(200)	0	0	0	200	0
Application of grants to capital financing transferred to CAA	0	0	0	0	(2,042)	2,042
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	(5,944)	(956)	0	6,906	0	(6)
Use of the Capital Receipts Reserve towards new expenditure	0	0	0	(6,479)	0	6,479
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	18	0	(18)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	426	0	0	(426)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	17	0	(17)
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 & Expenditure Statement	(99)	0	0	0	0	99
Adjustment primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	(2,706)	0	0	2,706
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	(303)	(68)	0	0	0	371
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 42)	31,540	448	0	0	0	(31,988)
Employer's pension contributions and direct payments to pensioners payable in the year	(22,138)	(204)	0	0	0	22,342
Adjustments primarily involving the Collection Fund Adjustment Account:						

2012/13 Comparative Figures (Restated)

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,168	0	0	0	0	(1,168)
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	(102)	(57)	0	0	0	159
Total Adjustments	66,917	(4,985)	1,402	0	(1,842)	(61,492)

7. TRANSFERS TO/FROM EARMARKED RESERVES

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

	Balance at 1 April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000
General Fund:							
Council Elections Reserve	43	0	0	43	(43)	0	0
CYPS Directorate Reserve	83	(83)	0	0	0	0	0
Economic Development Workshops Major Maintenance Reserve	232	0	48	280	0	111	391
Education – Staff Sickness Insurance Reserve	450	0	118	568	(481)	2	89
Education – Theft Insurance Reserve	76	0	106	182	(100)	4	86
Fire Liability Reserve	1,446	0	411	1,857	0	30	1,887
Landfill Allowance Trading Scheme Reserve	228	(228)	0	0	0	0	0
Legal Disbursements Reserve	50	0	0	50	(50)	0	0
Local Joint Committee Reserve	61	(22)	170	209	(209)	0	0
Major Planning Inquiries Reserve	497	(45)	30	482	(70)	150	562
Motor Insurance Reserve	661	0	66	727	(1)	65	791
New Homes Bonus Reserve	0	(186)	4,621	4,435	(1,009)	0	3,426
People Services Reserve	1,607	(1,600)	100	107	(107)	0	0
PFI Buildings Equipment Replacement Reserve	59	(66)	19	12	(7)	0	5

	Balance at 1 April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000
Public Health Reserve	0	0	793	793	(178)	615	1,230
Redundancy Reserve	1,221	(1,263)	507	465	(11,429)	24,165	13,201
Resources Efficiency Reserve	315	(29)	547	833	(313)	81	601
Revenue Commitments for Future Capital Expenditure Reserve	2,413	(1,325)	1,123	2,211	(1,719)	53	545
Revenue Commitments from Unringfenced Revenue Grants	284	(230)	3,339	3,393	(2,192)	1,684	2,885
Schools Building Maintenance Insurance Reserve	681	(151)	793	1,323	(221)	342	1,444
Severe Weather Reserve	600	0	110	710	0	2,129	2,839
Shire Catering and Cleaning Efficiency Reserve	0	0	143	143	(12)	0	131
Shropshire Waste Partnership (Smoothing Reserve)	16,830	0	3,428	20,258	(20,828)	1,193	623
Shropshire Waste Partnership (General Reserve)	5,985	(5,985)	0	0	0	0	0
Theatre Severn – Repairs & Maintenance Reserve	20	0	9	29	0	0	29
TMO Vehicle Replacement Reserve	1,775	(257)	494	2,012	(1,170)	197	1,039
Transformation Reserve	1,067	(980)	1,780	1,867	(7)	1,455	3,315
Total	36,684	(12,450)	18,755	42,989	(40,146)	32,276	35,119

RESERVES

Council Elections - established to meet the periodic cost of Council Elections which take place every four years, however this is now built into the budget strategy so no need to hold this reserve.

CYPS Directorate - this reserve was established from overall directorate underspends in 2004/05. This reserve is no longer held as all remaining balances held were released in 2012/13.

Economic Development Workshops Major Maintenance - set up to meet the costs of major maintenance of Economic Development Workshops.

Education Staff Sickness Insurance - schools' self help insurance for staff sickness with premiums met from delegated budgets. Any surplus generated is used to benefit contributing schools and schools' related budgets.

Education Theft Insurance - this is the schools' self help insurance scheme to cover equipment damage and losses. Any surplus generated is used to benefit contributing schools and schools' related budgets.

Fire Liability - this is required to meet the cost of excesses on all Council properties.

Landfill Allowance Trading Scheme - this reserve was set up to recognise the notional surplus generated because the council's liability for waste disposal tonnage since 2005/06 has been less than the allowances allocated by DEFRA. This scheme no longer operates and so the reserve has been closed in 2013/14.

Legal Disbursements - this helps to meet extraordinary legal costs incurred by service directorates over and above budgets.

Local Joint Committees – this reserve was used to carry forward any balance of funding remaining within Local Joint Committees in each financial year. This was the final year of LJC grants, therefore this reserve is not required anymore.

Major Planning Inquiries – this reserve is used to meet the one-off costs of major planning inquiries, and is a corporate reserve.

Motor Insurance - an internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.

New Homes Bonus Reserve – this reserve has been established from unapplied New Homes Bonus Grant balances.

People Services - this reserve was established to safeguard the council against pressures within Assessment & Eligibility and external children's placements given the service areas volatility.

PFI Buildings Equipment Replacement - this was established in 2007/08 to fund replacement equipment in PFI buildings. This relates to items of equipment not covered by the PFI contract, that the council are responsible for maintaining.

Public Health Reserve – This reserve includes balances committed to specific public health projects.

Redundancy - required to help meet one-off costs arising from approved staffing reductions, allowing the full approved savings in salaries or wages to reach the revenue account.

Resources Efficiency - established for investment in new developments, particularly information technology, that service areas would not be expected to meet from their internal service level agreements for support services.

Revenue Commitments for Future Capital Expenditure - this reserve comprises underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants. This sum is available to fund commitments against capital schemes in 2014/15.

Revenue Commitments from Unringfenced Revenue Grants - established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2014/15.

Schools Building Maintenance Insurance - the schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school.

Severe Weather – Required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve. Includes additional grant received for recent storm damage.

Shire Catering and Cleaning Efficiency - this is built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.

Shropshire Waste Partnership (Smoothing Reserve) – The PFI smoothing reserve reflects the budgeted contributions in the early years of the Waste PFI contract that will be used to smooth the step up in the Unitary This increase has now been included within the 2014/15 budget strategy to cover the annual increase therefore the bulk of this reserve has been released in 2013/14.

Shropshire Waste Partnership (General Reserve) - the general reserve previously included notional entries relating to prepayments relevant to the IFRS accounting treatment. Due to a change in accounting practice in 2012/13, this reserve is no longer held.

Theatre Severn Repairs & Maintenance - established from underspends within culture and leisure, the reserve will be earmarked towards future capital and revenue expenditure on repairs, maintenance and replacement of essential equipment at the Theatre.

TMO Vehicle Replacement - this reserve was set up to meet the costs of replacement vehicles by the Integrated Transport Unit

Transformation - Required to fund invest to save projects in order to deliver the service transformation programme.

8. OTHER OPERATING EXPENDITURE

	2013/14 £000	2012/13 £000
Parish Council Precepts	5,567	6,053
Levies	120	109
Payments to the Government Housing Capital Receipts Pool	458	426
(Gains)/losses on the disposal of non current assets	99,976	48,794
(Gains)/losses on change in valuation of non-current assets	253	3,515
	106,374	58,897

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £000	2012/13 (Restated) £000
Interest payable and similar charges	19,355	21,539
Pensions interest cost and expected return on pensions assets	13,919	13,409
Interest receivable and similar income	(1,829)	(1,967)
Income and expenditure in relation to investment properties and changes in their fair value	(2,332)	(153)
(Surpluses)/deficits on Trading Activities	3,911	5,958
	33,024	38,786

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	2013/14 £000	2012/13 £000
Council tax income	(123,791)	(136,522)
Non domestic rates	(45,655)	(88,639)
Non ringfenced government grants	(77,356)	(9,560)
Capital grants and contributions	(25,372)	(25,458)
	(272,174)	(260,179)

11. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of fixed assets held by the Council during 2013/14.

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2013	176,371	733,112	29,539	404,760	5,090	432	7,881	1,357,185	44,948
Additions	2,163	8,269	1,056	15,320	152	0	6,426	33,386	32
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(342)	(9,203)	0	0	0	(18)	0	(9,563)	(2)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(17,340)	(6,028)	0	0	0	(124)	0	(23,492)	0
Derecognition - disposals	(1,144)	(98,931)	(2,078)	0	0	0	0	(102,153)	0
Derecognition - other	(883)	(4,176)	(5,826)	(92)	(886)	(141)	(53)	(12,057)	(2,574)
Assets reclassified (to)/from Held for Sale	0	(285)	0	0	0	0	830	545	0
Other movements in cost or valuation	(3,326)	(4,750)	0	0	0	1,984	(6,874)	(12,966)	156
At 31 March 2014	155,499	618,008	22,691	419,988	4,356	2,133	8,210	1,230,885	42,560
Depreciation and Impairments									
At 1 April 2013	(17,532)	(45,694)	(16,837)	(97,460)	(929)	(57)	0	(178,509)	(8,217)
Depreciation charge for 2013/14	(4,205)	(13,545)	(4,023)	(10,629)	(239)	(45)	0	(32,686)	(2,153)
Depreciation written out to the Revaluation Reserve	186	7,285	0	0	0	0	0	7,471	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,121	450	0	0	0	10	0	14,581	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(3,594)	0	0	0	(405)	0	(3,999)	0

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(170)	(1,111)	0	0	0	(348)	0	(1,629)	0
Derecognition - disposals	0	5,525	1,215	0	0	0	0	6,740	0
Derecognition - other	0	421	5,827	7	522	17	0	6,794	2,574
Other movements in depreciation and impairment	3,225	8,688	0	0	0	668	(17)	12,564	(156)
At 31 March 2014	(4,375)	(41,575)	(13,818)	(108,082)	(646)	(160)	(17)	(168,673)	(7,952)
NBV at 31 March 2014	151,124	576,433	8,873	311,906	3,710	1,973	8,193	1,062,212	34,608
NBV at 31 March 2013	158,839	687,418	12,702	307,300	4,161	375	7,881	1,178,676	36,731

The comparative movements in 2012/13 were as detailed below:

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2012	169,920	842,916	30,100	388,082	5,469	1,891	7,826	1,446,204	45,543
Additions	4,019	7,394	1,703	16,928	161	0	3,560	33,766	610
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(17,466)	0	0	0	(17)	0	(17,483)	35
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,087	(6,509)	0	0	0	0	0	(3,422)	28
Derecognition - disposals	(655)	(48,160)	(897)	0	0	(21)	0	(49,733)	0
Derecognition - other	0	(2,757)	(2,660)	0	(613)	0	(22)	(6,052)	(1,224)
Assets reclassified (to)/from Held for Sale	0	(6,363)	0	0	0	(1,090)	(225)	(7,678)	0
Other movements in cost or valuation	0	(35,944)	1,293	(250)	73	(331)	(3,258)	(38,417)	(44)
At 31 March 2013	176,371	733,112	29,539	404,760	5,090	432	7,881	1,357,185	44,948
Depreciation and Impairments									
At 1 April 2012	(12,578)	(45,743)	(14,438)	(87,262)	(1,193)	(163)	(23)	(161,400)	(6,622)
Depreciation charge for 2012/13	(4,075)	(15,053)	(5,618)	(10,198)	(349)	(19)	0	(35,312)	(3,026)
Depreciation written out to the Revaluation Reserve	0	6,143	0	0	0	25	0	6,168	51
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(14,450)	0	0	0	(308)	0	(14,758)	(44)

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(919)	(15,890)	0	(251)	0	0	0	(17,060)	156
Derecognition - disposals	40	2,850	560	0	0	2	0	3,452	0
Derecognition - other	0	282	2,659	0	613	0	23	3,577	1,224
Other movements in depreciation and impairment	0	36,167	0	251	0	406	0	36,824	44
At 31 March 2013	(17,532)	(45,694)	(16,837)	(97,460)	(929)	(57)	0	(178,509)	(8,217)
NBV at 31 March 2013	158,839	687,418	12,702	307,300	4,161	375	7,881	1,178,676	36,731
NBV at 31 March 2012	157,342	797,173	15,662	300,820	4,276	1,728	7,803	1,284,804	38,921

Voluntary Aided and Controlled Schools

The Council does not recognise the assets of Voluntary Aided or Controlled Schools on the basis that the Council does not have control over the service provided in these schools.

Included in the above balances for other land and buildings are all or a significant part of 10 primary schools for which plans are being finalised with the Diocese or for which instructions have been issued, but full ownership has not yet transferred to the Diocese. This detailed work is necessary because in many circumstances the schools are now physically different and it is necessary to ensure that the transfers relate purely to the school function and not other uses which may now be on site. There is a legal obligation to transfer ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998).

Work commenced on the first transfers in 2008/09, and further schools were identified in 2011/12, mainly as a result of Primary School Amalgamations, which resulted in the change of the category of a number of schools. These schools will be removed from the Council's balance sheet on completion of the legal transfer. The total net book value for these schools as at the balance sheet date is £20.1m.

In addition there are a number of primary schools where a small part of the site is required to transfer from the Council to the Diocese, these are mainly as a result of extensions to schools which have been built across land still in SC ownership (e.g. former playing field land). Work is ongoing to legally transfer these further sections and they are not included in the Council's balance sheet.

Three Secondary schools are listed as Voluntary Controlled schools on the Department of Education list. Under the School Standards and Framework Act 1998 ('the 1998 Act') the school buildings and hard standing should be transferred to the trustees of the school. These should also be transferred to their governing bodies, these are still to be actioned, but may be overtaken by any plans to transfer these schools to Academy status, with one scheduled to transfer in 2014/15. The total net book value for these schools as at the balance sheet date is £32.6m.

Foundation Schools

The School Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. Following recent changes to the status of some schools, the Council now has three Foundation schools. The Council does not recognise the assets of Foundation Schools on the basis that the Council does not have control over the service provided in these schools. However, following recent changes to two schools to Foundations schools all of their assets have not transferred. The total net book value for these schools as at the balance sheet date is £3.8m.

Academy Schools

In 2013/14 seven further schools became Academies. The School land and premises are now leased by the Council to the Academy school on a 125 year peppercorn rent. On this basis the school is now listed in the Council's fixed asset register at nil value. The value written out of the Council balance sheet in 2013/14 for these schools was £93.9m.

At balance sheet date, Department of Education approval had been granted to one school to convert to Academy School status in early 2014/15 financial year. The value of this school and associated facilities in the 2014/15 accounts is £17.9m. This is considered as a non adjusting event after the reporting date. Approval had been granted to three further schools to transfer, but their conversion dates are not until later in 2014/15. The value of these schools and associated facilities in the 2014/15 accounts is £25.6m.

Assets Transferred to Parish and Town Councils

In 2013/14 the Council transferred further functions to Town and Parish Councils. Due to delays in agreeing the legal transfers of the associated assets, some of the assets are yet to transfer, even through the operation of these asset has transferred. As the functions have transferred, the Council gains no value from these on an existing use basis and as a result these have been written out of the balance sheet in 2013/14, the net book value written out was £1.46m.

Depreciation

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

- Council Dwelling – Major Repairs Allowance has been used as an estimate of depreciation.
- Other Land and Buildings – average 10 to 60 years range.
- Vehicles, Plant, Furniture & Equipment – average 5 years.
- Infrastructure – average 40 years.

Capital Commitments

At 31 March 2014, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment or to provide grant funding to other bodies for a capital purpose in 2014/15 and future years budgeted to cost £35.242m. Similar commitments at 31 March 2013 were £27.441m. The major commitments were:

- Rural Broadband - £15.930m.
- Highways & Transport schemes - £4.220m.

- Affordable Housing Grants - £1.278m.
- HRA Major Repairs Programme - £3.055m.
- HRA New Build Programme - £5.764m.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant, furniture and equipment are held on historic cost basis. The significant assumptions applied in estimating the fair values are:

- That the property is free from any undisclosed onerous burdens, outgoings or restrictions and that good title can be shown.
- That the land and property is not contaminated (including Radon Gas).
- The property and its values are unaffected by any matters which could be revealed by local search or inspection of any register and that the use and occupation of the asset are lawful.
- In valuing the property, plant and machinery have been excluded unless forming part of the structure and normally valued with the building.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional, e.g. Capital Gains Tax , or transaction costs, e.g. Stamp Duty.
- Details concerning “title” have been taken from the Council’s Terrier.
- Where there are user rights these have not been considered as having a value because of the inability to transfer such rights.
- The property has not been discussed with the Planning Authorities and therefore certain assumptions in respect of planning issues have been made in determining values. The assumptions made are based on information on file available to the Valuer when undertaking the Valuation.

Valuations of Non Current Assets carried at Current Value

The following statement shows the progress of the Council’s rolling programme for the revaluation of Property, Plant and Equipment. The valuations are carried out by the Council’s internal valuation unit. The basis of valuation is set out in the Statement of Accounting Policies. All values are stated on a net present value basis.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	0	450	8,873	0	9,323
Valued at Fair Value as at:					
01-Apr-13	151,124	119,456	0	446	271,026
01-Apr-12	0	103,572	0	182	103,754
01-Apr-11	0	70,634	0	0	70,634
01-Apr-10	0	160,835	0	1,345	162,180
01-Apr-09	0	121,486	0	0	121,486
Total Cost or Valuation	151,124	576,433	8,873	1,973	738,403

12. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Museum and Archives artefacts £000	Outdoor Statues/ Monuments/Historic Building Remains £000	Intangible Heritage Asset £000	Total £000
Cost or Valuation				
1 April 2012	1,277	1,179	0	2,456
Additions/Transfers from AUC	43	24	0	67
Depreciation/Amortisation	0	(55)	0	(55)
31 March 2013	1,320	1,148	0	2,468
Cost or Valuation				
1 April 2013	1,320	1,148	0	2,468
Additions/Transfers from AUC	10	6	51	67
Depreciation/Amortisation	0	(55)	(5)	(60)
31 March 2014	1,330	1,099	46	2,475

Museum and Archives artefacts

The Council's collection of Museum and Archives artefacts are reported in the balance sheet at market valuation at purchase or provided for insurance valuation. These principally consist of fine art paintings and items of decorative art. Valuations are only subject to revaluation as required by the Museum Service and the collection is not subject to depreciation.

The Museum Service also holds assets within their collections that are on loan to the Museum Service. These are not included in the Council balance sheet, but for insurance purposes significant artefacts have been valued in total at £1.2m.

Outdoor Statues/Monuments/Historic Building Remains

The Council's Outdoor Statues/ Monuments/Historic Building Remains are reported in the balance sheet at depreciated historic cost and are not subject to revaluation. Due to the age of the assets, historic cost information is not available for a number the assets and as such these are held at nil value.

Intangible Heritage Asset

Shropshire Archives have delivered a capital project to create digitised images of the parish and non conformist registers it holds. This has improved access to resources, especially to the online genealogy market, generating additional revenue income for the Council.

13. INVESTMENT PROPERTIES

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

	2013/14 £000	2012/13 £000
Rental income & service charges from investment property	(1,263)	(1,186)
Direct operating expenses arising from investment property	168	677
Net (gain)/loss	(1,095)	(509)

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

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

	2013/14 £000	2012/13 £000
Balance at start of the year	31,695	35,603
Additions:		
- Purchases	0	238
Disposals	(4,290)	(5,410)
Net gains/losses from fair value adjustments	1,236	(357)
Transfers:		
- To/from Property, Plant and Equipment	237	1,620
Balance at end of the year	28,878	31,694

14. INTANGIBLE ASSETS

The Council 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 relate to purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £415,000 charged to revenue in 2013/14 was charged to services within the service headings in the Net Expenditure of Services.

	2013/14 £000	2012/13 £000
Balance at start of year:		
- Gross carrying amounts	1,568	1,360
- Accumulated depreciation	(704)	(514)
Net carrying amount at start of year	864	846
Additions:		
- Purchases	210	369
- Transferred from AUC	117	0
Amortisation for the period	(415)	(351)
Net carrying amount at end of the year	776	864
Comprising:		
- Gross carrying amounts	1,636	1,568
- Accumulated amortisation	(860)	(704)
	776	864

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Investments:				
Loans and receivables	400	812	109,885	94,145
Total investments	400	812	109,885	94,145
Debtors:				
Loans and receivables	3,139	3,140	0	0
Financial assets carried at contract amounts	0	0	68,715	54,806
Total Debtors	3,139	3,140	68,715	54,806
Borrowing:				
Financial liabilities at amortised cost	(337,768)	(342,825)	(7,397)	(12,399)
Total Borrowings	(337,768)	(342,825)	(7,397)	(12,399)
Other Long Term Liabilities:				
PFI and finance lease liabilities	(22,685)	(22,780)	0	0
Total Other Long Term Liabilities	(22,685)	(22,780)	0	0
Creditors:				
Financial liabilities carried at contract amount	(719)	(730)	(54,465)	(48,710)
Cash overdrawn	0	0	(17,586)	(6,937)
Total Creditors	(719)	(730)	(72,051)	(55,647)

Soft Loans

Small Business Loans

Shropshire Council has entered into two legal contract with MRRT Ltd to provide funding to MRRT to be used to provide small business loans.

Under the first contract the Council will provide up to £0.5m interest free, in instalments. MRRT match fund 50:50 to provide small business loans between £5k and £50k for no more than 5 years to qualifying businesses. Funds are repayable to the Council by MRRT to the Council by no later than July 2021 and the Council is responsible for the first £75k of bad debt (representing 15% of the Council's capital). As at the balance sheet date £0.2m has been loaned to MRRT.

The second contract is in partnership with Worcestershire County Council and the Council will provide up to £0.5m interest free in instalments, which is matched 50:50 with funding from ERDF. The funding will be used to provide loans of small business loans between £5k and £50k for no more than 5 years to qualifying businesses. Funds are repayable to the Council by MRRT to the Council by no later than July 2020 and the Council is responsible for the first £75k of bad debt (representing 15% of the Council's capital). As at the balance sheet date £0.125m has been loaned to MRRT.

	2013/14 £000	2012/13 £000
Opening Balance	191	0
Nominal value of new loans granted in the year	125	200
Fair value adjustment on initial recognition	(12)	(5)
Loans repaid	(33)	(4)
Other changes	3	0
Closing balance at end of year	274	191
Nominal value at 31 March	288	196

Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is based on the PWLB rate at point at which the loan payment is made to MRRT plus 0.5% for the Council's transactional costs.

Other Soft Loans

Following a review in this area it has been identified that interest free loans with a nominal value of £1.291m are advanced to clients receiving residential/nursing care who following assessment are required to pay the full cost of their care. As all of the clients funds are tied up in the property they own, a legal charge is made against the property and when the property is sold the outstanding debts are cleared and the legal charge removed.

In addition, clients who are required to make adaptations to their homes to maintain their independence are also given interest free loans, the nominal value of these loans is £0.340m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

The deferred charges loans are part of the Charging Residential Accommodation Guide (CRAG) assessment and the adaptation loans are part of Disabled Facilities Grant legislation, which means they are part of national agreements. These loans are not part of the Councils internal policies and therefore are not classified as soft loans.

Income, Expense, Gains and Losses

	2013/14			2012/13		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	19,355	0	19,355	21,548	0	21,548
Impairment losses	0	0	0	0	(12)	(12)
Total expense in Surplus or Deficit on the Provision of Services	19,355	0	19,355	21,548	(12)	21,536
Interest income	0	(856)	(856)	0	(891)	(891)
Interest income accrued on impaired financial assets	0	2	2	0	(33)	(33)

	2013/14			2012/13		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Total income in Surplus or Deficit on the Provision of Services	0	(854)	(854)	0	(924)	(924)
Net gain/(loss) for the year	0	0	(854)	21,548	(936)	20,612

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 at 31 March 2014 of 1.26% to 4.33% for loans from the PWLB, 4.42% to 4.57% for Market Loans and 0.25% to 0.60% for loans and receivables, 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:

	31 March 2014		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	49,200	45,582	49,200	46,288
Long term creditors	293,568	309,758	303,468	341,155

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 lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2014		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables:				
Cash	73,070	73,070	31,700	31,700
Fixed Term Deposits	36,650	36,850	62,150	62,452
Long term debtors	3,139	3,139	3,140	3,140
Long term investments	400	400	812	812

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date.

This shows a notional future loss (based on economic conditions at 31 March 2014) attributable to the commitment to receive interest below current market rates.

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

Exceptional Items

Early in October 2008, the Icelandic bank Landsbanki Islands HF went into administration. At that time the former Bridgnorth District Council had £1 million deposited with this institution.

In February 2014 the Council sold its Landsbanki claim for 92% of the claim amount. Total distributions received in relation to the claim were £924,920, of which £441,331 was received during 2013/14.

16. INVENTORIES

Stocks are shown at the lower of cost price or net realisable value.

	Road Materials		Visitor Centres and TIC Retail Stock		Shire Services		Leisure Services		Travel Tokens		Other		Total	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Balance outstanding at start of year	362	675	75	92	182	187	9	20	32	39	50	51	710	1,064
Purchases	714	701	198	190	174	218	30	54	0	0	247	767	1,363	1,930
Recognised as an expense in the year	(415)	(1,014)	(218)	(207)	(156)	(223)	(33)	(65)	(10)	(7)	(267)	(768)	(1,099)	(2,284)
Written off balances	0	0	0	0	(8)	0	0	0	0	0	0	0	(8)	0
Balance outstanding at year-end	661	362	55	75	192	182	6	9	22	32	30	50	966	710

17. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2014.

	2013/14 £000	2012/13 £000
Central Government Bodies	5,636	6,380
Other Local Authorities	633	1,981
NHS Bodies	4,446	2,604
Public Corporations and Trading Funds	1	1
Other Entities and Individuals	38,616	29,572
Waste PFI Prepayments	19,383	14,268
	68,715	54,806

18. CASH AND CASH EQUIVALENTS

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

	31 March 2014 £000	31 March 2013 £000
Bank current accounts	53,070	31,700
Short term deposits with building societies	17,715	53,117
Total Cash and Cash Equivalents	70,785	84,817
Bank Overdraft	(17,586)	(6,937)
Cash Overdrawn	(17,586)	(6,937)

19. ASSETS HELD FOR SALE

	2013/14 £000	2012/13 £000
Balance outstanding at start of year	5,232	2,703
Assets newly classified as held for sale: - Property, Plant and Equipment	(545)	7,652
Revaluation losses	(253)	(316)
Revaluation gains	0	176
Impairment losses	0	(3,374)
Assets sold	(2,915)	(1,609)
Balance outstanding at year end	1,519	5,232

20. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2014.

	31 March 2014 £000	31 March 2013 £000
Central Government Bodies	(5,999)	(6,705)
Other Local Authorities	(2,761)	(1,988)
NHS Bodies	(1,671)	(241)
Public Corporations and Trading Funds	0	(157)
Other Entities and Individuals	(44,034)	(39,619)
	(54,465)	(48,710)

21. PROVISIONS

	Accumulated Absences Account £000	Redundancy £000	Short Term Carbon Reduction Commitment £000	Other £000	Total £000	Liability Insurance £000	Long Term NDR Appeals	Other £000	Total £000
Balance at 1 April 2013	(4,467)	(165)	(324)	(1,065)	(6,021)	(3,926)	0	(565)	(4,491)
Additional provisions made in 2013/14	(3,217)	(939)	(320)	(23)	(4,499)	(168)	(2,908)	(83)	(3,159)
Amounts used in 2013/14	4,467	172	324	1,065	6,028	585	2,121	43	2,749
Unused amounts reversed in 2013/14	0	0	0	0	0	0		0	0
Balance at 31 March 2014	(3,217)	(932)	(320)	(23)	(4,492)	(3,509)	(787)	(605)	(4,901)

Accumulated Absences – this absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Redundancy – this sum has been provided for to meet the anticipated costs of redundancy on the basis that the Council has issued redundancy notices before 31 March 2014.

Carbon Reduction Commitment - The Council has an obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. The provision has been calculated based on the energy consumed and carbon dioxide emitted during 2013/14 and charged to service areas accordingly.

Other Short Term Provisions – this includes provisions for potential contract liabilities that the Council may be liable for.

Liability Insurance– This sum has been provided for to meet the cost of excesses on all Council properties as well as the cost of excesses relating to Public and Employers' Liability Claims on or after 1 April 1998. Amounts over the excess are funded by the Council's external insurers. For 2013/14 this cover was provided by Risk Management Partners Ltd, 9 Alie Street, London, E1 8DE.

NDR Appeals – Represents the Council's share of the provision held for successful appeals against business rates.

Other Long Term Provisions – this includes S106 Accrued Interest, Workshop Deposit Clawbacks, and potential profit share clawbacks.

22. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

	31 March 2014 £000	31 March 2013 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	3,722	1,402
Reserves	35,119	42,989
Capital Grants Unapplied Account	2,786	3,909
HRA Balance	2,545	1,041
General Fund Balance	20,019	11,528
Total Usable Reserves	64,191	60,869

23. UNUSABLE RESERVES

	31 March 2014 £000	31 March 2013 £000
Revaluation Reserve	137,176	165,661
Capital Adjustment Account	622,864	697,440
Financial Instruments Adjustment Account	(5,900)	(6,202)
Deferred Capital Receipts Reserve	804	834
Pensions Reserve	(297,394)	(349,517)
Collection Fund Adjustment Account	1,365	704
Accumulated Absences Account	(3,217)	(4,467)
Total Unusable Reserves	455,698	504,453

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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 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.

	2013/14 £000	2012/13 £000
Balance at 1 April	165,661	214,441
Upward revaluation of assets	7,736	8,902
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(13,828)	(34,975)

	2013/14 £000	2012/13 £000
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	(6,092)	(26,073)
Difference between fair value depreciation and historical depreciation	(3,833)	(4,173)
Accumulated gains on assets sold or scrapped	(18,508)	(18,534)
Transfer balance to CAA on transfer to Investment Property	(51)	0
Amount written off to the Capital Adjustment Account	(22,392)	(22,707)
Balance at 31 March	137,177	165,661

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 provision. 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 to the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council 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 6 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2013/14 £000	2012/13 £000
Balance at 1 April	697,440	726,024
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	(34,370)	(55,800)
- Revaluation losses on Property, Plant and Equipment	(9,164)	(3,562)
- Amortisation of intangible assets	(420)	(351)
- Revenue expenditure funded from capital under statute	(6,996)	(8,287)
- Amounts of non current assets written off on disposal or sale as part of the gain/loss of disposal to the Comprehensive Income and Expenditure Statement	(107,971)	(55,781)
	(158,921)	(123,781)
Adjusting amounts written out of the Revaluation Reserve	22,392	22,707
Net written out amount of the cost of non current assets consumed in the year	(136,529)	(101,074)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	7,567	6,479
- Use of the Major Repairs Reserve to finance new capital expenditure	1,894	2,706
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	29,478	30,651

	2013/14 £000	2012/13 £000
- Application of grants to capital financing from the Capital Grants Unapplied Account	1,656	2,041
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	17,682	28,156
- Capital expenditure charged against the General Fund and HRA balances	2,440	2,777
	60,717	72,810
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,236	(357)
Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	37
Balance at 31 March	622,864	697,440

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 benefitting from gains per statutory provisions. The Council 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 Accounting 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 Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over a number of years.

	2013/14 £000	2012/13 £000
Balance at 1 April	(6,202)	(6,574)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	315	383
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	(13)	(11)
Balance at 31 March	(5,900)	(6,202)

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 Council 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 Council 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 Council 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.

	2013/14 £000	2012/13 £000
Balance at 1 April	(349,517)	(286,035)
Actuarial gains or (losses) on pensions assets and liabilities	59,672	(54,818)
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	(32,223)	(31,006)
Employer's pension contributions and direct payments to pensioners payable in the year	24,674	22,342
Balance at 31 March	(297,394)	(349,517)

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 Council 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.

	2013/14 £000	2012/13 £000
Balance at 1 April	834	731
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	99
Transfer to the Capital Receipts Reserve upon receipt of cash	(30)	(18)
Write off of Deferred Capital Receipt Debt	0	22
Balance at 31 March	804	834

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.

	2013/14 £000	2012/13 £000
Balance at 1 April	704	1,872
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	661	(1,168)
Balance at 31 March	1,365	704

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.

	2013/14 £000	2012/13 £000
Balance at 1 April	(4,467)	(4,626)
Settlement or cancellation of accrual made at the end of the preceding year	4,467	4,626
Amounts accrued at the end of the current year	(3,217)	(4,467)
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	1,250	159
Balance at 31 March	(3,217)	(4,467)

24. CASH FLOW STATEMENT – RECONCILIATION OF NET SURPLUS / DEFICIT TO THE MOVEMENT ON REVENUE ACTIVITIES

	2013/14 £000	2012/13 (Restated) £000
Surplus/(Deficit) for year per Comprehensive Income & Expenditure Statement	(99,012)	(56,639)
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	34,370	55,801
Impairment and downward valuations	9,164	3,919
Amortisation	420	351
Reductions in fair value of non PWLB Loans	12	5
Soft Loans – Interest adjustment	5	7
Material Impairment Losses on Investments	0	(12)
Increase/Decrease in Interest Creditors	(31)	(54)
Increase/Decrease in Creditors	1,458	(6,142)
Increase/Decrease in Interest and Dividend Debtors	295	(145)
Increase/Decrease in Debtors	(13,980)	(13,635)
Increase/Decrease in Inventories	(256)	354
Pension Liability	7,549	9,646
Contributions to/(from) Provisions	(1,119)	(552)
Carrying amount of non-current assets sold	107,881	55,775
Issuing of Council Mortgages relating to deferred capital receipts	0	(99)
Movement in Investment Property Values	(1,236)	0
	144,532	105,219
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Carrying amount of short and long term investment sold	(29,645)	(4,184)
Capital Grants credited to surplus or deficit on the provision of services	(30,010)	(30,888)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(8,029)	(6,906)
	(67,684)	(41,978)
Net Cash Flows from Operating Activities	(22,164)	6,602

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2013/14 £000	2012/13 £000
Interest received	(1,149)	(784)
Interest paid	19,381	21,596

26. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2013/14 £000	2012/13 £000
Purchase of property, plant and equipment, investment property and intangible assets	30,900	33,726
Other payments for investing activities	184	1,087
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(787)	(6,460)
Proceeds from short term and long term investments	0	(178)
Other receipts from investing activities*	(39,118)	(31,005)
Net cash flows from investing activities	(8,821)	(2,830)

* This includes capital grants received in year.

27. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2013/14 £000	2012/13 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	126	(303)
Repayments of short and long term borrowing	10,029	8,730
Other payments for financing activities*	1,183	(2,581)
Net cash flows from financing activities	11,338	5,846

* Represents change in value of NNDR debtor/creditor

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

The income and expenditure of the Council's principal service areas recorded in the budget reports for the year is as follows:

Service Area Income and Expenditure 2013/14	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(18,496)	(14,163)	(39,913)	(713)	(59,657)	(132,942)
Government grants	(12,490)	(176,760)	(11,114)	(10,669)	(93,112)	(304,145)
Total Income	(30,986)	(190,923)	(51,027)	(11,382)	(152,769)	(437,087)
Employee expenses	19,146	30,456	30,433	1,924	39,459	121,418
Other service expenses	80,278	213,536	108,550	9,826	99,126	511,316
Support service recharges	3,752	6,424	8,186	846	16,287	35,495
Total Expenditure	103,176	250,416	147,169	12,596	154,872	668,229
Net Expenditure	72,190	59,493	96,142	1,214	2,103	231,142

Service Area Income and Expenditure 2012/13	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(15,843)	(21,346)	(25,897)	(678)	(69,447)	(133,211)
Government grants	(19,124)	(180,573)	(8,255)	(243)	(109,763)	(317,958)
Total Income	(34,967)	(201,919)	(34,152)	(921)	(179,210)	(451,169)
Employee expenses	17,653	31,469	27,863	733	39,522	117,240
Other service expenses	79,044	231,619	90,778	665	107,948	510,054
Support service recharges	3,439	6,685	7,836	351	24,618	42,929
Total Expenditure	100,136	269,773	126,477	1,749	172,088	670,223
Net Expenditure	65,169	67,854	92,325	828	(7,122)	219,054

Reconciliation of Service Area Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service areas' income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £000	2012/13 (Restated) £000
Net expenditure in the Service Area Analysis	231,142	219,054
Net expenditure of services and support services not included in the Analysis	(156,573)	(188,333)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	843	(13,756)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	23,599	39,674
Cost of Services in Comprehensive Income and Expenditure Statement	99,011	56,639

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service areas' income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14					
	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(130,688)	(17,250)	0	0	(147,938)
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	(2,253)	(30)	1,429	0	(854)
Income from council tax	0	0	0	(123,791)	(123,791)
Government grants and contributions	(304,146)	(850)	0	(137,630)	(442,626)
Total Income	(437,087)	(18,130)	1,429	(261,421)	(715,209)
Employee expenses	121,418	2,834	(1,241)	0	123,011
Other service expenses	473,177	5,130	7,495	(886)	484,916
Support Service recharges	35,495	174	0	0	35,669
Depreciation, amortisation and impairment	0	7,605	37,545	0	45,150
Interest Payments	38,019	2,964	(21,629)	0	19,354
Precepts & Levies	120	0	0	5,567	5,687
Payments to Housing Capital Receipts Pool	0	0	0	458	458
Gain or Loss on Disposal of Fixed Assets	0	266	0	99,709	99,975
Total expenditure	668,229	18,973	22,170	104,848	814,220
Surplus or deficit on the provision of services	231,142	843	23,599	(156,573)	99,011

2012/13 comparative figures (Restated)					
	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(130,574)	(16,848)	0	0	(147,422)
Surplus or deficit on associates and joint ventures	0	0	0	0	0
Interest and investment income	(2,637)	(23)	1,729	0	(931)
Income from council tax	0	0	0	(136,522)	(136,522)
Government grants and contributions	(317,958)	(3,042)	0	(111,278)	(432,278)
Total Income	(451,169)	(19,913)	1,729	(247,800)	(717,153)
Employee expenses	117,240	2,858	(101)	0	119,997
Other service expenses	479,897	(6,466)	(2,684)	356	471,103
Support Service recharges	42,929	265	0	0	43,194

2012/13 comparative figures (Restated)					
	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000
Depreciation, amortisation and impairment	0	2,653	56,409	0	59,062
Interest Payments	30,048	7,170	(15,679)	0	21,539
Precepts & Levies	109	0	0	6,053	6,162
Payments to Housing Capital Receipts Pool	0	0	0	426	426
Gain or Loss on Disposal of Fixed Assets	0	(323)	0	52,632	52,309
Total expenditure	670,223	6,157	37,945	59,467	773,792
Surplus or deficit on the provision of services	219,054	(13,756)	39,674	(188,333)	56,639

29. TRADING OPERATIONS

The Council has 19 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of these units with a turnover of greater than £5m in 2013/14 are as follows:

		2013/14		2012/13 (Restated)	
		£000	£000	£000	£000
Shire Services operates as a trading organisation within the Council, delivering catering and cleaning services. Shire Services provides catering services to schools in Shropshire, Worcestershire, Herefordshire, Telford and North Wales, as well as to a range of non-school sites in Shropshire. Cleaning services are provided to schools and other Council premises in Shropshire, including the Area Headquarters.	Turnover	(14,563)		(14,276)	
	Expenditure	15,123		14,485	
	(Surplus)/ Deficit		560		209
Shropshire County Training has operated as a trading organisation within the Council since 1 September 2004. The principal activity of County Training is the provision of training to enable people of all abilities to gain skills and qualifications required to meet the needs of the local labour market and so help employers to benefit from a better trained or more experienced work force and also to support unemployed people into sustained employment.	Turnover	(7,739)		(7,448)	
	Expenditure	8,236		7,397	
	(Surplus)/ Deficit		497		(51)
The consolidated results of the other 17 of the Council's 19 trading units are	Turnover	(41,218)		(50,736)	
	Expenditure	44,072		56,536	
	(Surplus)/ Deficit		2,854		5,800
Net Surplus on Trading Activities			3,911		5,958

30. POOLED BUDGETS

During 2013/14, the Council (SC) hosted the Intermediate Care pooled budget with the Clinical Commissioning Group (CCG) as shown below. The services covered by the

pooled budget contribute to our aim of "creating and protecting a healthy, independent and safe way of life for all". The Council was not involved in any pooled budgets hosted by other partners.

Intermediate Care with CCG and Shrewsbury and Telford Hospital Trust

	2013/14 Total £	2012/13 Total £
Gross Funding		
CCG	(186,331)	(232,052)
SC	(751,708)	(811,490)
Total	(938,039)	(1,043,542)
Expenditure	938,039	1,043,542
(Surplus)/Deficit	0	0

31. MEMBERS' ALLOWANCES

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

	2013/14 £	2012/13 £
Basic Allowances	849,993	849,701
Special Responsibility Allowances	286,633	296,091
Expenses	77,566	78,382
Total	1,214,192	1,224,174

32. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers # Pension contributions	Total incl. pension contributions
Chief Executive (started November 2012)	2013/14	£99,486	£0	£99,486	£11,640	£111,126
	2012/13	£36,061	£0	£36,061	£4,219	£40,280
Kim Ryley – Chief Executive (left November 2012)^	2013/14	£0	£0	£0	£0	£0
	2012/13	£116,234	£0	£116,234	£13,599	£129,833
Director of Adult Services (started January 2013)	2013/14	£97,000	£0	£97,000	£11,349	£108,349
	2012/13	£24,250	£0	£24,250	£2,837	£27,087
Director of Children's Services (started January 2013)	2013/14	£97,000	£0	£97,000	£11,349	£108,349
	2012/13	£24,250	£0	£24,250	£2,837	£27,087
Director of Commissioning (started January 2013)	2013/14	£97,000	£0	£97,000	£11,349	£108,349
	2012/13	£24,250	£0	£24,250	£2,837	£27,087
Director of Public Health (started April 2013)	2013/14	£98,453	£0	£98,453	£13,783	£112,236
	2012/13	£0	£0	£0	£0	£0
Director of Resources and Support (started January 2013)	2013/14	£97,000	£0	£97,000	£11,349	£108,349
	2012/13	£24,250	£0	£24,250	£0	£24,250

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers # Pension contributions	Total incl. pension contributions
Director of Places (left December 2012) ²	2013/14	£0	£0	£0	£0	£0
	2012/13	£115,324	£0	£115,324	£11,457	£126,781
Director of Care & Wellbeing (left April 2012) ³	2013/14	£0	£0	£0	£0	£0
	2012/13	£2,083	£0	£2,083	£244	£2,327
Director of People (left May 2013)	2013/14	£18,711	£0	£18,711	£2,189	£20,900
	2012/13	£140,350	£0	£140,350	£16,421	£156,771
Head of Legal and Democratic Services, Monitoring Officer	2013/14	£96,214	£	£96,214	£11,257	£107,471
	2012/13	£96,959	£0	£96,959	£11,344	£108,303
Head of Finance, Governance & Assurance, S151 Officer (started January 2013)	2013/14	£95,000	£0	£95,000	£11,115	£106,115
	2012/13	£21,634	£0	£21,634	£1,558	£23,192
Corporate Head of Finance and Commerce, S151 Officer (left January 2013) ¹	2013/14	£0	£0	£0	£0	£0
	2012/13	£82,836	£0	£82,836	£9,692	£92,528

The Council has pension contributions which have now been split between a standard percentage contribution and a lump sum for the Council. As a result the standard percentage per person has decreased and the lump sum payment can not be allocated to specific individuals.

* ^ The Chief Executive provided services for both Shropshire Council and Cheshire East Council. He was formally employed by Shropshire Council and Cheshire East Council was recharged for his salary and other remuneration for the period August –November 2012. Also received compromise agreement payment of £38,693 during 2012/13 in accordance with the Council's policy.

¹ Also received compromise agreement payment of £70,000 during 2012/13 in accordance with the Council's policy.

² Also received compromise agreement payment of £150,000 during 2012/13 in accordance with the Council's policy

³ Also received standard redundancy payment of £102,488 during 2012/13 in accordance with the Council's policy

The numbers of officers whose remuneration exceeded £50,000 is analysed into bands of £5,000 as follows. The remuneration disclosed below includes salary costs, expense allowances and claims for reimbursement of expenses:

Salaried Remuneration Band £000	2013/14 No. of Employees	2012/13 No. of Employees
50,000 - 54,999	113	110
55,000 - 59,999	44	45
60,000 - 64,999	23	32
65,000 - 69,999	5	9
70,000 - 74,999	2	10
75,000 - 79,999	7	5
80,000 - 84,999	11	8
85,000 - 89,999	4	4
90,000 - 94,999	0	3
95,000 - 99,999	8	2
100,000 - 104,999	1	2
105,000 - 109,999	1	2
115,000 - 119,999	0	2
130,000 - 134,999	0	1
140,000,- 144,999	0	1

The numbers of exit packages with total cost per band and total cost of the exit packages, including redundancy payments, pension strain and unpaid leave are set out in the table below:

	No. of compulsory redundancies		No. of other departures agreed		Total no of exit packages by cost band		Total cost of exit packages in each band £000	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 - £20,000	36	27	368	37	404	64	3,630	479
£20,001 - £40,000	4	8	84	11	88	19	2,480	549
£40,001 - £60,000	0	2	32	5	32	7	1,586	321
£60,001 - £80,000	0	4	13	3	13	7	912	476
£80,001 - £100,000	0	0	9	5	9	5	804	444
£100,001 - £200,000	1	2	6	5	7	7	784	920
	41	43	512	66	553	109	10,196	3,189

33. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Authority's external auditors:

	2013/14 £000	2012/13 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	177	187
Fees payable to external audit for the certification of grant claims and returns	21	27
Fees payable in respect of other services provided by the external audit during the year	10	2
Total	208	216

34. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools' Budget. The Schools' Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each school.

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

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2013/14 before Academy recoupment	22,153	156,173	178,326
Academy figure recouped for 2013/14	(80)	(30,518)	(30,598)
Total DSG after Academy recoupment for 2013/14	22,073	125,655	147,728
Plus: Brought forward from 2012/13	340	(130)	210
Less: Carry forward to 2014/15 agreed in advance	0	(400)	(400)
Agreed budgeted distribution in 2013/14	22,413	125,125	147,538
In year adjustments	0	0	0
Final budgeted distribution in 2013/14	22,413	125,125	147,538
Less: Actual central expenditure	(21,309)	0	(21,309)
Less: Actual ISB deployed to schools	0	(124,853)	(124,853)
Plus: Local authority contribution for 2013/14	0	0	0
Carry forward to 2014/15	1,104	272	1,376

35. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	67,074	1,719
Local Services Support Grant	411	1,113
New Homes Bonus	4,581	2,600
Council Tax Freeze Grant	1,312	3,243
Business Rates Relief Grant	1,829	0
LACSEG Repayment	1,157	885
Efficiency Support for Sparse Areas	638	0
Capitalisation Redistribution Provision Grant	354	0
Capital Grants & contributions	25,372	25,458
Total	102,728	35,018
Credited to Services		
DWP Council Tax Benefit	0	20,298
DWP Housing Benefit	69,062	69,087
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	1,739	1,979
DCLG Waste PFI	3,186	3,186
DCLG Social Services PFI	1,523	1,523
DFE Designated Schools Grant	146,162	162,880
DFE/DE Sixth Forms funding	4,552	7,256
DFE Pupil Premium Grant	5,307	3,992
DFE Early Intervention Grant	0	11,199
Education Services Grant	4,216	0
DH Learning Disability and Health Reform Grant	0	4,631
DoH Public Health Grant	8,948	0
DfT Local Sustainable Transport	968	818
DfT Severe Weather	1,129	0
Other Grants	7,679	2,503
Capital Grants & contributions	4,638	5,393
Donated Assets	0	37
Total	259,109	294,782

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2014 £000	31 March 2013 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Other Grants & Contributions	(1,040)	0
Total	(1,040)	0
Grants Receipts in Advance (Revenue Grants)		
DWP Housing Benefit Subsidy	(4,462)	(5,039)
Homelessness	(708)	(708)
DFE Designated Schools Grant	(1,376)	(210)
Family Solutions	(431)	(306)
DCLG Social Services PFI	(210)	(210)

	31 March 2014 £000	31 March 2013 £000
DFE Pupil Premium Grant	(253)	(164)
Other Grants	(3,188)	(6,101)
Total	(10,628)	(12,738)
TOTAL	(11,668)	(12,738)
Long Term Liabilities		
Grants Receipts in Advance (Capital Grants)		
Other Grants & Contributions	0	78
Total	0	78
TOTAL	0	78

36. RELATED PARTIES

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

Central Government

Central Government has significant influence over the general operations of the Council, being responsible for the statutory framework within which the Council operates, provides the majority of its funding through the payment of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with Government departments appear in other parts of the Statement of Accounts.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Council's management team. All Council members and senior officers have been contacted, advising them of their obligations and asking for any declarations of related party transactions to be disclosed. Members are also asked to confirm that their entries in the Register of Clubs and Societies are correct.

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 2013/14 was £20.474m compared with £6.401m for 2012/13.

Councillors are often members of other public or charitable organisations in their own capacity, or are employed by organisations that we process transactions with. These relationships are declared within the Members' register. The Council has made payments of £5.668m to organisations where members are employed and £0.742m to organisations where members and senior officers occupy positions in their own capacity.

The Council also makes contract payments to bodies that members or senior officers may have a beneficial interest in. A total of £0.537m has been made in contract payments to such organisations.

Entities Controlled or Significantly Influenced by the Authority

As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. The Council received £0.914m from the pension fund for the costs of administration it provided compared with £0.877m for 2012/13.

The Council also has group relationships with West Mercia Energy, South Shropshire Leisure Limited, Shropshire Towns & Rural Housing and IP&E Limited. Further detail on the type of relationship held with each company is considered in more detail under the Group Accounts section which begins on page 100.

37. CAPITAL EXPENDITURE AND 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 contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future year by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	356,449	386,368
Adjustment for loans for capital purposes not previously included in CFR	1,565	0
Adjusted Opening Capital Financing Requirement (including PFI & Finance Lease)	358,014	386,368
Capital investment		
Property, Plant and Equipment	33,406	33,797
Investment Properties	0	238
Intangible Assets	211	369
Revenue Expenditure Funded from Capital under Statute	6,996	8,287
Capital Loans	125	200
Sources of finance		
Capital receipts	(7,567)	(6,479)
Capital grants and other contributions	(31,134)	(32,692)
Direct Revenue Financing (Including MRA)	(4,334)	(5,483)
Minimum Revenue Provision (see note 46)	(17,682)	(28,156)
Closing Capital Financing Requirement (including PFI & Finance Lease)	338,035	356,449
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	250,139	263,342
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	84,594	84,595
Closing Capital Financing Requirement – PFI & Finance Lease	3,302	8,512
	338,035	356,449
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(10,453)	(13,554)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	(4,316)	(3,010)

	2013/14 £000	2012/13 £000
Assets acquired under finance leases	(37)	(36)
Assets acquired under PFI contracts	(5,173)	(13,319)
Increase/(decrease) in Capital Financing Requirement	(19,979)	(29,919)

38. LEASES

Authority as a Lessee

Finance Leases

The Council has acquired two salt domes that under IAS17 have been classified as finance leases.

The Council also has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. The Council pays an annual unitary charge (in monthly instalments) to the contractor for the assets and services provided under each PFI contract. This annual unitary charge is comprised of two basic elements: a service element, which is expensed as incurred, and a construction element, which is accounted for as if it were a finance lease.

The assets acquired under these leases are carried as Buildings and Vehicles, Plant and Equipment in the Balance Sheet at the following amounts:

	31 March 2014 £000	31 March 2013 £000
Buildings	31,821	32,551
Vehicles, Plant and Equipment (salt domes)	22	56
Vehicles, Plant and Equipment (PFI)	2,787	4,179
Total	34,630	36,786

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2014 £000	31 March 2013 £000
Finance lease liabilities (NPV of minimum lease payments)	85,394	89,190
Finance costs payable in future years	199,852	217,327
Minimum lease payments	285,246	306,517

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Not later than one year	3,022	13,035	725	9,400
Later than one year and not later than five years	48,323	46,377	357	3,641
Later than five years	233,901	247,105	84,313	76,150
	285,246	306,517	85,395	89,191

The finance lease liabilities recognised on the balance sheet as “Deferred Liabilities” totals £22.686m. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 39 Private Finance Initiative Schemes.

	Salt Domes £000	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	(24)	(203)	(1,334)	(1,561)
Lease liability (due after 1 year)	0	(13,075)	(8,049)	(21,124)
	(24)	(13,278)	(9,383)	(22,685)

Operating Leases

The Council has acquired vehicles and equipment by entering into operation leases, with typical lease lengths of three to seven years. The Council also has a number of land and buildings that are held under operating leases.

The minimum lease payments due for the following financial year under non-cancellable leases committed at 31 March under operating leases years are:

	31 March 2014 £000	31 March 2013 £000
Expiring Not later than one year	591	242
Expiring Later than one year and not later than five years	370	882
Expiring Later than five years	882	701
	1,843	1,825

The Authority has sub-let recycling boxes referred to under operating leases to Veolia. The value of payments to be received for these assets is £46,590 per annum, the final payment was in 2013/14.

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2014 £000	31 March 2013 £000
Lease payments	2,092	2,266
Sub Lease Receivable	(47)	(60)
	2,045	2,206

Authority as Lessor

Operating Leases

The Council leases out property under operating leases for a variety of purposes, including:

- For the provision of community services.
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- For income generation as Investment Properties.

The minimum lease payments due under non-cancellable leases committed at 31 March under operating leases years are:

	31 March 2014 £000	31 March 2013 £000
Expiring Not later than one year	189	190
Expiring Later than one year and not later than five years	537	384
Expiring Later than five years	1,297	1,387
	2,023	1,961

39. PRIVATE FINANCE INITIATIVE SCHEMES

The Council has two Private Finance Initiative (PFI) schemes: The Quality in Community Services (QICS) PFI, signed on 21 May 2005, and the Waste Services PFI contract, signed on 29 September 2007.

a. The Quality in Community Services PFI Project

On 21 May 2005 the Council entered into a 30 year contract with Integrated Care Solutions (ICS) to supply and maintain six buildings:

- Three Resource Centres
- A Nursing Home
- A Joint Service Centre
- An Intermediate Care Hub

The contract was a Private Finance Initiative under the Capital Finance Regulations. The Council was awarded a PFI credit of £20.400 million.

Property, Plant and Equipment

The sites of five of the six buildings to be constructed under the contract were already in the ownership of the Council before the contract was entered into and each of these sites had on it a building which required demolition prior to the new buildings being constructed. To reflect the demolitions, each of these buildings was written out of the asset register in 2005/06. The land, which will return to the Council at the end of the contract, continues to be recorded in the Council's asset register.

Property provided by the operator under a PFI contract is recognised as an asset or assets of the local authority and a related finance lease liability is recognised at the

same time. Once recognised assets are depreciated and re-valued in accordance with the Council's policies.

The value of assets held and liabilities resulting from the QICS PFI contract at each balance sheet date since the commencement of the contract and an analysis of the movements are shown below:

	Year Ended 31/03/14 £000	Year Ended 31/03/13 £000
Non Current Assets – Land & Buildings		
Balance Brought Forward	20,765	21,157
- Depreciation	(392)	(392)
Balance Carried Forward	20,373	20,765
Finance Lease Liability		
Balance Brought Forward	(13,512)	(13,780)
- Repayment of Principal	233	268
Balance Carried Forward	(13,279)	(13,512)

Payments

Payments under the contract can vary according to availability and performance and are also linked to the Retail Price Index (RPIx) and either the Average Earnings Index (AEI), for the 2006/07 to 2013/14 financial years, or the Average weekly Earning (AWE) statistic for the remainder of the contract. The assumed future commitments under the contract, separated into repayments of liability, interest and service charges, are as follows:

Year	Service Charges *	Principal	Interest	Total Unitary Charge Payment
	£000	£000	£000	£000
Amounts Falling Due Within One Year	1,556	203	1,332	3,091
Amounts Falling Due Within 2 - 5 Years	6,700	999	5,108	12,807
Amounts Falling Due Within 6 - 10 Years	9,554	1,832	5,716	17,102
Amounts Falling Due Within 11 - 15 Years	11,227	2,607	4,656	18,490
Amounts Falling Due Within 16 - 20 Years	12,711	4,318	3,063	20,092
Amounts Falling Due Within 21 - 25 Years	6,728	3,319	614	10,661

* comprised of operating costs, lifecycle costs and contingent rental.

b. The Waste Services PFI Project

On 29 September 2007, the former Shropshire County Council, in its capacity as Contracting Authority for the former Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007. On 20 October 2008 Shrewsbury & Atcham Borough Council joined the Partnership and the contract with Veolia for the remaining 26 years. The contract is a Private Finance Initiative (PFI) contract and is part funded by £40.8 million of PFI credits which are paid as an annual PFI grant.

There are two separable elements to the contract: a collection and recycling element and a waste treatment services element.

The collection and recycling element comprises the kerbside collections of recycling and waste, the operation of the Integrated Waste Management Facilities (comprising the household recycling centres and transfer stations) and waste treatment and disposal other than the operation of the Energy Recovery Facility. The contract is an output based contract but proposed waste infrastructure that will be used to deliver services under this element of the contract includes upgrades of the existing Craven Arms and Whitchurch recycling facilities, the development of Integrated Waste Management Facilities to service the Oswestry and Bridgnorth areas and the development of an In Vessel Composting Facility.

Two broad groups of assets are being provided under the Waste Services PFI contract:

- Vehicles and waste receptacles used to deliver the day to day waste service.
- Assets to be constructed under the contract to deliver improved recycling and diversion performance.

Property, Plant and Equipment

The Council has made existing waste infrastructure assets available to the contractor on a peppercorn lease. In its capacity as Contracting Authority for the former Shropshire Waste Partnership, the former County Council purchased some refuse collection vehicles, using pooled grant funding. These infrastructure assets and vehicles made available to the contractor are recorded in the Council's asset register and continue to be depreciated and re-valued in accordance with the Council's policies.

Property provided by the operator under a PFI contract is recognised as an asset or assets of the local authority and a related finance lease liability is recognised at the same time. Once recognised assets are depreciated and re-valued in accordance with the Council's policies.

The value of assets held and liabilities resulting from the Waste Services PFI contract at each balance sheet date since the commencement of the contract and an analysis of the movements are shown below:

	Year Ended 31/03/14 £000	Year Ended 31/03/13 £000
Non Current Assets – Land & Buildings		
Balance Brought Forward	11,786	11,603
- Depreciation in Period	(338)	(330)
- Additions	2	287
- Revaluation	(2)	226
Balance Carried Forward	11,448	11,786
Non Current Assets - Vehicles, Plant & Equipment		
Balance Brought Forward	4,179	6,161
- Depreciation in Period	(1,423)	(2,304)
- Additions	30	322
Balance Carried Forward	2,786	4,179
Prepayments		
Balance Brought Forward	14,268	5,985
- Planned Capital Expenditure	5,115	8,283
Balance Carried Forward	19,383	14,268
Finance Lease Liability		
Balance Brought Forward	(9,207)	(7,991)
- Additions	(32)	(609)

	Year Ended 31/03/14 £000	Year Ended 31/03/13 £000
- Repayment of Principal	(143)	(607)
Balance Carried Forward	(9,382)	(9,207)

Payments

Payments under the contract can vary according to availability of services and facilities and the contractor's performance in delivering the service. Payments are also linked to the Retail Price Index (RPIx). The assumed future commitments for the unitary charge under the contract are as follows:

Year	Service Charges *	Principal	Interest #	Total Unitary Charge Payment
	(£000)	(£000)	(£000)	(£000)
Amounts Falling Due Within One Year	19,400	498	966	20,864
Amounts Falling Due Within 2 - 5 Years	75,338	(642)	42,858	117,554
Amounts Falling Due Within 6 - 10 Years	108,173	10,073	49,603	167,849
Amounts Falling Due Within 11 - 15 Years	120,766	20,313	47,599	188,678
Amounts Falling Due Within 16 - 20 Years	141,102	36,521	35,059	212,682
Amounts Falling Due Within 21 - 24 Years	13,841	5,329	3,278	22,448

* comprised of operating costs and lifecycle costs

comprised of finance lease interest and contingent rental

40. IMPAIRMENT LOSSES

During 2013/14 the Council has recognised a net impairment loss of £1.6m on non current assets in the CIES, compared to £17.8m loss in 2012/13. This related to £170,000 in relation to HRA housing stock for works in 2013/14 that did not add value and were treated so the assets were impaired. £1.635 million to General Fund property as a result of changes in the use or level of use of assets and various works that did not add value and were treated as impairment losses when the assets were revalued. There was also an impairment reversal of £177,000 following an asset revaluation.

41. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefits scheme. However the Scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations on the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of underlying financial position and performance

of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14, The Council paid £8.820m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £10.319m and 14.1%. There were no contributions remaining payable at the year end.

Public Health employees previously employed by the NHS are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales.

The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Trust of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In 2013/14, The Council paid £0.090m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.0% of pensionable pay.

42. DEFINED BENEFIT 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 make the payments and to disclose them at the time that employees earn their future entitlement.

The Local Government Pension Scheme, administered by Shropshire Council is a funded defined benefit scheme. This means that the Council and employees pay contributions into a fund, which is invested in accordance with the Local Government Pension Scheme Regulations.

We recognise the cost of retirement benefits 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund/HRA Balance via the Movement in Reserves Statement during the year. The balances for 2012/13 have been restated to reflect the changes in the accounting standard IAS19:

	Local Government Pension Scheme	
	2013/14 £000	2012/13 (Restated) £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(21,069)	(19,197)
- past service gain/(cost)	(751)	(4)
- curtailment gain/(cost)	3,516	622
	(18,304)	(18,579)
Financing and Investment Income and Expenditure:		
- net interest expense	(13,919)	(13,409)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(32,223)	(31,988)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	16,755	48,106
- experience (gain)/loss	12,018	0
- actuarial gains and losses arising on changes in demographic assumptions	(21,259)	(92,734)
- actuarial gains and losses arising on changes in financial assumptions	52,158	(9,208)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	27,449	(85,824)
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	32,223	31,988
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(24,674)	(22,342)

Assets and Liabilities Recognised in the Balance Sheet

	2013/14 £000	2012/13 £000
Present value of the defined benefit obligation	(943,710)	(959,648)
Fair value of plan assets	646,316	610,131
Net liability arising from defined benefit obligation	(297,394)	(349,517)

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2013/14 £000	2012/13 (Restated) £000
Opening fair value of scheme assets at 1 April	610,131	540,639
Interest income	25,496	26,380
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	16,755	48,106
Contributions from employer	24,674	22,342
Contributions from employees into the scheme	5,708	6,122
Benefits paid	(34,400)	(32,030)
Other	(2,048)	(1,428)
Closing fair value of scheme assets at 31 March	646,316	610,131

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2013/14	2012/13
	(Restated)	
	£000	£000
Opening balance at 1 April	(959,648)	(826,674)
Current Service Cost	(20,621)	(18,719)
Interest Cost	(39,415)	(39,789)
Contributions from scheme participants	(5,708)	(6,122)
Remeasurement gain/(loss):		
Actuarial gains/losses arising from changes in demographic assumptions	(21,259)	(9,208)
Actuarial gains/losses arising from changes in financial assumptions	52,158	(92,734)
Other	12,018	0
Past service costs	(751)	(4)
Losses/(gains) on curtailment	(5,187)	(1,782)
Liabilities assumed on entity combinations	0	0
Benefits paid	34,400	32,030
Liabilities extinguished on settlements	10,303	3,354
Closing balance at 31 March	(943,710)	(959,648)

Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2013/14	2012/13
	(Restated)	
	£000	£000
Cash and cash equivalents	15,834	24,466
Equity investments:		
UK quoted	52,998	80,415
Global quoted	300,020	269,495
Sub-total equity	353,018	349,910
Bonds:		
UK Government fixed	517	1,830
UK Government indexed	64,244	57,901
Government	90,290	81,758
Sub-total bonds	155,051	141,489
Property:		
Property funds	25,659	17,633
Sub-total property	25,659	17,633
Alternatives:		
Private Equity	27,210	27,212
Infrastructure	5,106	3,356
Hedge Funds	64,438	46,065
Sub-total alternatives	96,754	76,633
Total assets	646,316	610,131

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rate, salary levels and other variables.

The Council element of the Fund liabilities has been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013/14	2012/13
Long term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.0%
Government Bonds	3.4%	2.8%
Other Bonds	4.3%	3.9%
Property	6.2%	3.0%
Cash/Liquidity	0.5%	4.9%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.4 yrs	22.4 yrs
Women	25.1 yrs	25.1 yrs
Longevity at 65 for future pensioners:		
Men	24.2 yrs	24.2 yrs
Women	27.1 yrs	27.1 yrs
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	3.9%	3.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	4.4%	4.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	961,872	925,548
Rate of inflation (increase or decrease by 1%)	960,599	926,821
Rate of increase in salaries (increase or decrease by 1%)	946,794	940,626
Rate of increase in pensions (increase or decrease by 1%)	960,599	926,821
Rate for discounting scheme liabilities (increase or decrease by 1%)	927,118	960,302

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other 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 (i.e. promised benefits to pay members). 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 fund 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. Further details of the market, credit and liquidity risk management are detailed in Note 17 of the Shropshire County Pension Fund Annual Report.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £19.496m expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2013/14 (15 years 2012/13).

43. CONTINGENT LIABILITIES

At 31 March 2014, the Council had the identified the following contingent liabilities:

There are a number of legal and insurance cases outstanding that may result in future costs for the Council. These include:

- A legal claim regarding a breach of contract on a land sale
- A judicial review regarding a planning application.
- Claim around costs relating to a village green.
- Claims surrounding chancel repair liabilities.
- A judicial review relating to ShropshireLink.

There remains the possibility that some employees of the Council (and former employees who bring a claim within six months of leaving) may bring a claim against the Council to seek retrospective membership of the pension scheme. This would only apply to employees who were employed on a part time basis in the past and as a result were prevented at a particular time from being able to join the Local Government Pension Scheme. The Council did receive a significant number of such claims several years ago but the vast majority have now been dealt with either by the Employment Tribunal or by way of settlement. The likelihood of further claims is low but if they were made they could result in the authority incurring costs. It is not possible to be precise as to what the cost might be in any particular case, as it would depend on the employment period being claimed for. However, such claims would not be material to the accounts as they would relate to prior years.

The Council has provided guarantees to a number of Community Bodies that have been admitted to the Shropshire County Pension Fund, to fund any potential pension liabilities. The bodies who currently have employees who are active members of the scheme are MENCAP, Age Concern (£0.258m), ALC (£0.037m), Coverage Care (£1.438m), South Shropshire Leisure Ltd (£0.132m) , South Shropshire Housing Association (£0.682m), HMM Arts (grouped with Shropshire) and Energize Shropshire Telford & Wrekin (Grouped with Shropshire). MENCAP no longer has active members, on closure they cleared their outstanding liabilities, they now have 6 Pensioners and 2 Deferred Members. Age Concern has 9 active members, 19 pensioners and 13 deferred members; ALC has 2 active members, 1 Pensioner and 1 deferred member. The guarantee for Coverage Care Ltd covers staff Tupe'd to them in a contract entered into 1 March 1997, they have 27 active members, 116 pensioners, 42 deferred members and 8 dependants. Coverage Care also entered into a further contract on 13 January 2013, in which the staff Tupe'd over from Shropshire Council, they have 45 active members and 4 Pensioner. South Shropshire District Council offered a guarantee to South Shropshire Leisure Ltd and South Shropshire Housing Association which transferred to Shropshire Council on 1 April 2009. These Employers have jointly 28 active members, 32 pensioners, 27 deferred members and 1 Dependant. HMM Arts have 1 active member, 3 deferred members and 1 Pensioner .The guarantee for Energize Shropshire Telford & Wrekin covers staff Tupe'd to them on 1 January 2013, they have 2 active members. These do not therefore represent a significant potential liability for the Council.

The Council has entered into four "Funding and Development Agreements" with Development Trust for construction of supported living properties. Under these agreements the Development Trust has provided the Council with funding totalling £1,026,860 for the construction of a supported living property at each site. The

contributions will be repayable if the properties cease to be used as supported living properties or the Council fails to conform to the stipulated conditions of the contract within a period of 30 years from when the properties are first occupied.

44. CONTINGENT ASSETS

The Council currently has a number of appeals lodged with HMRC with regard to VAT treatment which may result in a reimbursement to the Council of VAT paid over to the Government. The specific cases include a compound interest claim, claims for trade waste, car parking, landfill and a cultural exemption. These claims for reimbursement are subject to legal cases being pursued nationally and if successful will provide legal precedent to be applied. Timescales on these cases are uncertain but should be progressed in the next 12-24 months.

45. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses;
- By approving annually in advance prudential and treasury indicators for the following three years;
- By approving an investment strategy for the forthcoming year.

To avoid the Council suffering loss as a result of its treasury management activities a number of risk management procedures have been put in place.

These procedures are based on the concept that firstly security of principal is paramount, secondly that there is a need to maintain liquidity and finally earning a rate of return commensurate with the first two concepts.

Credit Risk Exposure

Credit and counterparty risk is the failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness.

As a holder of public funds, Shropshire Council regards it a prime objective of its treasury management activities to be the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction or minimisation of risk. Accordingly, the Council ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Council's creditworthiness policy which is approved as part of the Annual Investment Strategy. The Council's lending list is reviewed continuously in conjunction with its treasury advisor and formally updated monthly. Additions to, and deletions from, the list are approved by the Section 151 Officer.

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating the maximum amount is currently limited to £30.000m.

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience of default, adjusted to reflect current market conditions.

	Amount deposited at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability at 31 March 2014	Estimated maximum exposure at 31 March 2013
	£000	%	%	%	£000
	A	B	C	(AxC)	
Loans and receivables held with counterparties having a default rating of:					
AA	40,000	0.02	0.02	0.00	0.00
A	66,720	0.09	0.09	0.00	0.00
Other Local Authorities Debtors (Customers)	3,000	0.00	0.00	0.00	0.00
	21,447	Local Experience	Local Experience	Local Experience	Local Experience

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.

The Authority generally allows its customers 30 days credit. Of the £21.477m outstanding from customers £10.877m is past its due date for payment. This past due amount is analysed by age as follows:

Age of Debt	2013/14 £000	2012/13 £000
Less than 3 months overdue	4,490	1,738
3 to 6 months overdue	1,522	1,722
6 months to 1 year overdue	1,262	1,409
More than 1 year overdue	3,603	3,254
	10,877	8,123

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council therefore has sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected circumstances.

As the Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board and money markets for

access to longer term funds, 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 unfavourably high interest rates. The authority's strategy therefore is to ensure that no more than 15% of loans mature in any one financial year.

In addition, all of the Council's short term liquidity requirements can be satisfied through short term borrowing and bank overdraft facilities.

The maturity analysis of financial liabilities is as follows:

Age of Debt	2013/14 £000	2012/13 £000
Less than 1 year	5,061	10,074
Between 1 and 2 years	8,859	5,057
Between 2 and 5 years	17,400	20,200
Between 5 and 10 years	25,500	26,000
More than ten years	286,068	291,568
	342,888	352,899

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council minimises this risk by seeking expert advice on forecasts on interest rates from its Treasury Management consultants, and agreeing with them the strategy for the forthcoming year for the investment and debt portfolios. Movement of actual interest rates against these expectations is monitored continuously with advice from our treasury advisor.

The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. Interest rate exposure limits and other prudential limits are set through this Strategy. The limit for variable rate debt is 50% of the total debt portfolio however the Council works to a more prudent level and maximises its exposure to 25%. As borrowings are not carried at fair value, nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure.

As at 31 March 2014 the Council's total outstanding debt (excluding accrued interest) amounted to £342.888m of which none of these loans were at stepped interest rates. Out of this balance £293.568m relates to fixed rate Public Works Loan Board (PWLB) loans, £49.200m relates to Lenders Option Borrower Option (LOBO) market loans, £0.061m relates to temporary loans for voluntary groups and £0.059m relates to SALIX loans. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2014, £73.070m was held in a Call Account.

Price Risk

The Council, excluding the pension fund, does not invest in equity shares or bonds, therefore is not exposed to losses arising from movements in share/bond prices.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies therefore the exposure to loss arising from movements in exchange rates is zero.

46. MINIMUM REVENUE PROVISION

The Council is required by statute to set aside a minimum revenue provision (MRP) for the redemption of external debt.

	2013/14 £000	2012/13 £000
MRP – Supported Borrowing	8,626	9,127
MRP – Telford & Wrekin Council, Probation and Magistrates	975	1,036
MRP – Unsupported Borrowing	2,720	2,710
MRP – HRA Voluntary	0	1,200
MRP – SALIX (Soft Loans)	118	118
MRP – Quality in Community Services (QICS), Waste PFI and Finance Leases	5,242	13,965
Total MRP	17,681	28,156

The Council has calculated MRP for supported borrowing (i.e. borrowing that is funded by Central Government grant) in accordance with option 1, the Regulatory Method. This starts with the opening Capital Financing Requirement which is then adjusted for the variance between the former credit ceiling and the capital financing requirement as at 1 April 2004 (known as adjustment “A”) when the prudential borrowing system was first introduced. The adjustment “A” total is £4,446,480 (this combines the adjustment “A” values of the previous Authorities who had a Capital Financing Requirement as at 1 April 2010).

For new unsupported borrowing under the Prudential system (i.e. borrowing for which no Government grant is received which is therefore self-financed) the Council has calculated MRP in accordance with option 3, Asset Life Method. Therefore the Council makes provision over the estimated life of the asset (or payback period on spend to save schemes) for which the borrowing is undertaken.

Both Council PFI schemes are accounted for as on balance sheet, with an MRP charge, equivalent to the finance lease principal payment on the assets provided. Where prepayments are recognised for assets not yet provided under the PFI contract or for lifecycle replacement costs, where the expenditure has not yet been incurred, a corresponding entry is also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

The Council also has two leases that are accounted for as finance lease and these are also accounted for with an MRP charge, equivalent to the finance lease principal payment.

The SALIX (Soft Loans) element of the MRP charge relates to soft loans at zero percent interest that were advanced to the Council to implement energy saving schemes. The savings generated from these schemes are used to repay loan principal, which is treated as an MRP payment.

In managing the HRA debt and considering the HRA business plan there is no mandatory requirement to make provision in the HRA for annual MRP payments. However, the Council will make annual voluntary provision for debt repayment in the HRA based on affordable levels in the HRA against the need for investment and delivering services in the HRA.

47. TRUST ACCOUNTS

Funds held in Trust Accounts are not available for the Council's use. The Council supports the work of a number of trusts including:

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	(13,296)	7,002	221,881	0
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(4,362)	1,265	136,910	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(7,745)	1,168	262,713	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,093)	0	48,345	0
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	(69,707)	37,114	460,853	(3,594)
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	(48,969)	38,680	381,442	(1,544)

Accounts are prepared and published for these organisations, Shropshire Council is not the only trustee and turnover is not material.

Trusts deliver great benefit into the local community and make a valuable contribution but the Council itself does not derive benefit from them.

48. HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

	2010/11*	2011/12	2012/13	2013/14
	£000	£000	£000	£000
Cost or Acquisition of Heritage Assets				
Museum and Archives artefacts	0	0	7	10
Outdoor Statues/ Monuments/Historic Building Remains	80	580	24	6
Intangible - Digitalisation of Records	0	0	0	52**
Total Cost of Purchases	80	580	31	68
Value of Heritage Assets Acquired by Donation				
Museum and Archives artefacts	0	0	36	0
Total Donations	0	0	36	0

* 2010/11 figures are transactions that would have taken place had the accounting standard on Heritage Assets been adopted in that financial year; these were not reflected in the balance sheet due to being below the Council's materiality level for restatement.

** Includes expenditure from 2012/13, included as asset under construction in 2012/13.

As per paragraph 4.10.4.5 of the Code, this information is not provided for any period before 1 April 2010 due to complete information not being available prior to the formation of Shropshire Council (1 April 2009).

49. HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS

Shropshire Museums Collections

Shropshire Museums Collections Management Policy 2012-2017 (approved by Cabinet May 2012) provides full details of the collections held by the Service and the management of the collections. Shropshire Museums collects material which reflects the natural and human history of the historic county of Shropshire. Existing collections are outlined below:

Agricultural Collection (Active) – 2,200 Holdings

The Working Farm Museum, its maintenance and its interpretation has been, and remains, the focus for the development of the Agricultural Collection. These include an important collection of hand tools (especially wheel-wrighting and blacksmithing tools), implements, feed processing machinery, and vehicles and machinery relating to horse-drawn husbandry. There are significant large-scale individual artefacts including two restored threshing boxes and a working forge. Acton Scott also holds a collection of domestic artefacts relating to the cottage economy. As the scale of the collection developed beyond the storage capacity on site at Acton Scott an off-site store has been established to accommodate reserve collection items.

Archeology Collection (Active) – 119,500 Holdings

The Archaeology Collection reflects more than 10,000 years of human activity in the county, from the first stone tools to the relics of Shropshire's industrial past. Principal current holdings are:

Prehistory: The Prehistoric past of the county is represented by stone tools, metalwork and pottery. Early Prehistory and the Iron Age are poorly represented. Significant items include a large collection of Bronze Age metalwork and material from excavations such as Bromfield Bronze Age Cemetery.

Roman: The Roman collection comprises mainly of ceramics and building materials. There is a small collection of metalwork. Significant collections include material from excavations at the Roman towns of Wroxeter, Leintwardine and Whitchurch.

Medieval: The Medieval collection is represented by a narrow range of material, principally ceramics such as decorated floor tiles. Metalwork and certain other classes of object are underrepresented. Most of the items are Later Medieval in date with very few Early Medieval finds. Significant items include the finds from Shrewsbury Abbey and Bridgnorth Friary.

Post-Medieval: There is a small collection of Post-Medieval material comprising mainly of ceramics and metalwork. Most of this is of poor quality. This is mainly due to the lack of urban development within the county's historic towns.

Foreign: There are a small number of artefacts from foreign sources including some Egyptian finds, Roman artefacts and Greek coins. The majority of this material has been transferred to other institutions and a small reference collection retained for educational purposes.

Key items within the collection are the Wroxeter excavation archives and specific single finds such as the Wroxeter Roman Mirror, Hadrianic inscription and tombstones. Other chance finds such as the Dinham Pommel and North Shropshire Pendant are of regional importance.

Archives Collection (Active) – 14,000 Holdings

Our written and printed records are a vital source of historic information. Photographs, letters, newspapers and other ephemera can give a unique insight into the history of Shropshire and the lives of its inhabitants.

The Museum Service holds a collection of around 9,000 images primarily of topographical views of south Shropshire, townscapes, special events, civic occasions etc. The Museum Service also holds a collection of some 14,000 original manuscripts, typescripts, diaries, notebooks, maps, illustrations, diagrams, annotated books, water-colours, photographs, printed ephemera and appropriate original electronic data and other similar items relating to its collections and the towns of Ludlow, Much Wenlock and Shrewsbury.

Biology Collection (Active) – 60,000 Holdings

The Natural History collections contain plants and animals collected from both Shropshire and further afield by people associated with the County. This collection is a remarkable record of the flora and fauna of Shropshire both today and in years past.

The Museum Service Natural History collections comprise some 77,000 specimens of fungi, plants, invertebrates and vertebrates currently stored in Ludlow at the Museum Resource Centre. Shropshire Museums holds around 200,000 biological records of living species.

Costume & Textiles Collection (Active) – 5,000 Holdings

Shropshire Museums collects costume in order to illustrate the clothing worn by Shropshire inhabitants over time. Wherever possible items are collected that have a strong provenance which associates it with a named individual and contextual information about their life. Shropshire Museums also collects to illustrate the textile products of the county.

The Costume and Textile Collection contains items dating from 1700 to 1980. It includes over 100 complete dresses, of which eight date from before 1810, and two are particularly important 18th century examples. There are examples of menswear, including a group of agricultural smocks and some 18th and early 19th century decorative waistcoats. There are also good examples of Victorian children's wear, doll's clothes and some samplers.

The collection includes a small number of leather and fur garments and accessories and a group of fans, three constructed of ostrich feathers. There is a good collection of lace and the Kay Kohler Collection of costume, needlework and textiles includes material for many parts of the World.

An 18th century mantua (1710), the Hazledine Wedding Dress (1758), Clive of India's Mayoral Robe (1760) and a Postman's Coat of 1860 are among some important items in the collection.

Decorative & Applied Arts Collection (Active) – 6,000 Holdings

Shropshire has inspired and been home to generations of artist, craftsmen and writers over the years. Their work gives us an insight into how they perceived the area and both worked and interacted with it. The decorative arts also reflect an aspect of industry within the County in particular the products of the potteries and foundries of Ironbridge Gorge and beyond.

The strength of our Decorative Art collection lies in the quality of particular groups rather than single items, in particular our Caughley Collection.

Ethnography Collection (Dormant) – 210 Holdings

Like many ethnographic collections in Britain's museums this material has mainly been donated by local individuals who have travelled extensively or worked abroad and brought these items home as souvenirs. It was donated historically to Shropshire's museums as a window on the British Empire and the wider world. Shrewsbury Museums Service's collections included numerous ethnographic items until they were transferred to Birmingham Museum in the 1960s. A small collection of about 200 items is retained on a care and maintenance basis.

Fine Arts Collection (Active) – 3,700 Holdings

Shropshire has inspired and been home to generations of artists, craftsmen and writers over the years. Their work gives us an insight into how they perceived the area and both worked and interacted with it. Topographical paintings and prints are also a valuable visual record of the County especially prior to the invention of photography.

The Museum Service's current collection consists mainly of paintings including of oils, water-colours and prints, principally of local topographical interest. Views of Shrewsbury, Ludlow and South Shropshire form the largest grouping. There are also small collections from Much Wenlock and Whitchurch. This material includes a notable collection of works by Randolph Caldecott.

In 1989 the County Council began a policy of commissioning modern works of art and crafts from Shropshire artists and makers, of either national standing or judged to be of that potential. This group of mainly paintings, alongside some modern art pieces commissioned by Shrewsbury Museums, forms a small contemporary arts collection.

Shropshire Museum also currently cares for a collection of paintings which are owned by Shropshire Council but have not been formally transferred to the museum collections. These paintings once hung at Shirehall and the Law Courts and feature notable figures in local administration and well-known views within the County.

Geological Collection (Active) – 41,500 Holdings

Shropshire has some of the most varied geology in the whole of Britain. Eleven of the thirteen geological time periods are represented in Shropshire. No other area in Britain of a similar size shows such a diverse range of geological time periods. All over the world there are geological formations named after places in Shropshire such as Ludlow, Wenlock and Caradoc. This shows just how important the geology of Shropshire is, not only locally but worldwide.

The Museum Service's Geological collections comprise some 41,500 specimens of fossils, minerals and rocks, currently stored at the Ludlow Museum Resource Centre. The collection has been recognised as one of international importance.

Numismatics Collection (Active) – 6,000 Holdings

Shropshire Museums collects numismatics to: Represent the coins struck in Shropshire; Acquire single items or hoards which have regional or national significance and have a demonstrable story to tell about the history of Shropshire; Represent significant events and individuals which have been marked by the presentation or production of a medal or medallion; and Acquire tokens which provide evidence of local businesses Gold doubles within Shropshire.

Our current holdings are dominated by Roman coins including 3,500 coins from Wroxeter excavations and approximately 20 Roman Hoards. Other important items include Shrewsbury mint coins dating from the 10th century until the Civil War. Local tokens are also represented. The remaining coins are mainly representative of British coinage with a small number of non-British currencies represented.

Social History Collection (Active) – 14,775 Holdings

The Social History collection includes both the everyday things used by local people, and some of their more treasured possessions. They form a valuable record of the way that people used to live, eat, dress, work and play. The strengths of the existing social history collections lie in the local history collections established over the years at Ludlow, Much Wenlock and Whitchurch.

At Much Wenlock Museum there is an important collection of material relating to Dr William Penny Brookes, the founding father of the modern Olympic Movement. An element of this collection is on loan from the Much Wenlock Olympic Association and Much Wenlock Town Council.

Preservation and Management

The Shropshire Museums Collections Management Policy 2012-2017 details the preservation and management of the individual collections held by Shropshire Museums. Shropshire Museums' collections are held in trust by Shropshire Council in perpetuity for the benefit, education and enjoyment of the people of Shropshire and visitors to the County.

Shropshire Museums currently employs three members of staff with relevant degrees, a postgraduate Masters or Diploma in Museum Studies and substantial relevant experience to manage the museum sites and collections. These officers make up the core of the Shropshire Museums Curatorial Board which oversees all acquisition and disposal decisions and Collection Management Policy. The Senior Archivist for Shropshire Council also attends the Curatorial Board meetings to provide advice on the curation of archival collections. As part of on-going collection care programmes additional expert curatorial advice and work is commissioned from consultants for specific sections of the collection as required.

Shropshire Museum's aims to store, handle, display and use its collections in a way that minimises the risk of damage and deterioration. An annual review of resources, facilities and activities is used to identify and prioritise collection care projects. In order to ensure that collections can be used, rather than used up, a careful balance between conservation and use has to be achieved. Collections can only benefit present and future users if professional standards of care are applied to ensure their long term survival. In order to ensure high levels of collection care are maintained Shropshire Museums works to the Standards in Museum Care of Collections published by the Museums and Galleries Commission. Shropshire Council has resources in place for a comprehensive operational and maintenance programme for its existing stock of buildings, services and plant.

The acquisition priorities vary between the principal collections based on existing gaps in the collection and the capabilities and resources available to the service to adequately store, conserve and display collections. By definition, the Museum Service has a long-term purpose and should possess permanent collections in relation to its stated objectives. As a consequence, except for curatorial reasons, there is a strong presumption against the disposal of any items in the museum's collection. Any proposed disposals will be made within a strict framework to ensure the public's long term interest in our collections is safeguarded.

The Museum service has a collection management database, the level of catalogued entries varies between collections; however to date only around 40% of the total collection has been catalogued and entered onto the collection management database. The Collection Management Policy estimates there is a backlog of approximately 3,500 days cataloguing and recognises a significant body of work is needed to photograph the collection and revise catalogue entries to make the collection accessible online.

Section 7

Group Accounts

GROUP ACCOUNTS

Introduction

The 2004 Statement of Recommended Practice (SORP) set out comprehensive new requirements for Group Accounts. These require authorities to enhance their Statement of Accounts with information about their interest in subsidiaries, associates and joint ventures in a set of group accounts

A review of all of the Council's relationships with other bodies has been carried out to consider whether it is appropriate to prepare full group accounts. The transactions involved are not considered material to the Council's accounts however the Council has decided to provide a full disclosure in terms of bodies that it has a relationship with.

The single entity accounting policies detailed on pages 20-39 have been adopted and applied for group account purposes.

WEST MERCIA ENERGY

West Mercia Energy (WME) is a Purchasing Consortium that was established as a Joint Committee under s101 of the Local Government Act 1972. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and the Telford & Wrekin Council.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME within this Council. The Council considers that WME should be accounted for as a Joint Venture (under IAS 31 – Interests in Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

Shropshire's share of West Mercia Energy's balances is 27.5%. The company has been incorporated into the Group Accounts using the Proportionate Consolidation method.

SHROPSHIRE TOWNS & RURAL HOUSING LIMITED

Shropshire Towns and Rural Housing Limited (the Company) is a private company limited by guarantee wholly owned by Shropshire Council (the Council). The Company was formed as an Arm's Length Management Organisation under Section 27 of the Housing Act 1985 to undertake the management and maintenance of Shropshire Council's retained housing stock from 1st April 2013.

Shropshire Towns and Rural Housing Limited has been included within the accounts as a subsidiary under the requirements of IAS 27 (Consolidated and Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

SOUTH SHROPSHIRE LEISURE LIMITED

This is a company registered as an Industrial and Provident Society. As at 31 March 2013, the Council owned two of the allotted sixteen shares. The shares have equal voting rights, but the Council must represent less than 20% of the vote at all times.

GROUP ACCOUNTS

The Society commenced trading on 1 April 2004, and manages leisure facilities in Ludlow, which are owned by the Council and leased to the Society.

South Shropshire Leisure Limited has been included in the accounts as a quasi-subsiidiary. This recognises that the Council is unable to exercise dominant influence in the running of the Society, due to the small proportion of the shares held by the Council and the limited voting rights. It also recognises that a large proportion of the Society's income comes from the management fee paid by Shropshire Council and that the Council benefits from the provision of leisure services.

The Society has been incorporated into the Group Accounts by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. In order to recognise the influence of the other shareholders, the proportion of the Society represented by the remaining fourteen allotted shares is shown separately as minority interest.

IP&E LIMITED

IP&E Limited is a trading company wholly owned by Shropshire Council. It has been established to provide public services on the council's behalf and will also be able to trade with other organisations. The company was incorporated on 30 May 2012.

IP&E Limited has been included within the accounts as a subsidiary under the requirements of IAS 27 (Consolidated and Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

GROUP ACCOUNTS

Group Movement in Reserves Statement

General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2013									
Movement in reserves during 2013/14									
Surplus or (deficit) on the provision of services									
Other Comprehensive Income and Expenditure									
Total Comprehensive Income and Expenditure									
Adjustments between Group Accounts and authority accounts									
Net Increase/Decrease before Transfers									
Adjustments between accounting basis and funding basis under regulations									
Net Increase/Decrease before Transfers to Earmarked Reserves									
Transfers to/from Earmarked Reserves									
Increase/Decrease in 2013/14									
Balance at 31 March 2014									

GROUP ACCOUNTS

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2012										
Movement in reserves during 2012/13										
Surplus or (deficit) on the provision of services										
Other Comprehensive Income and Expenditure										
Total Comprehensive Income and Expenditure										
Adjustments between Group Accounts and authority accounts										
Net Increase/Decrease before Transfers										
Adjustments between accounting basis and funding basis under regulations										
Net Increase/Decrease before Transfers to Earmarked Reserves										
Transfers to/from Earmarked Reserves										
Increase/Decrease in 2012/13										
Balance at 31 March 2013										

Reconciliation of Movement in Reserves Statement to Balance Sheet where there are Minority Interests

	31 March 2014 £000	31 March 2013 £000
Total Reserves in the Movement in Reserves Statement		
Minority interests' share of reserves of subsidiaries		
Total Reserves in the Balance Sheet		

GROUP ACCOUNTS

Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Purchase of goods and services from subsidiaries									
Total adjustments between Group Accounts and authority accounts									

GROUP ACCOUNTS

The Group Comprehensive Income & Expenditure Statement

2012/13 (Restated) Group Expenditure £000	SC Net Expenditure £000	2013/14 Adjustments £000	Group Expenditure £000
Expenditure on Continuing Services			
Adult Social Care			
Central Services to the public			
Children's and Education Services			
Cultural and Related Services			
Environmental and Regulatory Services			
Highways and Transport Services			
Local Authority Housing (HRA)			
Other Housing Services			
Planning Services			
Corporate and Democratic Core			
Non Distributed Costs			
Share of Operating Results of Joint Venture			
- Turnover			
- Cost of Sales and Operating Expenses			
Cost of Services			
Other Operating Expenditure			
Financing and Investment Income and Expenditure			
Taxation and Non Specific Grant Income			
Group (Surplus)/Deficit			
(Surplus) or deficit on revaluation of non-current assets			
Actuarial (gains)/losses on pension assets/liabilities			
Other Comprehensive Income and Expenditure			
Total Comprehensive Income and Expenditure			

GROUP ACCOUNTS

Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure					
2012/13			2013/14		
Authority	Minority Interests	Total	Authority	Minority Interests	Total
£000	£000	£000	£000	£000	£000
					(Surplus) or Deficit on the Provision of Services Other Comprehensive Income and Expenditure
					Total Comprehensive Income and Expenditure

GROUP ACCOUNTS

Group Balance Sheet at 31 March 2014

31 March 2013 £000	SC £000	31 March 2014 Adjustments £000	Group £000
Property, Plant & Equipment			
Dwellings			
Land & Buildings			
Vehicles, Plant and Equipment			
Infrastructure			
Community			
Assets Under Construction			
Surplus Assets			
Heritage Assets			
Investment Property			
Intangible Assets			
Assets Held for Sale			
Total Non Current Assets			
Long Term Investment			
Investments in Associates and Joint Ventures			
Long Term Debtors			
Total Long Term Assets			
Current Assets			
Inventories			
Short Term Debtors			
Short Term Investments			
Landfill Usage Allowances			
Cash & Cash Equivalents			
Total Current Assets			
Total Assets			
Current Liabilities			
Short Term Borrowing			
Short Term Creditors			
Liability to DEFRA for Landfill Usage			
Bank Overdraft			
Provisions			
Total Current Liabilities			
Total Assets Less Current Liabilities			
Long Term Liabilities			
Long Term Borrowing			
Deferred Liabilities			
Provisions			
Deferred premiums on early repayment of debt			
Grants Receipts in Advance - Capital			
Pensions Liability			
Total Long Term Liabilities			
Total Assets Less Liabilities			
Financed by:			
Usable Reserves			
Unusable Reserves			
Total Reserves			

GROUP ACCOUNTS

Group Cash Flow Statement

2012/13 Group £000	Revenue Activities	SC £000	2013/14 Adjustments £000	Group £000
	Net surplus or (deficit) on the provision of services			
	Adjustments to net surplus or deficit on the provision of services for non cash movements			
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
	Net cash flows from operating activities			
	Investing activities			
	Financing activities			
	Net (increase) or decrease in cash and cash equivalents			
	Cash and cash equivalents at the beginning of the reporting period			
	Cash and cash equivalents at the end of the reporting period			

GROUP ACCOUNTS

Notes to Group Accounts

G1. Consolidation of West Mercia Energy

Figures in respect of West Mercia Energy have been consolidated using the proportionate consolidation method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WME £000	SC Share (27.5%) £000
Turnover		
Cost of Goods Sold and Operating Expenses		
Loss on Disposal of Fixed Asset		
Interest and Investment Income		
Pensions Interest Cost and Expected Return on Pensions Assets		
Net Operating Surplus		
Distribution of Surplus to Member Authorities		
NET DEFICIT FOR THE YEAR		

G2. Consolidation of Shropshire Towns & Rural Housing Limited

G3. Consolidation of South Shropshire Leisure Ltd

G4. Consolidation of IP&E Ltd

G5. Long Term Investment included in Group Balance Sheet.

	WMS £000	SC Share (27.5%) £000
Assets		
Liabilities		
Value of investment		

Section 8

**Pension Fund
Accounts**

PENSION FUND ACCOUNTS

Shropshire Council acts as Administering Authority for the Shropshire County Pension Fund (SCPF). The fund covers the employees of the Council, other than teachers, for whom separate arrangements exist, and other bodies including unitary, parish and town councils, colleges and voluntary organisations. Full details of SCPF's annual accounts, investment performance and governance arrangements are set out in the Shropshire County Pension Fund Annual Report 2013/14, a copy of which can be accessed at www.shropshirecountypensionfund.co.uk or requested from Pension Services on 01743 252130. A summary of the statement of accounts is shown below.

Pension Fund Account for the year ended 31 March 2014

2012/13		2013/14
£000		£000
	Income	
	Contributions	
(40,495)	Employers	(45,077)
(13,455)	Employees	(13,660)
(6,191)	Transfers In from other pension funds	(3,213)
(60,141)	Total Income	(61,950)
	Expenditure	
	Benefits Payable	
44,613	Pensions	47,094
9,404	Commutation of pensions and lump sum retirement benefits	10,528
1,079	Lump Sums	1,365
2	Refund of contributions	8
3,306	Transfers to other funds	3,299
905	Administrative expenses	1,112
59,309	Total Expenditure	63,406
(832)	Net additions from dealings with scheme members	1,456
	Returns on Investments	
(26,369)	Investment Income	(19,823)
4,707	(Gain)/loss on cash and currency hedging	(26,860)
211	Taxes on Income	195
(134,107)	Profits and losses on disposal of investments and changes in value of investments	(70,022)
8,692	Less Investment Management Expenses	10,576
(146,866)	Net (increase) / decrease in the net assets available for benefits during the year	(105,934)
(147,698)	(Surplus) / deficit on the pension fund for the year	(104,478)
1,087,027	Opening net assets of the scheme	1,234,725
1,234,725	Closing net assets of the scheme	1,339,203

PENSION FUND ACCOUNTS

Pension Fund Net Asset Statement as at 31 March 2014

31 March 2013		31 March 2014	
£000		£000	%
	Investment Assets		
	Fixed Interest Securities		
47,749	Public Sector Bonds	61,798	4.61
555,561	Equities	207,853	15.52
	Pooled Investment Vehicles		
116,634	Unitised Investment Vehicles	131,773	9.84
457,168	Other Managed Funds	912,315	68.12
	Derivative Contracts		
1,098	Futures	16	0.00
1,627	Forward Foreign Exchange	637	0.05
	Cash Deposits		
5,233	Margin Balances	4,916	0.37
46,513	Deposits	22,241	1.66
2,860	Temporary Investments	2,650	0.20
1,234,443		1,344,199	100.37
	Investment Liabilities		
	Derivatives		
(832)	Futures	(10)	(0.00)
(469)	Forward Foreign Exchange	(5)	(0.00)
	Other Financial Liabilities		
(1,349)	Margin Balances	(4,959)	(0.37)
1,231,793	Net Investment Assets	1,339,225	100.00
	Current Assets		
2,650	Contributions due from Employers	2,722	0.20
3,309	Other Current Assets	2,156	0.16
863	Cash Balances	38	0.00
	Current Liabilities		
(184)	Unpaid Benefits	(1,800)	(0.13)
(3,706)	Other Current Liabilities	(3,138)	(0.23)
1,234,725	Net Assets of the Scheme - Available to Fund Benefits as at 31 March	1,339,203	100.00

PENSION FUND ACCOUNTS

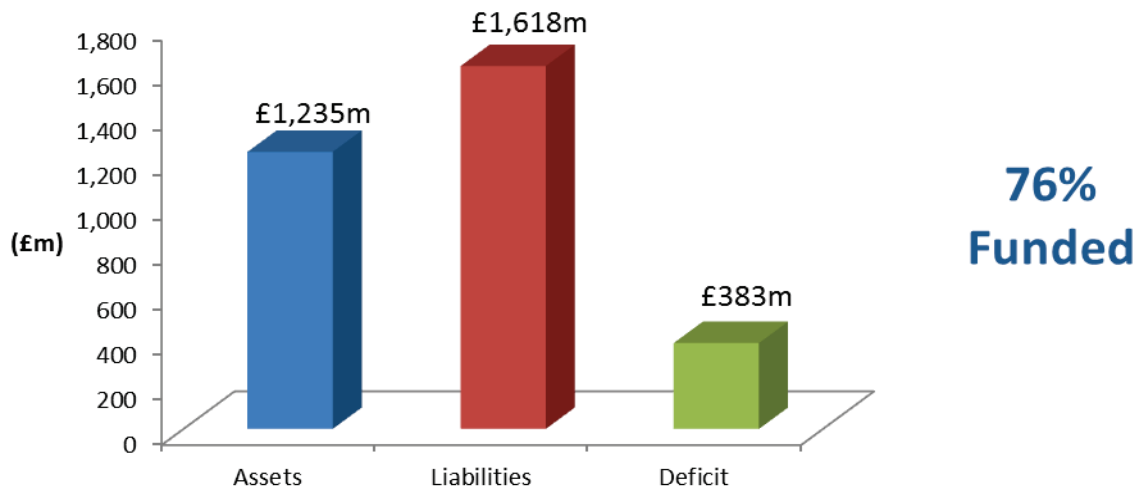
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2014 Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,235 million represented 76% of the Fund's past service liabilities of £1,618 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £383 million.



The valuation also showed that a common rate of contribution of 14.0% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 82% with a resulting deficit of £274 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £17 million per annum increasing at 4.1% per annum (equivalent to approximately 8.2% of projected Pensionable Pay at the valuation date) for 19 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

PENSION FUND ACCOUNTS

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.95% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2014 (the 31 March 2013 assumptions are included for comparison):

	31 March 2013	31 March 2014
Rate of return on investments (discount rate)	4.2% per annum	4.5% per annum
Rate of pay increases	3.9% per annum	3.9% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.5% p.a. versus 4.2% p.a.). The pay increase assumption at the year end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £1,814 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by

PENSION FUND ACCOUNTS

c£128 million. Adding interest over the year increases the liabilities by a further c£76 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£14 million (including any increase in liabilities arising as a result of early retirements/augmentations). Finally, allowing for actual vs expected membership experience, which emerged at the 2013 valuation, gives an increase in liabilities of c£31 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £1,807 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2014

PENSION FUND ACCOUNTS

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE
COUNCIL**

**TO BE UPDATED AFTER THE AUDIT OF THE
ACCOUNTS IS COMPLETE**

Section 9

**Housing Revenue
Account**

HOUSING REVENUE ACCOUNT

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HRA INCOME AND EXPENDITURE STATEMENT

2012/13 (Restated)		2013/14	
£		£	£
	Expenditure		
4,396,021	Repairs & Maintenance	4,900,807	
3,223,865	Supervision and Management	2,935,528	
31,019	Rents, rates taxes and other charges	126,756	
4,038,380	Depreciation - Dwellings	4,171,900	
69,810	- Other	43,030	
(2,167,684)	Impairment	3,389,719	
20,680	Debt Management Costs	4,740	
200,000	Provision for Bad or Doubtful Debts	70,000	
(15,687)	Negative Subsidy Payable	0	
9,796,404	Total Expenditure		15,642,480
	Income		
(15,618,197)	Dwelling Rents	(16,653,589)	
(208,947)	Non Dwelling Rents	(186,251)	
0	Other Income	(179,007)	
(1,021,202)	Charges for Services and Facilities	(217,942)	
(1,312,610)	Contributions towards expenditure	(849,704)	
(18,160,956)	Total Income		(18,086,492)
(8,364,552)	Net Cost of HRA Services included in the Comprehensive I&E Statement		(2,444,012)
265,380	HRA Share of Corporate & Democratic Core		173,510
(8,099,172)	Net Cost of HRA Services		(2,270,502)
(322,780)	(Gain) or loss on sale of HRA Assets		266,337
3,092,625	Interest payable and similar charges		2,964,328
(23,333)	Interest and Investment Income		(29,678)
0	Income & Expenditure in relation to investment properties & change in fair values		(86,943)
319,428	Net interest on the defined benefit liability		0
(5,033,232)	(Surplus) or deficit for the year on HRA Services		843,542

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2012/13 (Restated) £	£	2013/14 £	£
(997,738)	Balance on the HRA at the end of the previous year		(1,041,350)
(5,033,232)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	843,542	
57,444	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statute.	8,982	
68,581	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute.	538	
322,780	Gain or Loss on sale of HRA non-current assets	(266,337)	
(244,508)	HRA share of contributions to or from the Pension Reserve	0	
4,781,116	Transfer to/from the Capital Adjustment Account	(2,087,235)	
4,985,413	Adjustments between accounting basis and funding basis under statute		(2,344,052)
4,207	Transfer to/from Capital Reserve	(4,207)	
4,207	Transfers to or (from) Reserves		(4,207)
(43,612)	(Increase) or Decrease in year on the HRA		(1,504,717)
(1,041,350)	Balance on the HRA at the end of the current year		(2,546,067)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2013/14	2012/13
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,234	3,259
Flats	881	930
	4,115	4,189
Change in Stock		
Stock at 1 April	4,189	4,203
Less: Sales – Right to Buy	(26)	(14)
Sales – Other	(2)	0
Disposal/restructuring	(48)	0
Acquisition	2	0
	4,115	4,189

HOUSING REVENUE ACCOUNT

2. RENT ARREARS

	2013/14 £	2012/13 £
Due from Current Tenants	149,507	219,111
Due from Former Tenants	178,852	177,657
Total Rent Arrears as at 31 March	328,360	396,767
Pre-Payments	(306,309)	(249,597)
Net Arrears	22,051	147,171

As at 31 March 2014, the total provision set aside for housing rent bad debts is £461,650.

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings £	Other Land & Buildings £	Assets Under Construction £	Total Property, Plant & Equipment £	Investment Properties £	Total £
Cost or Valuation						
At 1 April 2013	176,371,262	1,138,557	95,794	177,605,613	739,925	178,345,538
Additions	2,162,763	0	1,112,903	3,275,666	0	3,275,666
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(342,000)	(94,684)	0	(436,684)	0	(436,684)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(17,339,983)	0	0	(17,339,983)	73,343	(17,266,640)
Derecognition - disposals	(1,144,220)	0	0	(1,144,220)	0	(1,144,220)
Derecognition - other	(882,740)	(40,217)	0	(922,957)	0	(922,957)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0
Other movements in cost or valuation	(3,325,752)	(236,656)	101,080	(3,461,328)	236,656	(3,224,672)
As at 31 March 2014	155,499,330	767,000	1,309,777	157,576,107	1,049,924	158,626,031
Accumulated Depreciation and Impairment						
At 1 April 2013	(17,531,743)	(163,959)	0	(17,695,702)	0	(17,695,702)
Depreciation Charge	(4,204,570)	(10,360)	0	(4,214,930)	0	(4,214,930)
Depreciation written out to the Revaluation Reserve	186,451	134,615	0	321,066	0	321,066
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,120,620	0	0	14,120,620	0	14,120,620
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(170,356)	0	0	(170,356)	0	(170,356)
Derecognition - disposals	0	0	0	0	0	0
Derecognition - other	0	29,344	0	29,344	0	29,344

HOUSING REVENUE ACCOUNT

	Council Dwellings	Other Land & Buildings	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Total
	£	£	£	£	£	£
Other movements in depreciation and impairment	3,224,672	0	0	3,224,672	0	3,224,672
As at 31 March 2014	(4,374,926)	(10,360)	0	(4,385,286)	0	(4,385,286)
Net Book Value						
As at 31 March 2014	151,124,404	756,640	1,309,777	153,190,821	1,049,924	154,240,745
As at 31 March 2013	158,839,519	974,598	95,794	159,909,911	739,925	160,649,836

There is a difference of £287.336m between the tenanted valuation and the District Valuer's Vacant Possession Value of £435.358m at 1 April 2013.

The Vacant Possession Value is an estimate of the total sum that would be received if all of the assets were sold on the open market. The tenanted value declared on the balance sheet is less in recognition of the fact that the properties are occupied by tenants on secure rent less than would be obtainable on the open market.

The difference represents the economic cost of the Government of providing council housing at less than market rents.

4. MAJOR REPAIRS RESERVE

	2013/14 £	2012/13 £
Balance Brought Forward	1,401,750	0
Amount Transferred to the MRR during the Year	4,214,930	4,108,190
Capital Expenditure Financing	(1,894,451)	(2,706,440)
Balance Carried Forward	3,722,229	1,401,750

5. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on the Council Housing Stock during the year was financed as follows.

	2013/14 £	2012/13 £
Usable Capital Receipts	152,075	0
Revenue Contributions utilised in year	379,437	95,794
Major Repairs Allowance	1,894,451	2,706,440
Government Supported borrowing	0	0
Government Grants and Contributions	849,703	1,312,610
Total Capital Expenditure on Housing Stock	3,275,666	4,114,844

6. CAPITAL RECEIPTS

Capital receipts from the disposal of Housing Revenue Account Assets are shown below. 75% of Capital Receipts arising from Right to Buy disposals are subject to National Pooling arrangements payable to CLG.

HOUSING REVENUE ACCOUNT

	2013/14 £	2012/13 £
Sale of Council Houses under Right to Buy (RTB)	1,565,110	907,785
RTB Discounts Repaid	0	20,800
Other Land & Buildings	240,186	26,950
Total Capital Receipts from HRA Asset Disposals	1,805,296	955,535
Less Capital Receipts subject to Pooling requirement	(458,204)	(426,026)
Net Capital Receipts from HRA Asset Disposals	1,347,092	529,509

7. DEFERRED CHARGES

A charge of £537 was made to the HRA in respect of premiums incurred for the premature redemption of debt by Oswestry Borough Council in 2003/04. This represents the final payment and the debt is now fully redeemed.

8. IAS19 RETIREMENT BENEFITS

The implementation of accounting arrangements for pensions has not been applied to the HRA as all staff transferred to Shropshire Towns and Rural Housing Ltd on 1 April 2013 under Transfer of Undertakings (Protection of Employment) (TUPE).

	2013/14 £	2012/13 (Restated) £
Current Cost of Service	0	128,815
Net Return on Assets	0	319,428
Movement on Pension Reserve	0	448,243
Employers Contribution payable to scheme	0	(203,735)
Contribution to/(from) the Pension Reserve	0	(244,508)

9. HOUSING SUBSIDY

Housing Subsidy ceased on the 31st March 2012 and was replaced by Self-Financing.

	2013/14 £	2012/13 £
Housing Element (Subtotal)	0	0
Previous Year Adjustment	0	(15,687)
HRA Subsidy recoupment	0	(15,687)

HOUSING REVENUE ACCOUNT

10. HOUSING REPAIRS ACCOUNT

	2013/14 £	2012/13 £
Balance Brought Forward 1 April	29,207	25,000
Contribution from Revenue	0	4,207
Expenditure on Capital	(4,207)	0
Balance Carried Forward 31 March	25,000	29,207

11. CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

	2013/14 £	2012/13 £
Interest paid on mid-year HRA Capital Financing Requirement	69,125	133,294
Less Impairment	(170,336)	(919,649)
Capital Asset Charges Accounting Adjustment	(101,211)	(786,355)

Impairment represents capital work undertaken in the year that did not increase asset value.

Section 10

Collection Fund

COLLECTION FUND

The Collection Fund is a statutory account showing the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2012/13 Total £000		Council Tax £000	2013/14 NDR £000	Total £000
	Income:			
(146,783)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(151,347)	0	(151,347)
(20,078)	Transfers from General Fund			
4	- Council Tax benefits	0	0	0
	- Transitional relief	5	0	5
(71,886)	Income collectable from business ratepayers	0	(75,997)	(75,997)
0	Transitional Protection Payments	0	48	48
(238,743)	TOTAL INCOME	(151,342)	(75,949)	(227,291)
	Expenditure:			
135,781	Precepts			
	- Shropshire Council and Parish and Town Councils	121,200	37,484	158,684
19,659	- West Mercia Police	17,743	0	17,743
9,562	- Shropshire & Wrekin Fire Authority	8,802	765	9,567
0	- Central Government	0	38,248	38,248
71,191	Charges to Collection Fund			
	- payment to national pool	0	0	0
461	- costs of collection	0	464	464
(1,520)	Bad and doubtful debts			
	- write offs	(146)	(106)	(252)
2,708	- provisions	580	577	1,157
	Appeals rates			
0	- write offs	0	(1,302)	(1,302)
0	- provisions	0	2,908	2,908
2,315	Contributions			
	- Towards previous year's estimated Collection Fund surplus	506	0	506
240,157	TOTAL EXPENDITURE	148,685	79,038	227,723
1,414	Deficit/(Surplus) for the Year	(2,657)	3,089	430
(2,271)	Balance brought forward	(857)	0	(857)
(857)	Balance carried forward	(3,514)	3,089	(425)

COLLECTION FUND

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX BASE

The council tax base consists of the number of chargeable dwellings in each valuation band adjusted to reflect discounts and other variations. The total tax base is calculated by converting each band to its band D equivalent and providing for losses and variations during the year of collection. The tax base for 2013/14 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	51.75	5/9	28.75
A	15,120.21	6/9	10,080.14
B	25,416.66	7/9	19,768.51
C	23,389.82	8/9	20,790.95
D	17,046.04	9/9	17,046.04
E	13,098.31	11/9	16,009.04
F	7,129.72	13/9	10,298.48
G	3,959.42	15/9	6,599.04
H	258.25	18/9	516.50
			101,137.45
Adjustment for MoD Properties (687.83 Band D Equivalents) and Collection Rate (97.5%)			(1,857.80)
			99,279.65

2. NON-DOMESTIC RATES (BUSINESS RATES)

Shropshire Council collects NDR on behalf of Central Government. All money collected, less allowance relief, is paid over to the national non-domestic rates pool with the exception of an allowance to cover costs of collection. The Government redistributes the pool to local authorities on the basis of a fixed amount per head of population.

At 31 March 2014, the total non-domestic rateable value for all business premises in Shropshire was £199,785,454. The multiplier set by Government to calculate rate bills in 2013/14 was 46.2p for small businesses and 47.1p for all other businesses.

Section 11

Glossary

GLOSSARY

Accountable Body	An accountable body receives external funding and is responsible for the financial management of these funds, therefore the accountable body must ensure that robust accounting and performance management arrangements are in place with regard to the distribution and spending of these funds.
Accounting Concepts	The basis on which an organisations financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.
Accounting Policies	The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.
Accruals	The accruals accounting concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuarial Gains	These may arise on defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated).
Actuarial Losses	These may arise on defined benefit pension scheme liabilities and assets. A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).
Adjusted Capital Financing Requirement	The value of the Capital Financing Requirement after it has been adjusted by the value of Adjustment A.
Adjustment A	The difference between the Council's Credit Ceiling and Capital Financing Requirement to ensure that the impact of the Prudential Code (effective from 1 April 2004) is neutral on the Council's revenue budget. Once calculated the figure is fixed.

GLOSSARY

Appropriation	The transfer of sums to and from reserves, provisions and balances.
Assets	These are economic resources that can include anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value.
Associated Company	<p>An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.).</p> <p>The exercise of significant influence occurs when one organisation is actively involved and is influential in the direction of another organisation through its participation in policy decisions including decisions on strategic issues. A holding of 20% or more of the voting rights of an organisation is generally recognised as being a significant influence.</p>
Balances	Amounts set aside to meet future expenditure but not set aside for a specific purpose.
Balance Sheet	The financial statement that reports the financial position of an organisation at a point in time, for Shropshire Council this is the 31st March. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
Below the Line Items	Items that are notionally allocated to services to arrive at the "Net Cost of Service". Below the line items include depreciation and IAS19 pension costs.
Bonds	Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.
Borrowing	Loans from the Public Works Loans Board and the money markets which finance the capital programme of the Council.
Budget	The financial plan reflecting the Council's policies and priorities over a period of time i.e. what the Council is going to spend to provide services. This is the end product of a budget strategy.

GLOSSARY

Budget Strategy	A plan of how the Council is going to meet its policies and priorities, taking account of the resources available to the Council. This will include proposals for efficiency savings and possibly service changes and/or cuts, which may free resources to spend on other policies and priorities.
Cabinet	The group of members (local councillors) that provide the executive function of the Council within the policy parameters set by Council. This group of members is able to exercise considerable control over the Council. Its decision- making powers are set out in the Council's Constitution.
Capital Adjustment Account	The Capital Adjustment Account absorbs the effect of differences between IFRS and statutory accounting requirements for Local Authorities, providing a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.
Capital Financing Requirement (CFR)	This sum represents the Council's underlying need to borrow for capital purposes. It is calculated by summing all items on the balance sheet that relate to capital expenditure, e.g. fixed assets, financing leases, Government grants deferred etc. The CFR will be different to the actual borrowing of the Council as actual borrowing will relate to both capital and revenue activities and it is not possible to separate these sums. This figure is then used to calculate the Council's Minimum Revenue Provision.
Capital Receipts	The proceeds from the sale of fixed assets such as land and buildings. These sums can be used to finance new capital expenditure.
Capitalised Expenditure	Represents expenditure on assets. This expenditure is reflected in the value of assets that are reported in the Balance Sheet and will result in increased depreciation costs to the Income and Expenditure Account.
Cash Equivalents	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.

GLOSSARY

Cash Flow Statement	The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Code of Practice on Local Authority Accounting (Code)	A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.
Collection Fund	A separate statutory fund which records Council Tax and non-domestic rates collected, together with payments to precepting authorities (e.g. Police Authorities, Fire Authorities etc.), NDR distribution to Central Government and the billing Council's own General Fund.
Comprehensive Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Comprehensive Spending Review	Every two years the Government review their spending plans over a rolling three year period and publish revised spending plans over the next three year period for each Government Department.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

GLOSSARY

Council Tax	A local taxation that is levied on dwellings within the local Council area. The actual level of taxation is based on the capital value of the property, which is split into 8 bands from A to H, and the number of people living in the dwelling.
Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.
Council Tax Precept	The amount of income due to the Council in respect of the total Council Tax collected.
Credit	A credit represents income to an account.
Credit Ceiling	A term from the old Local Authority capital expenditure system, the credit ceiling represented the Council's total debt outstanding after taking account of sums set aside to repay borrowing.
Creditors	Represents the amount that the Council owes other parties.
Debit	A debit represents expenditure against an account.
Debt Charges	This represents the interest payable on outstanding debt.
Debtors	Represents the amounts owed to the Council.
Dedicated Schools Grant (DSG)	A specific grant paid to Local Authorities to fund the cost of running its schools.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.
Depreciation	The accounting term used to describe the charge made representing the cost of using tangible fixed assets. The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.

GLOSSARY

Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Exceptional Item	Material Items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Authority, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.
Fixed Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.
Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.

GLOSSARY

General Fund Balance	The reserve held by the Council for general purposes, i.e. against which there are no specific commitments. This comprises Schools' Balances and a balance that is generally available for new expenditure. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.
Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The statutory account to which the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.
Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.
Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.

GLOSSARY

Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
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.
Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
Local Transport Plan (LTP)	A plan that is used to support a bid to Government for capital resources to fund the local transport network e.g. road improvements.
Managed Funds	A type of investment where a number of investors pool their money into a fund which is then invested by a fund manager.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Materiality has both quantitative and qualitative aspects.
Medium Term Financial Plan (MTFP)	A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP covers five years.

GLOSSARY

Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement	This provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.
Non Domestic Rates (NDR)	Taxation that is levied on business properties. This is collected by billing authorities and then distributed to preceptors and Central Government.
Net Book Value	The amount at which fixed assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.
Net Expenditure	The actual cost of a service to an organisation after taking account of all income charged for services provided.
Net Cost of Service	The actual cost of a service to an organisation after taking account of all income charged for services provided. The net cost of service includes the cost of depreciation relating to fixed assets.
Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.
Outturn	Actual expenditure within a particular year. In the Explanatory Foreword this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Precept	The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the council on their behalf. A body which can set a precept is called a preceptor.

GLOSSARY

Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.
Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Borrowing	The amount of borrowing undertaken by the Council to fund capital expenditure, in line with affordable levels calculated under the Prudential Code.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.
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.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.

GLOSSARY

Revaluation Reserve	This reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation, therefore the opening balance for 2007/08 was zero. Gains arising before that date have been consolidated into the Capital Adjustment Account.
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 By Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of fixed assets.
Revenue Support Grant (RSG)	An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.
Reserves	Sums are set aside in reserves for specific future purposes rather than to fund past events.
Service Reporting Code of Practice (SERCOP)	Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Soft Loan	This is a loan which is provided with a below-market rate of interest.
Specific Grant	A grant awarded to a Council for a specific purpose or service that can not be spent on anything else.
Subsidiary	An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)
Supplementary Credit Approvals (SCA)	A term from the old Local Authority capital expenditure system, an SCA represented permission from the Government for the Council to borrow to fund a specific capital project.
Supported Capital Expenditure (SCE)	A term from the current Local Authority capital expenditure system. SCE's effectively replaced SCA's and represent the amount of capital expenditure that the Government will supports through the provision of revenue grant to fund the cost of borrowing, i.e. debt charges and interest payments.

GLOSSARY

Surplus	Arises when income exceeds expenditure or when expenditure is less than available budget.
Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.
Usable Capital Receipts Reserve	Represents the resources held by the Council that have arisen from the sale of fixed assets that are yet to be spent on other capital projects.
Usable Reserves	Reserves that can be applied to fund expenditure or reduce local taxation, all other reserves retained on the balance sheet cannot.
Variation	The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.
Virement	The transfer of resources between two budgets, such transfers are governed by financial rules contained within the Constitution.

Draft Statement of Accounts (Unaudited)

2013 – 2014

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Committee and Date

Audit Committee

26 June 2014

2013/2014 Review of the Whistleblowing - ‘Speaking Up About Wrongdoing’

Responsible Officer Maggie Fobister
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1. Summary

The Whistleblowing process provides arrangements to enable employees, elected members, contractors and others to raise concerns about fraud, corruption, adult/child protection or harassment and bullying allegations.

This report provides an update to the Shropshire Council Audit Committee on the number of cases raised regarding Council employees over the last year (excluding school based employees).

2. Recommendations

The Audit Committee is asked to:

- a. Consider and comment on the contents of the report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The Council has in place an effective Counter Fraud, Bribery and Anti-Corruption Strategy. The Council proactively encourages the detection of fraud and irregularities and the appropriate management of them. The Whistleblowing policies contribute to our zero tolerance of fraud, bribery and corruption.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

4.1 The management and investigation of issues raised in response to this policy are met from approved budgets.

5. Background

5.1 This is an annual report to Audit Committee on whistleblowing arrangements.

5.2 The Whistleblowing Policy is available to all staff via the Intranet pages and is also available to them, along with members, contractors, partners and the public, via the web-site; allowing it to be accessed from any computer. This is particularly important as it allows staff to access the policy outside of a work environment, where they may be reluctant to be seen accessing the Whistleblowing policy.

5.3 In 2013/14, there were five cases relating to employees reported under the whistleblowing arrangements for Shropshire Council.

2013/14 Whistleblowing Reports

Route in	Allegation	Procedure Used	Outcome
Verbal	Falsification of records	Audit Investigation and Disciplinary	Employee dismissed.
Verbal	Theft	Audit Investigation and Disciplinary	Employee dismissed.
Verbal	Running own business	Audit investigation and disciplinary	NCTA
Verbal	Falsification of records	Audit investigation	NCTA
Written	Issuing permit for personal use	Audit investigation	NCTA ¹

6. Conclusion

6.1 The ‘Speaking up about Wrongdoing’ process forms a key element of the Council’s Corporate Governance arrangements and is continuing to be a route employees use to raise concerns, as well as a route which is also open to elected members, contractors, partners and others.

List of background papers (This MUST be completed for all reports but does not include items containing exempt or confidential information) – None

Cabinet Member (Portfolio Holder) Keith Barrow (Leader of the Council) and (Chairman of Audit Committee)

Local Member- N/A

¹ NCTA No case to answer



Committee and Date

Audit Committee
26th June 2014
10.00am

REVIEW OF SHROPSHIRE COUNCIL'S CODE OF CORPORATE GOVERNANCE 2013/14

Responsible Officer Katie Williams

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1. Summary

Shropshire Council is committed to the principles of good corporate governance. The attached review of Shropshire Council's Code of Corporate Governance was developed using the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance and clearly identifies how, as a Council, we achieved effective corporate governance in 2013/14. Compliance with our Governance Code supports the Council's review of the effectiveness of its system of internal controls as required by the Accounts and Audit Regulations 2011 4(2). This in turn informs the Annual Governance Statement which accompanies the Annual Statement of Accounts, signed by the Leader of the Council and the Head of Paid Service.

2. Recommendations

The Committee is asked to consider and approve, with appropriate comment, the Internal Audit conclusion that the Council has very strong compliance with the Code of Corporate Governance. The detailed code, incorporating evidence, is contained in **Appendix A**.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Corporate Governance is part of the overall internal control framework and contributes to the Council's strong governance arrangements.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.
- 3.3 There are no environmental consequences of this proposal and consultation has been used to inform the review of the Code of Corporate Governance by seeking assurances and evidence from senior officers as to the effectiveness of internal controls and governance processes.

4. Financial Implications

4.1 There are no financial implications arising from this report.

5. Background

5.1 The Audit Committee's terms of reference include a requirement to review and report on the adequacy of the Council's Corporate Governance arrangements. This report looks at the Corporate Governance arrangements we had in place for last year to enable the Audit Committee to deliver its year end assurance report.

5.2 The Shropshire Council Code of Governance forms part of the Constitution. Internal Audit have completed a review of the code and examined the relevant evidence to assess whether the Council has followed its adopted code of governance.

5.3 The CIPFA/SOLACE guidance entitled "Delivering Good Governance in Local Government – Framework" contains six core principles, each of which is supported by sub-principles to provide a governance framework. The guide identifies best practice for authorities to adopt when establishing their own local Code of Corporate Governance. Shropshire Council's Code of Corporate Governance is entirely based on this and further guidance provided in the CIPFA "Delivering Good Governance in Local Government: Framework Addendum 2012".

5.4 The fundamental principles of Corporate Governance are: Openness and Inclusivity, Integrity and Accountability. These principles are entirely consistent with the Council's values. The six core principles identified in The CIPFA/SOLACE guidance are:

Focussing on the purpose of the authority and on outcomes for the community and, creating and implementing a vision for the local area.

Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Developing the capacity and capability of members and officers to be effective.

Engaging with local people and other stakeholders to ensure robust public accountability.

- 5.5 Under each of the six core principles and their sub-principles the audit review of the code shown at **Appendix A** demonstrates how we address and meet these principles in accordance with the best practice identified by CIPFA/SOLACE.
- 5.6 The Monitoring Officer and Section 151 Officer are responsible for ensuring an annual review of compliance with this Code and Internal Audit independently reviews the governance process. The results of this review are included in the Audit Service Manager's annual report and form a part of the overall assurance for the Annual Governance Statement.
- 5.7 On a practical basis, the Code contains a corporate governance map defining our framework by reference to key processes, procedures and documents which contribute to our aspiration of excellent corporate governance in Shropshire. This is felt to be a very useful way of illustrating how the Council achieves good corporate governance.

6. Conclusion

- 6.1 The Council's formally adopted Code of Corporate Governance is fully compliant with CIPFA/SOLACE guidance. The Code was reviewed to determine whether the Council complied with the approved Code of Corporate Governance; the evidence in Appendix A demonstrates very strong compliance and no material breaches of the Code were identified.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <p>CIPFA / SOLACE: Guidance Note – Delivering Good Governance in Local Government – Framework.</p> <p>CIPFA/SOLACE: Application Note to Delivering Good Governance in Local Government: a Framework 2010.</p> <p>CIPFA: Delivering Good Governance in Local Government: Framework Addendum 2012</p> <p>Cabinet Member (Portfolio Holder) Keith Barrow, Leader of the Council, and Brian Williams, Chairman of Audit Committee.</p> <p>Local Member All Members.</p> <p>Appendices Appendix A – Code of Corporate Governance.</p>
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SHROPSHIRE COUNCIL
CODE OF CORPORATE GOVERNANCE

Introduction

Shropshire Council is committed to the principles of good corporate governance which is set out in a Code of Corporate Governance based on the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) document entitled "Delivering Good Governance in Local Government – Framework". The Shropshire Code of Corporate Governance forms part of the Constitution and applies to all aspects of the Council's business.

Corporate governance in Shropshire is the systems and processes, culture and values, by which we, the local Council, direct, monitor and control our functions and account to, engage with and, where appropriate, lead our community. Put simply, good governance enables us to do the right things in the right way, for the right people in a timely, inclusive, open and accountable manner.

The Council is dependent on our members and staff delivering excellent corporate governance which requires them to conduct themselves in accordance with the high standards expected by the citizens of Shropshire.

The fundamental principles of corporate governance are openness and inclusivity, integrity and accountability. The CIPFA/SOLACE document identifies six core principles supported by numerous sub principles to the corporate governance framework. Our code includes the documents, systems, processes and actions we undertake to fulfil our commitment to and compliance with the code.

The Cabinet, in consultation with the Audit Committee is responsible for approving this Code and the Head of Paid Service and Monitoring Officer are responsible for ensuring that it is kept up to date by reviewing it annually.

The Monitoring Officer and Section 151 Officer are responsible for ensuring an annual review of compliance with this Code and Internal Audit will independently audit the process. The results of this review will be included in the Audit Service Manager's annual report and form a part of the overall assurance for the Annual Governance Statement signed by the Leader and the Head of Paid Service.

On a practical basis, the Code contains a corporate governance map at **Appendix 1** defining our governance framework by reference to key processes, procedures and documents which contribute to our aspiration of excellent corporate governance in Shropshire.

Principle1 - Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

1.1. Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.

1.1.1. Develop and promote the authority's purpose and vision.

During 2013/14 the Council has developed and implemented a Business Plan model that identifies the key change activities Shropshire Council will undertake during the period 2013/14 to 2017/18. This has replaced the Council Plan 2011/13.

The Business Plan is based on bottom up development, focused on the needs and outcomes required by the Council's customers to achieve delivery within budget and manage the future demands on services. Business plans are in place for each of the Council's Directorates. These have been brought together to form the integrated plan for the Council, all of which link to the Financial Strategy 2014-2017. The business plan(s) are live documents and they are expected to respond to changing requirements over the coming years.

The business plans are focused around the Council's outcomes which were developed and confirmed in line with the development of business planning:

- I want to feel confident that the Council is doing the right thing with my money, and my needs are at the centre of any decisions about my life.
- I want to live a long, enjoyable and healthy life.
- I want to feel valued as an individual and to live my life my way, with my choices respected, and with as few compromises as possible.
- I want to feel financially secure and to believe in a positive future for myself and my family.
- I want to live in an attractive, vibrant and safe environment, in a place that's right for me.

A revised performance framework is under development for implementation in 2014/15 to measure the Council's delivery of change, as well as the impact of commissioning decisions on the Council's outcomes.

- Through 2013/14 the Council has delivered on its previously stated plan to report performance against the Council's priorities, as part of transitioning to the new outcome based Performance Framework for 2014/15 onwards:
 - Keeping Children Safe.
 - High Quality Education.
 - Looking after vulnerable people.
 - Economic growth.

Quarterly reporting is delivered on the Council's Organisational Health scorecard which consists of key performance measures, progress with transformation priorities, strategic risks, staffing and financial information. Each priority is described by a dashboard of agreed measures which provide a wide picture of progress, as well as relevant external factors which can impact on the outcome.

The quarter one report was shared with all directors and accountable officers as part of the sign-off of performance data which is completed for each reporting cycle. Quarter two results were the first publically reported to Cabinet.

Areas where reported performance raises concerns are highlighted in the quarterly reports and monitored, as recommended by Cabinet e.g. that the portfolio holder and director report back to Cabinet with an action plan to bring performance back to the expected standard. Cabinet may refer issues of continuing concern to scrutiny for review.

1.1.2. Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements.

Shropshire Council had a Council Plan 2011-2013. The priorities of the Plan are set in the Council's outcome (performance) framework which was developed in 2011. A revised performance framework was adopted in 2013/14 focused on the delivery of the Council's priorities. This was a planned transitional step to a framework based around the outcomes which were developed and agreed alongside the Business Plan. This refreshed Outcomes Based Performance Management Framework will be implemented from April 2014. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.

The Council's performance framework focuses on outcomes for Shropshire, with an emphasis on measuring what matters. The framework brings together key measures and related information that provide a broader and more comprehensive view of progress towards delivering the Council's priorities and outcomes for Shropshire.

The Council's Performance Framework has been developed with the involvement of members of the Scrutiny Committees who have helped to identify measures for inclusion in the dashboards and scorecards, the visual presentation and communication style of what is happening and the impact of commissioning decisions.

Planning for the future is vitally important to the Council, particularly given the level of uncertainty and speed of change required to deliver different service models within tightening financial resources over the next few years. The Council is progressing with becoming a Commissioning Council, and has developed outcomes that can be communicated and understood by the community:

- I want to feel confident that the Council is doing the right thing with my money, and my needs are at the centre of any decisions about my life.
- I want to live a long, enjoyable and healthy life.
- I want to feel valued as an individual and to live my life my way, with my choices respected, and with as few compromises as possible.
- I want to feel financially secure and to believe in a positive future for myself and my family.
- I want to live in an attractive, vibrant and safe environment, in a place that's right for me.

1.1.3. Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.

The Shropshire Compact is a set of shared principles and guidelines for effective partnership working between Shropshire's public sector bodies and the Voluntary and Community Sector (VCS). It acts as guidance to ensure shared understanding of responsibilities and obligations and work towards best practice in partnership arrangements. A Compact Group leads compact work for the County. The Shropshire VCS Assembly also ensures the Compact is integrated into cross-sector policy and projects.

The Shropshire VCS Assembly is well established as the voice of the voluntary and community sector in Shropshire. The Assembly has around 300 members with a Board and 16 forums of interest. Forums of interest are groups of voluntary and community sector organisations with a common interest (for example heritage, arts, disability, health and social care, arts, housing, mental health, older people etc.). See: <http://vcsvoice.org/forums-of-interest/>The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities For more information please see: <http://vcsvoice.org>

The VCS Assembly works to develop new policy and guidance designed to establish a common vision and set out new partnership approaches and expectations. Public sector representatives join the VCS Assembly Board regularly in addition to supporting joint work through task groups.

A grant awarded to the Shropshire VCS Assembly allowed three projects to be completed:

- The development of Shropshire Providers Consortium: A Community Interest Company established to facilitate joint bidding for public sector contracts and funding opportunities. Membership is open to any member of the Shropshire VCS Assembly. There are now over 30 member organisations and many more eager to join. Shropshire Providers Consortium has been in operation for a year and has exceeded the first year targets established within its

three year business plan. See:

<http://www.shropshireprovidersconsortium.co.uk/>

- Support for the VCS Assembly's Forums of Interest to enable greater collaboration within the voluntary and community sector and to encourage partnership working between sectors. Events, training, communication and other forms of support have been made widely available. The number of Forums has also increased as a result of the project.
- The development of ShropShare, which provides a hub for socially responsible businesses to come together and work in partnership with local voluntary and community sector groups and organisations. Although only launched in October this year, membership is steadily increasing. Many local businesses are keen to offer their staff, skills and resources, through employee volunteering, to help good causes. See: <http://shropshare.org/>

1.1.4. Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.

An audited and signed Statement of Accounts is published on an annual basis containing:

- A statement of responsibilities for the Statement of Accounts.
- A statement of the Council's accounting policies.
- An Annual Governance Statement signed by the Leader of the Council and the Head of Paid Service.

1.2. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.

1.2.1. Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.

Specific service areas seek customer feedback both through systematic customer feedback and through annual surveys. For example the Adult Social Care Survey continues to engage with service users. The results help us to understand and evidence what has been achieved for local people, supporting local service and enabling people to make better choices about care and we are using the 'Making It Real' approach to check progress towards this.

A survey targeting carers was carried out for the first time last year and will take place again next year. The results tell us what is working well and where improvements can be made to ensure that our resources are being used to their full potential.

The Council also works with service users, enabling them to participate in the design and planning of services within the Council's objectives whilst achieving value for money. For example, Partnership Boards are in place for people with learning disabilities, family carers, older people, mental health and people with disabilities.

The boards bring together service users, family carers and senior managers from the public, private, community and voluntary sectors to ensure effective local coordination and strategic planning to improve the lives of vulnerable people and family carers.

We regularly consult on strategic decisions and service developments. Previously this has been done through our People's Panel as well as specific and targeted consultation and engagement. The Council is reviewing opportunities to introduce a digital version of the People's Panel to support the effective delivery of its customer focused change programme. Examples where the People's Panel has been used include consulting on Shropshire partnership priorities, proposals for our council tax scheme, social media, and housing priorities. Focus group work has included public enforcement and protection services and meeting the Leader of the Council.

The future use of the People's Panel will include providing a quarterly view of the public's perception of how the Council is changing. This will be a feature of the Council's Performance Management Framework.

The Council has also introduced locality commissioning during 2013. This work starts with the data and requires consultation and engagement with the local community to provide the intelligence to compliment detailed reviews of systems and customer experiences. The findings are used to challenge service providers and commissioners, and enable informed decision making about the need to and permission to change. Full locality commissioning activity has taken place in four market towns so far.

The Medium Term Financial Plan, which is under constant review, sets out resource allocations aligned to the Council's policy framework.

1.2.2. Put in place effective arrangements to identify and deal with failure in service delivery.

There is a clear reporting mechanism for performance information which is presented alongside the financial information for the corresponding period. Areas of concern are identified and reported quarterly and monitored on a monthly basis, providing greater detail and explanation of the issues and actions being taken. The reports are presented to Senior Managers, and Cabinet. The underlying detailed dashboards are also available to Scrutiny members who can identify specific issues they may want to consider. Cabinet may ask Scrutiny to look at specific issues of on-going concern.

First point of customer contact with the Council is our Customer Contact Centres and Hubs. Customer Satisfaction surveys are produced on a monthly basis which consist of detailed analysis about feedback from customers who contact us by email, face to face, web and telephone. This information is gathered and actioned by the Performance and Development Team in Customer Services.

We have a clear, well publicised complaints procedure which requires complaints to be dealt with rigorously and promptly. Complaints are monitored by management and Cabinet, together with improvement actions arising from them.

1.3. Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

1.3.1. Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.

The Council has met its £23.88m savings target in 2013/14.

The Medium Term Financial Plan, which is under constant review, sets out resource allocations aligned to the Council's policy framework.

In response to the challenging financial situation the Council has recognised the value in fundamentally transforming how services are delivered, starting with the customer and how they want to live, and designing services from this starting point. A range of tools are in place to take this forward including:

- Research and evidence gathering, including Ethnographic Research, to ensure that there is a robust basis for change.
- Problem solving tools and approaches to help overcome barriers.
- Business and Service Design methodology including systems thinking combined with prototyping to develop new ways to achieve outcomes; rolling-in and expanding new delivery models to meet the need where the prototypes have been successful.

The Council has reshaped its programme of change taking a refreshed view through business planning. The business plan priorities have been set out against the Council's outcomes and have also been integrated into the performance framework for 2014/15 onwards. This combines with a programme management approach which provides robust monitoring of the delivery of financial and non-financial benefits.

The Council is looking at a more defined commissioner/ provider split; it has set up a wholly-owned company, ip&e Ltd. Over the year the Council has focused on identifying a grouping of services and offers that can deliver services through ip&e Ltd to the Council and beyond. All services delivered in this way will be managed using contracts with clear performance targets.

During 2012/13 the Council developed its locality commissioning approach starting and prototyping it in one locality and extending it to three further places.

The scale of budget cuts the Council faces has identified a need to deliver services in a completely different way, making a permanent improvement to people's lives wherever possible whilst reducing costs in both the short and long term. Commissioning outcomes based on demand means making choices about where to invest to use scarce resources more wisely.

To enable this, the Council is supporting the use of its staff resource to create a team of people with skills, experience and knowledge of changing how services are provided. The members of this team will work across the full range of the Council's change agenda supporting and challenging operational staff to understand their current systems, identify future systems, prototype new ways of working and make the successful approaches normal.

Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

2.1. Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.

2.1.1. Set out a clear statement of the respective roles and responsibilities of the cabinet and of the cabinet members individually and the authority's approach towards putting this into practice.

Article seven of the Constitution lays down the role of the Cabinet. Part three sets out in more detail specific duties and functions of the cabinet, chief officers and statutory officers. Member roles, rights and duties are specified in Article two and in Part five, the Protocol for Member and Officer Relations.

The specific role of Cabinet Member is laid down in Part nine (I13) of the Constitution. In addition, delegations of specific portfolio accountabilities appear in Part three – responsibility for Executive functions.

2.1.2. Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.

Member roles and responsibilities are clearly defined throughout the Constitution, specifically their roles, rights and duties are specified in Article two and in Part five, the Protocol for Member and Officer Relations. In addition, Part nine clearly lays out the role and expectations of members both generally and with special responsibilities. Member remuneration is laid down in Part six the Members' Allowances Scheme.

Part two Article 12 of the Constitution (B19 -22) sets out clearly the functions and responsibilities of all Chief Officers and specifically the Head of Paid Service (12.2) the Monitoring Officer (12.3) and the

Chief Finance Officer (12.4). Delegations to specific officers are documented at Part eight of the Constitution.

2.2. Ensuring that a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard.

2.2.1. Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.

The Constitution generally and Article 13 sets out the responsibilities and procedures for decision making. Key decisions, Cabinet, Scrutiny and other committees and full Council reserved decisions are defined in Part three and four of the Constitution. The fundamental principles to be adopted in all decision making are also laid out as follows:

- Proportionality (i.e. the action must be proportionate to the desired outcome).
- Due consultation and the taking of professional advice from officers.
- Respect for human rights.
- A presumption in favour of openness.
- Clarity of aims and desired outcomes.
- Consideration of alternative options.
- Recording reasons for the decision, including details of any alternative options considered and rejected.
- That in relation to decisions of the Cabinet that these are lawful and consistent with the powers delegated by the Council.

In order to allow the Council to make decisions that are required on a daily basis, responsibilities for certain decisions are delegated to officers as identified in Section 8 of the Constitution “Delegations to Officers”. Part 3, Responsibilities for Executive Functions sets out how Portfolio Holders undertake their responsibilities taking advice from the relevant senior officer.

2.2.2. Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.

Article 12 of the Constitution states the Chief Executive (Head of Paid Service) is responsible for “overall corporate management and operational responsibility (including overall management responsibility for all officers).” and this is reiterated in the Head of Paid Service’s job description.

2.2.3. Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.

Part five of the Constitution clearly lays out the protocol for member/officer relations (Constitution pages E86).

The Chief Executive, directors and the Leader and Deputy Leader meet weekly at the Leader Briefing; in addition the Chief Executive's appraisal is conducted by the Leader.

2.2.4. Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

The Functions of the Chief Finance Officer are stipulated in article 12.4 of the Constitution and statutory duties are listed under Financial Rules. The Chief Finance Officer is the Council's S151 Officer (Financial Rules 4.14) and has statutory duties in relation to the financial administration and stewardship of the council. Financial Rule 4.15 outlines the principles critical to the achievement of the Section 151 Officers' statutory responsibilities:

- Is a key member of the Leadership Team, helping it develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest.
- Is actively involved in and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are considered and alignment with the authority's overall financial strategy.
- Leads the promotion and delivery by the whole council of good financial management and that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Leads and directs a finance function that is resourced to be fit for purpose.
- Is professionally qualified and suitably experienced.

Duties and responsibilities are also included in the Chief Finance Officer's job description.

In accordance with Section 114 of the Local Government Finance Act 1988 The Section 151 Officer reports to Council, Cabinet and the external auditors.

In accordance with the Section 25 of the Local Government Act 2003 the Section 151 Officer reports to members on the robustness of estimates and the adequacy of reserves.

The role also operates to best practice principles established in CIPFA's statement on the Role of the Director of Finance in Local Government 2010.

2.2.5. Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Article 12.3 (B20) of the Constitution clearly defines the functions of the Monitoring Officer which include ensuring the lawfulness and fairness of decision-making. A protocol for the role of Monitoring Officer is included within Part five (E14-16) of the Constitution.

The Monitoring Officer is the Corporate Head of Legal and Democratic Services, their role and responsibilities are included in their job description.

2.3. Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.

2.3.1. Develop protocols to ensure effective communication between members and officers in their respective roles.

Part five of the Constitution clearly lays out the protocol for member/officer relations (E86).

2.3.2. Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)

Member remuneration is clearly laid down in Part six of the Constitution, the Members' Allowance Scheme.

There is an independent Members Remuneration Panel for determining members' allowances of at least three persons who are not members of the Council (Part three, C14). The Panel reviewed the remuneration of Deputy Portfolio Holders in 2013.

Remuneration for Senior Managers is defined in their Contracts of Employment and a Remuneration Committee provides on going governance of Senior Managers pay.

2.3.3. Ensure that effective mechanisms exist to monitor service delivery.

Council, Cabinet and Scrutiny meet on a regular pre-scheduled basis to set the strategic direction of the Council and to monitor service delivery. The Council's Business Plan and the Forward Plan of Decisions will provide significant focus for 2014/15 onwards.

The Council has adopted a performance management framework – the Corporate Outcomes Framework which establishes a clear reporting mechanism for performance relating to the achievement of corporate priorities. The framework is underpinned by scorecards and dashboards.

For 2013/14 the Organisational Health (OH) Scorecard, the scorecard which provides the overview for the Council, includes information on key outcome performance measures, progress with the Council's Transformation Programme, strategic risk management, staff and financial Information. The Performance and Finance

information is from the corresponding periods for effective comparison, and all information within the OH scorecard is commonly reported within three to four weeks of the end of each reporting period.

For 2014/15 onwards the OH will be replaced by a high-level dashboard that reports how the Council is changing. This can be considered alongside a high-level scorecard that provides an overview of the four detailed outcome dashboards. The purpose of these is to provide an easily accessible and understandable view of the performance of change and the impact of decisions on the Council's outcomes. This perspective can be used to identify whether and where more detailed drill down and exploration is required.

The quarterly reports are publicly available, being reported to the Council's Senior Managers, Cabinet, and to all members. Areas of concern are identified and reported quarterly and monitored on a monthly basis by the relevant director and portfolio holder(s). Continued issues with performance are highlighted in subsequent performance reports. Issues may also be referred to Scrutiny for review. PerformancePlus, the Council's Performance Management System has been developed to match and deliver the new requirements of the Outcomes Framework. It supports and provides reporting of key measures for different levels of management. Appropriate scorecards have been put in place for directors, group managers, and where requested; service managers to support them in managing their service areas.

The Council is continuing to promote a self-serve model that enables a smaller corporate core to exist and locate the responsibility for monitoring and managing service performance within the service areas

Under-performance and performance near target are highlighted for further action. The Council continues to benchmark its services to assist in identifying areas for review and to ensure that as many performance indicators as possible are performing to the standards that the Council sets. Benchmarking services used include.

- Society of County Treasurers (SCT).
- Association for Public Service Excellence (APSE).
- Chartered Institute of Public Finance Accountants (CIPFA).
- Association of Local Authority Risk Managers (ALARM).
- Adult Social Care National Data.
- Children's Social Care National Data.
- School attainment results.
- HouseMark.

2.3.4. Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in

consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.

Article 1.3.2 of the Constitution clearly identifies that one of the purposes of the constitution is to “support the active involvement of citizens in the process of local authority decision-making”.

Part four – Executive Procedure Rules include the requirement for all reports to Cabinet relating to the budget and policy framework to contain details of the nature and extent of consultation with stakeholders, relevant Scrutiny Committees and the outcome of that consultation (Part 4, 2.4).

The Constitution also sets out the citizen’s rights in their dealings with the Council under Part two, Article three.

Local consultation has taken place using specific consultation and engagement activity for services and service areas. Locality commissioning activity involved engagement with communities and service user groups, as well as through structures such as the Local Joint Committees. These have helped to identify the needs and priorities of our citizens and make these our key areas for service delivery and feedback from such events is used to develop strategic plans, priorities and targets.

Consultation and engagement is achieved through a number of routes. Some examples are:

- Member surgeries.
- Local Joint Committees.
- Locality Commissioning.
- Scrutiny panels.
- People’s Panel activities.
- One-off public consultation and participation events on topics such as transport, the Local Development Framework.
- Health and Well-being Board.
- Shropshire Young Health Champions.
- Established links and regular meetings with local interest groups/forums e.g. Senior Citizens Forums, Shropshire Youth Association, Tenant Groups, Parents and Carers of Children with Disabilities.
- Shropshire VCS Assembly and its 16 Forums of Interest.
- Partnership Boards including the Children’s Trust and Safer, Stronger Communities Partnership.
- Business Board.

During 2013/14 the Council undertook consultation regarding changes to the provision of adult social care including the phased closure of day care centres. The decision to close one centre was challenged in court and in March 2014 at appeal the judge concluded that the Council had undertaken wide-ranging consultation but, at the final stage had omitted to consult the users and their relatives on the closure of one centre before it closed which made the decision

unlawful. The Council has committed to ensuring that future consultations carried out when transforming services are completed fully before any decisions are made.

The Council recognises the importance of communicating its vision and uses a number of channels to this effect.

- Our website can help residents understand the Council's vision and purpose and to access services on a day to day level.
- The Shropshire Newsroom (www.shropshirenewsroom.com) hosts all the latest Council news stories with podcasts, videos and photographs available from the corporate Flickr account.
- We work with colleagues in the local, regional and national media to complement Shropshire Newsroom and ensure people have access to information about the Council.
- We aim for a consistent approach to communication across the Council, reaching and targeting the key customers, stakeholders and partners in the most appropriate way.
- We use social media, Twitter and Facebook, as a method of disseminating our information and listening to feedback on a number of issues.

Widespread local consultation has taken place via service user and customer feedback surveys, public meetings, local partnerships and Local Joint Committees to identify the needs and priorities of our citizens and make these our key areas for service delivery. Feedback is used to develop strategic plans, priorities and targets.

2.3.5. When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.

The Members Code of Conduct provides guidance on pecuniary interests and declarations (Part five – Interests E3 – E4).

A range of joint working initiatives is underway to improve service performance and delivery. Examples of working in partnership are:

- Shropshire Voluntary and Community Sector Assembly.
- Supporting People in Shropshire.
- Shropshire Children's Trust Executive.
- Health and Wellbeing Board and a Health and Wellbeing Strategy.
- Sure Start.
- The Safer Stronger Communities Partnership.
- Drug and Alcohol Action Team.
- Integrated Offender Management programme.
- Local Resilience Forum.
- Shropshire Business Board and the Marches Enterprise Partnership.
- Telford and Wrekin for Adoption Services and for Youth Offending Services.
- Working with carers in Shropshire.

- Place Based Intervention Pilots.

Shropshire Compact has been effective in supporting the relationships between Shropshire Council and the voluntary and community sector. It acts as an aid to problem solving by clearly setting out roles, responsibilities and commitments. The Shropshire Compact was refreshed in 2013 in order to both update the document, but also to allow new public sector partners to join. A Memorandum of Understanding relating to the Compact is currently being signed with the Marches Local Enterprise Partnership to support the joint work currently being undertaken with the voluntary and community sector.

2.3.6. When working in partnership:

- **Ensure that there is clarity about the legal status of the partnership.**
- **Ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.**

We enter into formal partnership agreements where necessary which clearly formalise aims of the partnership and respective obligations and liabilities. Delegated powers are contained in Part three of the Constitution.

Principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

3.1. Ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.

3.1.1. Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.

The Council is committed to the principles of good corporate governance and to this end has adopted this Code of Governance which is reviewed annually by Internal Audit and a compliance report produced for the Audit Committee.

Our corporate values are focussed on delivering better outcomes for our customers. Everything we undertake should work towards fulfilling our outcomes, delivering our priorities and delivering the Medium Term Financial Plan.

- Use the resources we have responsibly.
- Acting with integrity.
- Innovating and improving.

- Providing visible leadership.
- Valuing each other.

Complaints procedures are available on the Council's website.

The contract procedure rules contained in the Constitution contain a list of standard clauses for ordinary and major contracts. These include:

- Anti-bribery and corruption.
- Public interest disclosure ('whistle blowing').
- Equalities; human rights.
- Health and safety.
- Freedom of information, confidentiality and data protection.

We encourage both our staff and contractors to "speak up about wrongdoing" and provide a confidential hotline for raising concerns.

3.1.2. Ensure that standards of conduct and personal behaviour expected of members and officers, of work between members and officers and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.

The Constitution (Part 5) contains the following codes and protocols for members and officers:

- Members Code of Conduct.
- Standards Procedures.
- Protocol for the Role of Monitoring Officer.
- Local Protocol for Officers and Members Dealing with Regulatory Matters.
- Local Protocol for Councillors and Officers Dealing with Licensing Matters.
- IT Code of Practice for Members.
- Local Members' Protocol.
- Employee Code of Conduct.
- Speaking up about Wrong Doing (whistle-blowing policy).
- Data Protection Policy.
- Counter-Fraud, Bribery and Anti-Corruption Strategy.
- Protocol for Member and Officer Relations.
- Guidance for Gifts and Hospitality.
- Protocol for Official Visits.
- Protocol on the Use of Council Facilities.
- Code of Corporate Governance.
- Protocol for Members Attendance at Conference and Training.
- Protocol for Task and Finish Groups.
- Protocol for Task and Finish Groups (including Scrutiny Ground Rules – Work Planning).
- Protocol for Opposition Briefings.
- Protocol for Media Work.
- Guidance for Acceptable use of Shropshire Councillor Webpages.

- Guidance for Audio and Video recording, photography and social media during council meetings.

Annual reminders on gifts and hospitality and whistleblowing are emailed to staff and placed on the intranet. Whistleblowing arrangements are in place and any irregularities identified are investigated by Internal Audit or the appropriate officers within the Service area. Audit Committee are responsible for the monitoring and overview of the “Speaking up about Wrongdoing Policy” and receive an annual report.

The Employee Handbook and Ask HR on the intranet contains policy statements and guidance on:

- Discipline.
- Grievances.
- Harassment and Bullying.
- Speaking up about Wrongdoing.
- Managing Employee Performance.
- Expectations and Standards of Conduct.
- Diversity (Equalities).
- Health, Safety and Wellbeing.
- Performance, Learning and Development.

There is a clear and fully documented staff disciplinary process to deal with breaches in any code or protocol.

Complaints procedures are available on the Council’s website.

The contract procedure rules contained in the Constitution contain a list of standard clauses for ordinary and major contracts. These include:

- Anti-bribery and corruption.
- Public interest disclosure (‘whistle blowing’).
- Equalities; human rights.
- Health and safety.
- Freedom of information, confidentiality and data protection.

3.1.3. Put in place arrangements to ensure that members and officers of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.

Both members and employee codes of conduct stipulate that members and employees of the Council must not be influenced by prejudice, bias or conflicts of interest in any matter relating to the Council. There are numerous references throughout the Constitution to this issue, in particular in the Members Code of Conduct, Part five, Interests (E1 – E4).

In accordance with The Localism Act 2011 all members have registered and disclosed their pecuniary interests, these are available on the Council's website.

In addition we have declarations of interest books both centrally and locally to help ensure members and staff do not get involved in decisions or processes where they may have a conflict of interest. Individual councillor's declarations can be viewed on line and a hard copy is retained.

The standard meeting agenda includes a standing item for declarations of pecuniary interest.

There is a code of conduct in relation to gifts and hospitality and all instances must be recorded. Advice and guidance is provided on the intranet.

Any breaches of the Members Code are referred to the Monitoring Officer who will determine whether the matter should be formally investigated.

Staff are encouraged to "blow the whistle" under the "Speaking up about wrong doing policy" with a dedicated hotline to report issues anonymously. Staff are reminded annually of the hotline and policy.

3.2. Ensuring that organisational values are put into practice and are effective.

3.2.1. Develop and maintain shared values including leadership values for both the organisation and officers reflecting public expectations, and communicate these with members, officers, the community and partners.

The Council's Constitution Part 5 contains the Codes and Protocols which includes Codes of Conduct for Members and Employees.

3.2.2. Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.

Our values are fundamental to all that we do and feature in our key documents. To demonstrate compliance with our vision, values and priorities as set out in the new Council Plan 2012 that we will 'value our differences' we have individual policy statements on Equality in Employment in place covering the following areas:

- Sexual Orientation.
- Disability.
- Gender.
- Race.
- Religion.
- Age.

The Council has a formal process for the reporting of any instances of harassment and hate crime/incidents.

The Council has a standardised recruitment policy and processes including employee reference, identity checks and mandatory Criminal Records Bureau checks for designated posts.

3.2.3. Develop and maintain an effective standards committee.

The Localism Act 2011 abolished the requirement for the Council to have a Standards Committee.

3.2.4. Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.

We ensure all our managers and members have received training and on-going support to ensure that there is 'due regard' to equalities in our entire decision making. We have representation from staff groups, e.g. from our lesbian, gay, bisexual network (LGB), the Trade Union and key partnerships at the strategic level.

3.2.5. In pursuing the vision of a partnership, agree a set of values against which decision-making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.

The Shropshire Compact provides partnership values and agreed ways of working; it is focused on commissioner and provider relationships.

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

4.1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.

4.1.1. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.

We have five established scrutiny committees which operate under clear terms of reference and rules of procedures laid down in the Constitution.

Scrutiny Committee chairs and members have clearly laid down accountabilities and duties in Part four (D60 - 68) and Part nine (I15 - 16) of the Constitution. Members may not participate in the scrutiny of decisions they were involved in.

The Council's arrangements for effective scrutiny were reviewed during 2013 and revised in light of the new priorities and cabinet portfolio arrangements. During 2013/14 the Council has progressed with the development of its business plan which sets out the ambition and direction of change. In order to keep pace with the change that the Council must go through, Scrutiny Committees need to be able to respond flexibly and also have structured work programmes that take account of planned change activity; whether to provide critical friend challenge, or to evaluate the impact of commissioning decisions. As part of this, the Council tested out a different model of enabling members to get closer to the change activity during the scrutiny of the business plans, called Rapid Action Groups. These groups involved five non-executive members working with the relevant director and exploring specific change topics to understand the redesign and provide a critical friend challenge; for example, one group looked at how the Council reports and presents performance management information which has led to a new approach being introduced for 2014/15. The effectiveness of this approach is being reviewed to identify how it can become part of the Scrutiny 'toolbox'. The statutory Scrutiny Officer role has been reviewed and now sits with a post reporting to the Head of Legal, Strategy, and Democratic Services.

There is an effective apolitical Audit Committee whose purpose is to provide independent assurance of the adequacy the risk management framework and the associated internal control environment, independent scrutiny of the Council's financial performance and to oversee the financial reporting process.

4.1.2. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.

Decision making is clearly laid down in Article 13 of the Constitution.

There is a standardised format for all committee reports which includes background to the report, any recommendations that decisions need to be made upon together with reasons behind those recommendations.

The Cabinet is the Council's key decision making body and makes decisions within the policy framework approved by Full Council. It is made up of the Leader, who is elected by the Council, and up to nine councillors. When key decisions are to be discussed or made, these are published in the Cabinet forward plan in so far as they can be anticipated. If these key decisions are to be discussed with council officers at a meeting of the Cabinet, this will be open for the public to attend except where personal or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to

make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

All committee meetings are independently minuted by trained staff working to a common format. Minutes will include any debate, motions, results of votes and decisions resolved.

All committee minutes are available electronically via the website or intranet in addition to paper copies.

4.1.3. Put in place arrangements to safeguard members and officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.

The standard meeting agenda includes a standing item to remind members that they must not participate in discussion or voting on any matter which they have a disclosable pecuniary interest and should leave the room prior to the commencement of the debate.

Both the members and employee codes of conduct stipulate that members and employees of the Council must not be influenced by prejudice, bias or conflicts of interest in any matter relating to the Council. There are numerous references throughout the Constitution to this issue; in particular Part five related to codes and protocols for members and officers.

Individual councillor's pecuniary interest disclosures can be viewed on line and a hard copy is retained.

4.1.4. Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee.

There is an effective apolitical Audit Committee with clear terms of reference which are reviewed annually and based on the Chartered Institute of Public Finance and Accountancy's Guidance.

The Audit Committee meets at least four times a year and undertakes regular training aimed at helping members discharge their function effectively. The Section 151 Officer and Head of Audit are required to attend.

External Auditors for the Council regularly attend Audit Committee meetings and have commented that the Audit Committee is effectively discharging its duties.

4.1.5. Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.

There are clearly documented complaints procedures and advice to staff on how to deal with complaints. Complaints can be made electronically using an online form, in writing or verbally.

The Complaints procedure includes an undertaking that we respond within ten working days on receipt within the service depending on the issue. If any extension is required these will be discussed with the complainant.

Complaints are processed and monitored centrally by the Customer Care and Involvement Team who review and monitor customer satisfaction and complaints handling.

We advise complainants that if they are dissatisfied with our response, they have the option to refer the matter to the Local Government Ombudsman; we provide the Ombudsman's address, telephone number and their website address.

4.2. Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.

4.2.1. Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.

The duties of chief officers are laid down in the Constitution and their respective job descriptions. These included the giving of relevant and timely advice.

The Cabinet has a forward plan and Scrutiny Committees a work programme which officers work to in the production of relevant reports and advice in order to facilitate the decision making process.

4.2.2. Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.

There is a standard committee reports template which provides a framework for officers to draft reports.

All Cabinet and Scrutiny Committee reports are reviewed by the Council's Chief Finance Officer and the Corporate Head of Legal and Democratic Services (the Council's Monitoring Officer) or their designated representatives for both financial and legal implications. In addition all reports are considered by Senior Management Team for approval before issue.

4.3. Ensuring that an effective risk management system is in place.

4.3.1. Ensure that risk management is embedded into the culture of the authority; with members and managers at all levels recognising that risk management is part of their jobs.

The requirements to develop and maintain proactive and robust systems for identifying and evaluating all significant risks are clearly laid out in Financial Rule six Risk Management and Control of Resources and in Appendix C5 Risk Management and Insurance.

In particular:

- Strategic risks have been identified and robust controls to manage the risks put in place, further controls are implemented as required to provide the necessary assurances that our exposure to risk is effectively managed and minimised.
- Operational risks are monitored, reviewed and updated regularly.
- Routine monitoring of insurance claims and other losses is undertaken.

The Council has an Opportunity Risk Management Strategy which sets out roles, responsibilities and the procedures for managing risks within the Council. The Strategy is signed and endorsed by the Chief Executive.

Council strategic risks have been identified, aligned to the Annual Governance Action Plan and a member of the Senior Management Team assigned as the risk owner. Risk profile and actions plans have been put in place to ensure the risks are mitigated effectively and are reviewed on a monthly basis.

All Committee Reports include a section on risk assessment and opportunities appraisal.

Operation risks are managed through risk management software system on a monthly basis and monitored to ensure that reviews take place. The Lead Member advocate is the portfolio holder for Resources and Support. The Lead Officer advocate is the Head of Finance, Governance and Assurance (Section 151 officer). Risk management issues are discussed monthly at informal Directors and Cabinet meetings.

Internal Audit conducts an independent review of the risk management process annually which is reported to the Chief Finance Officer and the Audit Committee.

An Annual Report is provided to the Audit Committee summarising the year's activities, challenges and achievements.

4.3.2. Ensure that effective arrangements for whistle-blowing are in place to which officers, and all those contracting with or appointed by the authority have access.

We have a well-publicised whistleblowing policy available on the website and in leaflet form. Information is available for our partners

and major contractors for their staff to encourage and facilitate speaking up about wrongdoing. Audit Committee receive reports on fraud and special investigations include those relating to whistleblowing cases.

Staff have been updated in respect of fraud awareness, including whistleblowing, with the use of a web based learning tool.

There is a whistleblowing hotline located in Audit Services for people to ring in confidence and report their concerns either openly or anonymously.

4.4. Using their legal powers to the full benefit of the citizens and communities in their area.

4.4.1. Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine (beyond the legal powers of the council) but also strive to utilise their powers to the full benefit of their communities.

4.4.2. Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law.

4.4.3. Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law (rationality, legality and natural justice) into their procedures and decision making processes.

The Council has a Monitoring Officer whose duties, laid down in the Constitution under Article 12; includes ensuring the lawfulness and fairness of decision making (Article 12.3B). The Monitoring Officer is also the Corporate Head of Legal and Democratic Services.

The Monitoring Officer, or their delegated representative, attends the key decision-making meetings of members, including Council and Cabinet.

All Committee reports require their authors to address the impact of their recommendations with respect to human rights.

Officers in Legal and Democratic Services play a key role in ensuring that the principles enshrined in the Constitution, sustainable decision making, robust scrutiny, rules of natural justice, standards of conduct, efficiency, transparency, legality and high standards of corporate governance are delivered in practice through the Council's decision-making process. The Service provides advice and guidance on the interpretation of legal developments, is Lexcel

accredited and possesses specialist legal officers who are experts in specific areas of Council activities.

Principle 5 - Developing the capacity and capability of members and officers to be effective.

5.1. Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.

5.1.1. Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.

There is a member induction and member development programme in place, particular attention is paid to ensuring members are prepared to undertake their role safely and supporting and developing newly elected members. A Community Leadership and Development Framework provides comprehensive development opportunities, and essential sessions. Development interventions are designed in the context of what individual members say they require during their one to one development reviews, and what their role and responsibility dictates they need. Member secretaries provide support, and the Member and Officer Protocol clearly stipulates officers' duties to provide professional and technical advice. The Local Member Protocol guides members and officers to behave in a way that promotes excellent communication.

One to one development interviews are offered to all members (although these are not compulsory). The purpose is to review members learning and development activities and their impact on the member role and to agree further learning needs.

Specialist development is also available for members of particular committees, such as Audit Committee, Planning, Licensing and the Pensions Committee to improve knowledge on technical issues and update members on new developments. The Audit Committee Terms of Reference include a requirement to undertake specialist training in order to fulfil its function effectively.

All staff are required to attend an open space induction programme, introduced by senior managers. New employees also have access to a bi-monthly welcome and information session.

A core skills development framework is available to all staff. The framework is made up of ten priority themes and is underpinned by the Council's values. "Core skills" is effectively a Council wide training programme with offerings available for staff and managers at all levels. The range of development methods includes workshops, on line learning, coaching and mentoring.

As the Council moves through a period of significant change, resources are channelled to deliver learning that is fit for purpose,

and development activity is being identified at team manager level. Senior managers are supported by a Business Partner responsible for People Development, to identify 'new team' and individual development needs and a bespoke training packing is designed and delivered on a team basis to meet corporate objectives.

A change management programme is available to support people through change; this includes access to 1:1 coaching with trained coaches supporting staff with reskilling and transition to new roles.

The organisational change has identified a need for more commercial awareness across the Council. A commercial awareness programme is now available to staff through our core skills offer.

A performance review scheme is embedded across the Council. The scheme continues to focus on the quality of discussion between manager and employee with a requirement to review previous year's performance, agree objectives and behaviours for the coming year and identify development needs to support the achievement of objectives as well as career aspirations.

Our Shropshire Graduate Development Programme continues to attract graduates and develop their knowledge and skills successfully to retain their talent within the Council. The aim is to support succession planning for the future of Shropshire Council.

A Talent Management scheme has been created to help managers identify talent within their teams and provide them with the support required to progress their careers.

All staff can access an electronic skills assessment toolkit and a management development toolkit which provides them with the opportunity to self-assess and to identify development needs. Staff can discuss development needs with their manager and identify relevant training from our core skills programme.

5.1.2. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.

The Council are required to provide the Monitoring Officer and the Chief Finance Officer with such officers, accommodation and other resources as are in their opinion sufficient to allow them to perform their duties (Article twelve, 12.5).

Implementation of the Council's values and behaviours starts at Induction. All learning and development programmes are underpinned by the values and behaviours.

We have a well-established and documented recruitment and selection code of practice and guidelines for managers and recruitment and selection training is also available. All posts have job descriptions and person specifications detailing the essential and desirable abilities, qualifications and experience necessary to undertake the duties of the post.

We have compulsory Continuous Professional Development (CPD) in specialist areas such as finance.

Each new senior team undergoes leadership development and concentrates on clarification of roles responsibilities and expectations.

5.2. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.

5.2.1. Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.

There is a Member Induction and Member Development Programme in place, particular attention is paid to ensuring that members are prepared to undertake their role safely and supporting and developing newly elected members. An annual programme of development seminars is provided as part of the Continuous Member Development Programme (CMDP). They are designed in the context of what individual members say they require during their one to one development reviews. Member secretaries provide support, and the Member and Officer Protocol clearly stipulate officers' duties to provide professional and technical advice.

One to one development interviews are offered to all members (although these are not compulsory). The purpose is to review their learning and development activities and their impact on the member role and to agree further learning needs.

Specialist development is also available for members of particular committees, such as Audit Committee, Planning, Licensing and the Pensions Committee to improve knowledge on technical issues and update members on new developments. The Audit Committee Terms of Reference include a requirement to undertake specialist training in order to fulfil its function effectively.

A core skills development programme is available to all officers.

We have a commitment to train and develop our staff; staff performance reviews occur at least once a year where training needs are identified and personal development plans agreed. Senior managers are supported by a Business Partner responsible for People Development, to identify team and individual development needs and a bespoke training package is designed and delivered on a

team basis to meet corporate objectives. Training is also provided on generic areas such as opportunity risk management, data protection, freedom of information and human resource issues

A High Performing Teams programme is now available as part of our core skill programme as part of a continuous development journey.

5.2.2. Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

Our Scrutiny Panels and performance monitoring and reporting system provide the vehicles for robust scrutiny and challenge.

Our comprehensive programme of officer and member development facilitates challenge; this results in improved performance at an operational level.

Our commitment to member and staff training helps to ensure that members and officers have the necessary skills to effectively challenge and improve existing policies and performance.

Continuous Professional Development (CPD) is maintained in specialist areas such as finance.

We readily use outside expert advice in those areas where specialist knowledge is required such as our Pension Fund Investment Managers, Waste Private Finance Investment specialists, construction professionals, energy and water consultants and external expert legal advice when required.

5.2.3. Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.

We have a Community Leadership and Development Framework in place; particular attention is paid to training and developing newly elected members, providing members with what they need to deliver their expanded role to the best of their ability, and supporting the Cabinet. A comprehensive Member Induction programme was planned and was delivered over a twelve month period from May 2013. It is open to all 74 members of Shropshire Council.

Members are offered annual one to one development interviews. We are developing a skills framework for members to self-assess against a range of competencies related to community leadership.

Executive members may undertake the LGID (Idea) Leadership academy.

5.3. Encouraging new talent for officers and members of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

5.3.1. Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.

We have the following in place to facilitate effective engagement with and participation from all sections of the community, partners and providers:

- Shropshire Partnerships Equalities Forum.
- Single Equalities Schemes –published February 2010.
- Equality and diversity included in the induction framework.
- Have Your Say web page.
- Local Joint Committees.
- Making it Real (Adult Social Care).
- Youth Parliament.
- Care Council Crew (CCC).
- Governor Opportunities and Training.
- Employee Disabilities Network.
- Access Officer.
- Gypsy Liaison Team.
- LGB network.

The Shropshire Voluntary and Community Sector Assembly bring voluntary and community sector groups and organisations together to offer a collective and strong voice. The Assembly's Forums of Interest allow for more specific consultation and engagement within more specialist and defined parts of the voluntary sector. Shropshire VCS Assembly facilitates representation on the work of local partnership groups as well as designing and delivering its own projects. The VCS Assembly works across sectors, making links between the voluntary and community sector, public sector and private sector. It works closely with Shropshire Providers Consortium (a local consortium of over 30 voluntary sector service providers) and ShropShare, a private sector body collectively delivering corporate social responsibility and brokering cross sector community relationships.

We have a well-established and documented recruitment and selection code of practice and guidelines for managers. All posts have job descriptions and person specifications detailing the essential and desirable abilities, qualifications and experience necessary to undertake the duties of the post. Shropshire Council values the diversity of its workforce. It will not tolerate less favourable treatment on grounds of: gender, race, colour, ethnic or national origin, disability, marital status, sexual orientation, responsibility for dependents, age, trade union or political activities, religion/beliefs, or any other reason which cannot be shown to be

justified. An Equality Information report was published in Feb 2012 following endorsement by Cabinet and will be reported annually.

5.3.2. Ensure that career structures are in place for members and officers to encourage participation and development.

Staff are annually appraised which includes the identification of training and development needs and the drawing up of training action plans to address these.

We have a core skills development programme including management and leadership development for the development of existing and new managers.

In response to business need, a 'New Shropshire Manager' profile has been developed. The key skills, knowledge and behaviours of our managers have been identified and a programme of development activity is available to support development needs. Commercialism, contract management and commissioning skills are some of the key areas for development and a programme of training is available to support managers.

We have compulsory CPD in specialist areas such as Finance which is also included in job descriptions.

We have an ongoing Community Leadership and Development Framework in place; particular attention is paid to training/developing newly elected members, members and officers of Overview and Scrutiny; Community Leadership in action; members of regulatory committee's; statutory duty and ethical governance.

Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

6.1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.

6.1.1. Make clear to themselves, all officers and the community to whom they are accountable and for what.

This is clearly enshrined in the Constitution, the purpose of the Constitution in Article one includes:

- To enable the Council to provide clear leadership to the community in partnership with citizens, business and other organisations.
- To support the active involvement of citizens in the process of local council decision making.

The Business Plan which sets out the council's values, vision, aims and priorities.

We have well established Scrutiny arrangements that provide the opportunity to challenge delivery of policy and services and hold the Cabinet accountable for their decisions.

6.1.2. Consider those stakeholder bodies to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.

The Council is accountable to the Department of Communities and Local Government (CLG) and other key government departments such as the Department for Education.

The Shropshire Partnership has an independent Chair and is made up of key partners in Shropshire including:

- West Mercia Police.
- Shropshire County Clinical Commissioning Group.
- Shropshire Fire and Rescue Service.

Partnership action and delivery takes place through the individual organisations and joint working. Thematic partnerships such as the Health and Wellbeing Board, Safer Stronger Communities Partnership, Children's Trust Executive and Housing Strategy Group take forward, identify and agree how to address issues together.

6.1.3. Produce an annual report on the activity of the scrutiny function.

An item is included on the agenda for every ordinary Council meeting to facilitate the review of both the Executive and Scrutiny functions of the Council's work; this will cover the work of the committees and their key achievements. An annual report from each of the scrutiny committees is presented to Council alongside reports from the portfolio holders; the scrutiny reports detail the past work of the Committees, the present work and the plans for the future.

6.2. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.

6.2.1. Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively.

We have a Media Protocol which provides guidance on all forms of internal and external communications.

We have a Written Style Guide that helps us achieve clear, consistent communication and to help us build a strong brand for Shropshire Council, whoever we're communicating with, and however we're doing it.

We have a Shropshire Council Brand Guidelines document to help us build a strong brand that is highly recognisable within our communities.

Internal Communication channels include:

- Staff intranet.
- Latest staff information e-mails.
- Team meetings and Staff Briefings.
- Ad hoc information sessions on specific areas.

6.2.2. Hold meetings in public unless there are good reasons for confidentiality.

The Council's Core Values states that we will "build trust by expressing ourselves openly and honestly"; this means that we will be sincere in what we say and will check where we aren't clear.

Article 3 of the constitution states "Citizens have the right to attend meetings of the Council, Cabinet and its Committees, except where confidential or exempt information is likely to be disclosed and the meeting is therefore held in private" these exceptions are clearly defined. The public will only be excluded where the public interest in maintaining an exemption outweighs the public interest in disclosing the information.

We also have very clear rules within the Constitution governing access to information and the grounds on which information should be excluded from the public domain (Constitution Part four, pages D26-35).

6.2.3. Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognize that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.

We have many ways of communicating with our citizens and stakeholders such as:

- Publications and leaflets.
- Shropshire Council Website.
- Local Joint Committees.
- Established links and regular meetings with local interest groups/forums such as Older Peoples Forum, Youth Parliament.
- Public and stakeholders open budget consultation meetings, single issue and geographical area issue consultation meetings.
- Council tax spend online information.
- Social media channels.

The Communications Strategy clearly lays out our commitment to communicate with all sectors of the community.

Marketing and communications strategies are developed that reflect the need to carefully target communications and marketing activity.

6.2.4. Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.

Some recent examples of consultation we have undertaken are:

- Site Allocations and Management Development.
- Adult Social Care Users Survey.
- Adult Social Care Carers Survey.
- Outdoor Recreation Users Survey.
- Customer Contact Centres User Survey.
- Coder Road Recycling Centre Proposals Survey.
- Taxi Licensing Proposals Survey.
- Shrewsbury West Sustainable Urban Extension.
- Draft Licensing policy 2013.
- Dog Control Orders.
- Join the Conversation public events.
- Budget Proposals Survey 2014 – 2017.
- Marches Business Survey.
- Oswestry Service Hub.
- Traffic Regulation orders.

We are currently designing a new mechanism for gathering resident feedback about Shropshire Council as it transforms and redesigns itself. It is intended that this resource will be in place by summer 2014.

6.2.5. On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.

Our framework establishes a clear reporting mechanism for performance of corporate priorities and the Council's outcomes. The quarterly reports are publicly available, being reported to the Council's Senior Managers, Cabinet and available to all members to identify any issues they may want to have considered through Scrutiny. Performance and Finance information is from the corresponding periods, and all information within the OH scorecard are commonly reported within three to four weeks of the end of each quarterly reporting period.

Areas where reported performance raises concerns are highlighted in the quarterly reports and monitored, as recommended by Cabinet

e.g. that the Portfolio Holder and Director report back to Cabinet with an action plan to bring performance back to the expected standard. Cabinet may refer issues of continuing concern to scrutiny for review

6.2.6. Ensure that the authority as a whole is open and accessible to the community, service users and its officers and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

The Council's Value of being Open states that "We believe that by talking openly and honestly, and by listening to our residents, we will be a stronger council, offering robust services for the people of Shropshire".

The rules concerning confidentiality are clearly laid down in the constitution with a presumption that items will remain open to the public unless they meet specific confidentiality criteria.

Partners' responsibilities are clearly stated in Financial Rules (Section E1, DD68-69) and in the partnership guidance document.

We have a small Information Governance Team committed to ensuring the principles of Data Protection and Freedom of Information are followed.

6.3. Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

6.3.1. Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.

The Chief Executive provides a regular update for all staff via email on key issues including relevant information from the senior management team. Staff without access to email, are updated by their managers.

The intranet is used widely to communicate information and also as a mechanism to involve staff in providing feedback on particular issues.

The performance review process provides a one to one opportunity for staff to discuss performance, achievements and issues as well as an opportunity to discuss how things are working in their area. From this work, objectives and personal development plans are produced.

There is a Joint Consultative Council which consists of elected trade union representatives, members and senior management. This meets regularly to review and agree key employment policies.

We have monthly informal meetings with Trade Unions to manage issues of concern, discuss emerging issues and policy changes.

A regular meeting between the Chief Executive and Trade Unions is held to discuss current issues at the Council in a less formal environment than the Joint Consultative Committee

Focus groups are held with trade union representatives to discuss and contribute to key employment policies whilst they are being drafted as part of the consultation process.

Issues which need consultation and approval over policy changes are discussed through a quarterly 'Policy Forum' prior to the items then going to the next Joint Consultative Committee.

Managers hold regular team meetings where staff have the opportunity to provide comments on their service and contribute to policy and service delivery issues in their own service area. Managers also have regular individual meetings (known as catch ups, one to ones or supervision) which provide another mechanism for consultation.

Revised April 2014

Appendix 1

SHROPSHIRE COUNCIL FRAMEWORK OF CORPORATE GOVERNANCE

Council Vision: To become a commissioning council. Council purpose is to deliver value for money for Shropshire people by commissioning outcomes, based on need, working with local elected Members. The priorities are:

- Keeping children safe.
- Looking after vulnerable people.
- A high quality education.
- Economic Growth.

The Shropshire system by which we direct and control our functions and relate to our community.

Principal 1 Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	Principle 2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	Principle 3 Promoting values for the authority & demonstrating the values of good governance through upholding high standards of conduct and behaviour.	Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.	Principle 5 Developing the capacity and capability of members and officers to be effective.	Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability.
Budget Book	Shropshire Council Business Plan	Shropshire Council Business Plan	Cabinet Forward Plan	Members Induction	Locality Commissioning
Shropshire Council Business Plan	Shropshire Compact	Speaking Up about Wrongdoing	Key Decision Process	Specialist Member Training	Shropshire Council Business Plan
Shropshire Compact	Local Joint Committee Meetings	Fraud and Corruption Hotline	Speaking Up about Wrongdoing	Member Development Programme	Shropshire Voluntary and Community Sector Assembly
Local Joint Committee Meetings	Shropshire Website, including. e-Shrop Intranet	Complaints Procedure	Fraud and Corruption Hotline	Shropshire Voluntary and Community Sector Assembly	Annual Scrutiny Chairs Report
Shropshire Website, Shropshire Newsroom. e-Shrop Intranet	Locality Commissioning	Register of Pecuniary Interests	Complaints Procedure	Recruitment and Selection Code of Practice	Shropshire Website, Shropshire Newsroom. e-Shrop Intranet
Council Tax Leaflet	Record of Decisions	Gifts and Hospitality Register	Register of Pecuniary Interests	Learning and Development Team	Customer First
Shropshire Business Board	Local Governance	Freedom of Information	Gifts and Hospitality Register	Essential Skills Development	Local Joint Committees
Locality Commissioning	Constitution	Partnership Guidance	Opportunity Risk Management Strategy	Continuous Professional Development	Council Tax Leaflet
Local Governance	Head of Paid Service	IT Code of Practice for Employees	Freedom of Information	Member Officer Protocol	Budget Book
Constitution	Chief Finance Officer	Core Values	Constitution	Job Descriptions	Local Governance
Communication Plan	Financial Rules	Constitution	Chief Finance Officer	Scrutiny Process	Constitution
Care Values	Monitoring Officer	Monitoring Officer	Monitoring Officer	Audit Committee	Communication Plan
Annual Statement of Accounts	Performance Plus	Code of Corporate Governance	Job Descriptions	Performance Framework	Core Values
Annual Governance Statement	Member / Officer Relations Protocol	Contract Procedure Rules	Scheme of Delegation	Professional Development	Scrutiny Process
Transformation Programme	Members Code of Conduct	Counter-fraud, Bribery and Anti-corruption Strategy	Members Code of Conduct		Performance Framework
Scrutiny Process	Employee Code of Conduct	Member / Officer Relations Protocol	Employee Code of Conduct		Staff Briefing and Consultation
Internal and External Audit	Scheme of Delegation	Members Code of Conduct	Scrutiny Process		
Inspectorates	Job Descriptions	Employee Code of Conduct	Audit Committee	Key	
Scrutiny Process	Contracts of Employment	Harassment and Disciplinary Policies	Medium Term Financial Plan	Openness and inclusivity	
Internal and External Audit	Performance Framework	Recruitment Process and CRB checks	Performance Framework	Accountability	
Inspectorates	Scrutiny Process	Internal and External Audit	Insurance	Integrity	
		Performance Framework	Scrutiny Process		
		Scrutiny Process			

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Committee and Date

Audit Committee

26th June 2014

10.00am

ANNUAL GOVERNANCE STATEMENT AND REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S SYSTEM OF INTERNAL CONTROLS 2013/14

Responsible Officer James Walton

e-mail: James.walton@shropshire.gov.uk Tel: 01743 252007

1. Summary

The Council is required under Regulation 4(3) of the Accounts and Audit Regulations 2011, to produce an Annual Governance Statement to accompany the annual statement of accounts, which must be signed by the Leader of the Council and the Head of Paid Service. This statement should be considered following a review of the effectiveness of the Council's system of internal controls as required by the Accounts and Audit Regulations 4(2). Members are asked to consider the proposed statement, the basis on which it has been compiled and comment on its contents, this will help ensure that it remains a true reflection of the internal controls of the Council for 2013/14.

2. Recommendations

The Committee is asked to consider and approve with appropriate comment, the Annual Governance Statement 2013/14 at **Appendix A**.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. Risk management is part of the overall internal control arrangements and contributes to the Council's strong governance.
- 3.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.
- 3.3. There are no environmental consequences of this proposal and consultation has been used to inform the Annual Governance Statement by seeking assurances from senior officers as to the effectiveness of internal controls.

4. Financial Implications

- 4.1. There are no financial implications in respect of the Statement, these may arise when implementing future improvement activities and will be reported separately.

5. Background

- 5.1 Shropshire Council is required to prepare an Annual Governance Statement (AGS). The requirement was introduced in the Good Governance Framework introduced by CIPFA/SOLACE in 2007, supported by the Delivering good Governance in Local Government: Framework Addendum 2012, and is a statutory requirement set out in Regulation 4(3) of the Accounts and Audit Regulations 2011.
- 5.2 The CIPFA/SOLACE governance framework clearly sets out the fundamental principles of corporate governance. The framework is a discretionary code but the Council is judged against it as part of best practice. The framework outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community.
- 5.3 The framework emphasises that good governance should be corporately owned. The degree to which the Council follows these principles should be declared in its Annual Governance Statement. The purpose of the Annual Governance Statement is to provide assurance that the Council has sound governance arrangements in place that are supported by effective systems of internal control.
- 5.4 The six core principles referred to in the framework defining the principles of good governance are:
- i) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
 - ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 - v) Developing the capacity and capability of members and officers to be effective.
 - vi) Engaging with local people and other stakeholders to ensure robust public accountability.
- 5.5 In line with best practice the Council's existing Code of Corporate Governance has been reviewed and compliance assessed in light of the guidance issued.
- 5.6 In compiling the Annual Governance Statement the guidance identifies it should include the following information:
- i) Scope of Responsibility.

- ii) The purpose of the governance framework.
 - iii) A description of the governance framework and the key elements of the systems and processes that comprise the authority's governance arrangements.
 - iv) Review of effectiveness.
 - v) Significant governance issues including an outline of the actions taken, or proposed, to deal with any significant governance issues identified.
- 5.7 The Annual Governance Statement is a key corporate document with the Head of Paid Service and the Leader having joint responsibility as signatories for its accuracy and completeness. It is also important that all other senior officers provide assurances to the process. The preparation of the Annual Governance Statement will be overseen and approved by directors supported by senior management as a corporate document which is owned by all senior officers and Members.
- 5.8 In compiling the Annual Governance Statement assurance a review of the effectiveness of the Council's systems of internal controls, as required by the Accounts and Audit Regulations 2011 4(2), is conducted and information is obtained from a range of sources so that the signatories to the Statement can assure themselves that it reflects the governance framework for which they are responsible. **Annex A** of the Annual Governance Statement Framework 2013/14, clearly identifies the areas from which assurance and supporting evidence has been obtained to support the Annual Governance Statement and therefore demonstrates the effectiveness of the Council's systems of internal control and further key assurances are provided from the:
- i) Head of the Paid Service.
 - ii) Directors and senior management.
 - iii) Head of Finance, Assurance and Governance, Section 151 Officer and Responsible Financial Officer.
 - iv) Head of Legal, Strategy and Democratic Services, Monitoring Officer.
 - v) Audit Service Manager.
 - vi) Performance and risk management officers and
 - vii) External Audit and other review agencies.
- 5.9 Where any significant governance issues are identified within the assurances received these must be identified in the Annual Governance Statement.
- 5.10 The Annual Governance Statement is a key document which identifies the strong systems and processes the Council has in place contributing to our continuing high standards or corporate governance. A copy of the Statement is attached as **Appendix A**.
- 5.11 The Council has identified the following significant governance issues.

The main challenge facing the Council is the delivery of services to acceptable standards whilst achieving budget savings of £41.5m in 2014/15 with an overall

funding gap of £80m identified over the next three years whilst retaining adequate balances. To ensure we deliver this we will:

- Implement the first year of the Business Plan and Financial Strategy and deliver outcomes based on managing demand to deliver value for money through commissioning.
- Continue to review the Council's reserve to ensure a prudent and risk assessed level is maintained as the Council continues to operate within new funding mechanisms and with increased levels of uncertainty and risk over future funding reductions
- Ensure that the staffing resources, given the changing shape of the council, continue to remain skilled, knowledgeable and appropriate to deliver the Council's business plans.
- Improve our IT infrastructure to ensure it is fit for purpose, robust and PSN compliant to improve-business continuity risks.
- Ensure robust business cases for any project involving redesign and new delivery models are properly constructed, appropriately consulted upon and scrutinised to ensure they meet the requirements of the Business Plan and Financial Strategy and are financially viable before any implementation decision.
- Develop a more cohesive and robust way of monitoring contracts as part of re-design of Shropshire Council functions.

5.12 The associated risks have been identified, remain under close review and will be continually managed throughout the year given how key they are to ensuring the continued delivery of our high quality services.

5.13 Action plans and programmes of monitoring and evaluation are in place and are regularly updated to support both of these issues over the current and future years. An overall outcome report will be made to the Audit Committee at the end of the year.

5.14 The action plan attached to the 2012/13 statement has been reviewed and updated to reflect current progress. The position as at 31/03/14 is attached as **Appendix B** to this report.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA/SOLACE - Publication - Delivering good governance in local government. Guidance note for English Authorities and Framework.

CIPFA: Delivering Good Governance in Local Government: Framework Addendum 2012 Accounts and Audit Regulations 2011.

Application Note to Delivering Good Governance in Local Government: A Framework CIPFA/SOLACE (March 2010)

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee.

Local Member N/A

Appendices

Appendix A - Annual Governance Statement 2013/14

Appendix B - Progress as at the 31 March 2014 on the 2012/13 Action Plan for implementation 2012/13

**SHROPSHIRE COUNCIL
ANNUAL GOVERNANCE STATEMENT
2013/14**

Standards of Governance

1. The Council expects all of its members, officers and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, the Constitution and policies of the Council as well as the applicable statutory requirements. The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Council's Code is on our website at: <http://shropshire.gov.uk/committee-services/documents/s1524/Part%205%20Codes%20and%20Protocols.pdf>
2. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

Scope of Responsibility

3. Shropshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Shropshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
4. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, which includes arrangements for the management of risk.
5. The Council continues to review its arrangements against best practice and implement changes to improve overall governance arrangements.

The Purpose of the Governance Framework

6. The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
7. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Shropshire Council's policies, aims and objectives,

to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

8. The governance framework accords with proper practice and has been in place at Shropshire Council for the year ended 31st March 2014 up to the date of approval of the Statement of Accounts.

The Governance Framework

9. Shropshire Council's Governance Framework encompasses all systems, processes and procedures covering a wide range of services to the public. The Council's Constitution provides the framework for its decision making processes and sets out the detailed procedures, protocols and codes by which members and officers operate to achieve service delivery and achievement of the Council's key priorities. **Annex A** identifies the process which leads to the preparation of the Annual Governance Statement being signed off and published with the Statement of Accounts.
10. Under the Constitution the Leader and Cabinet form the decision-making Executive. In June, the Leader delegated the ability to take executive decisions in respect of certain specified matters to the relevant Portfolio holders. Their decisions must be in line with the Council's objectives and are subject to examination by a number of overview and scrutiny committees.
11. The Senior Management are responsible for overseeing and monitoring the control environment. These officers have overall responsibility for the risks and should routinely monitor and review the related controls as an integrated part of the risk management process. This key management responsibility is supported by the designated roles of the three statutory officers; the Head of Paid Service (Chief Executive), the Chief Financial Officer (Head of Finance Governance and Assurance) and the Monitoring Officer (Head of Legal, Strategy and Democratic Services), plus Internal and External Audit and other external review agencies, such as Ofsted, Care Quality Commission etc.
12. The key elements of the governance framework within Shropshire Council can be sub-divided into the following areas, as detailed below:

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

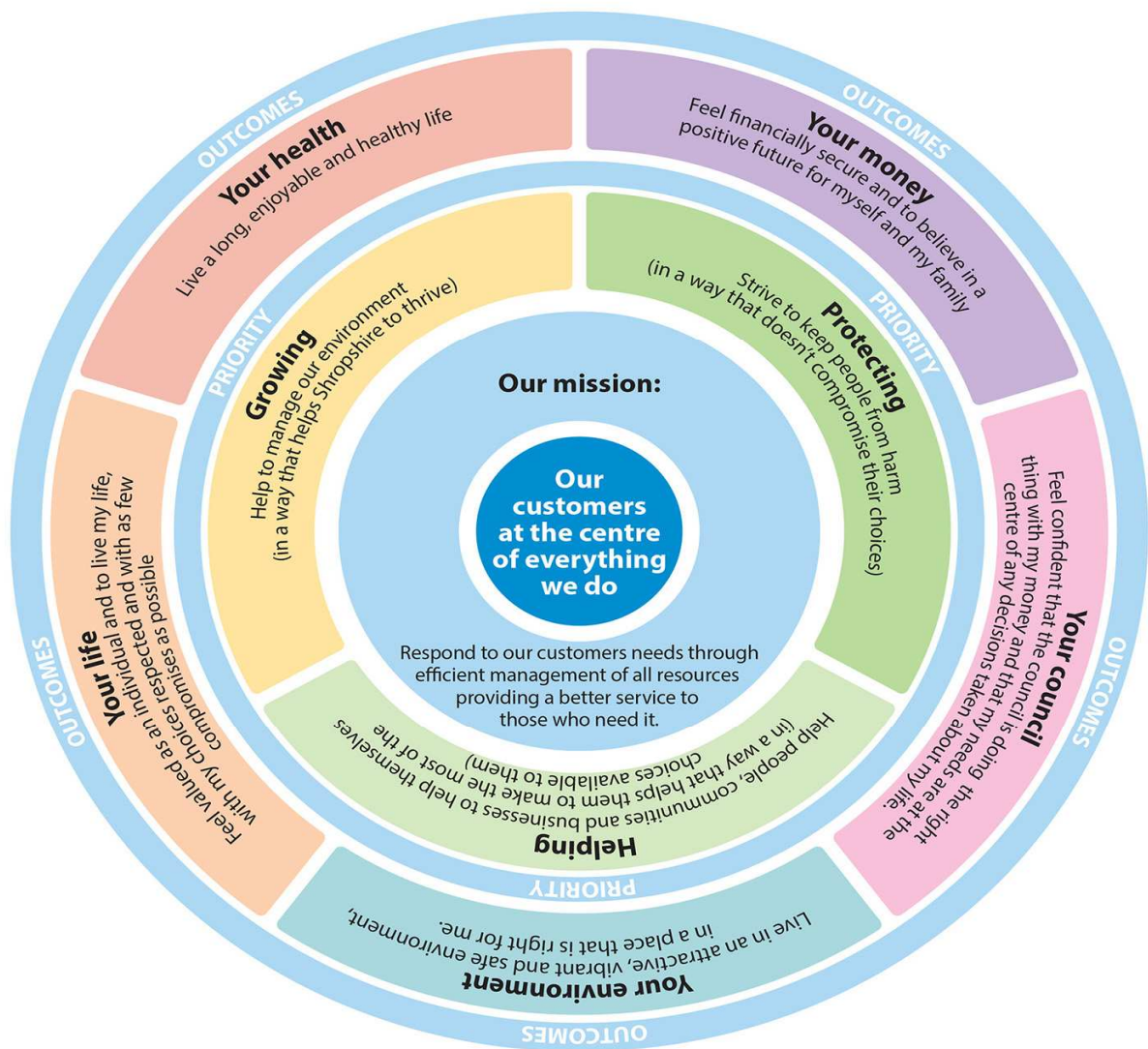
13. The Business Plan contains individual directorate business plans, all of which link to the financial strategy, and identify key change activities Shropshire Council will undertake during the period 2013/14 to 2017/18.
14. Business plans focus around the Council's outcomes which are:
 - I want to feel confident that the Council is doing the right thing with my money, and my needs are at the centre of any decisions about my life.
 - I want to live a long, enjoyable and healthy life.
 - I want to feel valued as an individual and to live my life my way, with my choices respected, and with as few compromises as possible.
 - I want to feel financially secure and to believe in a positive future for myself and my family.
 - I want to live in an attractive, vibrant and safe environment, in a place that's right for me.

15. A revised performance framework is under development to be implemented in 2014/15 to measure the Council's delivery of change, as well as the impact of commissioning decisions on the Council's outcomes.
16. In the current year, the Council has delivered on its previously stated plan producing quarterly reports on the Council's Organisational Health scorecard which consists of key performance measures, progress with transformation priorities, strategic risks, staffing and financial information. Each priority is described by a dashboard of agreed measures which provide a wide picture of progress, as well as relevant external factors which can impact on the outcome.
17. Areas where reported performance raised concerns were highlighted in the quarterly reports and monitored, as recommended by Cabinet. Cabinet would consider referring issues of continuing concern to scrutiny for review.
18. The savings targets for 2013/14 were agreed by Council on 23 February 2012 as part of a two year financial plan for, 2012/13 and 2013/14. The proposals were reviewed throughout 2012/13 and adjusted and finalised on 28 February 2013. The savings required in 2013/14 were £23.877m, £20.095m required to balance the budget and £3.782m to be repaid to reserves. These savings were agreed within the parameters of the Council Plan 2011-2013 and the Council's priorities.
19. The directorate business plans were used as the basis for the Council's Business Plan and Financial Strategy 2014-17. This Plan sets out the context the Council is operating in, the challenges it faces and the approach to service delivery. The plan was developed throughout 2013/14 as resource and expenditure projections were updated and savings proposals were developed.
20. The Council recognises the importance of communicating its vision and uses a number of channels to this effect.
 - Our website www.shropshire.gov.uk (receiving approximately one million unique visitors a year) can help residents understand the Council's vision and purpose and access services on a day to day level.
 - The Shropshire Newsroom (www.shropshirenewsroom.com) hosts all the latest Council news stories with podcasts videos and photographs available from our Flickr account.
 - We work with colleagues in the local, regional and national media to compliment Shropshire Newsroom and ensure people can access information about the Council.
 - We work with all service areas to ensure that they are reaching and targeting the key customers, stakeholders and partners in the most appropriate way.
 - We use social media, Twitter and Facebook, as a further method of disseminating our information and listening to feedback on a number of issues.
 - We provide performance information for local areas detailing how the Council is delivering its vision.
 - We aim for a consistent approach to communication across the Council, reaching and targeting the key customers, stakeholders and partners in the most appropriate way.

Reviewing the authority’s vision and its implications for the authority’s governance arrangements

21. In November 2013, Cabinet received the first draft of the Council’s Business Plan and Financial Strategy. Since that date significant work has been undertaken to improve the document, to provide more details of our plans, to reflect the latest financial position and to refine the Council’s vision for the future. In February Council approved the Business Plan and Financial Strategy. The Business Plan sets out the Council’s approach to redesigning everything we currently do, to make best use of the resources we have available. The Business Plan and Financial Strategy identifies the approach for the future transfer of services to ip&e; the Council’s wholly owned company. The Financial Strategy takes account of any known transfer of services to ensure that the Council’s financial position is understood and reflected ahead of any decision taken to approve a transfer.

22. As a council, we are focusing on delivering better outcomes for our customers. Everything we undertake should work towards fulfilling one or more of these outcomes, with an emphasis on ensuring that our priorities are delivered. These are summarised below, and form the backdrop for delivering the Council’s Medium Term Financial Plan over the next three years.



23. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.
24. Information governance is a strategic risk for the Council. The Head of Legal, Strategy and Democratic Services is the Senior Information Risk Owner (SIRO) and the Information Governance Group considers and reviews risk assessments on the use of personal information on an on-going basis. Risk assessments are updated to reflect system and service changes.
25. In relation to information governance all employees handling personal data are required to complete on line learning.

Translating the vision into objectives for the authority and its partnerships

26. Work will be completed with the Cabinet to define these priorities and this work will be used to underpin the Council's development as a Commissioning Council and the roll-out of developing Business Plans as Service Plans.
27. Work will continue to translate these priorities into outcomes that can be communicated and understood by the community. The opportunity presented by locality commissioning to use the vision to shape what practically happens in communities will be explored by the Council and where possible with partners.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money

28. Our framework establishes a clear reporting mechanism for performance of corporate priorities and the Councils outcomes. The quarterly reports are publicly available, being reported to the Council's Senior Managers, Cabinet and available to all members to identify any issues they may want to have considered through Scrutiny. Performance and Finance information is from the corresponding periods, and all information within the Organisational Health scorecard are commonly reported within three to four weeks of the end of each quarterly reporting period.
29. Areas where reported performance raises concerns are highlighted in the quarterly reports and monitored, as recommended by Cabinet e.g. that the Portfolio Holder and Director report back to Cabinet with an action plan to bring performance back to the expected standard. Cabinet may refer issues of continuing concern to scrutiny for review
30. Specific service areas seek customer feedback both through systematic processes, and through annual surveys, for example the Adult Social Care Survey continues to engage with service users. The results help us to understand and evidence what has been achieved for local people, supporting local service and enabling people to make better choices about care and we are using the 'Making It Real' approach to check progress towards this.
31. A survey targeting carers was carried out for the first time last year and will take place again next year. The results tell us what is working well and where improvements can be made and to ensure our resources are being used to their full potential.
32. The Council also works with service users, enabling them to participate in the design and planning of services within the Council's objectives whilst achieving

value for money. An example is Partnership Boards which are in place for people with learning and physical disabilities and family carers. The Boards receive information on service performance and provide the forum for service user representatives to feedback on the services they receive.

33. Council receive annual Portfolio Holder Statements including areas of achievement and areas for improvement.
34. Procurement activities have continued to deliver savings through tendering processes, negotiations, improved practices and innovation. The Procurement and Contracts team have continued their category and contract management work. The team has also continued to strengthen links with the Voluntary and Community Sector, Local Procurement Group (COGS), The Regional Social Value Group and The Regional Improvement and Efficiency Partnership. Work has also continued for and with other Local Authorities to undertake collaborative procurement activity.
35. The Council continues to benchmark its services to assist in identifying areas for review and to ensure that as many performance indicators as possible are performing to the standards that the Council sets. Benchmarking services used include:
 - Society of County Treasurers (SCT)
 - Association for Public Service excellence (APSE)
 - Chartered Institute of Public Finance Accountants (CIPFA).
 - Association of Local Authority Risk Managers (ALARM).
 - Adult Social Care National Data
 - Children's Social Care National Data
 - School attainment results
36. The Council had a savings target of £23.877m to achieve in 2013/14 and has monitored the achievement of this target throughout the financial year. Early in the financial year it was identified that there were considerable service pressures, primarily within Adult Services. Management action was taken and approval was sought to realign budgets within the year to ensure a balanced budget could be delivered. In addition the Council implemented a spending freeze on "controllable" budgets to reduce any projected net overspend. The estimated outturn, for 2013/14 is an underspend of £0.390m which has been included within the year end projection for the general reserve.
37. In their Audit findings for the year ended 31 March 2013. The External Auditor provided an unqualified opinion on the financial statements and their key messages arising from their work identified that,
 - the financial statements presented for audit were sound;
 - the processes for preparing the financial statements remain strong and were supported by the improvements in the working papers agreed following last year's audit;
 - the support provided to external audit throughout the year has ensured an efficient year end audit process, and
 - with the exception of the Waste PFI (private financing initiative) accounting adjustments, the remainder of the adjustments to the financial statements were minor, narrative and presentational in nature.
38. In undertaking the review of value for money, the External Auditor stated "the Council has a good track record of managing its budget and its cost saving

requirements. However the next three years provide a significant challenge to identify savings of £80m, with over half of this (£42m) being required in 2014/15. Following the extensive savings delivered over the past three years, the Council is now challenging how services are delivered to identify further savings and efficiencies. Overall we were satisfied that in the short term the Council is in a sound financial position but there remains significant uncertainty and it will be important for the Council to ensure that future financial plans are developed, agreed and delivered.”

39. “We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. Overall, strategic performance has been maintained during 2012/13. Sixteen of the Organisational Health performance measures (94%) showing improvement from 2011/12. In addition, 59% of the reported indicators that are part of the Outcomes for Shropshire Scorecard show an improvement from 2011/12, whilst 32% have shown a decrease and 9% remain at the same level. This is a significant achievement for the Council. However the future challenge will be maintaining service delivery standards with further reductions to budgets.”

Value for money conclusion

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

40. The External Auditor also issued an unqualified opinion on the Pension Fund.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

41. Shropshire Council’s Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. More detailed procedures and codes of practice are provided in rules and protocols contained in the Constitution.
42. Within the Constitution, Article 13 sets out the responsibilities and procedures for decision making. These are designed to ensure that all decisions will be made in accordance with the following principles:
- Proportionality (i.e. the action must be proportionate to the desired outcome).
 - Due consultation and the taking of professional advice from officers.
 - Respect for human rights.
 - A presumption in favour of openness.
 - Clarity of aims and desired outcomes.
 - Consideration of alternative options.
 - Recording reasons for the decision, including details of any alternative options considered and rejected and
 - That in relation to decisions of the Cabinet that these are lawful and consistent with the powers delegated by the Council.

43. The Cabinet is the Council's key decision making body and makes decisions within the policy framework approved by Full Council. It is made up of the Leader, and up to nine councillors. Key decisions are published in the Executives' Forward Plan and are discussed with council officers at a meeting of the Cabinet which will normally be open for the public to attend, except where confidential matters are being discussed. The Cabinet must make decisions which are in line with the Council's overall policies and budget. If the Cabinet wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
44. The Council's arrangements for effective scrutiny were reviewed during 2013 and revised in light of the new priorities and cabinet portfolio arrangements. During 2013/14 the Council has progressed with the development of its business plan which sets out the ambition and direction of change. In order to keep pace with the change that the Council must go through Scrutiny Committees need to be able to respond flexibly, but also have structured work programmes that take account of planned change activity; whether to provide critical friend challenge, or to evaluate the impact of commissioning decisions. As part of this, the Council tested out a different model of enabling members to get closer to the change activity during the scrutiny of the business plans. Called Rapid Action Groups, they involved five non-executive members working with the relevant director and exploring specific change topics to understand the redesign and provide a critical friend challenge; for example, one group looked at how the Council reports and presents performance management information which has led to a new approach being introduced for 2014/15. The effectiveness of this approach is being reviewed to identify how it can become part of the Scrutiny 'toolbox'. The statutory Scrutiny Officer role has been reviewed and now sits with a post reporting to the Head of Legal, Strategy, and Democratic Services.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

45. The Constitution includes Codes of Conduct for both members and staff which are reviewed regularly to reflect any necessary changes.
46. All members and staff have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided for officers as necessary and appropriate induction sessions are arranged for all new staff and members.
47. Monitoring of compliance is delivered by relevant key officers, including the Section 151 Officer (Head of Finance, Governance and Assurance) and the Monitoring Officer (Head of Legal, Strategy and Democratic Services).

Reviewing the effectiveness of the Council's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.

48. Financial Rules, Contract Rules, Policies and Procedures, Codes of Conduct, Financial Manuals and Guidance are all in place and available to staff in paper and electronic formats. A number have been, and continue to be, reviewed in relation to the new operating model for the Council. Codes and protocols forming part of the Constitution are reviewed on a regular basis or in the light of significant change.

49. The Monitoring Officer (Head of Legal, Strategy and Democratic Services) is responsible for making recommendations for ways in which the Constitution can be amended or improved. Changes to the Constitution must be approved by Full Council, subject to the Head of Legal, Strategy and Democratic Services making routine revisions and replacing references to any repealed or amended legislation, or secondary legislation with current references.
50. In addition to the above, in order to allow the Council to make the many decisions that are required on a daily basis, responsibilities for certain decisions are delegated to senior officers as identified in Section 8 of the Constitution "Delegations to Officers". Part 3, Responsibilities for Executive Functions sets out how Portfolio Holders undertake their responsibilities taking advice from the relevant senior officer.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

51. There is an established Opportunity Risk Management Strategy in place supported by a Risk Management Team and led by the Head of Finance, Governance and Assurance, Lead Officer Advocate and the Portfolio Holder for Finance, Governance and Assurance, Lead Member Advocate, who have a key role in raising the profile of risk management across all areas of service. The Strategy is signed and endorsed by the Chief Executive.
52. The strategic risks for Shropshire Council have been identified and action plans have been put in place to ensure the risks are mitigated as far as possible to ensure minimal impact on delivering the Council's objectives. The strategic risks are updated monthly and reported to the informal Directors and Cabinet monthly meeting. All Committee Reports include a section on risk assessment and opportunities appraisal.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

53. The Council is self-regulating in respect of Counter Fraud. It undertakes a self-assessment, identifies its risks and understands them. It acknowledges the problems and puts in place plans which can demonstrate that it is taking action with visible outcomes. It is transparent about this process and the results and reports to both the senior managers and to those charged with governance.

Ensuring effective management of change and transformation

54. During the development of the three year business plans the focus on having strong governance and project management around the various strands of activity was also shaped. This final model of the 'Tracking Hub' was co-created with Directors and led by the Programme Management Team – the work is monitored and updates brought to Directors meeting on a monthly basis.
55. As Shropshire Council continues on its journey to become a commissioning council a strong focus on service redesign has been established. This is helping to change the culture of the organisation, as service redesign is now seen as part of the commissioning cycle as opposed to merely progressing a straightforward procurement exercise.
56. This new way of thinking and working began through local commissioning activity in Church Stretton in February 2013 and has continued through the last twelve months, including week long business planning sessions in each service

directorates in September 2013 involving over 120 staff which helped shape the final three year Business Plan. As a result of all of this redesign activity, the learning has been up scaled and made normal in a number of areas. An example was the prototype involving Adult Social Care and Housing Service areas where the focus has led to increased productivity and a stronger focus on prevention and has since been rolled out across the People2People teams. Similarly, the Ageing Well prototype run in Church Stretton which had a focus on helping older people to live in their own homes for longer has now informed key elements of the Better Care Action Plan.

Ensuring the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

57. Whilst the Section 151 Officer does not report directly to the Head of the Paid Service the officer is a member of Senior Management and the arrangement does not stop the officer delivering their duties with the same impact as they would if reporting directly to the Head of the Paid Service. The financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Systems operating within Shropshire Council are based upon a framework of regular management information and financial reporting to councillors and officers. The financial management system includes:

- The Section 151 Officer having direct access to the Head of the Paid Service, senior management and members on financial matters.
- A strong culture amongst our directors, area commissioners, heads of service, service managers and service management teams of being responsible for financial management. Our managers work very hard to get the best service for their clients from the available resources.
- A detailed medium term financial planning process.
- Identification of high risk budgets for more detailed monitoring.
- Detailed capital appraisal process which feeds into a three year capital strategy.
- Regular financial monitoring reports to managers indicating projected financial performance against budgets.
- Regular revenue budget monitoring reports to Cabinet.
- Regular capital budget monitoring reports to Cabinet.
- Specific exception reports in respect of capital and revenue issues to the Performance and Finance sub group.
- Officer delegated decisions in accordance with approved delegations, codes and policies, for example Treasury Management.
- Highly effective Internal Audit conforming to both Public Sector Internal Audit Standards and CIPFA's, Role of the Head of Internal Audit.
- Effective working relationships with the external auditor.

Ensuring the authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the role of the Head of Internal Audit (2010) and, where they do not explain why and how they deliver the same impact

58. The system of internal financial control is subject to regular review by both the Council's Internal and External Auditors who adhere to professional standards.

59. Line managed by the Section 151 Officer, the Head of Internal Audit (Audit Service Manager) has open engagement with and full access across senior management and Audit Committee.
60. Whilst the Audit Service Manager pulls together the Annual Governance Statement it is completed with the full engagement of senior management and key officers alongside the collation of data from all areas of the Council's activities.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

61. The Monitoring Officer function is set out in the constitution and there have been no changes in the delivery of the role.

Ensuring that effective arrangements are in place for the discharge of the head of the paid service function

62. The Head of Paid Service function is set out in the constitution and there have been no changes in the delivery of the role.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

63. The Council has in place an effective Audit Committee which is seen as a key part of providing assurance on the Council's overall system of internal control and corporate governance arrangements. They undertake the core functions of an audit committee as identified in CIPFA's Audit Committee – Practical Guide for Local Authorities and have a full work programme. They monitor the work of both internal and external audit and receive a range of other reports for scrutiny. An ongoing training programme has been put in place for all Audit Committee members to ensure they have the appropriate skills and knowledge to scrutinise and challenge the reports they receive. They also consider the annual report on the review of the effectiveness of the Council's system of internal audit.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

64. The Head of Legal, Strategy and Democratic Services and their team have a key role in ensuring compliance with the Constitution and issuing advice and guidance on new legal developments and compliance with current legislation. The unit is Lexcel accredited and has Legal Officers who specialise in specific areas of Council activity, for example Education, Social Care and Health, etc.
65. Officers in Legal and Democratic Services have a key role to play in helping to ensure that the principles enshrined in the Constitution (sustainable decision-making, robust scrutiny, the rules of natural justice, standards of conduct, efficiency, transparency and high standards of corporate governance) are delivered in practice through the Council's administrative process.
66. The Head of Finance, Governance and Assurance also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. The External Auditors also conduct an external audit of the Council's accounts.

Whistleblowing and receiving and investigating complaints from the public

67. Whistleblowing arrangements are in place and any irregularities identified will be investigated by Internal Audit or the appropriate officers within the Services. Guidance on 'Speaking up about Wrongdoing' which incorporates whistle blowing is distributed to staff, members and contractors electronically. Both a public and an employee policy are available on the internet and intranet. Details are also contained in employee handbooks and induction packs and the constitution.
68. All staff and members have been asked to complete on-line fraud awareness training and integral to this training, is advice on how to raise concerns through the whistle blowing channel.
69. Audit Committee are responsible for the monitoring and overview of the "Speaking up about Wrongdoing Policy" and receive the annual report.
70. The Internet has a dedicated site to inform the public of how to report suspected fraud issues and to raise awareness of how they too can avoid being a victim of fraud, corruption or bribery.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

71. Member development is delivered through a Community Leadership and Development Framework of blended learning structured enough to ensure good planning and flexible enough to remain dynamic. Focused on the following themes:
 - Induction programme for all members of Shropshire Council.
 - Essential training: which includes - safeguarding for both children and adults, code of conduct, recognising the corporate parent responsibility and single equality act awareness.
 - A programme of briefings information & support to help members fulfil their role safely and effectively, for example the Health Reforms, regulatory committee work, new ways of organisational working.
 - Specific individual development needs - assessed through development conversations between and with members' such as public speaking, dealing with difficult situations, speed reading.
72. Development needs for managers and staff continue to be identified via the Council's performance review system. A core skills development framework for all managers and staff is available and is delivered through a blended learning approach including on line learning, coaching and mentoring.
73. During 2013/14 a new Business Partner post for People Development has been introduced. The role of the Business Partner is to work closely with Heads of Service to identify team development needs in response to redesign activity and team restructures. Initial assessment of development needs results in a bespoke training programme being developed to meet team and individual needs. This approach enables us to measure impact of development activity more closely.
74. In response to business need, a 'New Shropshire Manager' profile has been developed. The key skills, knowledge and behaviours of our managers have been identified and a programme of development activity is available to support development needs. Commercialism, contract management and

commissioning skills are some of the key areas for development and a programme of training is available to support managers.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

75. Twenty eight Local Joint Committees (LJC's) meets formally at least twice a year across the county, with the opportunity for extra informal meetings where local people and issues require. They are made up of Shropshire councillors and Town and Parish councillors, all with an equal vote. The committees work with local people and organisations, involving them in decision making and holding public service providers to account. The committees strengthen the role of the existing town and parish councils and improve the quality of parish delivery and help to promote parish planning.
76. Each local committee has a delegated budget calculated on, 'a per' head of population together with a sparsity factor to acknowledge the rurality of the county. Financial procedures are in place with local decisions on priorities determined by the committee members.
 - The Council regularly consults on strategic decisions and service developments which in the past have been done through our People's Panel as well as specific and targeted consultation and engagement. The Council is reviewing opportunities to introduce a digital version of the People's Panel to support the effective delivery of its customer focused change programme. Examples where the People's Panel has been used include consulting on Shropshire partnership priorities, proposals for our council tax scheme, social media, and housing priorities. Focus group work has included public enforcement and protection services and meeting the Leader of the Council.
 - The future use of the People's Panel will include providing a quarterly view of the public's perception of how the Council is changing. This will be a feature of the Council's Performance Management Framework.
 - The Council undertakes consultation about changes to services, seeking to ensure that there is the opportunity for people who use services to understand what is happening, and to have their say to inform decision making. During 2013/14 the Council took forwards its work to change adult social care and respond to the changes that the personalisation agenda has introduced. Having undertaken conversations and consultation with partners, providers, people who use services and their families over recent years the decision was taken to begin a phased closure of day centres. The decision was challenged through the courts and in March 2014 the High Court judged that the Council had not completed the consultation it had started, by not discussing the closures with those directly affected, before progressing with the decision. In light of the importance of effective and lawful consultation as the Council changes the way it meets needs, it looked at its guidance for consultation during 2013/14 to support faster, transparent and effective decision making.
 - The Council has also introduced locality commissioning during 2013. This work starts with the data and requires consultation and engagement with the local community to provide the intelligence to compliment detailed reviews of systems and customer experiences. The findings are used to challenge service providers and commissioners, and enable informed decision making

about the need to and permission to change. Full locality commissioning activity has taken place in four market towns so far; Church Stretton, Wem, Oswestry and Shrewsbury.

77. In addition to the above there are a number of other ways in which the Council seeks views and consults with various groups such as:
- Forums: such as the Fairness, Respect, Equality, Shropshire (FRESH), Senior Citizens.
 - Taking Part: A group of adults with learning disabilities, supported by advocates that gives adults with learning disabilities the opportunity to influence service provision and development.
 - Youth Parliament: Local Democracy Week is held each October which encourages young people throughout the county to stand for election as a Member of Youth Parliament (MYP). Elections are held annually in January. Voting takes place in schools, colleges and community venues. All young people aged 13-19 are entitled to vote. The role of the MYP is to represent the views of young people in Shropshire. Each January young people vote on their top issues, the two most popular issues then form the basis for the MYP manifesto for the year. The MYP's also choose a regional issue to support.

Enhancing the accountability for service delivery and the effectiveness of other public service providers.

Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

78. The Council's governance arrangements in respect of partnerships and other group working are identified within the Constitution, Financial Rules and Corporate Performance Management Framework.
79. The Council's work in partnership and with other groups utilises aspects of the governance framework already in place, such as performance, risk and financial management processes.
80. A number of public health services transferred to the Council in April 2013 through which the Council works in conjunction with the local NHS and other services in the area to provide information and services to promote healthier lifestyles.
81. The Shropshire Compact is a set of shared principles and guidelines for effective partnership working between Shropshire's public sector bodies and the Voluntary and Community Sector (VCS). It acts as guidance to ensure shared understanding of responsibilities and obligations and work towards best practice in partnership arrangements. A Compact Group leads the work for the County. The Shropshire VCS Assembly also ensures the Compact is integrated into cross-sector policy and projects.
82. The Shropshire Voluntary and Community Sector (VCS) Assembly is well established as the voice of the VCS in Shropshire. The Assembly has around 300 members with a Board and 16 forums of interest. Forums of interest are groups of VCS organisations with a common interest; for example heritage, arts, disability, health, social care, housing, mental health, older people, etc.

The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities.

83. The VCS Assembly works to develop new policy and guidance designed to establish a common vision and set out new partnership approaches and expectations. Public sector representatives join the VCS Assembly Board regularly in addition to joint work through task groups.
84. A grant awarded to the VCS Assembly allowed three projects to be completed.
 - The development of Shropshire Providers Consortium (SPC). A Community Interest Company established to facilitate joint bidding for public sector contracts and funding opportunities. Membership is open to any member of the Shropshire VCS Assembly. There are now over 30 member organisations and many more eager to join. SPC has been in operation for twelve months and has exceeded the first year targets established within its three year business plan.
 - Support for the VCS Assembly's Forums of Interest to enable greater collaboration within the VCS and to encourage partnership working between sectors. Events, training, communication and other forms of support have been made widely available. The number of Forums has also increased as a result of the project.
 - The development of ShropShare provides a hub for socially responsible businesses to come together and work in partnership with local voluntary and community sector groups and organisations. Although only launched in October this year, membership is steadily increasing. Many local businesses are keen to offer their staff (through employee volunteering) and their skills and resources to help good causes.
85. Two Inspiring Partnerships and Enterprise (ip&e) companies, have been established, both wholly owned by Shropshire Council. These are ip&e Limited - a Teckal compliant company, predominantly delivering services to Shropshire Council, and ip&e Trading, a commercially trading company. To maximise value to the public purse, these two companies are set up in such a way that staff and resources within ip&e Limited can be seconded to ip&e Trading in order to deliver work for external customers.
86. The Council has established two business areas within ip&e Limited: 360 Communications is delivering a range of media, communications and marketing activity and a programme management and business design team, established from March 2014. Ip&e Trading will be able to trade with other organisations, and the Council will reinvest profit from both companies into service provision. The Chairman for ip&e Trading is the elected Leader of the Council. The Chairman of ip&e Limited is a Cabinet portfolio holder. Both Chairmen are supported by a board of directors, appointed by the Council's Cabinet in its role as company shareholder representatives. The Cabinet appoints ip&e's managing director – who is able to manage resources across both companies. The Council's Cabinet acts as shareholder on behalf of the people of Shropshire and ip&e Limited has a contract with the Council to provide services, together with specific service contracts for specific areas of business. This contract sets out what is expected of each party, including the funds that the Council will provide to ip&e Limited to deliver services. The company and the Council will agree a business plan each year to ensure that ip&e Limited is fulfilling its responsibilities under its contract with the Council. Ip&e Trading will

seek to establish partnerships with public, private, community and voluntary organisations.

87. Shropshire Towns and Rural Housing Ltd (ST&RH) took responsibility for the management of all 4,200 Shropshire Council owned homes in the Oswestry and Bridgnorth areas on the 1st April 2014. ST&RH manages the homes and neighbourhood - collecting rent, ordering repairs and making improvements to all housing with the Council retaining ownership of the homes. The 'management agreement' between the two parties sets out in detail the 'who-does-what' between the two organisations. It includes arrangements for checking how ST&RH performs to make sure high standards are maintained.

Review of Effectiveness

88. Shropshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the governance arrangements is informed by the work of the directors and senior management within the authority who have responsibility for the development and the maintenance of the governance environment, the Audit Service Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
89. All directors, area commissioners and senior managers have confirmed that, to their knowledge, internal control systems and governance arrangements are operating adequately in their areas and/or steps are being taken to address known areas of weakness. In addition the Head of Paid Service, Chief Financial Officer and the Monitoring Officer all contribute to the identification of any known areas of weakness to be addressed.
90. The Cabinet monitors the effectiveness of the internal control system via consideration of regular performance and financial information reports from the senior management. Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Each portfolio holder produces an annual report to Council on the performance in their area.
91. Scrutiny Committees have a role in the review of policies and their outcomes, development of new policies and in the performance of services. Scrutiny Chairs produce an annual report on the work of their panels. During 2013/14 the Council tested out a different model of enabling members to get closer to the change activity during the scrutiny of the business plans. Called Rapid Action Groups, they involved five non-executive members working with the relevant director and exploring specific change topics to understand the redesign and provide a critical friend challenge.
92. In addition, in the autumn, Scrutiny conducted examinations on the directorate business plans in the form of select committee style meetings to help scope the actions necessary to deliver the Council's objectives.
93. The Internal Audit Service complies with the requirements of the Public Sector Internal Audit Standards and continually works with managers in assessing the risk management, control and governance environment, enhancing processes where necessary. There is in place a risk based internal audit plan which

examines all key financial and managerial systems, endorsed by the Audit Committee. Internal Audit's objectives include:

- Independently providing assurance and an opinion to the Section 151 Officer, Audit Committee and the Council on the adequacy of the Council's risk management, governance and internal control environment and the extent that it can be relied upon.
- Recommending improvements in the effectiveness of risk management, control and governance processes.
- Working in partnership with our External Auditors ensuring effective audit cover and optimising available audit resources.
- Reviewing, appraising and reporting on the extent to which the Council's assets are accounted for and safeguarded from losses of all kinds arising from fraud and other offences, waste, extravagance and inefficient administration, poor value for money or other causes.
- Carrying out selected value for money reviews of the efficiency and economy of the planning and operation of the Council's functions.
- Providing a responsive, challenging and informative internal advice and consultancy service for committees and services.
- Undertaking any non-recurring studies as directed by the Section 151 Officer.
- Advising on or undertaking fraud investigation work, with the exception of benefit fraud in accordance with the Council's Fraud Investigation procedure, prosecutions policy and the disciplinary guide. In addition to participating in the National Fraud Initiative; and
- Periodically undertaking an audit needs assessment taking into consideration the authorities risk management process.

94. On the basis of the work undertaken and management responses received; the Audit Service Manager has qualified her overall opinion on the Council's internal control environment due to the increase in terms of numbers and direction of travel of the internal audit assurances provided on the IT infrastructure systems. Audit Committee have sought and received further explanation and appropriate assurance from management to address the issues identified by Internal Audit. Council application systems reviewed in 2013-14 were in the main given a reasonable or higher level of assurance, supportive that material application systems are generally well embedded, well administered and controlled. However, the IT infrastructure on which they operate presents a clear risk to service continuity. The issues identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their positive responses to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Authority's accounts and reliance can still be placed upon them for that purpose.

95. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee who supports the Audit Service Manager, that these issues are sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their plans to address the issues identified.

96. We also have been advised on the results of a review from Management Team that the arrangements generally continue to be regarded as fit for purpose in accordance with the governance framework. Where there are exceptions, for example the infrastructure IT systems that have received limited Internal Audit assurance opinions, as part of an on-going process of service improvement agreed recommendations are managed, monitored and reported upon. Where services have been identified as having fundamental or significant risks in the management controls, these are prioritised within the service area for mitigation. The resulting action plans are prioritised and implementation progress reported to the appropriate Head of Service who in turn reports progress weekly to the Director of Resources and Support. Progress on key system internal control areas is also being reported to Audit Committee. The significant areas to be addressed and activities for their management are outlined in the action plans later in this statement.
97. During 2013/14 all Shropshire Council's adult services, registered by the Care Quality Commission (CQC), were subject to either an announced or unannounced inspection. All services were deemed to be meeting each of the standards assessed (the highest possible outcome).
98. As part of the Council scrutiny process two elements of adult social care business were subject to a 'Rapid Action Group' focus. The groups focussed on 'personalisation' and the 'new operating model.' Recommendations from both pieces of work have been built into practice.
99. Health and Wellbeing Scrutiny received two reports as part of the preparing for the new and additional responsibilities that the Council will have as part of the care bill implementation.
100. Schools performance demonstrates: 62 per cent of Shropshire secondary schools judged by Ofsted to be good or outstanding; 70 per cent of pupils attending good and outstanding secondary schools; 78 per cent of Shropshire primary schools are judged to be good or outstanding and 80 per cent of Shropshire pupils attend primary schools judged to be good or outstanding. The Council is required to set out its action plan where a school is inspected and is determined by Ofsted to be in special measures. At the end of 2013/14 there were two secondary schools and six primary schools in a category to improve. All action plans that have been forwarded to Ofsted have been approved.
101. Ofsted undertook an unannounced safeguarding inspection in Shropshire on the 19th to the 28th November 2012. The overall judgment was 'Adequate', meaning that Shropshire meets the requirements in terms of quality of practice, leadership and governance and effectiveness of help and protection. The strong or good elements related to timeliness of assessments, the direction of travel and the good potential for Early Help arrangements. The areas for development were largely focussed on referral and decision-making processes. All recommendations have been addressed and reported to the Safeguarding Board and have continued to be improved. Shropshire's Children's Services are currently preparing for the new unannounced inspection of their services, under the new Ofsted framework which commenced nationally in 2013. Preparation continues through 2014.

102. Shropshire's children's homes: The Rowans, Chelmaren and Havenbrook, work in partnership to provide the best outcomes possible for Shropshire's 'Looked After Children'. In 2013/14 Ofsted judged the overall effectiveness of one home as 'Good', and the other two homes as 'Outstanding'. The homes incorporate the authority's objectives into team action plans and development plans; along with legislation and national guidance these form the basis of the service delivery. The homes have rationalised staffing levels and developed flexible working, which has contributed cost benefits to the service. Direct quotations from the latest Ofsted inspections include: 'Staff have an excellent understanding of young people's needs and safe working practices'. 'Young People develop very positive relationships with staff which underpins the outstanding levels of care and support they receive' and 'internal and external monitoring of the home takes place regularly...Reports appropriately review performance and identify areas for improvement'.
103. During 2013/14 only one inspection took place, out of a total of 39 Children's Centres. This received a judgement of 'Good,' for both overall effectiveness and capacity to improve. A new inspection framework is being implemented for 2014. We anticipate inspections under this new framework to take place in 2014.

Significant Governance Issues

The main challenge facing the Council is the delivery of services to acceptable standards whilst achieving budget savings of £41.5m in 2014/15 with an overall funding gap of £80m identified over the next three years whilst retaining adequate balances. To ensure we deliver this we will:

	Action	Lead Officer	Completion date
1.	Implement the first year of the Business Plan and Financial Strategy and deliver outcomes based on managing demand to deliver value for money through commissioning.	Clive Wright	March 2015
2.	Continue to review the Council's reserve to ensure a prudent and risk assessed level is maintained as the Council continues to operate within new funding mechanisms and with increased levels of uncertainty and risk over future funding reductions.	James Walton	June 2014
3.	Ensure that the staffing resources, given the changing shape of the Council, continue to remain skilled, knowledgeable and appropriate to deliver the Council's business plans.	Clive Wright	March 2015

	Action	Lead Officer	Completion date
4.	Improve our IT infrastructure to ensure it is fit for purpose, robust and PSN compliant to improve business continuity risks.	Nigel Bishop	March 2015
5.	Ensure robust business cases for any project involving redesign and new delivery models are properly constructed, appropriately consulted upon and scrutinised to ensure they meet the requirements of the Business Plan and Financial Strategy and are financially viable before any implementation decision.	Nicki Beardmore	On-going as they present themselves
6.	Develop a more cohesive and robust way of monitoring contracts as part of re-design of Shropshire Council functions.	George Candler	December 2014

104. The associated risks have been identified, remain under close review and will be continually managed throughout the year given how key they are to ensuring the continued delivery of our high quality services.

105. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader

Head of Paid Service

ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK 2013/14

ANNEX A

Governance Framework – Key Documents/Functions

- Communication Plan
- Constitution
- Shropshire Council Business Plan
- Schedule of Council Meetings
- Service Planning Guidance
- Portfolio Holder Statements
- Business Transformation Projects
- Statement of Community Involvement Strategy
- Harassment and Bullying Policy
- ICT Code of Practice for Employees
- Corporate Performance Management Framework
- Developing People Strategy
- Core values
- Council procedure rules
- Record of decisions
- Risk registers and control frameworks
- Code of conduct for members
- Members induction and training programme
- Code of conduct for employees
- Officer and member protocols
- Opportunity risk management strategy
- Register of interests
- Confidential reporting policy
- Counter-fraud, bribery and anti-corruption strategy
- Code of corporate governance
- Whistle blowing (Speaking up about wrongdoing) policy
- Capital Appraisal Process
- Information Governance Policy
- Procurement Strategy
- Contract Procedure Rules
- Financial Rules
- Medium Term Financial Plan / Budgets
- Treasury Management Framework
- Annual Statement of Accounts
- Diversity in Employment Policy
- Scheme of Delegation
- Delegations to Officers
- Business Continuity Management Plan
- Health and Safety Policy
- Complaints Process
- Voluntary and Community Sector Compact

Annual Governance Statement
Signed by the Leader of the Council and Head of Paid Service to accompany the Statement of Accounts

Independent review and approval by Audit Committee who examine draft AGS

Review of the Effectiveness of the system of Internal Audit

Authority, Directorate Policies and Service Policies, Business Plan and Risk Registers

Senior management with responsibility for drafting AGS after evaluating assurances and supporting evidence

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<p>Performance Management & Data Quality</p> <ul style="list-style-type: none"> • Embedded system • Operates throughout the organisation • Internal and external reviews • Action orientated • National/Local KPIs • Periodic progress reports • Corporate Performance Management Group • Data Quality Strategy 	<p>Risk Management</p> <ul style="list-style-type: none"> • Opportunity Risk Management Strategy • Embedded in planning processes and project/partnership methodologies • Effectiveness evaluated • Outcomes reported to Committee • Training Programme 	<p>Information Governance</p> <ul style="list-style-type: none"> • Corporate Information Governance Policy • Training Programme • Outcomes reported to Committee 	<p>Legal and Regulatory Assurance</p> <ul style="list-style-type: none"> • Monitoring Officer's reports • Sections of Committee Reports • Legal Advice 	<p>Members' Assurance</p> <ul style="list-style-type: none"> • Standards Committee (abolished 30.3.12) • Scrutiny Function 	<p>Assurances by Directors/ Senior Officers</p> <ul style="list-style-type: none"> • Annual Management Assurance Statements • Periodic Reports 	<p>Other Sources of Assurance (including third-party)</p> <ul style="list-style-type: none"> • Reports by Inspectors • Service Review reports • Fraud Reports and Investigations • Ombudsman reports • Post Implementation reviews of projects • Investors in People Accreditation 	<p>Financial Management</p> <ul style="list-style-type: none"> • Medium Term Financial Plan • Revenue Budget and Capital programme • Revenue and Capital Monitoring reports • Treasury Management • Schools Accredited under SFVS Standard • Statement of Accounts • Compliance with Codes of Accounting Practice • Statutory returns • Grant Claims 	<p>Internal Audit</p> <ul style="list-style-type: none"> • Operates under approved Charter • Approved risk based plans • Periodic and annual reports to Audit Committee, including Head of Audit's opinion • Public Sector Internal Audit Standards compliance assessment • External Review 	<p>External Audit</p> <ul style="list-style-type: none"> • Annual Plan Shropshire Council and the Pension Fund • Annual Governance Report • Annual Audit Letter • Certification Report • Audit Opinion and VFM conclusion • Updates and ad hoc reports to Audit Committee
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ON GOING ASSURANCE ON ADEQUACY AND EFFECTIVENESS OF CONTROLS OVER KEY RISK

Progress as at the 31 March 2014 on the 2012/13 Action Plan for implementation 2013/14

	Action	Lead Officer	Completion date	Activity completed (Yes/ No/ Partially)	Comments
1.	Review the Council's priorities following the elections to ensure we have a clear corporate Council plan/ vision linked to the Medium Term Financial Strategy to achieve the necessary savings from 2014/15 to 2016/17.	Clive Wright	September 2013	Yes	The Council Business Plan and financial Strategy 2014 to 2017 was reported to Cabinet in February 2014
2.	Implement a new approach to business planning based on delivering the new council priorities based on a bid for investment, assuming a zero base	Michael Hyatt	April 2014	Yes	The new approach to business planning was adopted and resulted in successful development of the Council's Business Plan and Financial Strategy as per Action 1, and its underpinning principles of redesigning everything we do based on demand.
3.	Improve the general reserve to a prudent level as the Council moves into new funding mechanisms with increased levels of uncertainty and risk over future funding reductions.	James Walton	June 2013	Partially	The latest Risk Assessed level of General Reserve for 2013/14 is £15.547m. The actual level of General Fund Balance at 31.03.13 was £6.820m and has improved to an estimated £14.497m at 31.03.14. In 2014/15 the Risk Assessed level increases to £18.513m with an estimated General Fund Balance at 31.03.15 of £13.817m (75% of target). However over the three years of the Medium Term Financial Plan it is estimated to have reserves at 100% of Risk Assessed level by 31.03.17.

	Action	Lead Officer	Completion date	Activity completed (Yes/ No/ Partially)	Comments
4.	Ensure that the staffing resources, given the changing shape of the council, remain skilled, knowledgeable and appropriate to deliver the Council's vision.	Clive Wright	April 2014	Yes	Workforce reductions are in place and services reconfigured to prioritise front line delivery, as set out in the Business Plan and approved in February 2014.
5.	Improve the delivery of our key transactional services in the areas of Human Resources, Finance and ICT to maximise efficiencies and effectiveness.	James Walton – finance Nigel Bishop –ICT	30 th October 2013	Yes Partially	<p>Finance Although key systems are not yet being delivered at the highest level of assurance, work has been undertaken over the last twelve months, with further work planned. There are now no unsatisfactory key systems and the direction of travel is positive in all areas. It is essential; however, that the improvements are monitored over the next six to twelve months to ensure all transactional services can demonstrate a good or reasonable level of assurance.</p> <p>ICT Significant activity is being undertaken in this area, including the ongoing programme of activity to address PSN compliance standards.</p> <p>An implementation plan is in place and work continues to ensure that the direction of travel is aligned with both strategic and line of business objectives and that this also provides the necessary assurance levels required.</p> <p>It is essential, however, that progress is monitored over the next six to twelve months and that all services demonstrate a good or reasonable level of assurance.</p>

	Action	Lead Officer	Completion date	Activity completed (Yes/ No/ Partially)	Comments
		Michele Leith – HR (Payroll)		Yes	<p>HR</p> <ul style="list-style-type: none"> • Electronic submission of data resulting in the removal of paper processes. • Reduces time lag for changes and up to date information on establishments. • Greater transparency for Head and business leads– improved control over expenditure. • MyView is fully integrated with the Council’s HR and Payroll system ‘ResourceLink’, thereby increasing the efficiency of data input and timeliness of information. <p>This functionality will initially be piloted within 20 schools. This will lead to the wider roll-out to all schools that opt to use these processes. Following this, the roll-out will then be extended council wide, enabling all managers to submit details on-line.</p>
6.	<p>Deliver outcomes based on demand to deliver value for money through commissioning especially in the areas of:</p> <ul style="list-style-type: none"> • Local commissioning • Children’s services • Adult services and • Ip&e and other delivery models 	Clive Wright	March 2014	Yes	The Business Plan and Financial Strategy approved in February 2014 are outcomes based. The Council plans to move our approach to commissioning forward in 2014/15.
7.	<p>Ensure robust business cases for any project involving new delivery models are properly constructed, widely consulted upon and professionally scrutinised to ensure they meet the requirements of the</p>	Nicki Beardmore	On-going as they present themselves	Yes	<p>There are processes in place that ensure business change and new delivery models are managed appropriately.</p> <p>There is a Commissioning Strategy drafted and out for consultation.</p>

	Action	Lead Officer	Completion date	Activity completed (Yes/ No/ Partially)	Comments
	<p>Medium Term Financial Strategy and are financially viable before any implementation decision.</p>				<p>There is a strategic contract between the council and ip&e that sets out the way in which they will work together.</p> <p>Key senior managers have responsibility for managing individual commissioning contracts.</p> <p>The STEP process ensures that transitioning services are managed in accordance with our agreed framework.</p>

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Committee and Date

Audit Committee

26 June 2014

10.00am

INTERNAL AUDIT ANNUAL REPORT 2013/14

Responsible Officer Ceri Pilawski
e-mail: ceri.pilawski@shropshire.gov.uk

Telephone: 01743 252027

1. Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2014. It reports on progress against the annual audit plan and contributes to the review of the effectiveness of the Internal Audit team as required by the Accounts and Audit Regulations 2011 6(3). It includes the Audit Service Manager's opinion on the internal controls, as required by the Public Sector Internal Audit Standards (PSIAS), which in turn contributes to the review of the effectiveness of the systems of internal control as required by the Accounts and Audit Regulations 2011 4(2).

Final performance has been good with 98% of revised plan days being delivered. This is in excess of the target to deliver 90% of the annual plan.

One hundred and twenty three good and reasonable assurances were made in the year, together with twenty four limited and seventeen unsatisfactory opinions. The 164 final reports contained 1,651 recommendations. Whilst the number of fundamental recommendations has risen significantly from one to 18; overall this represents 1% of the total number of recommendations made.

On the basis of the work undertaken and management responses received; the Audit Service Manager has qualified her overall opinion on the Council's internal control environment due to the increase in terms of numbers and direction of travel of the internal audit assurances provided on the IT infrastructure systems. Council application systems reviewed in 2013-14 were in the main given a reasonable or higher level of assurance, supportive that material application systems are generally well embedded, well administered and controlled. However, the IT infrastructure on which they operate presents a clear risk to service continuity. The issues identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their positive responses to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Authority's accounts and reliance can still be placed upon them for that purpose.

The Internal Audit service has conformed with the Public Sector Internal Audit Standards and conducted a self-assessment as part of the quality assurance programme which has confirmed that the Council continues to operate an effective Internal Audit function as part of the internal

control process. There are no areas where the Internal Audit function is not complying with the Code and whilst there are areas of partial compliance, these are not considered significant and do not compromise compliance with the code.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment;

- a) Performance against the Audit Plan for the year ended 31 March 2014.
- b) That the system of internal control is operating effectively and can be relied upon when considering the Annual Governance Statement for 2013/14.
- c) The Audit Service Manager's qualified year end opinion on the Council's internal control environment for 2013/14 on the basis of the work undertaken and management responses received.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures and is closely aligned to the Council's strategic and operational risk registers. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of its customers control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal control creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.
- 3.2 The next twelve months continues to see the need to deliver significant budget savings against the Council's development towards a commissioning authority, the delivery of services in ip & e and other delivery models, incorporating major changes to our services and processes that will impact on the internal control environment. The management of risk will be a key part to ensuring the continued delivery of our high quality services and the continued delivery of our Medium Term Financial Strategy incorporating significant saving programmes aligned to improved service delivery. Internal Audit will need to be resourced and skilled appropriately to continue to provide the appropriate level of advice and assurance on the effectiveness of the internal control environment during this period of high risk.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.
- 3.4 There are no direct environmental, equalities or climate change consequences of this proposal.

- 3.5 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be very positive.

4. Financial Implications

- 4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5. Background

- 5.1 This report is the culmination of the work of the Internal Audit team during 2013/14 and seeks to:

Provide an opinion on the adequacy of the governance arrangements;
Inform the review of an effective Internal Audit by providing performance data against the plan and comparatively, where available, with other Internal Audit providers; and
Provide a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme

These contribute to and inform the Annual Governance Statement by commenting on the nature and extent of significant risks.

- 5.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the Council to make arrangements for the proper administration of its financial affairs. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2011, in that “a relevant body must undertake an adequate and effective internal audit of its accounting records and systems of internal control in accordance with the proper practices in relation to internal control”.
- 5.3 The Public Sector Internal Audit Standards define the scope of the annual report on internal audit activity. The annual report should include an assessment as to the extent to which compliance with the Standards has been achieved. This annual report provides information to support that assessment and that an effective Internal Audit is established at the Council, in accordance with the requirements of the 2011 Accounts and Audit Regulations. Internal Audit’s compliance with the Standards is detailed within the report on the effectiveness of internal audit, also on this agenda. This is the first full year the service will be reported upon against these standards.
- 5.4 Internal Audit operates a strategic risk based plan. The plan is reviewed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk, this results in a comprehensive range of audits undertaken in the year, to support the overall opinion on the control environment. The plan contains a contingency provision which is utilised during the year to respond to unforeseen work demands that may arise, i.e. special investigations, advice and the introduction of new high risk areas.

Annual Internal Audit Opinion from 2013/14 Internal Audit Work

- 5.5 It is the responsibility of Shropshire Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under the Public Sector Internal Audit Standards, to form an opinion on the Authority's overall control system. This opinion plays a key part in informing the Authority's Annual Governance Statement and enabling the Audit Committee to deliver their annual assurance statement to Council.
- 5.6 The results of individual audits, when combined, form the basis for the overall opinion on the adequacy of the Council's internal control systems. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that absolute assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls on the basis of the work undertaken. In assessing the level of assurance to be given, I have taken into account:

The work undertaken on the fundamental financial systems has revealed three limited assurance opinions to date compared to five limited and one unsatisfactory opinion previously demonstrating improved direction of travel.

From other planned audit work undertaken during the year, weaknesses have been identified in the environmental control environment of the Council's IT which includes project management, system knowledge, asset management, hardware replacement, server consolidation and business continuity.

- 5.7 These assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

On the basis of the work undertaken and management responses received; the Audit Service Manager has qualified her overall opinion on the Council's internal control environment due to the increase in terms of numbers and direction of travel of the internal audit assurances provided on the IT infrastructure systems. Council application systems reviewed in 2013-14 were in the main given a reasonable or higher level of assurance, supportive that material application systems are generally well embedded, well administered and controlled. However, the IT infrastructure on which they operate presents a clear risk to service continuity. The issues identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their positive responses to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Authority's accounts and reliance can still be placed upon them for that purpose.

Key Assurances provided during 2013/14

- 5.8 Audit assurance opinions are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

5.9 In total 164 final reports have been issued in 2013/14, these are broken down by service area in the table below. Fourteen draft reports have been issued which we were awaiting responses to at the year end, these will be included in 2014/15 figures.

Final audit report assurance opinions issued in 2013/14

Service area	Good	Reasonable	Limited	Unsatisfactory	Total
Adult Services	27	33	7	1	68
Business Growth and Prosperity	2	2	0	1	5
Business Performance Management	0	1	0	0	1
Care and Involvement	4	1	2	2	9
Children's Services	2	16	6	3	27
Commissioning	5	9	2	0	16
Democratic and Election Services	1	1	0	0	2
Finance, Governance and Assurance	5	4	3	0	12
Human Resources	0	2	0	1	3
Programme Management, Systems and Transition	4	4	4	7	19
Public Protection	0	0	0	2	2
Total for 2013/14 numbers	50	73	24	17	164
percentage	30%	45%	15%	10%	100%
Percentage 2012/13	31%	56%	12%	1%	100%

5.10 One hundred and twenty three good and reasonable assurances were made in the year amounting to 75% of the opinions delivered. This shows a 12% decline in the higher level of assurance compared to the previous year, offset by a 12% increase in limited and unsatisfactory opinions. Seventeen unsatisfactory opinions and twenty four limited assurance opinions were issued, 25% in total compared to 13% last year. In each case positive responses have been received by management and will be followed up next year to determine whether satisfactory improvements have been made.

5.11 Six limited assurance opinions have been issued since the third quarter Audit Committee report, these are listed below and the full list of audit reviews receiving limited opinions are detailed in **Appendix A**:

- 39 Riverdale Group Home 12/13
- 39 Riverdale Group Home
- Monkmoor Court Group Home
- Prees CE (Controlled) Primary School
- Welshampton C E Primary School
- Sales Ledger

5.12 Eight unsatisfactory opinions have been issued since the third quarter Audit Committee report, these are listed below and below and the full list of audit reviews receiving unsatisfactory opinions are detailed in **Appendix A**:

- Fairfield Group Home
- Cleobury Mortimer Primary School
- Oakmeadow CE Primary and Nursery School
- Children’s Direct Payments / Personalisation
- Asset Management Strategy
- Project Management-Adequacy of Arrangements
- Hardware Replacement Programme
- Physical and Environmental Controls

In all of these areas positive management responses have been received to implement the recommendations made which we will follow up in 2014/15.

5.13 Within the Audit Plan there are twelve reviews that are categorised as fundamental, high risk business critical systems. In addition, these reviews complement the work of our external auditors and help to avoid unnecessary duplication of work between the two audit services. Given their high risk and their importance to the business the areas are audited annually and have a strong influence in informing our Annual Governance Statement. The work of internal audit on key financial (fundamental) systems is required to cover transactions across the whole of the financial year. Therefore, it is not uncommon for draft reports to be in progress at the year end and therefore not included in the summary of final reports issued in the table above.

5.14 A summary of the level of assurance for each fundamental review area together with the number of recommendations made is shown in the table below.

Audit opinion and recommendations made on fundamental systems 2013/14

Fundamental system	Level of assurance given	Number of recommendations made			
		BP	RA	S	F
Housing Rents (draft issued after 31/03/14)	Reasonable	0	15	4	0
Purchase Ledger (in draft 31/3/14)	Limited	0	13	12	0
Sales Ledger	Limited	0	14	9	0
General Ledger (draft issued after 31/03/14)	Good	4	2	0	0
Income Collection	Good	0	9	0	0

Fundamental system	Level of assurance given	Number of recommendations made			
		BP	RA	S	F
Payroll System (in draft 31/3/14)	Limited	0	10	18	0
Council Tax (in draft 31/3/14)	Reasonable	0	5	4	0
NNDR Collection (in draft 31/3/14)	Reasonable	0	15	1	0
Housing Benefits (in draft 31/03/14)	Reasonable	0	3	3	0
Treasury Management	Good	0	1	0	0
Capital Accounting System	Good	0	1	0	0
Risk Management	Good	0	0	0	0

- 5.15 Of the 12 fundamental systems audits, five are assessed as good; four as reasonable and three have limited opinions. There has been a slight improvement on last year's position with Income and General Ledger improving from limited to good; Payroll from unsatisfactory to limited and Housing Benefits from limited to reasonable. Whilst Council tax has dropped from good to reasonable.
- 5.16 Purchase Ledger and Sales Ledger systems continue to receive a limited opinion for the third year running. Opinions have been limited since the initial transfer of these transactional systems to Shared Services.
- 5.17 Management have provided positive responses to address the issues identified and the main areas of weakness identified appear in the table below:

Purchase Ledger	There has been limited progress in respect of the implementation of previous recommendations. Internal control weaknesses agreed with management for action and improvement include the following areas: the review of outstanding credit notes; changes to supplier details requiring management review; authorised signatory records should be up to date and invoices only processed if signed by an authorised individual. In addition, further work is required on the identification and recovery of duplicate payments not covered by the "Twice2Much" project and informing managers of learning in order that the risk of future duplicate payments is further reduced; there is a need to restrict access to authoriser functions and remove access to inactive user accounts. Ensuring that CHAPs payments are checked for authorisation prior to processing.
Sales Ledger	There has been limited progress in respect of the implementation of previous recommendations. Internal control weaknesses agreed with management for action and improvement include: the need to comply with financial rules in respect of credit note authorisation and write off including keeping authorised signatory records up to date; reviewing the write-off process for items under £100 to ensure that Council income is collected in a low risk and economic manner; that officers identify and allocate unallocated income in a timely manner. Introducing a system to advise budget holders of non-payment; introducing formalised debt recovery procedures and policies; and a review of key performance indicators and controls to pursue aged debtors for recovery.

Payroll	<p>There has been good progress in respect of the implementation of previous recommendations. Internal control weaknesses agreed with management for action and improvement include: regular review of the spreadsheet held in respect of the transfer of personal and sensitive data; ensuring the operational risk register is maintained up to date at all times; regular review of the overpayments data to ensure that recoveries are appropriately controlled; authorised signatory records up to date. All service areas are notified of the procedures for using the “EMP” supplier prefix and the potential implications failure.</p> <p>In addition, the audit also reviewed the service provision in respect of an external client which identified specific controls for action and improvement including: full guidance notes and procedures notes in place on processing the external payroll; ensuring post holders have the appropriate skills or access to relevant training; processes are in place to identify employees on unpaid leave, half pay or similar arrangements to ensure payroll correct; controls should be in place to ensure all instructions logged and processed in a timely manner; alterations to the payroll are appropriately authorised; the format and content of management reports are agreed with the client. As a result of the weaknesses identified a recommendation has been raised to review the robustness of controls in respect of other external payroll clients.</p>
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5.18 Audit recommendations are also an indicator of the effectiveness of the Council’s internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

5.19 Recommendations are rated in relation to the audit area rather than the Council’s control environment, for example, a control weakness deemed serious at one school which results in a significant or fundamental recommendation would not affect the Council’s overall control environment, unless it was affecting all schools. Similarly, a number of significant recommendations in a small number of areas would not result in a limited opinion if the majority of areas examined were sound, consequently, the number of significant recommendations in the table below will not necessarily correlate directly with the number of limited assurance opinions issued in above. Fundamental recommendations resulting from a control weakness in the Council’s control environment would be reported in detail to the Audit Committee.

5.20 A total of 1,651 recommendations have been made in the 164 final audit reports issued in the year; these are broken down by audit area in the table below together with the percentages for the previous year for comparison.

Audit recommendations made in 2013/14

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Commissioning	33	142	47	0	222
Public Protection	1	31	23	0	55
Business Growth and Prosperity	2	47	27	0	76
Business Performance Management	0	4	0	0	4
Programme Management, Systems and Transition	5	59	109	9	182
Finance, Governance and Assurance	8	74	22	1	105
Democratic and Election Services	3	8	2	0	13
Human Resources	5	13	5	1	24
Care and Involvement	4	36	36	1	77
Adult Services	82	189	61	0	332
Children's Services	102	334	119	6	561
Total for year numbers	245	937	451	18	1,651
percentage	15%	57%	27%	1%	100%
Percentage 2012/13	23%	57%	20%	-	100%

5.21 The percentage of significant recommendations has risen compared to last year with a corresponding fall in best practice recommendations. Whilst the number of fundamental recommendations has risen significantly from one to 18; overall this represents 1% of the total number of recommendations made. Fundamental recommendations were made on the following audits:

- Cleobury Mortimer Primary School
- Purchasing and Contract Arrangements 2012/13
- The Family Solutions Programme (Grant Funded)
- Pool Cars
- Fuel and Expenses VAT Recovery
- Income Collection 2012/13
- Project Management-Adequacy of Arrangements
- Hardware Replacement Programme
- Physical and Environmental Controls
- Business Continuity / Server Consolidation
- iSupport HR Forms Processing
- Primary Cash Collection 2012/13

5.22 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. With the exception of annual audits where recommendations are revisited as a matter of course; recommendations are followed up after six months by obtaining an update from management on progress made. There has been a slight fall in the percentage of recommendations rejected. A total of 13 recommendations equivalent to 0.8% of all recommendations made have been rejected

by management (compared to 0.9% in 2012/13). All rejected recommendations have been discussed with the managers concerned and the reasons for rejection accepted.

- 5.23 The work undertaken on the fundamental financial systems has revealed three limited assurance opinions compared to five limited and one unsatisfactory opinion previously. This demonstrates a decrease in terms of numbers and an improvement in the direction of travel of the principle financial systems receiving such assurances.
- 5.24 Given the significance of the IT infrastructure controls in supporting the Council's fundamental, including financial systems, I consider these issues sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their positive responses to address the issues identified. Whilst identifying these control weaknesses and highlighting them to management, there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Authority's accounts and reliance can still be placed upon them for that purpose. These issues are reflected in the Annual Governance Statement as a specific action for improvement and plans have already been adopted to manage the outstanding concerns.

Audit Performance

- 5.25 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards, benchmarking the service against others in the sector and evaluating improvements made over the last twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee's delivery of its responsibilities and direct from customers as they provide responses to surveys sent out after each audit.

Performance against the plan

- 5.26 The team has achieved 98% of the revised plan (86% of the original plan) which is in excess of the target to deliver 90% of the plan at the year end. Performance to the end of 2013/14 is summarised by Service Area in the following table. **Appendix B** provides a more detailed summary.

Summary of actual audit days delivered against plan 2013/14

	Original Plan	January Revised	March Actual	% of Original Complete	% of Revised Complete
Chief Executive	16	18	14.1	88%	78%
Commissioning	205	229	219.9	107%	96%
Resources and Support	635	525	490.1	77%	93%
Adult Services	204	173	168.4	83%	97%
Public Health	28	8	0.1	0%	1%
Children's Services	242	212	247.2	102%	117%
Shropshire Council Planned Work	1,330	1,165	1,139.8	86%	98%
Contingencies & Other Chargeable Work	672	817	807.4	120%	99%

	Original Plan	January Revised	March Actual	% of Original Complete	% of Revised Complete
Total for Shropshire	2,002	1,982	1,947.2	97%	98%
External Clients	244	236	240.0	98%	102%
Total Chargeable	2,246	2,218	2,187.2	97%	99%

5.27 Members will recall that it was necessary to revise the plan three times in the year due to resourcing changes as follows:

September Adjustment to the level of resources available due to securing trainee accountant on a twelve month secondment. Increase in the fraud and unplanned contingency resulted in cuts to lower risk planned work and transformation work which was running far lower than originally anticipated in the first four months.

December Changes to the plan to reflect increased levels of special investigation and transformational work.

February Continuing high levels of special investigation work coupled with initial effects of the Voluntary Redundancy programme necessitated further changes to the plan resulting in a reduction of 38 days in total. Changes to the plan to reflect increased levels of special investigation work.

Special investigation work has dominated the year, fraud work and other management investigations have taken 321 days, nearly 50% more than the original allocation. In 2012/13 456 days were spent on investigation work, nearly three times the original allocation. Time spent on special investigations has reduced the amount of time that could be delivered on counter fraud work, but limited activity has been delivered including a review of additional hours worked and checks of qualifications on the appointment of new staff. No major issues were identified and learning from the exercises was fed into the payroll audit.

5.28 We continue to make a significant investment and valuable contribution to the transformation agenda, giving advice and assurance on the implementation of a number of key projects such ip&e.

5.29 We have completed all the work for our external clients.

Reporting

5.30 All Internal Audit work is reviewed by an audit senior to ensure it complies with Internal Audit's standards and that recommendations made are practical and supported by the work undertaken before any audit reports are issued. This is seen as a fundamental part of ensuring audit quality and that clients receive reports which are both informative, useful and add value to their work processes and procedures.

5.31 All audit assignments are subject to formal feedback to management. Draft reports are issued to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to relevant officers. Follow up reviews capture evidence of implementation of recommendations.

Compliance with Public Sector Internal Audit Standards (PSIAS)

5.32 We conduct an annual self-assessment of our compliance against the Public Sector Internal Audit Standards. An external assessment is required within five years of April 2013 and is presently proposed for nearer 2017 given the amount of change the Council and Internal Audit service may go through in the interim. The self-assessment forms part of another report on this agenda: Annual review of the effectiveness of Internal Audit 2013/14.

Benchmarking

5.33 Benchmarking is an important method for comparing performance across councils providing similar services. Internal Audit has been a member of the CIPFA Audit Benchmarking Club since its inception. The information it provides is invaluable in helping us to check our performance against our peers and best in class.

5.34 The exercise is conducted annually and provides data comparisons in respect of costs, audit coverage, staffing, and performance over time and compares Shropshire's data with its quartile equivalents for the tier of authority.

5.35 With any benchmarking data some caution with interpretation should be exercised, the CIPFA Benchmarking Club is well established and has been considerably refined and improved since its inception so it is recognised as being a reliable set of comparative performance indicators.

5.36 The draft benchmarking data for 2014 is available the key results of which are included in the following table. The final report will be circulated to all members on its receipt.

Key Indicator	Shropshire		Unitary Average	
	Days per Auditor	Cost per Day	Days per Auditor	Cost per Day
Actual 2011/12	174	£274	171	£313
Actual 2012/13	170	£290	174	£317
Draft Actual 2013/14	170	£331	180	£304
Estimate 2014/15	187	£332	183	£305

5.37 The number of available days is static to last years and is slightly lower (6%) than the average of other unitary authorities, whilst our cost per day for last year is nine per cent higher. Both of these factors can be attributed to a number of issues that occurred last year:

- Two additional days leave was given to all staff over the Christmas break which took 30 days out of the plan on top of the 30 days leave already provided as extra over this period;
- Sickness was high, down to an individual case;
- Time was spent on managing the performance of an employee and as a result, audits took longer as well;
- Overheads are increasing as there are less staff to spread the residual costs over which have not reduced e.g. accommodation;
- The team continued to invest in training to ensure that our staff remain up to date to deliver a high level of service against the future challenges and associated risks the authority is facing. Three staff completed their CIPFA, CIMA and MIIA qualifications.
- The team buys in extra resources from contractors following a procurement exercise, the benefits of which are to supplement its delivery and remain flexible in these changing times however, there is an overhead associated with this in respect of increased management of the contract and review times on audits.
- Only 38 authorities have taken place in the exercise this year, there were fifty last year and therefore the sample that we are compared to is different.

5.38 In 2013/14 audit coverage on IT, schools and establishments showed a slightly higher than average application of resources. This is not unexpected and reflects the present risks of the Council. In addition, a number of authorities have lost significantly more schools to academy status compared to Shropshire where the schools are moving at a slower rate. Our counter fraud and investigation remains over twice the unitary average but is no surprise given the number of cases undertaken last year. It is pleasing to note that we achieved a 27% level of prosecution/sanction outcome from our investigations compared to the unitary average of 29%.

Quality Assurance/Customer Feedback Survey

5.39 A customer feedback survey form is sent out with the majority of audits completed. These provide feedback on the quality of the service and play a key part in ensuring audit work meets our client expectations and the quality of audit work is maintained. The percentages of excellent and good responses for the last four years are detailed in the table below.

Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2010/11	2011/12	2012/13	2013/14	Direction of Travel
Pre-audit arrangements	93%	98%	97%	96%	↓
Post-audit briefing	94%	96%	99%	93%	↓
Audit coverage/scope of the audit	99%	100%	99%	95%	↓
Timeliness of production of report	84%	95%	94%	90%	↓
Accuracy and clarity of report	88%	99%	96%	94%	↓
Practicality of recommendations	84%	93%	84%	82%	↓
Professionalism of approach	99%	100%	99%	97%	↓

Communication skills	97%	99%	99%	97%	↓
Timeliness, competence, manner	99%	100%	97%	91%	↓
Number of forms returned	92	84	96	77	

- 5.40 Whilst results this year demonstrate a slightly negative direction of travel, the overall percentages remain high. The practicality of recommendations continues to score in the low eighties, increasingly client as are finding that resources are limiting their choices and delivery of recommendations which is reflected in this score. All recommendations are discussed and agreed by managers who have the opportunity to inform on their practicality and manage this against the risks the business is willing to accept. This does not mean that the team are complacent; auditors will still work to improve on both their own skills and the experience for the customer. The information is used both to inform the team of improvements required and at annual performance reviews to identify future development focus relating to individual skills or competences and overall we will strive to maintain and build upon these levels of satisfaction.
- 5.41 During the last year a number of compliments and comments have been received in respect of the audit service from both questionnaires and directly, these appear in **Appendix C**. The vast majority of comments have been very positive reflecting the hard work the team devote to establishing a good professional relationship with our clients. All critical comments are followed up with the author to identify where lessons can be learnt and improvements made.

Review of the effectiveness of Internal Audit work by the Audit Committee

- 5.42 The Council has a well-established Audit Committee, which operates in accordance with best practice. Its terms of reference and associated working practices are aligned with those suggested by CIPFA and are reviewed annually. Its members receive regular training on the role of the committee and how they can best support this, as well as the roles of internal and external audit. It undertakes an annual self-assessment exercise and seeks to improve the way in which it operates and has most recently done this in February 2014.
- 5.43 The Committee provides an Annual Assurance Report to Council to summarise its work and opinion on internal controls. This report is also located on this agenda.
- 5.44 The Council's Audit Committee considers external and internal audit reports and the Committee requests management responses to any significant issues reported, including reporting the progress made in implementing audit recommendations. Senior officers have attended the Audit Committee to provide management responses in relation to a number of reports. Examples of audit work and remedial action that have been scrutinised by the Audit Committee include reports on council tax and national non domestic rates, benefit overpayments, current aged debtors, duplicate payments, Shropshire Hills Discovery Centre and ip&e programme management and governance.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Draft Internal Annual Audit Plan 2013/14 - Audit Committee 27 March 2013

Internal Audit Plan 2013/14 – Performance Report - Audit Committee 19 September 2013

Internal Audit Plan 2013/14 – Performance Report - Audit Committee 5 December 2013

Internal Audit Plan 2013/14 – Third Quarter Report - Audit Committee 13 February 2014

Public Sector Internal Audit Standards (PSIAS).

Accounts and Audit Regulations 2011.

Various internal documents supporting self-assessment against the PSIAS.

Audit Management system.

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member: All

Appendices

Appendix A – Limited Audit Opinions issued in 2013/14 and unsatisfactory Audit Opinions issued in 2013/14

Appendix B - Audit plan by group and service – annual report 2013/14

Appendix C - Summary of compliments and comments 2013/14

LIMITED AUDIT AND UNSATISFACTORY OPINIONS ISSUED IN 2013/14

LIMITED

Housing Benefits 2012/13
Income Collection 2012/13
Purchase Ledger 2012/13
Sales Ledger 2012/13
Housing Management 2012/13
Purchasing & Contract Arrangements 2012/13
St Georges Primary School 2012/13
11 St Georges Street, Shrewsbury Group Home 2012/13
Contract for Leisure Centres
Northgate - Revenues and Benefits Application
Database Access/ Admin/ Management
SAMIS
Rushbury Primary School
Primary Cash Collection 2012/13
The Family Solutions Programme (Grant Funded)
Patchworks Comforts Fund
Copperfield Drive Group Home 2012/13
Oak Farm Ditton Priors Trading Account
39 Riverdale Group Home 12/13
39 Riverdale Group Home
Monkmoor Court Group Home
Prees CE (Controlled) Primary School
Sales Ledger
Welshampton C E Primary School

UNSATISFACTORY

Payroll System 2012/13
CIVICA Environmental Health System Application Review
iSupport HR Forms Processing
Printing Services
Discovery Centre- Craven Arms
Business Continuity / Server Consolidation
Fuel and Expenses VAT Recovery
Licensing
Pool Cars
Fairfield Group Home
Cleobury Mortimer Primary School
Oakmeadow CE Primary and Nursery School
Children's Direct Payments / Personalisation
Asset Management Strategy
Project Management-Adequacy of Arrangements
Hardware Replacement Programme
Physical and Environmental Controls

AUDIT PLAN BY GROUP AND SERVICE – ANNUAL REPORT 2013/14

	Original Plan	January Revised	March Actual	% of Original Complete	% of Revised Complete
CHIEF EXECUTIVE					
Governance	16	18	14.1	88%	78%
COMMISSIONING					
Director of Commissioning					
Leisure	41	31	31.2	76%	101%
Area Commissioner Central					
Housing Services	48	67	71.3	149%	106%
Area Commissioner South					
Highways and Transport	31	35	28.2	91%	81%
Passenger Transport	4	7	7.2	180%	103%
	35	42	35.4	101%	84%
Public Protection					
Environmental Health	14	10	9.7	69%	97%
Licensing	10	16	16.4	164%	103%
	24	26	26.1	109%	100%
Business Growth and Prosperity					
Enterprise and Business	22	16	10.5	48%	66%
Old Market Hall, Shrewsbury	4	5	5.0	125%	100%
Visitor Economy	5	14	11.5	230%	82%
Planning and Corporate Policy	12	18	18.4	153%	102%
Development Management	14	10	10.5	75%	105%
	57	63	55.9	98%	89%

COMMISSIONING	205	229	219.9	107%	96%
RESOURCES AND SUPPORT					
Business Performance Management	8	7	7.0	88%	100%
Programme Management, Systems and Transition					
Shared Services - Management	10	16	16.3	163%	102%
Shared Services - ICT Implementation and Architecture	38	39	31.9	84%	82%
Shared Services - ICT Operations	72	57	51.8	72%	91%
Shared Services - Finance	40	40	38.4	96%	96%
Shared Services - Human Resources	32	25	29.1	91%	116%
Shared Services - Shire Services	30	14	6.4	21%	46%
	222	191	173.9	78%	91%
Finance, Governance and Assurance					
Risk Management	5	5	4.7	94%	94%
Financial Advice (S.151)	65	41	40.3	62%	98%
Financial Management	65	58	27.3	42%	47%
Treasury and Exchequer	45	46	39.9	89%	87%
Procurement	44	43	52.6	120%	122%
	224	193	164.8	74%	85%
Democratic and Election Services					
Democratic and Election Services	11	11	26.2	238%	238%
Information Governance	9	12	14.0	156%	117%
	20	23	40.2	201%	175%
Human Resources					
Payroll and Human Resources	24	23	13.9	58%	60%
Care and Involvement					
Benefits	32	33	33.0	103%	100%
Customer Services	9	0	0.1	1%	
Revenues Manager	45	35	34.9	78%	100%
Estates and Facilities	51	20	22.3	44%	112%
	137	88	90.3	66%	103%

RESOURCES AND SUPPORT	635	525	490.1	77%	93%
ADULT SERVICES					
Operations					
Long Term Support	104	58	31.1	30%	54%
Comforts Funds	30	38	45.0	150%	118%
Group Homes	57	65	79.8	140%	123%
Trading Accounts	13	12	12.5	96%	104%
ADULT SERVICES	204	173	168.4	83%	97%
PUBLIC HEALTH	28	8	0.1	0%	1%
CHILDREN'S SERVICES					
Learning and Skills					
Business Support	18	7	7.9	44%	113%
Primary /Special Schools	126	127	153.4	122%	121%
Secondary Schools	37	30	34.3	93%	114%
Lifelong Learning	15	1	0.5	3%	50%
	196	165	196.1	100%	119%
Children's Safeguarding					
Children's Placement Services and Joint Adoption	46	47	51.1	111%	109%
CHILDREN'S SERVICES	242	212	247.2	102%	117%
Shropshire Council Planned Work	1,330	1,165	1,139.8	86%	98%
Contingencies & Other Chargeable Work					
Fraud Contingency	218	320	320.9	147%	100%
Transformation Projects	100	50	45.1	45%	90%
Advisory Contingency	20	20	18.5	93%	93%
Unplanned Work	49	115	101.6	207%	88%
Other non-audit Chargeable Work	285	312	321.3	113%	103%
Contingencies & Other Chargeable Work	672	817	807.4	120%	99%
Total for Shropshire	2,002	1,982	1,947.2	97%	98%
Total External Clients	244	236	240.0	98%	102%
Total Chargeable	2,246	2,218	2,187.2	97%	99%

Summary of compliments and comments 2013/14

1. "Auditor was willing to arrange timing to coincide with a period where workload enabled things to be discussed properly. Audit was being undertaken during a period of considerable change for partnership governance. Auditor was therefore very practical in reviewing areas that would enable outcomes to be used in future arrangements and avoided areas that were not likely to continue operating."
2. "Was not aware of audit taking place on that day. Was arranged by a 3rd party. Would recommend confirmation with the manager before appointment is confirmed. However, adapted on the day and got it done."
3. "I fully appreciate that there were a number of difficulties experienced within the Audit Team during the course of the audit. This has impacted on the ratings I have felt able to provide on this occasion. I do however appreciate that the circumstances were difficult to manage and that these were exceptional circumstances."
4. "A pre-audit checklist would be useful to ensure appropriate preparation coupled with unannounced visits to monitor compliance. The level of support audit provides will be dependent on the frequency of visits and any changing requirements linked to service redesign."
5. "The audits you conduct are always helpful to the service, as they form an action plan which helps us to improve our practice".
6. "I believe that the audit report was delayed because of absence. We have created our own action plan and are covering the recommendations methodically. During the audit your staff would have become aware of areas that our administration staff are not confident with. They would also have become aware of systems that could be more organised to help with time and efficiency. Not all of these were covered in the audit report as they cover general office management. Your team may be aware of good practice in other schools or training that is available. Recommendations for support / training / someone who can come in and help staff update the office would be helpful. The examples sent to us were very useful."
7. "I am pleased that we have incorporated this important piece of work."
8. "The audit was conducted in a very professional, efficient and friendly manner with total consideration for the daily work of the school. All areas of the audit were relevant and the team took time to engage with staff to fully understand systems, working practices etc. The report findings were accurate and the recommendations were both meaningful and welcome. Areas contained within the report with which the school sought clarification, were resolved quickly and amicably. In conclusion, a very valuable exercise and suffice to say that Audit are and will continue to be made welcome."
9. "Whilst here, the Auditor was very friendly and made us feel at ease in the beginning. However, we were offered no guidelines as to how we should answer the points raised and rather than being shown, a complaint was made to a Senior Manager that 'the Manager here was naive and didn't have a handle on some of the processes at all'. We

totally agree with the latter as the manager was new, had only been in post a couple of months and was trying to solve 92 points on an audit which arose from the time of the previous manager and there was no cross over between the two. The current manager had never seen an audit before and was unsure how to reply in the correct 'wording' that was acceptable by audit. The manager would have been pleased to have had this advice given to her directly, and, perhaps going forward, it might be an idea to have a guide to show how to reply. If such a guide already exists no one was made aware of it. The manager and other members of staff involved all felt that, as the process progressed that the relationship was almost adversarial. It was felt that we were trying to be 'caught out' rather than supported."

10. "I was sorry that I was unable to spend more time with Louise. We had staff shortages which meant I was busy doing hands on work. In hindsight it may have been better for me to have cancelled the audit. Please pass on my apologies. Louise was very understanding."
11. "Louise was very approachable and helpful to myself and colleagues. Due to staff changes we were unsure of the systems to put in place to manage the tuck shop, Louise was very patient and gave us some advice, she clarified information for us and made us feel at ease."
12. "The audit took place when we had been very short staffed in the office for a couple of months. As a result I was covering both SBM and administrator roles, with invariably some slippage. Overall I am confident that most of these issues are now rectified."
13. "I was not able to attend this audit due to other commitments; it would be much more helpful if we were given more notice. I do not think it is a good idea to ask your questions over the phone after an audit, in the future I will ask for the audit to be postponed until I can attend at least part of it."
14. "A pleasure to work with Emily. She is so polite, has a great deal of common sense and a good understanding of leisure which makes the process a lots more tolerable."
15. "We thank Shelley Hudson for her work in auditing our financial processes and practice at school. We are keen to develop good practice and take note of the recommendations. We particularly appreciate the fact that she came into school to go through the report with us personally and to explain (translate) the terms and phrases used in the report. She was very clear and informative about the significance behind the recommendations. Thank You."
16. "I think audit staff should be given more time to gain good background info on the service they are auditing. If decision making had had a full audit this would have been beneficial, as it feeds into our government return. Please thank Shelley for her patience and understanding some of the stresses of our service."
17. "I think the whole process requires an overhaul given the amounts of change that has happened in the last 12 months to make the audit more relevant and meaningful. I did feel a little frustrated this time around in that I used the process by offering up concerns/controls where I felt that had been weakened as a mechanism to help support processes and resources within my team. To lose a significant amount of experience and resources during the 12 months, you can expect to weaken controls, but then once

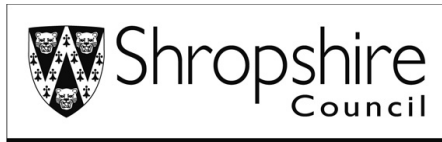
identified as part of the report, there was little support at a senior level in acknowledging that we had been proactive in a way that was designed to protect the authority.”

18. “Please note the reasonable mark in the timeliness of the audit to your business process – this is because spring and early to mid-summer terms are our busiest terms, so the availability of SFOs would be limited, however, Shelley conducted the audit with apparently minimal disruption to the team.”
19. “I have not scored feedback on the report as the auditor had little time left at the end of the day to feedback and any feedback given was rushed.”
20. “Auditors understanding of the current situation regarding the subject of the audit (monitoring of leisure management contract) due to the fact we are only part way through the first year of contract. Recommendations relevant to improving contract monitoring and timescales for implementation reasonable and achievable.”
21. Emily was involved in the initial POVA level 2 briefing, where she brought with her all the raw data / audit findings as well as a summary of suspicious transactions. She was able to explain the information in such a way as to make it easy for the lay person to understand. At the level 2 she was asked to prepare a statement, which she did in good time. We met a few weeks prior to the interview in order to finalise the statement and for Emily to brief me in the audit process. Again she did this effectively using simple language and worked examples. As a result I understood the process sufficiently to create an interview plan, which I sent to Emily for preparation. Within hours she had replied to me and pointed out a number of challenges on a specific topic area that I had missed. She arrived in good time for the interview at Monkmoor police station. We prepared the interview topics /challenges together and highlighted the individual pieces of evidence in readiness for any lines of defence, if required. Although understandably nervous, Emily assisted me in conducting a well-structured, professional and ultimately very successful PACE interview. She followed the structure of the interview plan, did not interrupt or over-elaborate and swept up each topic area as needed. It is fair to say that the weight of well-prepared evidence contributed in the defendant’s willingness to admit a number of unlawful withdrawals. In summary working with Emily for the first time was a pleasure, she is professional, knowledgeable and thorough.
22. I have been very appreciative of the support and help Barry has provided me over recent weeks. Your support in this area is in many ways much more use to me than work on the finance areas where I am much more comfortable and where we have more cover.
23. Kathy was really helpful in completing this report and mediating between us and the external auditors.”
24. “We had understood the scope of this audit to be about contracting / purchasing but it encompassed some other areas which we had not fully discussed in the early part of the process and this led to misunderstandings: the understanding of the first auditor¹, as regards the issues and social care seemed weak. At a time of significant changes to processes, the audit was of very little value. Dealing with internal audit was wholly preferable.”

¹ Audit provided by a contractor, the issue was addressed and rectified with the provider.

25. Disappointed by the lack of knowledge of the auditor on the area being audited. Spent quite a lot of time explaining the basics. She was very polite but appeared to have little knowledge of the service area and so additional time was taken up explaining things, I think this also limited what she looked at and the risks identified. Disappointed by the report, the only recommendation made in the report (re contracts etc.) were based on the risks identified directly to the Auditor by ourselves (and the reasons for these were also explained at the time). I would have appreciated a far more independent / in depth audit that scrutinised what we do and identified risks we were not aware of.”

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<u>Committee and Date</u>
Audit Committee
26 June 2014

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT AND QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) 2013/14

Responsible Officer James Walton

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1. Summary

- 1.1 The Accounts and Audit Regulations 2011 require the Council to conduct an annual review of the effectiveness of its internal audit; Audit Committee is required to review this report and its findings.
- 1.2 This report provides the results of a self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on 1st April 2013. Compliance with these standards demonstrates an effective Internal Audit service.
- 1.3 This review should be read in conjunction with the Annual Internal Audit report, found elsewhere on the committee's agenda. When read together they demonstrate the effectiveness of internal audit. The update of the self-assessment has confirmed that the Council continues to operate an effective Internal Audit function. There are no areas where the Internal Audit function is not complying with the Code and whilst there are areas of partial compliance, these are not considered significant and do not compromise compliance with the code.

2. Recommendations

- 2.1 The Committee is asked to consider and endorse, with appropriate comment, the conclusion that the Council has an effective system of internal audit in place that complies with the principles of the Public Sector Internal Audit Standards and has planned improvement activities to ensure full compliance.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 An effective Internal Audit Service provides, 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'. Thereby providing assurances on the Council's internal control systems by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Internal Audit will also continue to align its work with the Strategic Risk Register.
- 3.2 The use of a consistent framework for internal audit across the UK public sector has benefits for both partnership working and for internal auditors who work across different parts of the public sector. The standards are designed to drive improvement and lead to better public finance arrangements.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2011.
- 3.4 There are no direct environmental, equalities or climate change consequences of this proposal. Consultation has been used to inform the evidence gathered in support of the self-assessment against the Public Sector Internal Audit Standards (PSIAS).

4. Financial Implications

- 4.1 The Internal Audit service is provided within approved budgets. There may be a small cost to enable an external assessment of Internal Audit's conformance with the PSIAS in compliance with standard 1312 (external inspection) to be conducted. Presently this remains unassessed and information will be provided on this nearer the time.

5. Background

- 5.1 The Accounts and Audit Regulations 2011 6(3), requires the Council to undertake an annual review of the effectiveness of its internal audit and to report the findings of this review to the Audit Committee.
- 5.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) agreed to collaborate in the development of the internal audit profession in the public sector. As a result, national Public Sector Internal Audit Standards (PSIAS), based upon the mandatory elements of the global CIIA's International Professional Performance Framework have been developed.
- 5.3 The PSIAS came into force on 1st April 2013 and consist of the following:
 - Definition of Internal Auditing;
 - Code of Ethics; and

- Standards for the Professional Practice of Internal Auditing.
- 5.4 The PSIAS replace the Code of Practice for Internal Audit in Local Government in the United Kingdom, last revised in 2006. In local government, the PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.
- 5.5 In April 2013, CIPFA produced a Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards. This was used to review the Internal Audit service against initially in September 2013, the results of which were reported to Audit Committee. Following this review an improvement plan was proposed to move the service to a position of full conformance. This report reviews the evidence in support of compliance with the PSIAS and the implementation of actions proposed in the original improvement plan.
- 5.6 The PSIAS aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide the Head of Finance, Governance and Assurance (the Section 151 Officer) with the key assurances he needs to support them both in managing the council and in producing the annual governance statement.
- 5.7 In complying with the PSIAS Shropshire Council can provide assurances to Internal Audit's external customers of the teams' professionalism, quality and effectiveness.
- 5.8 A summary of the results of the self-assessment by the Audit Service Manager against the PSIAS are summarised in **Appendix A**. The appendix also provides an update against the previously approved improvement plan. The majority of standards are complied with totally. Where there are areas of non-compliance these are detailed below for members to consider further. Where further improvements have been identified in areas of compliance these, along with the actions outlined below, appear in the improvement plan appendix to ensure full conformance to the standards in future.

Areas of potential non-conformance

- 5.9 **Objectivity Standard:** Do internal auditors display objectivity by not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?

Finding: It is felt important that internal audit is consulted during system, policy or procedure development. Auditors have been assigned to business review projects where there is a possibility that internal control systems will be affected. This is seen as an opportunity for internal audit to add value and strengthen internal control arrangements. Where specific auditors have been involved in providing system advice they will be excluded from carrying out the audit as far as possible i.e. another auditor would be allocated to the audit. If this was not possible, it is felt the benefit of using the experience of developing controls and procedures outweighs concerns of independence and the review process will help to ensure that the review and report remain objective and evidenced based.

Therefore there is **partial** conformance. This is not considered to be to the detriment of the principles of auditing and the independent review process helps to mitigate any risks, therefore no actions are proposed.

5.10 **1100 Independence and Objectivity Standard:** Does the Chief Audit Executive (CAE) confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples **can be** used by the CAE when assessing the organisational independence of the internal audit activity: The board:

- **approves the internal audit budget and resources plan.**

Finding: It is the responsibility of the Section 151 Officer to ensure that the budget and resources allocated to internal audit are sufficient to ensure delivery of the plan and to report any concerns to the Audit Committee.

- **approves decisions relating to the appointment and removal of the CAE**

Finding: It is the responsibility of the Section 151 Officer to ensure that the budget and resources allocated to internal audit are sufficient to ensure delivery of the plan, including the appointment and removal of the CAE, and to report any concerns to the Audit Committee.

Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE? Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?

Finding: Both of these activities are now completed.

Therefore **partial** conformance: Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector, CIPFA advise that this can be achieved by ensuring that the Chief Executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the Chair of the Audit Committee.

Further improvement actions proposed to address issues for this standard are:

1. External clients Audit Committee's Terms of Reference will be reviewed as appropriate.
2. Consideration be given to extending the opportunity for Chairs of externally serviced Audit Committees and their key officers to provide feedback, through the Section 151 Officer, on the Audit Service Manager's appraisal.

5.11 1312 External Assessments Standard: Has an external assessment been carried out, or is planned to be carried out, at least once every five years?

Finding: The new standards came in from the 1st April 2013. Therefore, an external assessment under the standards needs to be conducted by March 2018. No plans have been made for such an assessment, but there is every intention to have one when further guidance on the requirements of the assessment is available.

It is likely that the shape and size of the present Internal Audit team will change to reflect the business plans of the Council over the next five years and therefore early completion of such an assessment may only be of short term benefit. Conversely an earlier assessment may inform the delivery of the service going forward. Early discussions with the Section 151 Officer and Audit Committee members have confirmed a preference for a later assessment once more details are known.

Therefore currently we are not conforming to the standard and propose to consider the approach and timing of an external audit assessment with the Section 151 Officer or a self-assessment with 'independent validation' when more guidance is available.

5.12 This is not considered a significant variation in respect of the principles of the PSIAS to require specific mention in the Annual Governance statement since the intention is to comply with the PSIAS within the prescribed time frames once further details are known.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Accounts and Audit Regulations 2011.
 CIPFA Code of Practice for Internal Auditors in Local Government 2006 – published December 2006.
 Public Sector Internal Audit Standards 2013
 Local government application note for the UK Public Sector Internal Audit Standards. CIPFA
 Completed Conformance Checklist 2013/14 and supporting evidence

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member N/A

Appendix A: Public Sector Internal Audit Standards 2013 conformance assessment and improvement plan

Public Sector Internal Audit Standards 2013/14 conformance assessment and improvement plan

Standard	Conformance	Observations and actions proposed	When?	Who?
Definition of Internal Auditing	Yes			
Code of Ethics				
Integrity	Yes			
Objectivity	Partially	No action proposed: the independent quality review process of all files and therefore evidence mitigates the slight risks identified in the Audit Committee report		
Confidentiality	Yes			
Competency	Yes	Centrally held training records have been established and updated		
Attribute Standards				
1000 Purpose, Authority and Responsibility	Yes			
1100 Independence and Objectivity	Yes			
1110 Organisational Independence	Yes	The Terms of Reference of external clients Audit Committee's will be reviewed as appropriate to ensure compliance with PSIAS Feedback for the Audit Service Managers appraisal from all clients CEO equivalents and Audit Committee Chairs will be considered	November 2014	Audit Service Manager Section 151 Officer
1111 Direct Interaction with the Board	Yes			
1120 Individual Objectivity	Yes			
1130 Impairment to Independence or	Yes			

Standard	Conformance	Observations and actions proposed	When?	Who?
Objectivity				
1200 Proficiency and Due Professional Care	Yes			
1210 Proficiency	Yes			
1220 Due Professional Care	Yes			
1230 Continuing Professional Development	Yes			
1300 Quality Assurance and Improvement Programme	Yes	There is a QAIP in place however, the IA manual and associated procedures would benefit from a review to include those processes which are now electronic and to reflect the standards	March 2015	Audit Service Manager
1310 Requirements of the Quality Assurance and Improvement Programme	Yes			
1311 Internal Assessments	Yes	There are performance monitoring targets in place and service level agreements with external clients. These will be reviewed to ensure that they stay SMART and efficient in terms of the information used and monitored.	SLA's as they come up for renewal	Engagement Auditor
1312 External Assessments	No	Consider the approach and timing of an external audit assessment with the Section 151 Officer or a self-assessment with 'independent validation'.	March 2018	Section 151 Officer
1320 Reporting on the Quality Assurance and Improvement Programme	Yes			
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	Yes			
1322 Disclosure of Non-conformance	Yes			
Performance Standards				

Standard	Conformance	Observations and actions proposed	When?	Who?
2000 Managing the Internal Audit Activity	Yes			
2010 Planning	Yes			
2020 Communication and Approval	Yes			
2030 Resource Management	Yes			
2040 Policies and Procedures	Yes			
2050 Coordination	Yes			
2060 Reporting to Senior Management and the Board	Yes			
2070 External Service Provider and Organisational Responsibility for Internal Auditing	Yes			
2100 Nature of Work	Yes			
2110 Governance	Yes			
2120 Risk Management	Yes			
2130 Control	Yes			
2200 Engagement Planning	Yes			
2210 Engagement Objectives	Yes			
2220 Engagement Scope	Yes			
2230 Engagement Resource Allocation	Yes			
2240 Engagement Work Programme	Yes			
2300 Performing the Engagement	Yes			
2310 Identifying Information	Yes			
2320 Analysis and Evaluation	Yes			
2330 Documenting Information	Yes			
2340 Engagement Supervision	Yes			
2400 Communicating Results	Yes			

Standard	Conformance	Observations and actions proposed	When?	Who?
2410 Criteria for Communicating	Yes			
2420 Quality of Communications	Yes			
2421 Errors and Omissions	Yes			
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	Yes			
2431 Engagement Disclosure of Non-conformance	Yes			
2440 Disseminating Results	Yes			
2450 Overall Opinion	Yes	The wording of all annual audit opinions have been reviewed to ensure compliance with the PSIAS		
2500 Monitoring Progress	Yes			
2600 Communicating the Acceptance of Risks	Yes	Audit Committee and senior managers received a list of areas identified as 'will not be', or 'are unlikely to be', audited on a regular basis. This communication will be repeated annually.		

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Committee and Date

Council 17 July 2014

Audit Committee 26 June 2014

ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2013/14

Responsible Officer James Walton

e-mail: James.walton@shropshire.gov.uk

Tel: 01743 255011

1. Summary

Attached to this report is the draft Audit Committee's Annual Assurance Report to Council for 2013/14. This provides Council with an independent assurance report that the Council has in place adequate and effective risk management and internal control systems that can be relied upon and which contribute to the high corporate governance standards that this Council expects and has consistently maintained.

2. Recommendations

Audit Committee is asked to consider and comment on the contents of the draft Annual Assurance report for 2013/14 before forwarding to Council with the recommendation that they accept this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The Audit Committee's Annual Assurance Report is part of the overall internal control arrangements and risk management process. The Committee objectively examines and evaluates the adequacy of the control environment through the reports it receives and in turn can provide assurances to Council on its internal control systems that inform the Annual Governance Statement.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change requirements or consequences of this proposal.

4. Financial Implications

There are no direct financial implications from this report

5. Background

- 5.1 A key part of the Audit Committee's role is to provide independent assurance of the adequacy of the risk management framework and the associated internal control environment. The Committee oversees the financial reporting process and it also provides independent scrutiny of the authority's financial performance to determine the extent to which it affects the authority's exposure to risk and weakens the control environment.
- 5.2 The Audit Committee has a well established role within the Council and it is important that an Annual Assurance report based on the work of the Committee is produced and recommended to Council. In compiling this assurance report, information provided at the Audit Committee meeting on 26 June 2014 has also been taken into account.
- 5.3 In addition, following the release of CIPFA's Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition; this report has been considered to ensure its compliance with the guidance. Section 6.34 requires the Audit Committee to be held to account on a regular basis by the Council specifically in relation to:

Whether the

- committee has fulfilled its agreed terms of reference;
- committee has adopted recommended practice;
- development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities;
- committee has assessed its own effectiveness, or been the subject of a review, and the conclusions and actions from that review and,

What impact the committee has on the improvement of governance, risk and control within the Council.

- 5.4 The annual assurance report to Council for 2013/14, attached to this report, is a helpful way to address the key areas where the committee should be held to account. **(Appendix A).**

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition

Draft Internal Annual Audit Plan 2013/14 - Audit Committee 27 March 2013

Internal Audit Plan 2013/14 – Performance report to 31 October 2013 - Audit Committee 5 December 2013

Internal Audit Plan 2012/13 – Third quarter report- Audit Committee 13 February 2014

Internal Audit Annual Report 2013/14 – Audit Committee 26 June 2014

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member

N/A

Appendices

Appendix A - Draft Audit Committee Annual Assurance Report 2013/14

DRAFT AUDIT COMMITTEE ANNUAL ASSURANCE REPORT 2013/14

STATEMENT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

1. The governance of the public sector continues to increase in profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) urging local government to improve practice. In Shropshire we have kept pace with good practice having adopted a Code of Corporate Governance which we examine and assess ourselves against annually in line with the best practice issued by CIPFA and SOLACE; we have also produced an Annual Governance Statement, again keeping the Council in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failing to achieve our objectives and providing good service to our community.
2. In seeking continually to improve our governance procedures and keep pace with best practice, Shropshire has a well established Audit Committee. The Committee is a key component of the Council's corporate governance arrangements and is a major source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance.
3. The benefits to the Council of operating an effective Audit Committee are:
 - Increasing public confidence in the objectivity and fairness of financial and other reporting.
 - Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing the Annual Statement of Accounts and the Annual Governance Statement.
 - Providing additional assurance through a process of independent and objective review.
 - Raising awareness within the Council of the need for governance, internal control and the implementation of audit recommendations.
 - Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
4. We have a substantial range of activities that we have to undertake as a Committee and work closely with both our Internal and External Auditors and the Chief Finance Officer in achieving our aims and objectives. We have put together a work and development plan for the year to enable key tasks to be considered and completed.
5. As Chairman of the Audit Committee, I have always seen training as a key priority for myself and the other members in order to undertake our roles effectively. The Committee continues to undertake a full and extensive programme of training and this year has been no exception. In addition, the committee has conducted a self-assessment of its activities against CIPFA's

practical guidance released in 2013 to ensure that it adopts recommended practice. An action plan for improvement has been agreed which includes reviewing the development needs of members' against the revised guidance. This will build upon the training schedule in place to ensure that all members of the Audit Committee continue to have access to appropriate training and are provided with the skills and knowledge to enable them to fulfil their roles effectively and efficiently. Members also have access to CIPFA's Better Governance Forum network which provides specific information in the form of regular briefings, an informative web site, and attendance at training events.

6. I am pleased to pay tribute to the work of all my four colleagues and their substitutes who are enthusiastic in their interest in the purpose and objectives of the Committee and whose regular attendance at training sessions has been impressive. As Chairman of the Audit Committee, I believe we have helped contribute to improvements and developments in the Council's corporate governance, risk and internal control arrangements and I intend that we will continue with the high standards and contributions established by this Committee over a number of years.
7. This year we have held five meetings including the meeting held on 26 June 2014. We have received and considered a substantial number of reports across key areas of the Council's activity (see **Annex A**). The care and attention of the Section 151 Officer, Audit Service Manager and her staff to ensuring that members receive all reports in time for adequate consideration has been impressive. The dedication of Audit staff to the preparation of our training sessions in order to ensure that members can understand and give critical appraisal to all documents has been appreciated. We have asked questions and received answers to our questions. In line with best practice, we are completely satisfied that we are in a positive position to provide our annual assurance statement based on the reports received and considered and on the information provided by our officers and our External Auditors.

Audit Committee Membership and Dates of Meetings

8. Membership of the Audit Committee for 2013/14 was made up of the following Councillors:
 - Mr B Williams (Chairman)
 - Mr M Wood (Vice Chairman)
 - Mr J Cadwallader
 - Mr M Williams
 - Mr C Mellings

And substitutes who are invited to attend and contribute at all meetings and training are:

- Mr D Carroll
- Mr R Macey
- Mrs Pamela Ann Moseley
- Mr R Evans

9. Meetings of the Committee have been held on

- 19 September 2013
- 12 December 2013
- 13 February 2014
- 27 March 2014
- 26 June 2014

Details of Reports/Information Received

10. **Annex A** provides a summary of the key reports and information received by the Audit Committee at its meetings. A detailed audit work plan has been agreed for the forthcoming year.
11. Given the Audit Service Manager's qualified opinion on the Council's internal control environment, the Audit Committee confirms that it has been made aware of the increase in terms of numbers and direction of travel of the internal audit assurances provided on the IT infrastructure systems and has sought further explanation and appropriate assurance from management to address the issues identified by Internal Audit. Given the significance of the systems attracting limited and unsatisfactory assurances, e.g. physical and environmental controls, project management and hardware replacement, with the Audit Service Manager's explanations; it is understood that Council application systems reviewed in 2013-14 were in the main given a reasonable or higher level of assurance, supportive that material application systems are generally well embedded, well administered and controlled. However, the IT infrastructure on which they operate presents a clear risk to service continuity sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their responses to address the issues identified. As the Audit Service Manager has reviewed these control weaknesses and highlighted them to management, the Audit Committee is satisfied that there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Authority's accounts and reliance can be placed upon them for that purpose.

Additional Responsibilities

12. Members of the Audit Committee and the Audit Service Manager and her staff are well aware of the changing nature of local government in relation to the greater responsibilities for innovative practice allowed by the Government's Powers of Competence Act. In particular we are aware that the Audit function will have an essential role to play in monitoring the risks involved in the arrangements for strategic commissioning and the creation of a Council owned trading company for service delivery. Members are already receiving training in this extended aspect of their responsibilities, and the Audit Service Manager is ensuring that adequate resources are available in order to minimise any possibility of the risk of financial malpractice. Members of the Committee and Audit staff are fully seized with the need to be "ahead of the game", as the role of local government changes and evolves to meet the challenges of reductions in many of the traditional sources of income.

13. Audit Service Staff

I have written above about the impressive manner in which Audit staff prepare the wide range of reports which are necessary for the consideration of Committee members. The key staff are James Walton, the Section 151 Officer, Ceri Pilawski, the Audit Service Manager and the recently retired, Chris Kalinowski, her Deputy, who also carried the additional delegated authority of ensuring the effectiveness of the Council's Counter Fraud and Anti-Corruption policy and the "Whistle-blowing" policy. Chris' work will be picked up by Katie Williams in the future who is newly promoted to the role of Audit Engagement Officer.

14. Without the enthusiastic support of all Audit staff and, in particular, of the three officers mentioned above, it would not be possible for the Audit Committee to be as highly effective as peer comparisons show us to be.

Annual Statement of Assurance

15. On the basis of:

The work carried out by the Internal and External Auditors and their reports presented to this Committee and

The work carried out by the Section 151 Officer, Audit Service Manager and their reports presented to this Committee.

16. The Audit Committee's opinion, based on the reports, explanations and assurances received, is that the Council has become liable to increased risks in the IT systems that are currently operating. Whilst there is no evidence of significant IT business failure or material errors reported that could result in a material misstatement in the Authority's accounts; a number of internal control improvements have been agreed by management and require implementation in order to improve internal control systems.

RECOMMENDATION – Council is invited to accept this report

Signed Date.....
On behalf of the Audit Committee
Brian Williams

SUMMARY OF REPORTS RECEIVED BY AUDIT COMMITTEE

At the meeting on 19 September 2013, the following reports were received and considered:

Secret Hills Discovery Centre internal controls update

Report of the Southern Area Facilities Team Leader provided an update, subsequent to the last report to the Committee in December 2012, on the progress being made in response to audit reviews carried out at the Shropshire Hills Discovery Centre (SHDC) between May and August 2011 and in April 2012. Continued positive progress was being made by the Shropshire Hills Discovery Centre management and staff in response to the results of the two audit reports.

Quarterly update on the Transformation Programme management controls and risks

The Head of Programme Management Systems and Transition provided assurance on the robustness of the governance arrangements for all change related activities which were all aligned to identify Council priorities. The committee were informed of the transfer of the media and PR team to ip&e which had led to some future refinement but overall had been well managed and successful.

Council tax and national non domestic rate performance monitoring report

Report of the Head of Customer Support and Assets which provided members with performance monitoring information on the collection of income in respect of Council tax and national non-domestic rates (NNDR) for the year to 31 August 2013. The Revenues Manager advised members that in the financial year 2012/13 48.6% of Council Tax and 46% of NNDR had been collected. He went on to say that between 31 March 2013 and 26 August the Revenues Team had collected 48.1% of Council Tax and 51% of NNDR debt against the Council's target, compared to 48.6% and 46% respectively for the same period last year. Members were advised that the Council was joint 8th highest unitary collecting authority for the collection of Council tax and joint 13th highest collecting unitary authority for business rates.

Benefit overpayment performance monitoring report

Report of the Head of Customer Support and Assets which provided members with performance monitoring information on the collection of income in respect of benefit overpayments for the year 2012/13 and for 2013/14 up to the 31 July 2013.

Update on current and aged debtors

Report of the Head of Financial Management and Reporting which provided details of the levels of aged debt held within the Council's accounts and action taken for recovery of the debts. Members were informed that additional staffing resources had been secured and the Sales Ledger team was taking positive action to address the recovery of outstanding debt on the Council's accounts.

Annual Treasury report 2012/13

Report of the Section 151 Officer providing information on treasury activities for Shropshire Council for 2012/13, including the investment performance of the Internal Treasury team to 31 March 2013.

Risk management annual report to Audit Committee 2013

Report from the Risk Management Team Leader which set out the work undertaken by the Risk Management Team during the last year. Members of the Committee were informed that the strategic risks were a key area for the Risk Management Team and a review had been undertaken and completed. In addition, all relevant strategic risks had been linked to the Annual Governance Statement Action Plan ensuring action points were managed strategically.

External Audit (Grant Thornton): The audit findings for Shropshire Council

Report of the External Auditor which summarised for members the key matters arising from the audit of Shropshire Council's financial statements for the year ending 31 March 2013 which was substantially complete. It included the key messages arising from the audit of the Council's financial statements and the results of work undertaken to assess the Council's arrangements to secure value for money and use of resources. The External Auditor confirmed that he proposed to issue an unqualified opinion on the financial statements and the VFM conclusion.

External Audit (Grant Thornton): Pension Fund Annual Governance Report

Report of the External Auditor which summarised for members the findings from the 2012/13 audit of the Pension Fund financial statements, providing an unqualified audit opinion.

Internal Audit - External Audit Protocol for Shropshire Council

Report of the External Auditors which set out the protocol and procedures underpinning the working relationship between the Audit Services Team and the Council's external auditors. The External Auditor reported that the protocol had been agreed with the Audit Services Manager and would be reviewed annually.

Audited Annual Statement of Accounts 2012/13

Report of the Section 151 Officer which presented members with the final audited outturn position for the financial year 2012/13, which the External Auditor indicated, would receive an unqualified opinion. The Head of Finance, Governance and Assurance informed members that there had been one significant change to the accounts since the earlier version reported in June, which related to the Waste PFI scheme. The change followed the reworking of the original contract model and showed a change of £6.512m to the Council's balance sheet. The changes were classified as a 'change in accounting estimate and policy'. There were no other material changes to the main accounting statement reported.

Public Sector Internal Audit Standards (PSIAS)

Report of the Audit Services Manager which provided members with the results on the self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards (PSIAS)

Internal Audit annual plan 2013/14

Report of the Audit Services Manager which set out proposed revisions to the Internal Audit Plan arising from changes in the Council's structure and available resources. She confirmed that the audit team continued to experience higher than expected special investigation and unplanned work which also contributed to the planned revisions. The Audit Service Manager summarised the results of the self-assessment and confirmed

that the majority of the standards were complied with totally. She stated that there were three areas of non-compliance identified and these were outlined to members but did not significantly impact on the service delivered.

At the meeting on 12 December 2013, the following reports were received and considered:

Update on Shared Services, Payroll and other Key Financial Systems

Report from the Head of Programme Management Systems and Transition provided an update on the progress made to address the 'fundamental' and 'significant' recommendations that emerged from the 19 Internal Audit reports completed in 2012/13. The Deputy Section 151 Officer reported that out of the 122 significant or fundamental audit recommendations, 96 (79%) had been addressed and, in addressing the recommendations, written procedures had been refreshed which had led to the opportunity to redesign current service provision to improve the direction of travel.

Duplicate Payments Progress Update

Report of the Deputy Section 151 Officer provided the progress made in respect of the recovery of duplicate payments. She stated that despite the significant recovery of £276,085, the amount represented 0.004% of the total value of transactions reviewed and confirmed that the Council's financial system was robust enough to prevent the majority of duplicate payments being made.

Treasury Strategy 2012/13 mid-year review

Report of the Section 151 Officer on the mid-year review of the Treasury Strategy, as prepared in compliance with CIPFA's Code of Practice on Treasury Management, which highlighted the key points and reported that all activities had been in accordance with approved limits for the first six months of the financial year and that the internal treasury team's performance, with a return of 0.55% on the Council's cash balances, had outperformed the benchmark.

External Audit (Grant Thornton): Audit Committee Update for Shropshire Council

Update report of the External Auditor which summarised the several emerging national issues and developments. The update also included a number of challenge questions that the Committee may wish to consider at their future training sessions.

External Audit (Grant Thornton): The annual audit letter for Shropshire Council

Report of the External Auditor which summarised the findings from the 2012/13 audit, and which comprised the audit of the authority's financial statements and confirmation that the Council has proper arrangements in place to secure value for money. The accounts were certified and officially closed.

Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy

Report of the Audit Service Manager which informed members that the Counter Fraud, Bribery and Anti-Corruption Strategy had been reviewed and refreshed in line with best practice and continued to set out the Council's commitment to stand against all forms of fraud, bribery and corruption whether it was attempted on or from within the Council. A number of changes had been proposed to reflect the key changes in whistle blowing laws which took effect earlier in the year and also reflected further internal structure

changes.

Internal Audit plan 2013/14 - Performance report to 31 October 2013

Report of the Audit Service Manager which summarised progress against the Internal Audit Plan up to the end of October 2013.

At the meeting on 13 February 2014, the following reports were received and considered.

Annual review of Audit Committee terms of reference

Report of the Section 151 Officer which identified a number of minor proposed changes to the Audit Committee's terms of reference.

Audit Committee self-assessment of good practice

Report of the Section 151 Officer which requested members to review and comment on the self-assessment of good practice questionnaire to assess the effectiveness of the Audit Committee and identify any further improvements.

Update on programme management controls and risks

Report of the Programme Management Officer giving assurance on the robustness of governance arrangements for all change related activity including service redesign, new delivery vehicles including IT enablement and mobile and flexible ways of working.

Treasury Strategy 2014/15 mid-year report

Report of the Section 151 Officer which proposed the Treasury Strategy for 2014/15 and recommended Prudential Indicators for 2014/15 to 2016/17.

Benefit Fraud Team performance monitoring reports

Report of the Team Manager - Investigations which provided members with performance monitoring information on benefit fraud investigations undertaken by officers for the financial year 2013/14 up to 17 January 2014.

External Audit (Grant Thornton): Audit Committee update report

Report of External Auditor which highlighted the progress made to date on work undertaken during the year, no major issues had been identified.

External Audit: Certification report 2012/13 for Shropshire Council

Report of External Auditor which summarised the overall assessment of the outcome of the grant certification work undertaken during the last financial year.

External Audit (Grant Thornton): Financial resilience benchmarking report

Report of the External Auditor detailed the review of the Council's arrangements for securing financial resilience and confirmed that the Council was in a strong position in the majority of indicators in comparison with Councils within the benchmark. He stated that the Senior Managers were aware of the areas requiring improvement and confirmed action had been taken to address this.

Internal Audit plan 2013/14 - third quarter report

Report of the Audit Service Manager which summarised good progress since the last report in December 2013.

At the meeting on 27 March 2014, the following reports were received and considered.

National Fraud Initiative 2012/13

Report of the Audit Services Manager giving members an overview of the outcomes arising from the Audit Committee's National Fraud Initiative. She reported that £101,929.43 worth of estimated financial savings had been identified following the Initiative with the largest part relating to housing benefit fraud and confirmed that investigations were ongoing.

Current and aged debtors update

Report of the Head of Financial Management and Reporting gave details of the levels of aged debt held within the Council's accounts and the action being taken for recovery of these debts.

Council tax and non-domestic rates performance monitoring report

Report of the Revenues Manager setting out performance monitoring information on the collection of Council Tax and National Non Domestic Rates (NNDR) for the year to 28 February 2014. He explained that due to the legislative changes, more people had elected to pay their Council tax over twelve months rather than the statutory ten months which left more debt to be collected in February and March but was confident the Council target would be met by the end of the financial year.

External Audit: 2013/14 audit plan

Report of the External Auditor updating members on the progress of the Audit of the 2013/14 Statement of Accounts and emerging issues and developments

External Audit: 2013/14 communicating with the Audit Committee

Report of the External Auditor seeking to contribute towards the communication between the Council's Audit Committee and the external auditors and also form part of the risk assessment procedures.

External Audit (Grant Thornton): Audit Committee update report

Report of External Auditor presented to members which highlighted the progress made on work undertaken during the year concluding that no major issues had been identified.

Internal Audit risk management report 2013/14

Report of the Senior Group Auditor which summarised the detailed findings identified in the Internal Audit review of Risk Management. The Senior Group Auditor concluded that the overall control environment for the system of risk management had been assessed as good.

Protecting the Public Purse Fraud Briefing 2013

Briefing by the External Auditor on Protecting the Public Purse Fraud Briefing 2013. The Engagement Lead reported to members that the Audit Commission had undertaken a national study of fraud in local government, the results of which were contained within the report; he reminded members of the Audit Committee of their obligation in the fight against fraud.

Draft Internal Audit risk based plan 2014/15

Report of the Audit Service Manager which provided members with the outcome of the

audit needs exercise which had recently been completed to inform the Internal Audit plan for 2014/15. The plan could be adjusted during the course of the year as workflow dictated and indicated that this would be undertaken in consultation with the Section 151 Officer if necessary.

Draft Audit Committee annual work plan and future training requirements

Report of the Audit Service Manager detailing the Audit Committee's proposed work plan and a future learning and development plan for 2014/15.

At the meeting on the 26 June 2014, the following reports were received and considered:

Update on programme management controls and risks

Report of the Director of Commissioning giving assurance on the robustness of governance arrangements for all change related activity including service redesign, new delivery vehicles including IT enablement and mobile and flexible ways of working.

Council tax and NNDR performance report monitoring

Report of the Revenues and Customer Contact Manager which provided members with performance monitoring information on the collection of income in respect of Council tax and national non-domestic rates (NNDR).

Annual Whistleblowing report

Report of the Head of Human Resources on the number of cases raised about Council employees over the last year through the whistleblowing process.

Revenue outturn report 2013/14

Report from the Section 151 Officer providing details of the revenue outturn position for the Council.

Capital outturn report 2013/14

Report from the Section 151 Officer informing members of the full year capital expenditure and financing of the Council's capital programme.

Review of the Annual Statement of Accounts 2013/14

Report of the Section 151 Officer on the draft Annual Statement of Accounts.

Review of Shropshire Council's Code of Corporate Governance

Report of the Engagement Auditor providing an update on the review of the Council's compliance with the Code of Corporate Governance.

Annual Governance Statement and a review of the effectiveness of the Council's system of internal control 2013/14

Report of the Section 151 Officer on the effectiveness of the system of internal controls and the production of the Annual Governance Statement.

Internal Audit Annual report 2013/14

Report of the Audit Service Manager on achievements against the revised internal audit plan for 2013/14 and the annual internal audit assurance.

Annual review of the effectiveness of the system of Internal Audit and Quality Assurance and Improvement Programme (QAIP) 2013/14

Report of the Section 151 Officer on the effectiveness of the system of Internal Audit in 2013/14.

External Audit: Certification report 2013/14

Report of External Auditor which summarised the overall assessment of the outcome of the grant certification work undertaken during the last financial year.

Annual Assurance report of Audit Committee to Council 2013/14

Report of the Section 151 Officer in respect of the Audit Committee's Annual Assurance report to Council.

External Audit: Annual Fee Letter 2014/15

Report of External Auditor on the proposed work programme and scale of fees for 2014/15, along with the scope, resources and timing of the associated work.

External Audit: audit plan for the Pension Fund 2013/14

Report of the External Auditor which summarises for members the 2013/14 planned audit of the Pension Fund financial statements

External Audit: Audit Committee update

Report of External Auditor which provides a summary of emerging national issues and developments that may be relevant to the Council. The paper also includes an update on progress in delivering their responsibilities as the authority's external auditor and a number of challenge questions in respect of these emerging issues that the Audit Committee may wish to consider.



Grant certification work plan for Shropshire Council

Year ended 31 March 2014

April 2014

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Grant Patterson

Engagement lead

T 0121 232 5296

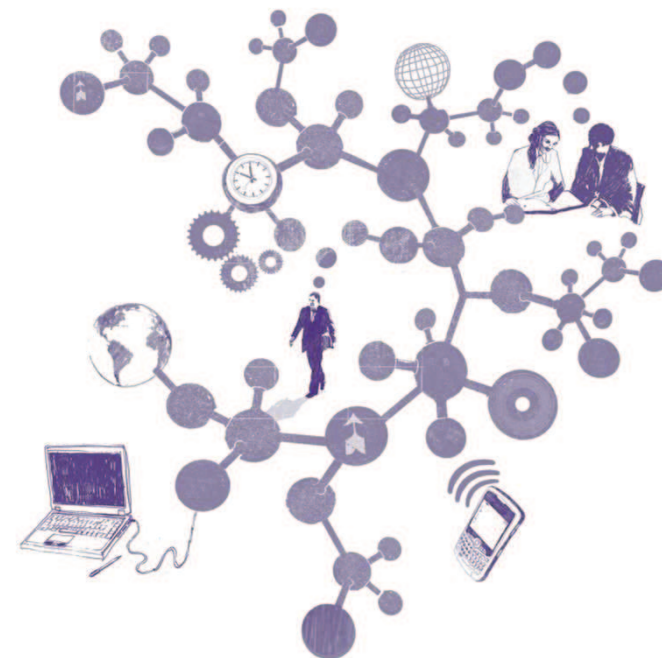
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Agenda Item 18

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Our approach to grant certification work

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2013/14 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions.
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data.
- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council's role is set out in more detail below:

- the Head of Finance, Governance and Assurance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns.
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement.
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies.
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Head of Finance, Governance and Assurance or an officer authorised by written delegated powers.
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim
- pooling of housing capital receipts
- national non-domestic rates return
- teachers' pensions return

Due to changes in government funding, there are a number of schemes that either finished in 2012/13, where funding is no longer ring-fenced, or whilst a return is required the work falls outside of the Audit Commission's section 28 certification arrangements.

For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit subsidy (due to the introduction of local council tax support schemes and was previously part of the housing and council tax benefit subsidy claim)
- the national non-domestic rates return (DCLG proposes to take assurance from the financial statements audit), and
- the teachers' pensions return (Teachers' Pensions (TP) continue to require a return but the 2013/14 assurance engagement will be controlled directly by TP and therefore the work falls outside section 28/1998 certification arrangements).

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification,
- without qualification but with agreed amendments incorporated by the Council, or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for the Council is £19,400. This fee includes a reduction of 12 per cent on the previous year's Housing Benefit Subsidy scheme, to reflect the removal of council tax benefit from the scheme. It also excludes any fee for the national non-domestic rates return and teachers' pension return as there are currently no audit requirements under the Audit Commission Act in 2013/14 for these returns.

The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year.
- the Council provides adequate working papers to support each entry in the claim/return.
- the Council's staff are available to deal with our queries in a timely manner, and provide such explanations and supporting evidence necessary to support entries.

In its Work Programmes Scales and Fees 2013/14 publication the Audit Commission notes that it only expects variations from the indicative fee to occur where issues arise that are significantly different from those identified and reflected in the actual 2011/12 fee. Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission. Only fee variations approved by the Commission can be invoiced or refunded to the Council.

The Council has identified all claims and returns requiring certification under the Audit Commission arrangements and this information is incorporated into Appendix A to this plan.

Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Emily Mayne at the following address:

Grant Thornton UK LLP

Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

or e-mailed to emily.j.mayne@uk.gt.com

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan.
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt.
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns.
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

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Claim (CI reference)	Authority deadline **	Certification deadline **	Claim certified in prior year	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14 (In practice will be Friday 28/11/14)	Yes	Claim qualified
Pooling of housing capital receipts (CFB06)	30/06/14	30/09/14	Yes	Claim unqualified

* Due to the introduction of local council tax support schemes no certification of council tax benefit subsidy is required in 2013/14.

** Indicative deadlines only – final deadlines to be confirmed by the Audit Commission

Fees and non-audit services

Full details of all fees charged for certification work under section 28 of the Audit Commission Act will be included in our Annual Certification Report.

Where we are asked to undertake work on claims or returns outside of this statutory framework the fees and scope of the work will be subject to a separate engagement letter which will be agreed with the Council. The fee for these non-audit services will be reported to the Audit Committee as those charged with governance and agreed with the Audit Commission if necessary. There has been no such work or fees in the 2013/14 financial year. We are currently undertaking work to enable us to issue a report of factual findings to the directors of the Council in respect of an Annual Statement of Grant Usage for funds received by the Council from the Housing and Communities Agency for the period 1 April 2012 to 31 March 2013.



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Grant Thornton

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Our Ref GP/EJM/S09000039/2014-15 Fee Letter

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11 April 2014

Dear James,

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £177,390, which is the same as the audit fee for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

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

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £15,340 (a reduction from the actual for 2012/13 of £26,650 and indicative scale fee of £27,600 for 2013/14).

The 2014/15 indicative certification fee is based upon the latest final certification fees available, for 2012/13 certification, and covers the certification of your housing benefit subsidy claim only. This claim has been further reduced to reflect the removal of council tax benefit from subsidy claims from April 2013.

As the appointed auditor we are required to decide the work necessary to certify the claim or return and to seek to agree any proposed variation to the indicative fee with the audited body. Only fee variations approved by the Commission can be invoiced or refunded to the Council. In its Work Programmes Scales and Fees 2014/15 publication the Audit Commission notes that it only expects variations from the indicative fee to occur where issues arise that are significantly different from those identified and reflected in the actual 2012/13 fee.

Pension Fund audit

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £23,427, which is the same as the original audit scale fee for 2013/14.

In line with Audit Commission standing guidance we are required to provide assurance to admitted body auditors over the reliability of the information provided by the Pension Fund to the actuary for the purposes of them making their IAS 19 estimates. For the 2012/13 year of audit the Audit Commission agreed an upward fee variation of £1,979 to cover this work. As in 2012/13 and 2013/14 the Audit Commission has confirmed that this work is not included within the scale fee. As a result, a similar fee variation will be proposed to cover the cost of the work required by the admitted bodies for 2014/15.

In 2012/13 KPMG undertook audit work on our behalf to provide assurance in respect of contributions paid into the fund by Telford & Wrekin Council. Prior to the new Audit Commission contracts coming into being the costs of this work were met from the audit fee and paid directly to KPMG.

We still propose to meet the costs of the work from the audit fee, however under the new contracts the costs of the work must be processed as fee variations. KPMG are proposing an increase in the fees to be billed to Telford & Wrekin Council of £2,976. These costs will be passed onto the Pension Fund. We will therefore be proposing a downward variation in the fee billable to the Pension Fund of £2,976 to ensure there is no net cost to the Pension Fund. Both of the variations will be subject to Audit Commission approval.

Our work on the pension fund will be undertaken in June and July 2015 by our specialist pension fund audit team, led by Ashley Wilson.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	44,348
December 2014	44,348
March 2015	44,348
June 2015	44,346
Main Audit fee total	177,390
Grant Certification	£
December 2015	15,340
Total	192,730
<hr/>	
Pension Fund audit	£
June 2014 – anticipated repayment of the element of 2012/13 fee to meet costs of work by KPMG to be recharged to the Council	(2,976)
September 2014 – proposed variation to scale fee for IAS 19 work	1,979
September 2014 – 2014/15 scale fee	23,427
Total	22,430

Outline audit timetable

We will undertake our audit planning and interim audit procedures from December 2014 to March 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July and August 2015 and work on the whole of government accounts return in September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2014 to March 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July to September 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to September 2015	Audit Findings (Report to those charged with governance)	As above.
Financial resilience	January to September 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Grant Patterson	0121 232 5296	grant.b.patterson@uk.gt.com
Engagement Manager	Emily Mayne	07880 456112	emily.j.mayne@uk.gt.com
VFM/Advisory Lead	Ian Barber	0121 232 5357	ian.m.barber@uk.gt.com
Pensions Audit Manager	Ashley Wilson	0121 232 5430	ashley.l.wilson@uk.gt.com

Additional work

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

Other matters

The scope of the audit and scale fee outlined above do not presently reflect the potential impact of continuing developments at the Council. In particular, any potential growth in size of the Inspiring Partnerships and Enterprise Limited (ip&e) wholly owned company as 2014/15 will see the introduction of new group accounting standards. Dependent upon the services that may possibly be transferred to the company and the level of its turnover there maybe:

- issues that will require further consideration during our audit planning process; and,
- additional audit procedures to be undertaken in completing the group accounts audit.

We may therefore need to revisit the scale fee in order to reflect any additional audit risks. Should this be needed we will discuss this with you and, if necessary, seek Audit Commission approval of any proposed changes to the scale fee.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner (jon.roberts@uk.gt.com).

Yours sincerely



Grant Patterson
For Grant Thornton UK LLP



The Audit Plan for Shropshire County Pension Fund

Year ended 31 March 2014

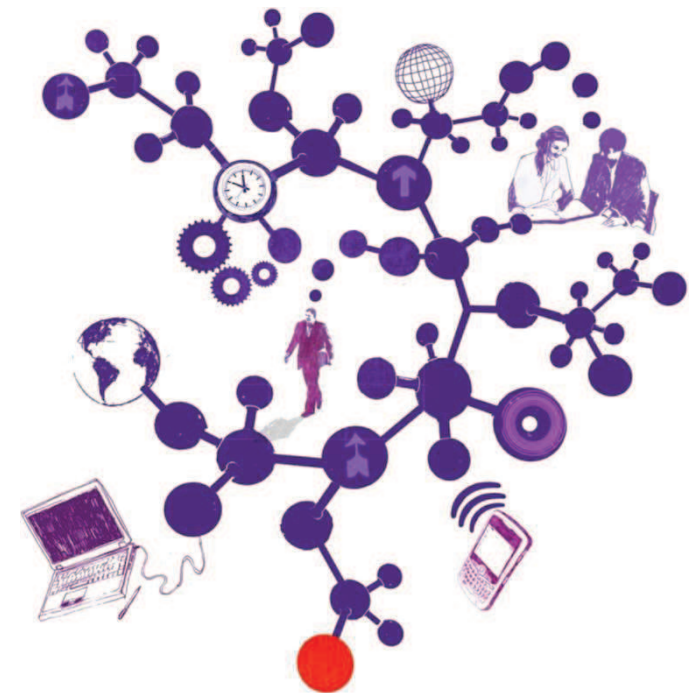
April 2014

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Agenda Item 20

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

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.

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Challenges/opportunities

1. LGPS 2014

- The Public Service Pensions Act 2013 (the Act) and associated regulations replaces the current final salary scheme to a career average revalued earnings scheme (LGPS 2014) alongside other important provisions.
- Under the new scheme, it will become more complex requiring changes to systems and processes.

2. New governance arrangements

- The Act requires changes to governance arrangements, including that each scheme appoints a Scheme Manager who will be assisted by a Pension Board.
- DCLG has consulted on these and final regulations are expected in Autumn 2014 with implementation expected by April 2015 at the latest.

3. The Pensions Regulator

- The Act also provides for The Pensions Regulator (TPR) to oversee the operation of LGPS schemes and set standards of governance and administration.
- The Fund will need to monitor compliance with requirements set by TPR.

4. Administration costs/ structural change

- The DCLG has communicated its intention to consult on the future structure of the LGPS to improve efficiency and performance.
- LGPS management expenses are increasingly under scrutiny – in response CIPFA intend to issue guidance on reporting these in 2014.



Our response

- We will discuss with officers progress and implementation of LGPS 2014. Where appropriate, we will report any observations on implementation from 1 April 2014.
- As part of our 2014/15 audit we will consider changes to the pensions administration control environment in response to LGPS 2014 data requirements.

- We will consider the Pension Fund's revised governance arrangements as they develop and share good practice on emerging new arrangements.

- We will share our experience, as needed, of working with The Pensions Regulator as the Pension Fund prepares for a new regulatory regime.
- From 1 April 2015, we will consider our reporting responsibilities to The Pensions Regulator. We will discuss any draft reports with officers and the Pensions Committee before their issue.

- We will share good practice in reducing administration costs through collaboration or other initiatives.
- Once issued, we will consider the CIPFA guidance and discuss with officers.
- We will discuss any proposals for structural change and their impact on the Pension Fund with officers.

Developments relevant to your Pension Fund and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial reporting

There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2014.

2. LGPS 2014

Planning and implementation of the Career Average Re-valued Earnings scheme (CARE), effective from 1 April 2014, will impact on the workload of the pensions administration team. This alongside, further developments in relation to governance may impact on their capacity to respond to audit queries.

3. Triennial valuation

Following the 31 March 2013 actuarial valuation the Council is in the process of considering the level of additional employer deficit contributions required and how to fund them.

4. Financial Pressures – Pension fund

- Nationally, pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income. Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of investment markets.
- Local government is increasingly looking at alternative delivery models for services. This may lead to increasing numbers of admitted bodies into LGPS funds. These bodies have inherently higher covenant risks and potentially increased risks for the fund in the event of them failing.

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Our response

We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

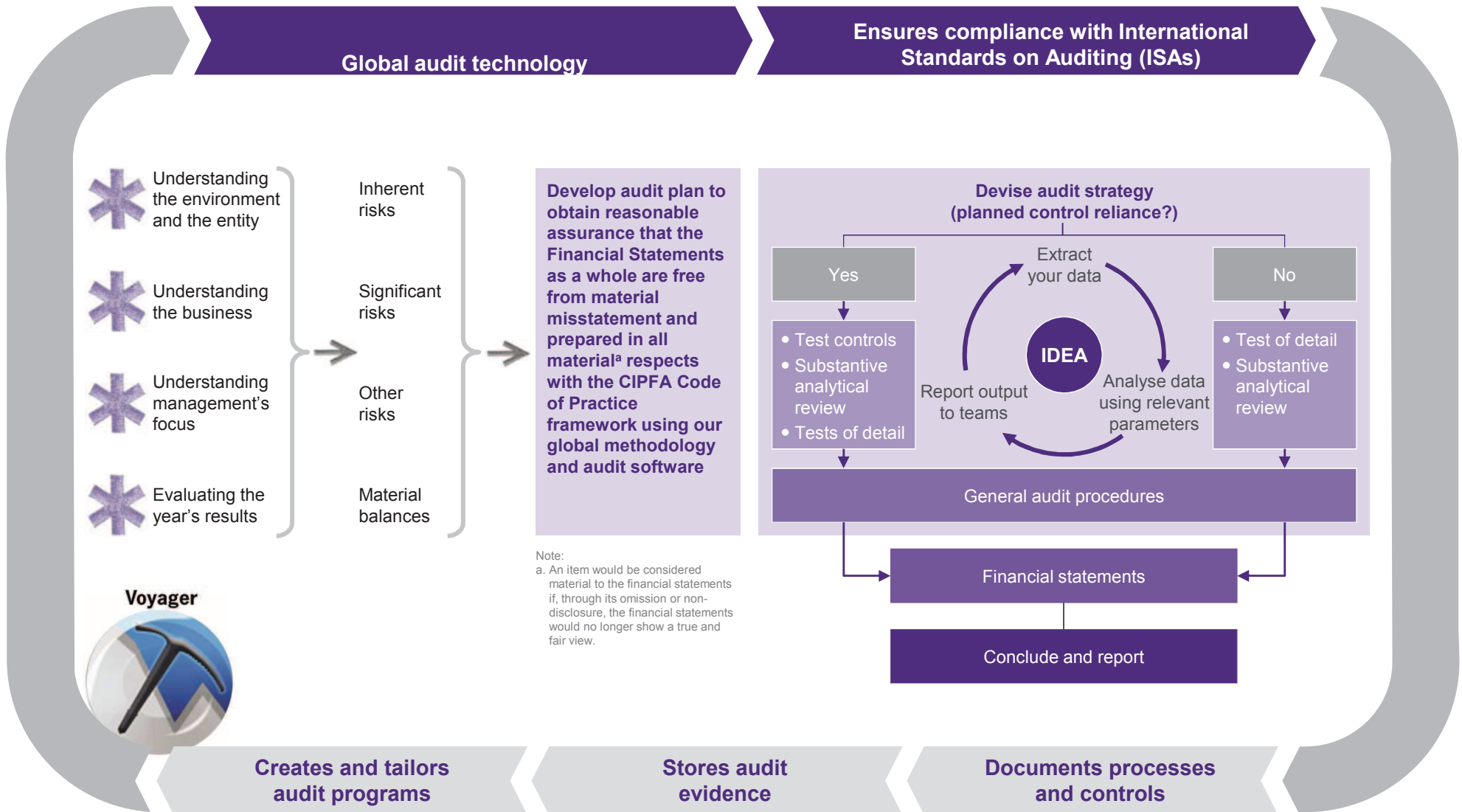
We will discuss the impact of the changes through our regular meetings with management. We will plan our audit and agree timetables with officers to ensure that the audit of the Pension Fund causes minimal disruption to officers.

We will maintain regular dialogue with management to assess the impact this has on the administration of the pension fund and any required disclosures in the 2013/14 Pension Fund financial statements.

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management. We acknowledge the Pension Fund anticipates no short term need to disinvest to fund payments.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.
- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff and the effect on the pension fund.

Our audit approach

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Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing (ISAs)) which are listed below:

Significant risk	Description	Substantive audit procedures
Revenue	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>We have rebutted this presumption and therefore do not consider this to be a significant risk for Shropshire County Pension Fund since:</p> <ul style="list-style-type: none"> • The nature of the Pension fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. • The split of responsibilities between the Pension Fund, its Fund Managers and the Custodian provides a clear separation of duties reducing the risk around investment income. • Employee contributions are made by direct salary deductions and direct bank transfers from admitted /scheduled bodies and are supported by separately sent schedules. They are directly attributable to gross pay making any improper recognition unlikely. • Transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred, which is subject to agreement between the transferring and receiving funds.
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Planned audit procedure
Investments	Investments not valid Investments activity not valid Alternative Investments not valid* Fair value measurement not correct	We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for any variances. The existence of investments will be confirmed directly with independent custodians or by agreement to relevant documentation.
Benefit Payments	Benefits improperly computed/claims liability understated	We will select a sample of individual pensions in payment (new and existing), lump sum benefits and refunds and test them by reference to member files. We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained.

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

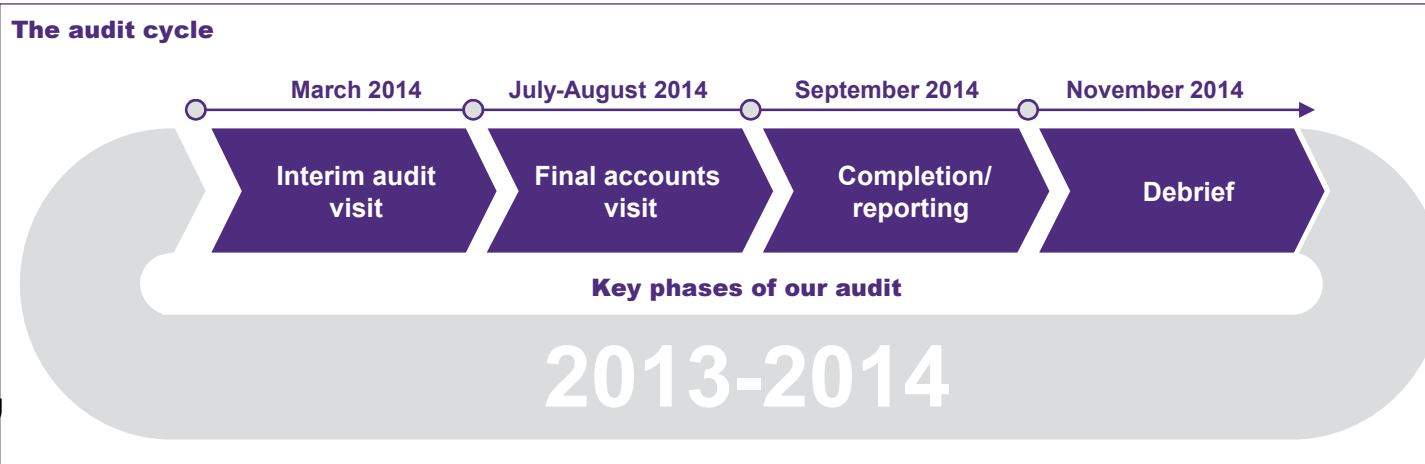
Other reasonably possible risks	Description	Planned audit procedure
Contributions	Recorded contributions not correct	We will rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.
Member Data	Member data not correct	<p>We will confirm the system of controls and reconciliations covering the determination of member eligibility , the input of evidence into the Pensions Administration System and the maintenance of member records. With a view to reducing the level of substantive testing required, we will then consider testing key controls in these areas.</p> <p>We will reconcile membership numbers for each category of member to previous year's figures via retirements, leavers and starters.</p>

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Pension Fund's systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Pension Fund and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the Council's general IT control environment, as part of the overall review of the internal controls system. This will also include a follow up of the issues that were raised last year.</p>	<p>Our work will be reported when complete.</p>
Journal entry controls	<p>We will review the Pension Fund's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>We will complete journals testing as part of our final accounts audit and report any material weaknesses identified, which could adversely impact on the Pension Fund's control environment or financial statements.</p>	<p>Our work will be reported when complete.</p>

Logistics and our team



Date	Activity
March/April 2014	Planning
March 2014	Interim site visit
June 2014	Presentation of the Audit Plan to the Pensions Committee
July/August 2014	Year end fieldwork
August 2014	Audit Findings clearance meeting with James Walton and Justin Bridges
September 2014	Presentation of the Audit Findings to Pensions Committee and Audit Committee
September 2014	Opinion issued

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Our team

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Fees and independence

Fees

	£
Pension Fund Scale Fee	23,427
Proposed fee variation – IAS 19 Assurances	1,979
Proposed fee variation – Repayment of the element of 2012/13 fee to meet costs of work by KPMG to be recharged to the Council	(2,976)
Proposed fee payable	22,430

Proposed fee variation

IAS 19 Assurances

In line with Audit Commission standing guidance we are required to provide assurance to admitted body auditors over the reliability of the information provided by the Pension Fund to the actuary for the purposes of them making their IAS 19 estimates. As in the previous year the Audit Commission has confirmed that this work is not currently included in the scale fee and therefore a fee variation is proposed to cover the cost of the work required by the admitted bodies.

Repayment KPMG

In 2012/13 KPMG completed controls testing on our behalf at an admitted body. This variation to ensure the charge has a neutral impact on the overall fees charged.

Fees for other services

Service	£
None	Nil

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Pension Fund and its activities have not changed significantly
- The Pension Fund will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

Respective responsibilities

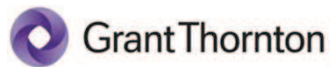
This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council and Pension Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Pension Fund's key risks when reaching our conclusions under the Code.

The audit of the Pension Fund's financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Audit Committee Update for Shropshire Council

Year ended 31 March 2014

June 2014

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Agenda Item 21

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

Introduction

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

- a summary of emerging national issues and developments that may be relevant to you as a unitary Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

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Progress to date

Work	Planned date	Complete?	Comments
<p>2013/14 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013/14 financial statements and provide a value for money conclusion.</p>	February 2014	Yes	The Audit Plan was presented to the March 2014 Audit Committee.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of your financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	December 2013 – March 2014	In progress	<p>We have liaised with Internal Audit on their work for 2013/14.</p> <p>We have undertaken our initial on-site work at the Council which has informed the work plan for our follow up on-site work and our final accounts visit. Learning from the 2012/13 audit has been incorporated into our approach as agreed with the Finance Department.</p> <p>We have held meetings with key Directors to update our cumulative audit knowledge and understanding. This supports both the financial opinion and VFM conclusion.</p>
<p>2013/14 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2013/14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	June – September 2014	No	<p>Due to start on the 30th June with initial planning being undertaken once we have received the draft financial statements.</p> <p>We will report to the September Audit Committee and keep the Chair of Audit Committee informed if there are any issues which require notification in advance of this meeting. We are not anticipating any issues of this nature.</p>

Progress to date

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion requires conclusions on whether:</p> <ul style="list-style-type: none"> • The organisation has proper arrangements in place for securing financial resilience. • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	<p>January – July 2014</p>	<p>In progress</p>	<p>There are no changes to the key criteria from last year. Work has been undertaken to collate our initial risk assessment and then identify further evidence to support those risks.</p> <p>We have held meetings with key Directors to update our cumulative audit knowledge and understanding. This supports both the financial opinion and VFM conclusion.</p> <p>The areas of audit focus for 2013/14 include reviewing the Council's progress in delivering:</p> <ul style="list-style-type: none"> • the required recurrent savings of £24m to support in year financial balance for 2013/14 and beyond, and • its new Business Plan and Financial Strategy for achieving recurring financial balance, delivering the £80m funding gap identified and setting out the Council's plans for the next 3-5 years.
<p>Grant work (Audit Commission regime)</p> <p>We currently anticipate being required to certify the following grant claims related to the 2013/14 financial year:</p> <ul style="list-style-type: none"> • Pooling of Housing Capital Receipts • Teachers' Pensions, and • Housing and Council Tax Benefit Subsidy. <p>Following the changes to the business rates regime there is currently uncertainty as to whether we will be required to certify a National Non Domestic Rates (NNDR 3) return or its equivalent. Once we have clarity we will inform the Council.</p>	<p>July – November 2014</p>	<p>No</p>	<p>Work on 2013/14 claims and returns has not yet started. We anticipate meeting the certification deadlines on all 2012/13 claims and returns. Details of audit work and any key findings will be provided in our certification report which we expect to issue in December 2013.</p> <p>The Council has been involved in attending training at our Colmore Plaza offices in Birmingham in relation to completing the workbooks for the Housing Benefit and subsidy certification claim. This should support the process and ensure that we are able to work efficiently in delivering assurance to DWP.</p>

Progress to date

Work	Planned date	Complete?	Comments
<p>Grant work (non Audit Commission regime)</p> <p>The Council required additional assurance in relation to the HCA Decent Homes Backlog Funding for 2012/13. This was brought to our attention after the deadline of September 2013.</p>	<p>Not in original plan, but required in April 2014</p>	<p>Yes</p>	<p>We worked with the Council to provide the required assurance as soon as it was brought to our attention. Our report was addressed to the Council who passed on this assurance to the grant making body (HCA).</p> <p>This work is outside the Audit Commission regime and as such required a separate engagement letter and an additional fee which has been agreed with the Council at £2,750 + VAT.</p> <p>Further assurance is required for the 2013/14 funding which we plan to deliver by the deadline of September 2014. This will require a further engagement letter and additional fee to be raised.</p>
<p>Other areas of work</p> <ul style="list-style-type: none"> • Non-audit services • 2013/14 Pension Fund audit 		<p>Yes</p> <p>No</p>	<p>Our valuations department has completed work for the Head of Finance, Governance and Assurance</p> <p>We have held a planning meeting with the Pensions Team and completed the interim work. The Audit Plan to be taken to the June 2014 Pension Committee is included on this Audit Committee's agenda for note. The final accounts audit is planned for the summer with primary reporting through the Pensions Committee.</p>

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Grant Thornton events

Grant Thornton events

Events

We are involved in organising and supporting various events for our local government clients including the following.

Local Events

- **We are hosting a Local Government Audit Committee Network at our Birmingham office on 2 July 2014. The theme for this inaugural meeting will be Financial Reporting in Local Government – providing challenges to the draft financial statements including an update on current topics. All Audit Committee members from Shropshire Council are welcome.**
- We are also hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July 2014 where practitioners will share experiences of setting up and operating various alternative delivery models.

National Events

- Following on from our recent national report on welfare reform Reaping the Benefits we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events.
- For the third year running we are sponsoring the conference drinks reception at CIPFA's Annual Conference, taking place in London on 2 July 2014.
- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July 2014, in Nottingham.
- We sponsored the Centre for Public Scrutiny (CFPS) annual Scrutiny Camp Unconference in London on 11 June 2014 and The Municipal Journal's annual Growth Agenda conference on 4 June 2014 where we will be launching our Where Growth Happens report.

Consultation – Local Government Pension Scheme future structure

Sector issues

Local Government Pension Scheme (LGPS) reform

The DCLG (1 May 2014) published a summary of its 2013 call for evidence on the future structure of the local government pension scheme, along with its own conclusions and has launched a formal consultation on these. Consultation responses are required by 11 July 2014. <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

Having considered a cost/benefit analysis of mergers from actuarial firm Hymans Robertson, the DCLG said it would not force funds to merge, but is instead consulting on the following proposals:

- Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.
- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
- A proposal not to pursue fund mergers at this time.

The potential proposed changes, whilst not as radical as the previously considered merger proposals, remain nonetheless significant for the management of pension funds. DCLG believe the implementation of the proposed changes would significantly reduce investment costs across the LGPS nationally.

Challenge question

Has your Head of Finance, Governance and Assurance briefed members on the potential implications of the government's proposed LGPS reform for the future management of the locally administered LGPS and is the fund preparing a consultation response?

Assessing the costs and benefits of local partnerships

Governance issues

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Challenge question

Has the authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Working in tandem – Local Government Governance Review 2014

Governance issues

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Challenge questions

Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Authority reviewed these case studies and assessed whether it is meeting good practice in these areas?

Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your Engagement Lead and Audit Manager

Challenge question

Have members referred to this guidance?

Accounts – our top issues

Accounting and audit issues

Top 10 issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top [10] issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Is your PFI accounting model up to date? Do your accounts disclose:
 - the fair value of PFI liabilities?
 - information on the impact of inflation on PFI commitments?
6. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs and a new service line for Public Health been addressed? Have comparatives been restated?
7. Have you disclosed the accounting policy for schools? For those schools that are not recognised on the balance sheet, has information about school assets, income and expenditure been disclosed?

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Accounts – our top issues

Accounting and audit issues

8. In the pension accounts, have the following disclosures required by the Code been included that are in addition to those set out in the CIPFA example pension fund accounts:

- the relationship between net assets available for benefits and the present value of promised retirement benefits
- an accounting policy for measurement of assets held at amortised cost.

9. In the group accounts, are the accounts of subsidiaries, associates and joint ventures robust? Have accounting policies been brought in line with those of the authority? Have all intra-group transactions and balances been eliminated?

10. Have you agreed a detailed closedown plan with your auditors? Does this include:

- how to deal with known major issues?
- a protocol for dealing with new issues as they arise?
- a date for a post-implementation review?

Challenge question

Has your Head of Finance, Governance and Assurance addressed the closedown issues and assessed the potential impact for your financial statements?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs
- disclosure requirements for dedicated schools grant.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Challenge question

Has your Head of Finance, Governance and Assurance reviewed the guidance and assessed the potential impact for your financial statements?



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Grant Thornton

An instinct for growth™

A guide to local authority accounts

March 2014



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Introduction

This guide is designed to help members of audit committees discharge their responsibilities for the financial statements. It aims to help them understand and challenge the accounts, supporting notes and other statements.

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. They also play a key role in ensuring accountability and value for money are demonstrated to the public.

However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government. IFRS provides a comprehensive framework (over 3,000 pages of mandatory requirements) for the production of financial statements in the public and private sector. This framework is continually being refined.

We have prepared this guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

“It sounds extraordinary, but it's a fact that balance sheets can make fascinating reading.”

Mary Archer
British scientist



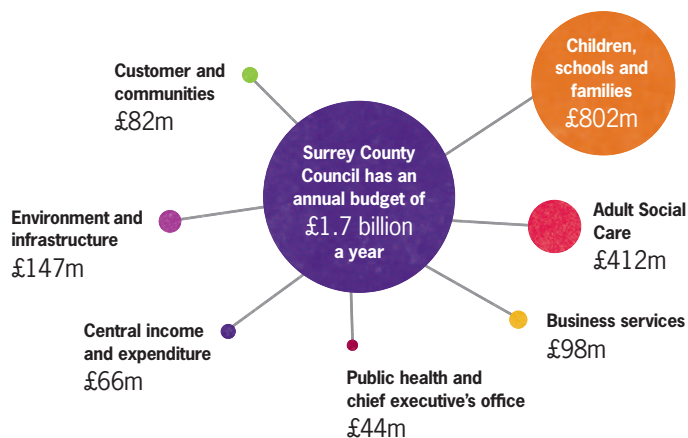
Explanatory foreword

The purpose of the explanatory foreword is to provide a commentary on the financial statements. It should include an explanation of key events and their effect on the financial statements.

The information included in the explanatory foreword should not be a surprise and should be familiar to you from the budget reports provided during the year. The explanatory foreword should therefore ideally also reconcile the year end financial position reported to members (the outturn) to the statutory financial accounts.

However, in a recent survey on governance, conducted by Grant Thornton, 40% of respondents did not agree that the explanatory foreword aids public understanding of local government accounts. Too often, explanatory forewords repeat key elements of the accounts and run the risk of being overly long, rather than provide a clear commentary in plain English. This indicates there is still some way to go before the explanatory foreword achieves its purpose.

Key financial information should be clearly explained and authorities should consider the best way to present it. Below is an example of the presentation of financial information that we consider to be helpful.



Challenge questions

- 1 Does the explanatory foreword provide a clear summary of the authority's financial performance and financial position at the year end?
- 2 Is the summary in line with your expectations? Is the financial performance in line with budget reports? Are the key events described in the explanatory foreword those you expected to see?
- 3 Can you trace the figures to the financial statements? Are they consistent?
- 4 If last year's figures have been restated, is the reason clearly explained?
- 5 Is there a better way that this information could be presented or communicated?

For more information, see **Grant Thornton's Local Government Governance Review 2014**



Annual governance statement

The annual governance statement (AGS) sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The AGS should give the reader a clear sense of the risks facing the authority and the controls in place to manage them.

While the AGS is prepared by the authority at the end of the year, it should be built up from processes designed, run and tested throughout the year. There should be no surprises for members of the audit committee as all of the issues described should already have been discussed. However, surprises can occur if the first sight of the document is not until June. We recommend making the AGS an iterative document which is presented in draft to audit committee members towards the end of the calendar year.

The AGS should be consistent with:

- the rest of the financial statements
- internal audit findings
- the results of any external inspections of the authority during the year.

Challenge questions

- 1 Is the content of the AGS consistent with your knowledge of the operations of the authority over the year?
- 2 Does the AGS succinctly describe the control environment in an understandable way?
- 3 In particular, does the AGS include:
 - all significant risks that you were aware of during the year?
 - the actions the authority is taking to address the identified risks?

Only 65% of respondents to our survey agreed that the AGS helps the public to understand how the organisation manages risk.



Movement in reserves statement

Reserves represent the authority's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.



Usable reserves

- Result from the authority's activities
- Can be spent in the future
- Include:
 - general fund
 - earmarked reserves
 - capital receipts reserve

The level of usable reserves, the spending plans of the authority and other sources of funding will determine how much council tax needs to be raised.

The movement in reserves statement (MIRS) analyses the changes in each of the authority's reserves from year to year. It should be clear to see what has caused the movement in each reserve. The statement shows:

- **opening balances** – these should be the same as the previous year's closing balances
- **total income or expenditure for the year** – this should agree with the comprehensive income and expenditure account
- **statutory transfers between reserves** – these are made as the result of regulation
- **voluntary transfers between reserves** – these are made as the result of the authority's decisions
- **closing balances** – these should agree to those on the balance sheet.

Transfers between reserves should not result in a change in the overall level of reserves.

Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include:
 - pensions reserve
 - revaluation reserve
 - capital adjustment account

Statutory transfers are adjustments that are made to usable reserves to:

- remove transactions that are required by accounting standards
- add transactions required by statute.

For example, accounting standards require depreciation to be charged to the general fund to represent the cost of assets used in the delivery of services. Statute requires that all capital transactions are removed from the general fund. Depreciation is therefore taken out of the general fund and replaced with the minimum revenue provision (MRP). The MRP represents the authority's estimate of how much it should contribute to capital expenditure each year and is approved by members at the start of every year.

Voluntary transfers include the earmarking of reserves. Members may choose to earmark reserves, putting aside cash to deliver specific longer-term objectives, such as the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out.

Challenge questions

- 1 Are the movements in the two types of reserves shown in separate tables?
- 2 Do the opening balances agree with last year? Have any restatements been clearly explained?
- 3 Do the figures in the MIRS agree to the comprehensive income and expenditure statement?
- 4 Can you trace the figures in the MIRS to the relevant notes? Do the notes adequately explain the major movements?
- 5 Are the purposes of the material earmarked reserves consistent with the authority's objectives and the authority's decisions?

For more information, see **Grant Thornton's Approving the MRP Policy**



Comprehensive income and expenditure statement

The comprehensive income and expenditure statement (CIES) reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit.

The CIES is sometimes described as a 'film' of all the transactions in the year. It includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

The CIES shows the accounting position of the authority before statutory overrides are applied. It analyses income and expenditure based on services. This means that it does not have the same headings you see in commercial financial statements.

The standard format of the CIES means that it will differ from the layout in your budget book, which will be based on your authority's own activities and internal reporting needs. A note to the accounts should reconcile the figures reported internally to those included in the CIES.



Five broad sections within the CIES

Cost of services	Presented in a standardised format as set out by the 'Service reporting code of practice for local authorities'. Includes service specific income and expenditure. Any large and/or unusual items which may affect the reader's view of the accounts should be disclosed separately.
Other operating income and expenditure	Includes the surplus or deficit from the sale of property, plant and equipment.
Financing and investment income and expenditure	Includes interest payable and receivable.
Taxation and general grant income	Includes revenue from council tax and the revenue support grant.
Other comprehensive income and expenditure	Items which are not allowed to be accounted for elsewhere in the CIES, such as increases in the value of land and buildings and changes in the actuarial assessment of pension liabilities.

Challenge questions

- 1 Does the CIES reflect the financial performance of your authority as you know it?
- 2 Have there been significant changes year on year? If so, are these clearly explained?
- 3 Is there a detailed note to reconcile the CIES to budget reports? Is it easy to find? Can you trace the figures through?

Balance sheet

The balance sheet is a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31 March.

The balance sheet is always divided into two halves that should, as the name suggests, balance:

- assets less liabilities (the top half)
- reserves (the bottom half).

Non current assets including: <ul style="list-style-type: none">• property, plant and equipment• heritage assets• intangible assets• investment property	Non-current assets have a life of more than one year. For most authorities the biggest balance by far is property, plant and equipment. These are tangible assets that are used to deliver the authority’s objectives. With some exceptions they need to be shown at a value based on market prices. Changes in valuations are matched by changes in reserves (generally the revaluation reserve). The cost of property, plant and equipment is spread over the period in which it is used by charging depreciation.
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Current assets	Includes cash and other assets that, in the normal course of business, will be turned into cash within a year from the balance sheet date. Other assets include investments, non-current assets held for sale, inventories and debtors.
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Current liabilities	Comprises short-term borrowing, trade creditors, amounts owed to other government bodies and receipts in advance. Receipts in advance arise when the authority receives income this year for expenditure it will incur, or services it will provide, in future years.
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Long-term liabilities	Includes borrowings, any amounts owed for leases and private finance initiative (PFI) deals. There will also be an estimate for the cost of meeting the authority’s pension obligations earned by past and current members of the pension scheme.
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Provisions	Represent future liabilities of the authority, but there is uncertainty about how much the authority owes or when it will have to pay.
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Reserves	These are usable and unusable reserves.
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Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?
- 3 Are the changes in property, plant and equipment what you would expect, based on any major disposals of assets, the authority’s capital programme and movements in market prices?
- 4 Are movements in investments and borrowing consistent with the authority’s treasury plans and with the cash movements in the cash flow statement?
- 5 Are the reasons for provisions and details of how they have been calculated clearly shown?
- 6 Do the reserves in the balance sheet agree to the balances in the movement in reserves statement?

Other statements

A number of other statements will be included within the financial statements, though not all will be relevant to every authority.

Cash flow statement	<p>Sets out the authority's cash receipts and payments during the year, analysing them into operating, investing and financing activities.</p> <p>Cash flows are related to income and expenditure, but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, not when the cash was paid or received.</p> <p>The Local Authority Code of Practice allows two different methods of presentation to be used, and therefore formats may vary between neighbouring authorities.</p>
Collection fund	<p>Shows the transactions in respect of council tax and business rates during the year.</p>
Housing revenue account	<p>Shows the transactions in respect of council housing during the year. It is ring-fenced, so it cannot subsidise or be subsidised by other activities.</p>
Pension fund accounts	<p>Included within the financial statements of a pension fund administering authority, such as a county or unitary council. Shows the transactions and net assets/liabilities of the pension fund as a whole.</p>
Group accounts	<p>Prepared if the authority has a significant subsidiary, such as a local authority trading company. Shows the combined income and expenditure and balances of all the constituent bodies.</p>

Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?



Additional disclosures

The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and are rarely written in plain English.

However, additional disclosures include important information and provide the context for the figures in the primary financial statements.

Accounting policies Set out the accounting rules the authority has followed in compiling its financial statements, for example that land and buildings are shown at valuation rather than at cost. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice. Authorities have limited discretion to amend them, but should:

- provide additional information where needed
- remove accounting policies that are not relevant or apply to immaterial amounts.

Critical judgments Show the key areas where officers have made judgements about the application of accounting policies. For example:

- classification of leases and public finance initiative (PFI) schemes
- identification of provisions
- impairment of assets.

The aim is to highlight key areas of the accounts where others may have made different judgments about the accounting treatment.

Estimates The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.

Property, plant and equipment Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.

Leases and PFI schemes Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.

Employee remuneration Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.

Contingent liabilities Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them. The most common contingent liability is for legal claims.

Challenge questions

- 1 Have you already seen and been able to comment on the proposed accounting policies?
- 2 Are you comfortable with the critical judgements disclosed?
- 3 Do the figures reported in the financial statements agree to those included in the relevant notes?
- 4 Are the notes easy to find and follow?
- 5 Is too much information included? Could it be better presented?

And finally...

Once you have completed your review of the detail, you may wish to reflect upon the financial statements as a whole and what could be done to improve the process for future years.

About the financial statements

- 1 Are they clear, concise and easy to follow?
- 2 Are they presented in the best format? Could graphs or diagrams be used to help explain information more easily?
- 3 Is detailed information on the most important items easy to find?
- 4 Are technical terms explained in plain English? Is there a glossary?
- 5 Is it clear how a reader could find out more information?
- 6 Where are the accounts to be published? Are they easy to find?

About the process

- 1 Does your authority recognise that producing robust financial statements is important for strong financial governance?
- 2 Has your authority set targets to produce shorter, clearer, earlier financial statements?
- 3 What support can you give your officers to meet these challenges? Do they have sufficient resources? Are they given enough support from senior management?
- 4 What support do you need to help you discharge your responsibilities? Are there any areas in which you need training?

For more information, see **Grant Thornton's Declutter your accounts – top 10 tips**



CIPFA's Financial statements: a good practice guide for local authorities



About us

Dynamic organisations know they need to apply both reason and instinct to decision making. At Grant Thornton, this is how we advise our clients every day. We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients.

Grant Thornton UK LLP is a leading business and financial adviser with client-facing offices in 25 locations nationwide. While we understand regional differences and can respond to needs of local authorities, our clients can also have confidence that our team of local government specialists is part of a firm led by more than 185 partners and employing over 4,200 professionals, providing personalised audit, tax and specialist advisory services to over 40,000 clients.

Grant Thornton has a well established market in the public sector, and has been working with local authorities for over 30 years. We are the largest employer of CIPFA members and students and our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

We are the leading firm in the local government audit market, and are the largest supplier of audit and related services to the Audit Commission, and count 40% of local authorities in England as external audit clients.

We also audit local authorities in Wales and Scotland via framework contracts with Audit Scotland and the Wales Audit Office. We have over 180 local government and related body audit clients in the UK and over 75 local authority advisory clients. This includes London boroughs, county

councils, district councils, city councils, unitary councils and metropolitan authorities, as well as fire and police authorities.

This depth of experience ensures that our solutions are grounded in reality and draw on best practice. Through proactive, client-focused relationships our teams deliver solutions in a distinctive and personal way, not pre-packaged products and services.

Our approach combines a deep knowledge of local government, supported by an understanding of wider public sector issues, drawn from working with associated delivery bodies, relevant central government departments and with private-sector organisations working in the sector.

We take an active role in influencing and interpreting policy developments affecting local government and responding to government consultation documents and their agencies. We regularly produce sector-related thought leadership reports, typically based on national studies, and client briefings on key issues. We also run seminars and events to share our thinking on local government and, more importantly, understand the challenges and issues facing our clients.

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EPI1074



Decluttering your accounts

Helping local authorities prepare clear and concise financial statements

Spring 2014

The case for de-cluttering

Financial statements are an important part of good governance and accountability. But many local authorities say their financial statements are becoming more complex, harder to prepare and less clear for readers. We believe it is possible to break this trend.

In 2012 we published our top ten tips on how to de-clutter local authority accounts. Since then we have worked with authorities across the UK to help them prepare financial statements that are clear and concise. For some the change has been dramatic with one of our clients successfully halving the length of its financial statements. Based on this work we have identified the five critical success factors.

1 Engage stakeholders

Securing the commitment of your members, senior managers and other stakeholders (including auditors) to the project is essential. And understanding what your stakeholders think of your latest financial statements will help you identify the main areas for improvement:

- are the financial statements consistent with their knowledge of the authority?
- do they think that big issues are disclosed clearly?
- are there any areas where the financial statements do not make sense to them?

2 Remove immaterial disclosures

Disclosure notes are only needed for material items or where disclosure is required by statute. Removing immaterial disclosures can have a major impact on the size of your financial statements. To do this you will need to have a clear understanding of what is material to your local authority:

- an item is material if it could influence the view of a user of the financial statements
- assessing materiality requires consideration of both qualitative and quantitative factors.

3 Remove duplication

Financial statements often include several disclosures covering the same balances, sometimes resulting in duplication. Merging these notes and disclosing information just once can make the accounts more readable and shorter.

4 Re-order

Many local authorities follow a standard order for their disclosures. Changing the order in which information is disclosed can help give greater prominence to the big issues and make the accounts more readable.

5 Use a variety of presentational formats

Lines of text and lists of numbers may not always be the best way to engage a reader. Financial information is often most effectively presented in tables or graphs. Using a variety of presentational formats can also help you highlight the big issues and maintain the reader's interest for longer.

Who should I contact?

For more information on how to de-clutter your financial statements, contact your usual Grant Thornton contact in the first instance or, alternatively:

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Approving the minimum revenue provision policy

Supporting members to take informed decisions
Spring 2014

Why is this important?

Local authority members are not expected to be financial experts. However, capital financing is complex and each year members are required to approve a policy that charges capital costs to revenue: the minimum revenue provision (MRP). This guide is designed to provide members with background information to help them make a more informed decision.



Different types of expenditure

Local government incurs two main types of expenditure – revenue and capital. In local government, as in other sectors, there are different rules which govern accounting for revenue and capital.

- Revenue expenditure refers to day-to-day expenses incurred in running services such as staff salaries, payments to contractors. The rules in respect of revenue expenditure are straightforward. The Local Government Finance Act 1992 requires authorities to set a balanced budget each year, although historic reserves may be used to fund specific items.
- Capital expenditure refers to the council's expenditure on long-term assets such as buildings, IT systems, vehicles and so on. This expenditure is different because it can commit the council to payments many years in the future, particularly when the assets are funded by borrowing.

Charging for capital expenditure

Why not charge depreciation?

Local authorities follow international financial reporting standards (IFRS). These set out how to charge for capital items and include concepts such as depreciation. However, if local authorities were required to meet these IFRS charges, many would be unable to balance their general fund without raising significant additional funds from taxpayers. This is not indicative of poor decision-making in previous years: it is a consequence of accounting charges relating to capital projects encouraged by central government in the past.

As a result, local authorities are required to follow a regulatory framework for charging for capital costs. This means that although a local authority income and expenditure statement includes accounting entries for items such as depreciation, these are removed from reserves and replaced with a charge that is determined by statute.

What are the key principles of the local authority statutory framework for capital financing?

- Capital grants and capital receipts cannot be used to fund revenue: a local authority cannot, for example, sell land to fund the running costs of the Town Hall. Local authorities place income from capital grants and receipts into specific capital reserves that can only be used to fund capital expenditure.
- Local authorities can spread the funding of capital expenditure over more than one year: where a local authority incurs capital expenditure it funds the costs from a combination of its capital grants, receipts and reserves and the general fund. It is allowed to spread this funding over several years taking on board the impact on current and future taxpayers.
- Each year members must approve the local authority's policy on how much capital expenditure to charge to the general fund: it is up to each local authority to decide how to fund its capital expenditure. However, each year it must charge an amount to the general fund that it considers to be prudent. This is known as the Minimum Revenue Provision (or MRP). The MRP Policy must be approved by full council or (if an authority does not have a council) the nearest equivalent.

How might members go about approving a prudent MRP policy?

- Consider the Capital Financing Requirement (CFR) – this sets out how much capital expenditure still needs to be funded by the local authority. Authorities must set an MRP policy that charges this balance to reserves on a prudent basis.
- Consider the Department for Communities and Local Government's (DCLG's) guidance on setting an MRP policy – local authorities are required to have regard to DCLG's guidance on MRP. This means that an authority must consider what the statutory guidance says. It does not mean that a local authority is obliged to follow the guidance. However, if an authority does decide to depart from the guidance, it must be able to show good reasons for doing so.
- Apply judgment – members are not expected to be financial experts but they are required to make an informed decision as to whether the MRP policy is prudent. In reaching this judgment members may wish to consider the following:
 - 1 Does the MRP policy follow DCLG's statutory guidance? If not have officers prepared a report that explains clearly the basis for any departure from the guidance?
 - 2 Does the MRP policy charge the CFR to the general fund over a prudent period? For example, if the length of time is excessive (more than 60 years, say) then the policy is unlikely to be prudent: tax-payers will be funding the cost of assets long after they have been scrapped.
 - 3 Are there any warning signs? For example, has the MRP policy changed? If so, why? Is this part of a well-thought out capital financing strategy or a knee-jerk reaction to short-term financial pressures? Borrowing to invest in capital projects at historically low interest rates may very well be the right approach for the authority but has the authority received advice from external consultants? If so, have officers critically assessed the advice received or have recommendations been accepted without scrutiny?

How we can help?

As the leading provider of external audit to local authorities, we see part of our role as supporting members to make the best financial decisions on behalf of local residents. Not all aspects of capital accounting and financing are simple, but this guide should have helped to explain some of the principles. We hope this is useful for members looking to gain sufficient understanding to discharge their responsibilities.

Who should I contact?

For more information about local government finances, contact your usual Grant Thornton contact in the first instance or, alternatively:

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Audit Committee Training - VFM Conclusion

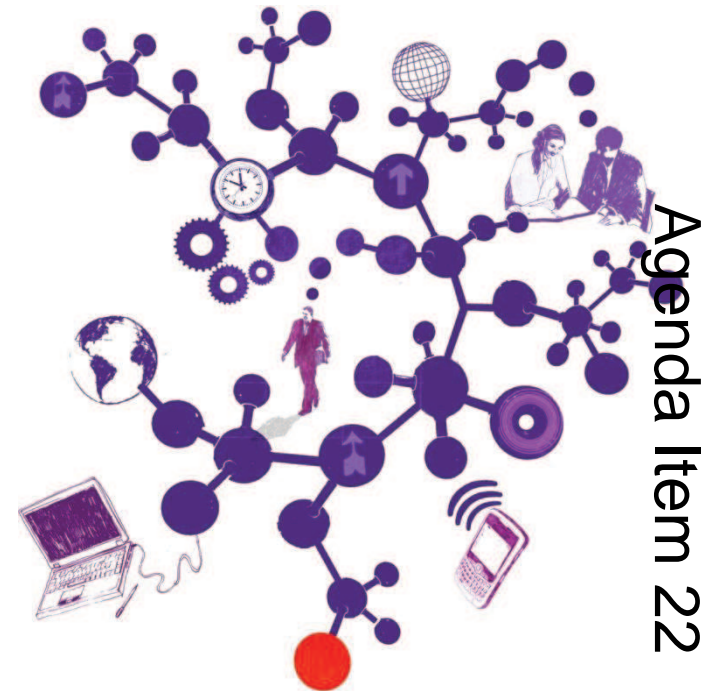
Year ended 31 March 2014

5 June 2014

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Agenda

- Introduction
- Public Sector Audit Framework
- Responsibilities
- Focus of our VFM Work and the VFM Framework
- Specific powers and duties of external auditors

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Introduction

We were appointed by the Audit Commission as auditors to Shropshire Council from 2012/13. In the local area we are also the appointed auditors to West Mercia Energy Joint Committee, STAH, Shropshire & Wrekin FRA, Shropshire Community Health NHST, Shropshire CCG and Telford & Wrekin CCG.

We aim to provide you with a high quality external audit service. We continue to develop our relationship with you, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. Over 35,000 Grant Thornton people, across 100 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

We are the UK's leading provider of public sector external audit services, covering all parts of the NHS and local government. We can offer a full complement of supporting services if required, such as taxation advice, corporate governance reviews and board effectiveness workshops.

Members of the Audit Committee can find further useful material on our website (www.grant-thornton.co.uk/publicsector), where we have a section dedicated to our work in the public sector.

No.1

Auditor of public sector healthcare

40%

Of the public sector audit market

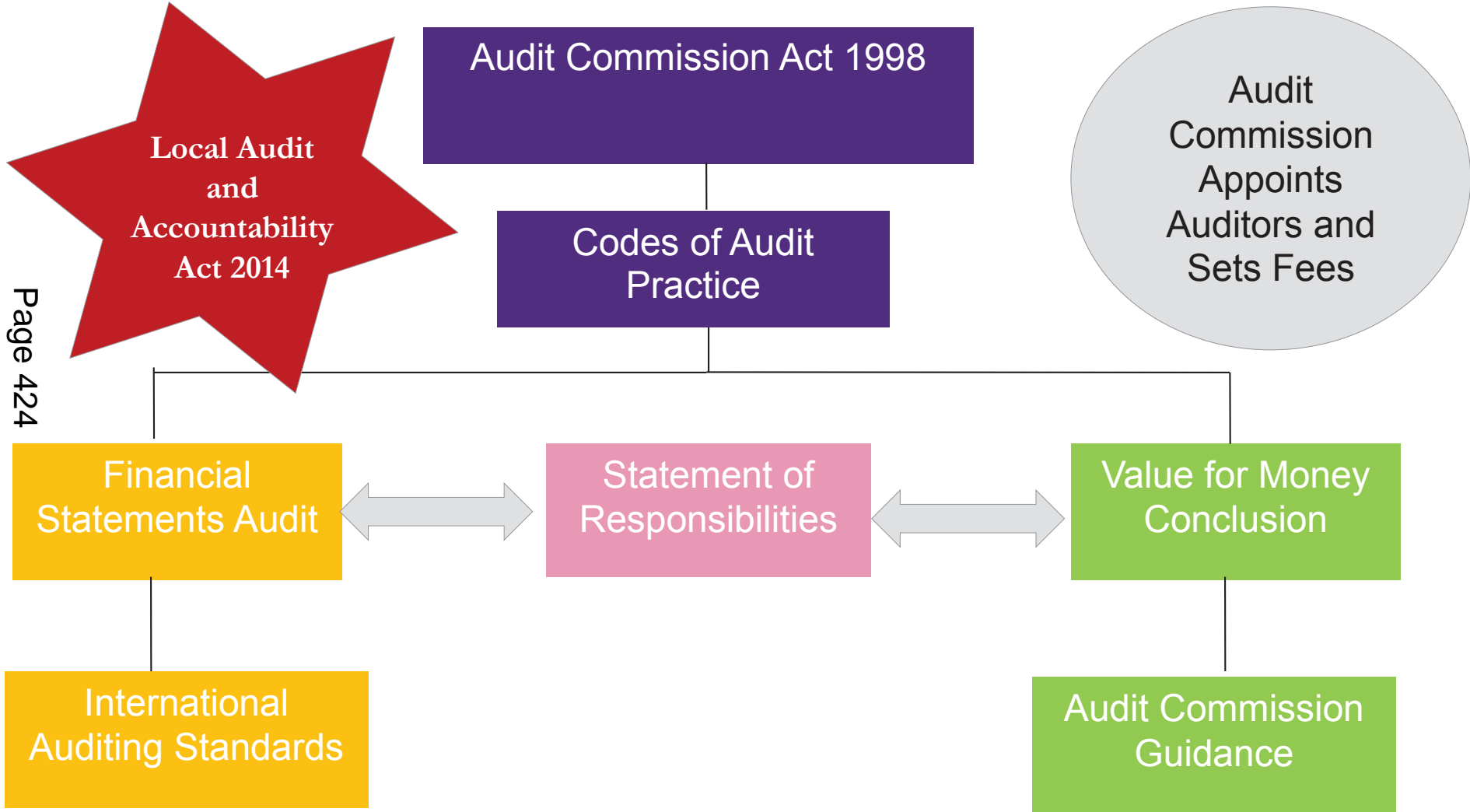
4,000

People in the UK

Number 1

Employer of CIPFA members and trainees

Overview of Current Public Audit Framework



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Responsibilities

Public bodies, such as the Council, are responsible for ensuring that business is:

- conducted in accordance with the law and proper standards, and that
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The responsibilities of auditors are derived from statute (principally the Audit Commission Act 1998) and from the Code of Audit Practice. We normally expect this work will include:

- an opinion on financial statements
- a value for money (VFM) conclusion

Focus of our VFM work

We base our work on a risk assessment that:

- reviews your Annual Governance Statement
- reviews the results of the work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our responsibilities as the Council's auditors
- undertakes other local risk-based work as appropriate, or any work mandated by the Audit Commission.

The Code also empowers the Audit Commission to specify criteria, and the Audit Commission has done so. The two criteria are:

- The organisation has proper arrangements in place for securing financial resilience.
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We do not provide assurance to audited bodies on the operational effectiveness of specific aspects of their arrangements for the use of resources. Neither can we be relied upon to have identified every weakness or every opportunity for improvement. The Council should consider our conclusions and recommendations in the broader operational or other relevant context.

Financial Resilience

Has the Council got robust systems and processes to **manage effectively financial risks** and opportunities, and to **secure a stable financial position** that **enables it to continue to operate for the foreseeable future?**

The areas we consider for this criteria:

- In year performance against financial targets and ratio's. Such as overspends, the use of non recurrent income or savings and the achievement of savings plans.
- Cashflow
- Medium Term Financial Strategy
- Development of savings plans
- Value of Assets and levels of reserves
- Role of the Cabinet, the Audit Committee and Leadership team
- Assurance Framework and Risk management

Arrangements for securing economy efficiency and effectiveness

Is the Council **prioritising its resources** within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity?

The areas we consider for this criteria include:

- front line staff engagement in the development and delivery of savings plans
- consultations with key stakeholders in determining priorities or opportunities for savings
- the arrangements to monitor the implementation of savings plans and impact on performance and quality
- the understanding of costs and the use of benchmarking
- the role of the Cabinet, Council and leadership team in prioritising resources
- data quality
- delivery of savings and service re-design

VFM Conclusions

There are three possible types of conclusion

Type of conclusion	Description
Unqualified	Having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, the auditor is satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 20XX.
Qualified (except for)	<p>A 'qualified conclusion' paragraph would contain specific details e.g. The Council does not have in place a robust medium term financial strategy.</p> <p>The conclusion would be ' with the exception of the matter reported in the basis for qualified conclusion paragraph above, the auditor is satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 20XX.'</p>
Adverse	<p>An 'adverse conclusion paragraph would contain specific details.</p> <p>The conclusion would be '.....the matters reported in the basis for adverse conclusion paragraph above prevent me from being satisfied that in all significant respects the Council has put in place proper arrangements etc ...'.</p>

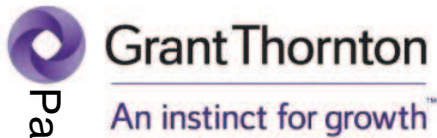
Specific powers and duties of external auditors

Auditors also have specific powers and duties under the Audit Commission Act 1998 (the Act) in relation to matters of legality and electors' rights. For local government bodies auditors must consider:

- whether to issue a public interest report
- give electors the opportunity to raise questions about a local authority's accounts, and consider and decide upon objections received from electors in relation to the accounts

We may also decide whether:

- an audited body should consider formally, and respond to in public, recommendations made in an audit report
- to issue an advisory notice or to apply to the court for a declaration that an item of account is unlawful if we have reason to believe that unlawful expenditure has been or is about to be incurred by an audited body; and
- to apply for judicial review with respect to a decision of an audited body or a failure of an audited body to act, which it is reasonable to believe would have an effect on the accounts of that body.



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By virtue of paragraph(s) 2, 3, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

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