

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND
Date: Wednesday, 14 September 2016

Committee: COUNCIL

Date: Thursday, 22 September 2016

Time: 10.00 am

Venue: Council Chamber, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

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

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

Ann Hartley (Chairman)	Pauline Dee	Alan Mosley
Brian Williams (Speaker)	David Evans	Cecilia Motley
Malcolm Pate (Leader)	Roger Evans	Peggy Mullock
Steve Charmley (Deputy Leader)	John Everall	Peter Nutting
Peter Adams	Hannah Fraser	Kevin Pardy
Andrew Bannerman	Nigel Hartin	William Parr
Nicholas Bardsley	Richard Huffer	Vivienne Parry
Tim Barker	Tracey Huffer	John Price
Joyce Barrow	Roger Hughes	Malcolm Price
Tudor Bebb	Vince Hunt	David Roberts
Thomas Biggins	John Hurst-Knight	Keith Roberts
Andy Boddington	Jean Jones	Madge Shingleton
Vernon Bushell	Simon Jones	Jon Tandy
Gwilym Butler	Miles Kenny	Robert Tindall
John Cadwallader	Duncan Kerr	Dave Tremellen
Karen Calder	Heather Kidd	Kevin Turley
Dean Carroll	Nic Laurens	David Turner
Lee Chapman	Christian Lea	Arthur Walpole
Anne Chebsey	Amy Liebich	Stuart West
Peter Cherrington	David Lloyd	Claire Wild
Ted Clarke	Robert Macey	Leslie Winwood
Gerald Dakin	Jane MacKenzie	Michael Wood
Steve Davenport	Chris Mellings	Tina Woodward
Andrew Davies	David Minnery	Paul Wynn
	Pamela Moseley	

Your Committee Officer is:

Karen Nixon Committee Officer

Tel: 01743 257720

Email: karen.nixon@shropshire.gov.uk

AGENDA

1 APOLOGIES FOR ABSENCE

2 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.

3 MINUTES (Pages 1 - 12)

To approve as a correct record the minutes of the previous meeting held on 21 July 2016, attached marked 3.

Contact Karen Nixon Tel 01743 257720.

4 ANNOUNCEMENTS

To receive such communications as the Chairman, Speaker, Leader and Head of Paid Service may desire to lay before the Council.

5 PUBLIC QUESTIONS (Pages 13 - 14)

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. Two petitions have been received, each bearing over 1,000 signatures;

Firstly a petition from Mr Alan James, Branch Secretary, Shropshire Unison, actively pursuing the '5.4% Campaign' to return the lost 5.4% pay back into employee's salaries.

Secondly a petition from Mr Peter Norman, urging Shropshire Council to continue financing services for young people provided by Ludlow Foyer at the current level during 2017/18 and subsequent financial years.

Each petitioner will be allowed 5 minutes to outline their case, after which there may be a debate of up to 15 minutes, maximum.

6 REPORT OF THE PORTFOLIO HOLDER FOR CHILDREN' S SERVICES (Pages 15 - 22)

To receive the report from the Portfolio Holder for Children's Services, attached marked 6.

7 ANNUAL REPORT 2015/16 OF THE YOUNG PEOPLE'S SCRUTINY COMMITTEE (Pages 23 - 26)

To receive the report from the Chairman of the Young People's Scrutiny Committee, attached marked 7.

8 PORTFOLIO HOLDER ANNUAL REPORT FOR PLANNING, HOUSING, REGULATORY SERVICES AND ENVIRONMENT (Pages 27 - 40)

To receive the report from the Portfolio Holder for Planning, Housing, Regulatory Services and Environment attached marked 8.

9 PORTFOLIO HOLDER REPORT FOR HIGHWAYS AND TRANSPORT (Pages 41 - 56)

To receive the report from the Portfolio Holder for Highways and Transport attached marked 9.

10 PORTFOLIO HOLDER REPORT FOR CULTURE AND LEISURE (Pages 57 - 70)

To receive the report from the Portfolio Holder for Culture and Leisure attached marked 10.

11 ANNUAL REPORT 2015/16 OF THE ENVIRONMENT & SERVICES SCRUTINY COMMITTEE (Pages 71 - 76)

To receive the report from the Chairman of the Environment & Services Scrutiny Committee, attached marked 11.

12 REPORT OF THE INDEPENDENT REMUNERATION PANEL (Pages 77 - 86)

Report of the Head of Legal & Democratic Services is attached marked 12.

Contact Claire Porter Tel 01743 252763.

13 COUNCIL TAX, BUSINESS RATES AND HOUSING BENEFIT OVERPAYMENT DEBT COLLECTION POLICY (Pages 87 - 128)

Report of the Head of Finance, Governance and Assurance is attached, marked 13.

Contact James Walton Tel 01743 255011.

14 AUDITED STATEMENT OF ACCOUNTS 2015/16 (Pages 129 - 324)

Report of the Head of Finance, Governance and Assurance is attached, marked 14.

Contact James Walton Tel 01743 255011.

15 ANNUAL TREASURY REPORT 2015/16 (Pages 325 - 338)

Report of the Head of Finance, Governance and Assurance is attached, marked 15.

Contact James Walton Tel 01743 255011.

16 COMMUNITY GOVERNANCE REVIEWS (Pages 339 - 344)

Report of the Head of Legal and Democratic Services is attached, marked 16.

Contact Claire Porter Tel 01743 252763

17 ADOPTION OF THE UNDERDALE, MONKMOOR AND ABBEY (UMACC) COMMUNITY LED PLAN (Pages 345 - 348)

To receive the report of the Director of Place and Enterprise is attached marked 17.

Contact George Candler Tel 01743 258671

18 MOTIONS

The following 3 motions have been received in accordance with Procedure Rule 16:

18.1 From Councillor Andy Boddington:

'In March, the Communities Department published its final [Statutory Guidance on the Flexible Use of Capital Receipts](#). This guidance will allow Shropshire Council to use capital receipts for service transformation from 1 April 2016 to 31 March 2019.

The guidance states:

"Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

This Council requires that Shropshire Council allocates a proportion of income from future capital sales to the County's Town and Parish Councils to support their contribution to transforming service delivery.'

18.2 From Councillor Viv Parry:

'The Council instructs the Chief Executive to write to the Government asking it to ensure fair transitional arrangements for all women born on or after 6th April 1951. This cohort has unfairly borne the burden of the increase to the State Pension Age (SPA). Hundreds of thousands of women have had significant changes imposed on them with a lack of appropriate notification after the 1995 Conservative Government's Pension Act included plans to increase women's SPA to 65, the same as for men.

Retirement plans for thousands of women have been shattered as a result with devastating consequences.'

18.3 From Councillor Roger Evans:

'This Council notes the recent announcement by the Government to postpone the 6% cut to Community Pharmacy Funding from October 2016. This would, if implemented, have resulted in a reduction of £170m to a much needed and valued service.'

The LGA on behalf of its 370 councils warned that implementing the cut would put many at risk of going out of business and so pull the plug on a vital lifeline for many elderly and vulnerable patients. Any reduction in Pharmacies would also impact adversely on our NHS and our hard-pressed GP Surgeries.

This Council requests the Chief Executive to write to the Prime Minister and all our MPs asking them to make this postponement a permanent one and so maintain the budget at its present level. As the largest inland rural county, many of our small communities would be adversely affected by the closure of any of the present Pharmacies.'

19 REPORT OF THE SHROPSHIRE AND WREKIN FIRE & RESCUE AUTHORITY (Pages 349 - 352)

To receive the report of the Shropshire and Wrekin Fire and Rescue Authority arising from its Annual meeting held on 15 June 2016 and an Extraordinary meeting held on 28 June 2016.

Report attached marked 19.

20 QUESTIONS FROM MEMBERS (Pages 353 - 358)

To receive any questions from Members, notice of which has been given in accordance with Procedure Rule 15.2.

21 EXCLUSION OF THE PRESS AND PUBLIC

To RESOLVE that in accordance with the provisions of Schedule 12A, Local Government Act 1972 and paragraph 10.4(3) of the Council's Access to Information Procedure Rules, the public and press be excluded during the consideration of the following item:

22 SHROPSHIRE COUNCIL SMALLHOLDING ESTATE (Exempted by Categories 1 & 3)

An Exempt report by the Head of Business Enterprise and Commercial Services will follow marked 22.

Contact: Tim Smith Tel 01743 258676.

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Public Document Pack Agenda Item 3



Committee and Date

Council

22 September 2016

COUNCIL

Minutes of the meeting held on 21 July 2016

In the Council Chamber, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

10.00 am - 3.00 pm

Responsible Officer: Karen Nixon

Email: karen.nixon@shropshire.gov.uk Tel: 01743 257720

Present

Councillors Ann Hartley (Chairman) and Malcolm Pate (Leader)

Councillors Brian Williams (Speaker), Steve Charmley (Deputy Leader), Peter Adams, Andrew Bannerman, Nicholas Bardsley, Tim Barker, Charlotte Barnes, Thomas Biggins, Andy Boddington, Vernon Bushell, John Cadwallader, Karen Calder, Dean Carroll, Lee Chapman, Anne Chebsey, Peter Cherrington, Ted Clarke, Gerald Dakin, Steve Davenport, Andrew Davies, Pauline Dee, David Evans, Roger Evans, John Everall, Hannah Fraser, Nigel Hartin, Richard Huffer, Vince Hunt, John Hurst-Knight, Jean Jones, Simon Jones, Miles Kenny, Duncan Kerr, Heather Kidd, Nic Laurens, Christian Lea, David Lloyd, Robert Macey, Jane MacKenzie, Chris Mellings, David Minnery, Pamela Moseley, Alan Mosley, Cecilia Motley, William Parr, Vivienne Parry, John Price, Malcolm Price, David Roberts, Keith Roberts, Madge Shingleton, Robert Tindall, Kevin Turley, David Turner, Arthur Walpole, Stuart West, Claire Wild, Michael Wood, Tina Woodward and Paul Wynn

14 APOLOGIES FOR ABSENCE

The Chief Executive reported that apologies for absence had been received from Mrs J Barrow, Mr T Bebb, Mr G Butler, Mrs T Huffer, Mr R Hughes, Ms A Liebich, Mrs P Mullock, Mr P Nutting, Mr K Pardy, Mr J Tandy, Mr D Tremellen and Mr L Winwood.

15 DISCLOSABLE PECUNIARY INTERESTS

Members were 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.

16 MINUTES

RESOLVED: That the Minutes of the meeting held on 19 May 2016, as circulated with the agenda papers, be approved and signed as a correct record.

17 ANNOUNCEMENTS

17.1 Chairman's Engagements

The Chairman referred Members to the list of official engagements carried out by herself and the Speaker since the last meeting of the Council on 19 May 2016, which had been circulated at the meeting.

17.2 Queen's Birthday Honours

The Chairman announced that the following Shropshire residents had been awarded honours in the Queen's Birthday Honours List and that she had written to each of the recipients to congratulate them on their achievement:

Members of the Order of the British Empire (MBE)

David Tudor – for services to charity and the community in Shrewsbury.
The Reverend Monica Jane Newsome – of Clun, for services to HM Prison Service and voluntary services to the community in Lichfield, Staffordshire.
Ruth Diane Walmsley - Coalmoor, for services to Children in Conakry, Guinea, West Africa.

Medallist of the Order of the British Empire (BEM)

Glenda Wesley - Welshpool Road, Ford, for services to young people and the community.
Judith Williams - of Frankwell, Shrewsbury, for services to charity and voluntary organisations.
Frances Medley – for services to the community in Shawbury and Stanton upon Hine Heath

17.3 Tributes

It was noted that two former colleagues had sadly passed away; Mr Mansel Williams and Mrs Liz Parsons. Tributes for both were led by Alan Mosely and included kind words from Mr T Clarke, Mr M Pate, Mr M Kenny and Mrs P Dee.

At the conclusion of the tributes all stood in silence in fond memory of their colleagues.

18 PUBLIC QUESTIONS

Public Questions

The Speaker announced that ten public questions had been received in accordance with Procedure Rule 15 (a copy of the report containing the questions and the formal responses was attached to the signed minutes):

- (i) Received from Mrs Joyce Brand regarding income from car parking in Ludlow and Oswestry which was answered by the Leader, Mr M Pate – copy attached to the signed minutes.

There was no supplementary question.

- (ii) Received from Mr Stephen Froggatt and answered by Mr M Pate, Leader, in relation to the reduction of library services and levels of councillor's personal allowances – copy attached to the signed minutes.

By way of a supplementary question Mr Froggatt asked for details of who the Independent Remuneration Panel members were.

In response, the Leader undertook to let Mr Froggatt have this information following the meeting.

- (iii) Received from Mr Peter Gilbert and answered by Mr S Jones, Portfolio Holder for Highways and Transportation, in relation to the bus and coach station in Shrewsbury – copy attached to the signed minutes.

By way of a supplementary question Mr Gilbert asked when the remedial works would be started and also asked for an assurance that the maintenance would be kept up in future.

In response, the Portfolio Holder confirmed that the weeds would be dealt with by the end of the week and the remaining outstanding works would be completed before the end of the financial year – he was sorry he could not be more specific – but he assured the works were in hand.

- (iv) Received from Mr Peter Gilbert and answered by Mr M Pate, Leader, in relation to the Guildhall, Shrewsbury – copy attached to the signed minutes.

By way of a supplementary question Mr Gilbert asked when the Council would start to receive rental income from the Guildhall.

In response, the Leader confirmed that this had already been covered in his formal response to Mr Gilbert's question. He was disappointed that the benefits and advantages of having a University in Shrewsbury was not being viewed more positively, especially with the benefits that came with it.

- (v) Received from Ms Emma Bullard and answered by Mr M Pate, Leader, in relation to staff redundancies – copy attached to the signed minutes.

By way of a supplementary question Ms Bullard asked if it was true that some vacancies were left unfilled and was it the case that Shropshire Council no longer

employed bridge engineers? If so, what exactly were the implications for bridge safety across the county?

In response, the Leader confirmed that he would write to Ms Bullard after the meeting with a formal response.

- (vi) Received from Ms Emma Bullard and answered by Mr S West, Portfolio Holder for Leisure and Culture, in relation to the management of the Sports Village at Sundorne – copy attached to the signed minutes.

By way of a supplementary question Ms Bullard asked if the swimming pool was to be included within the Sports Village, Sundorne, would a Travel Plan be worked up and if so, how would this be monitored and enforced if this were to go ahead.

In response, the Portfolio Holder confirmed that he would get back to Ms Bullard with a formal response *if* this were to happen.

- (vii) Received from Mr Steve Boulding and answered by Mr S Jones, Portfolio Holder for Highways and Transportation, in relation to investigating railway re-openings on existing lines – copy attached to the signed minutes.

By way of a supplementary question Mr Boulding asked if the portfolio holder would acknowledge that at stations that had been re-opened across the country by other local authorities, their income and passenger usage had wildly exceeded forecasts.

In response, the Portfolio Holder said there was currently no business case to re-open any stations.

- (viii) Received from Ms Olwen Rose and answered by Mr D Minnery, Portfolio Holder for Children and Young People, in relation to how proposed cuts to youth services would affect the already limited provision for LGBT young people – copy attached to the signed minutes.

There was no supplementary question.

- (ix) Received from Mr Julien Dean and answered by Mr S Jones, Portfolio Holder for Highways and Transportation, regarding toxic air pollutants and bus contracts let by Shropshire Council – copy attached to the signed minutes.

By way of a supplementary question Mr Dean asked if the Council would use it's leverage to the good, to negotiate reduced emissions in future bus contracts.

In response, the Portfolio Holder confirmed that he would look to seek improvements in this area in future.

- (x) Received from Ms Linda Senior and answered by Mrs K Calder, Portfolio Holder for Health, in relation to the recently published Sustainability and Transformation Plan and the justification of proposed cuts in services – copy attached to the signed minutes.

By way of a supplementary question Ms Senior reiterated that vulnerable people and potentially vulnerable people should not be deprived of services.

In response, the Portfolio Holder said that difficult decisions had to be made due to the difficult financial position that existed. It was everyone's problem and a clear focus around transformation was essential. She looked forward to working together actively to address these issues.

19 DRAFT SHROPSHIRE COUNCIL CORPORATE PLAN 2016/17 TO 2018/19

It was proposed by Mr M Pate and seconded by Mrs K Calder that the report, a copy of which is attached to the signed minutes and the recommendations contained therein, be received and agreed.

RESOLVED:

- a) That the draft Corporate Plan 2016/17 to 2018/19 be approved by Council.
- b) That the medium term outcomes and objectives in the Corporate Plan be reviewed in October 2016 and then reviewed each year thereafter, as part of the Council's Corporate Planning Cycle alongside the refresh of the Financial Strategy.
- c) That the Strategic Action Plans, which were in formulation, would be available in October 2016.

20 FINANCIAL STRATEGY 2016/17 TO 2019/20

It was proposed by the Leader, Mr M Pate, and seconded by Mr M Wood that the report, a copy of which is attached to the signed minutes and the recommendations contained therein, be received and agreed.

RESOLVED:

- a) That the amendments to the current net budget to reflect savings of £17.025m by 2017/18 and a further £1.624m by 2018/19 as detailed in the Financial Strategy Report to Cabinet 13 July 2016 (Annex 1), Appendix 2, be approved.
- b) That further work being progressed to deliver a Sustainable Business Model for the Council to close the Core Funding Gap and deliver a financially self-sufficient Council in the medium to long term be noted.

- c) That the work being undertaken to attempt to reduce or close the reported Core Funding Gap in the short term in 2017/18 and 2018/19 by the use of one-off initiatives (to replace delivery of some Red RAG Rated savings as reported to Cabinet on 27 January 2016) be noted. Council also noted that to achieve a balanced budget without further Red Savings proposals being implemented would require the identification of almost £34m of one-off proposals over these two financial years which would not reduce the size of the core funding gap in future years (still requiring £28.7m of base budget savings by 2019/20).
- d) That the Efficiency Plan including the proposals around the use of the new flexibilities on the use of Capital Receipts as detailed in the Financial Strategy Report to Cabinet 13 July 2016 (Annex 1), section 9 and Appendix 5, be approved.
- e) That the financial implications of ICT investment as set out in Table 7, Annex 1, be approved and that the necessary amendments to the gross budget to reflect these financial implications also be approved.

21 CAPITAL OUTTURN 2015/16

It was proposed by the Leader, Mr M Pate, and seconded by Mr D Turner that the report, a copy of which is attached to the signed minutes and the recommendations contained therein, be received and agreed.

RESOLVED:

- a) That the net budget variations of £0.490m to the 2015/16 capital programme, detailed in Appendix 1/Table 1 and the re-profiled 2015/16 capital budget of £51.9m, be approved.
- b) That the re-profiled capital budgets of £70.4m for 2016/17, including slippage of £7.4m from 2015/16, £36.4m for 2017/18 and £16.2m for 2018/19 as detailed in Appendix 1/Table 4, be approved.
- c) That the outturn expenditure set out in appendix 1 of £44.4m, representing 85.7% of the revised capital budget for 2015/16 be noted.
- d) That retaining a balance of capital receipts set aside of £17m as at 31st March 2016 to generate a one-off Minimum Revenue Provision saving of £377,500 in 2016/17, be approved.

22 REVENUE OUTTURN 2015/16

It was proposed by the Leader, Mr M Pate, and seconded by Mr M Wood that the report, a copy of which is attached to the signed minutes and the recommendations contained therein, be received and agreed.

RESOLVED:

- a) That it be noted that the Outturn for the Revenue Budget for 2015/16 was an underspend of £2.816m, which represents 0.5% of the original gross budget of £594m.
- b) That it be noted that the level of general balance stands at £18.370m, which is above the anticipated level included within the Financial Strategy.
- c) That it be noted that the Outturn for the Housing Revenue Account for 2015/16 was an underspend of £1.031m and that the level of the Housing Revenue Account reserve stood at £5.824m (2014/15 £3.076m).
- d) That the increase in the level of Earmarked Reserves and Provisions (excluding delegated school balances) of £4.175m in 2015/16 be noted.
- e) That that the level of school balances stand at £7.173m (2014/15 £3.957m) be noted.

23 ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2015/16

It was proposed by Mr T Barker and seconded by Mr J Cadwallader that the report, a copy of which is attached to the signed minutes and the recommendations contained therein, be received and agreed.

RESOLVED: That the Annual Assurance Report for 2015/16 be approved.

24 ICT DIGITAL TRANSFORMATION PROGRAMME

It was proposed by Mr M Wood and seconded by Mr L Chapman that the report, a copy of which is attached to the signed minutes and the recommendations contained therein, be received and agreed.

RESOLVED:

- a) That the preferred approach (the Hybrid Option) described within this report i.e. to replace all of the current ICT provision (systems, processes, and infrastructure) with new fully integrated cloud-based solutions be confirmed and approved.
- b) That the financial implications of the preferred approach as set out in this report be approved that the use of capital receipts and other funding sources identified to fund the budgetary increase required for the full ICT Digital Transformation Programme also be approved.

25 CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

It was proposed by Mr T Barker and seconded by Mr J Cadwallader that the report, a copy of which is attached to the signed minutes and the recommendations contained therein, be received and agreed.

RESOLVED:

- a) That the preferred approach selected and recommended to Council by Audit Committee on 23 June 2016 be endorsed; Supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating an intention to “opt-in”.
- b) That a further report will be brought to Council on this, including details of any costs that will need to be included in the 2016/17 and/or 2017/18 budgets.

26 JOINT HEALTH OVERVIEW AND SCRUTINY COMMITTEE CO-OPTED MEMBER VOTING SCHEME

It was proposed by Mr G Dakin and seconded by Mr D Evans that the report, a copy of which is attached to the signed minutes and the recommendations contained therein, be received and agreed.

RESOLVED: That the continuation of the current voting scheme for the co-opted Members of the Joint Health Overview and Scrutiny Committee to September 2019 as set out in the attachment to the terms of reference in Appendix 2, be approved.

27 APPOINTMENTS TO COMMITTEES

It was proposed by Mr R Evans, seconded by Mr M Kenny and duly

RESOLVED: That the following appointment to committee be confirmed:

Enterprise and Growth Scrutiny Committee

The appointment of Mrs H Fraser as a Substitute Member to replace Mr M Kenny.

28 MOTIONS

- 28.1 The following motion was proposed by Mr T Barker and duly seconded by Mr C Mellings who also declared an interest (his father was a veteran and his nephew was currently serving with the Rifles);

“Shropshire Council supports and endorses the Royal British Legion’s campaign to “count them in” which seeks to ensure that questions concerning military service and membership of the armed forces community are included in the 2021 census

and subsequent ones. Including relevant questions will enable statutory and voluntary service providers to better meet the needs of the armed forces community.

Shropshire Council is a signatory to the Armed Forces Covenant and by virtue of that has promised to ensure that Service personnel (both regulars and reservists) veterans and service families are treated fairly and not disadvantaged in any way by virtue of their service.”

After debate and on being put to the vote, the motion was carried with a large majority of members voting in favour.

28.2 The following motion was proposed by Mrs P Moseley and duly seconded by Mr A Mosley:

“The recent decision by the Shropshire Clinical Commissioning Group to sign the Sustainable Services Programme Strategic Outline Case letter of support to the Governing Body Board of Shrewsbury & Telford NHS Hospital Trust is a further step towards the acceptance of the Outline Business Case, which will lead to the closure of one of Shropshire’s two accident & emergency departments, with the strong possibility that this will be at the Royal Shrewsbury Hospital.

Concerns have been raised in many quarters, including by the Local Medical Committee which represents local General Practitioners; it has described the assumptions of the Future Fit process as ‘optimistic in the extreme’ and has concerns about the likely impact on the primary care and community services sectors.

This Council therefore strongly opposes any proposals which would lead to the diminution of emergency care facilities available to Shropshire residents, through the downgrading of the Royal Shrewsbury Hospital from an emergency care centre to an urgent care centre.”

At this point Mrs Chebsey declared a pecuniary interest in this motion and duly left the room.

Mrs K Calder proposed an amendment, which was seconded by Mr L Chapman, to amend the motion to read as follows;

“The recent decision by Shropshire Clinical Commissioning Group to sign the Sustainable Transformation Programme Strategic Outline Case letter of support to the Governing Body of Shrewsbury and Telford NHS Hospital Trust is a further step towards the development of the Outline Business Case.

This Council strongly opposes any diminution in the quality of care and accessibility for patients in the provision of rural and urban acute services to all of the residents in Shropshire as a result of the NHS Transformation programmes currently taking place in the County. We also insist that the government’s arrangements of all of the NHS transformation programmes include elected member involvement in the

development and subsequent decision-making, thereby giving the process democratic accountability.”

After debate and on being put to the vote, the amendment to the motion was carried with a large majority of members voting in favour (40 voted For, 19 Against and there was 1 Abstention).

A recorded vote was requested and duly agreed:

FOR (40): P Adams, N Bardsley, T Barker, T Biggins, J Cadwallader, K Calder, D Carroll, L Chapman, S Charmley, G Dakin, S Davenport, A Davies, D Evans, J Everall, A Hartley, V Hunt, J Hurst-Knight, S Jones, N Laurens, C Lea, D Lloyd, R Macey, D Minnery, C Motley, W Parr, M Pate, J Price, M Price, K Roberts, M Shingleton, R Tindall, K Turley, D Turner, A Walpole, S West, C Wild, B Williams, M Wood, T Woodward and P Wynn.

AGAINST (19): A Bannerman, C Barnes, A Boddington, V Bushell, P Cherrington, T Clarke, R Evans, H Fraser, N Hartin, R Huffer, J Jones, M Kenny, D Kerr, H Kidd, J Mackenzie, C Mellings, P Moseley, A Mosley and V Parry.

ABSTENTION (1): P Dee

Mrs Mosley had a right of reply and in making this she said she was disappointed by the amendment; she believed that the public mood on this had now changed to anger and that the local authority should listen to their concerns.

The substantive motion was then put and was duly carried.

28.3 The following motion was proposed by Mr A Boddington and duly seconded by Mrs H Fraser;

“Town and Parish Councils have called for a referendum on raising council tax above 1.99%. A rise in the unitary tax rate would reduce the need for large increases in local precepts. It would also lead to a fairer distribution of costs. Under current plans, the residents of market towns such as Ludlow face paying extra for services that are used by people from a wide hinterland.

This motion requires officers of Shropshire Council to explore the willingness of people in Shropshire for a referendum on a council tax rise above 1.99%. Officers are requested to do this using:

- 1) The Big Conversation
- 2) Discussions with Town and Parish Councils
- 3) Local press and broadcast media.
- 4) Any other ways that they feel will enable communities and local residents to let councillors know their preference.

The outcome of this exercise should be reported back to the September meeting of this Council.”

Mr M Pate proposed an amendment, which was seconded by Mrs C Motley, to amend the motion to read as follows;

“Town and Parish Councils have called for a referendum on raising council tax above 1.99%. However owing to the fact a new Conservative government and Cabinet has so recently been appointed, Council recommends that no action should be considered with regard to investigating the case for adjustments to Council tax until the Government’s intentions on this issue become clearer.”

After debate and on being put to the vote, the amendment to the motion was carried with a large majority of members voting in favour.

29 QUESTIONS FROM MEMBERS

The Speaker advised that seven questions from Members had been received in accordance with Procedure Rule 15 (copies of the report containing the detailed questions and their formal responses are attached to the signed minutes).

- (i) Received from Mr D Lloyd and answered by Mr S Jones, the Portfolio Holder for Highways and Transportation in relation to increasing activity by the Road Safety Partnership across the County in connection with speed limits – copy attached to the signed minutes.

There was no supplementary question.

- (ii) Received from Mr D Kerr and answered by Mr M Pate, Leader of the Council in relation to a 10% cut in councillors’ allowances – copy attached to the signed minutes.

By way of a supplementary question Mr Kerr asked if Mr Pate had seen the open letter by Surrey Council about allowances.

In response the Leader confirmed that he was unaware of the open letter, but if Mr Kerr felt so strongly on this issue he was always entitled to refuse his own personal allowance.

- (iii) Received from Mr D Kerr and answered by Mr M Pate, Leader of the Council in relation to Shropshire Council returning to the former committee system of local government – copy attached to the signed minutes.

By way of a supplementary question Mr Kerr asked again if the Leader would consider changing systems.

In response the Leader confirmed that many authorities used the same democratic system as Shropshire Council and there were currently no plans to change this.

- (iv) Received from Mr A Mosley and answered by Mr M Pate, Leader of the Council in relation to the recent closure of ip&e, the costs, staff implications, reasons as to why it failed and the production of a report for public scrutiny – copy attached to the signed minutes.

By way of a supplementary question Mr Mosley asked what were the overall costs of ip&e from set-up to closure.

In response the Leader confirmed that all the answers were detailed in the written response already provided.

- (v) Received from Mr A Mosley and answered by Mr M Price, Portfolio Holder for Planning, Housing, Regulatory Services and Environment in relation to student accommodation in Shrewsbury – copy attached to the signed minutes.

By way of a supplementary question Mr Mosley asked for an assurance that there would be no further delays and that the work would be started as soon as possible.

In response the Portfolio Holder said that a lot of groundwork had already been undertaken and he confirmed that he would go back and ensure that all works were progressing as they should.

- (vi) Received from Mr R Evans and answered by Mr M Pate, Leader of the Council in relation to pressing central government for better funding – copy attached to the signed minutes.

By way of a supplementary question Mr Evans commented that he believed this was a good opportunity to open up a dialogue with the new Secretary of State for fairer funding for Shropshire in the future.

In response the Leader confirmed that yes, he was in agreement with this, as long as the conversation was properly structured.

- (vii) Received from Mrs T Huffer and answered by Mr M Pate, Leader of the Council in relation to Future Fit and why Shropshire was not campaigning for the single A&E to be based in Shrewsbury – copy attached to the signed minutes.

There was no supplementary question.

Signed (Chairman)

Date:

PUBLIC QUESTION TIME

AGENDA ITEM 5

QUESTION 1

MR DAVID SANDBACH, Chairman of Westbury Parish Council, will ask the following question:

Is the plan to help brave former members of our armed forces under any threat as a result of the CCG disinvestment decision regarding services provided under the Enable initiative?

MRS KAREN CALDER, Portfolio Holder for Health has replied as follows:

Please note that Shropshire Council is responsible for the management of Enable as a service; funding for the service comes from a number of sources and other organisations. The Council is not responsible for, and has not been involved in, the proposed disinvestment decision made by the CCG in relation to its funding of Enable.

Enable's service to help veterans with mental ill health into employment is a 12 month pilot project funded (separately) by Walking with the Wounded. It is designed to test out whether Individual Placement and Support (IPS) is a method that is successful at helping veterans into employment.

IPS is an evidence based vocational approach which has been shown to be extremely successful at helping people with severe and enduring mental health into paid employment.

Enable was chosen by Walking with the Wounded as it has been very successful using this method and, as a result, is a national Centre of Excellence in IPS with both a regional and national reputation.

Whilst the funding for this project is "stand alone" i.e. funded by Walking with the Wounded, and is not directly dependant on CCG funding, if the CCG funding contribution to Enable as a whole is withdrawn it is likely that Enable will not be able to meet the basic service requirements as an IPS Centre of Excellence.

Enable currently has a pool of very experienced and trained IPS staff who it has been able to move across to work on the Veterans project. This pool of expertise will be at risk if the CCG funding is withdrawn. This may then impact on further funding decisions from Walking with the Wounded to continue the Veterans project.

It is currently hoped that the Veterans project will be continued for a further 12 months with the potential to be integrated with local mental health employment services.

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<u>Committee and Date</u>	<u>Item</u>
Council	6
22 nd September 2016	Public
10.00 am	

ANNUAL REPORT OF THE PORTFOLIO HOLDER FOR CHILDREN'S SERVICES

Councillor David Minnery

1.0 Summary

This report provides information on the key achievements and developments of the past year, and strategic priorities for the forthcoming year. I was appointed to the Portfolio Holder for Children's Services in January 2016. I am grateful to my predecessor for her contribution to this role up to that date.

As ever, the past year has been a challenging one, with the trend for an increased demand for children social care services continuing. Initial contacts to children's social care have continued to increase, however the number of children in care has remained stable at its reduced level over the period with approximately 280 children in care at any one point in time. Early help provision has remained an important part in meeting the needs of our most vulnerable children and families.

The education landscape continues to evolve as the Government's drive to academise all schools accelerates.

Shropshire now has 27 academy schools: 12 secondary schools, 1 all-through school, 12 primary schools, 1 special school and 1 free school.

REPORT

2.0 CHILDREN'S SAFEGUARDING

2.1 Ofsted Inspections

2.1.1 Inspection of local authority arrangements for the protection of children

Shropshire Council's Children's Social Care was last inspected by Ofsted in November 2012 under the then unannounced inspections of local authority arrangements for the protection of children (safeguarding).

The current programme of Ofsted inspections is expected to run until December 2017, so an inspection can be expected at any time and up to that point. Preparation therefore continues.

The Joint Adoption Service was inspected as part of Telford Single Inspection Framework (SIF) and was found to be good. The service will of course be re-inspected as part of the Shropshire SIF.

Ofsted have introduced a new multi agency Targeted Area Inspection which focuses on how key agencies including health, police and probation work together to identify children at risk and safeguard children. Preparation for this inspection regime has been undertaken.

2.1.2 Children’s Centres

Shropshire has eleven gradings for Childrens Centres, nine out of the eleven (81%) being graded as good. Childrens Centres make up a significant part of the Early Help Offer and during 2016 a real focus has ensured that the delivery of services and support is aligned to the Strengthening Families through the Early Help Strategy and the principles of the Strengthening Families programme. This has created the opportunity during 2016 to redesign and redevelop this area of work to provide more focussed targeted case work and targeted group work for families alongside work to increase collaboration and integration of targeted support with key stakeholders.

2.1.3 Children’s Residential Homes

Both Chelmaren and Havenbrook have been inspected twice by Ofsted in the last twelve months, for interim and full inspections. The outcomes were:

Chelmaren

24/11/15 – Full inspection	Outcome – Outstanding
12/02/16 – Interim Inspection	Outcome – Improved Effectiveness

Havenbrook

December 2015 - Full inspection	Outcome – Requires Improvement
10/02/16 – Interim Inspection	Outcome – Improved Effectiveness

2.2 Development in 2016

The Childrens Social Care teams have been restructured in April 2016 in response to emerging issues regarding the throughput of work in previously larger Case Management Teams. Ensuring effective performance management and quality assurance processes are in place as well as ensuring the quality of practice, making sure that interventions are timely and consistent, remain key priorities.

There has been a continued need for higher than usual agency staff in posts and a large number of newly qualified social workers. The additional Head of Service post for Quality Assurance and Performance has taken up post. All other managerial posts have been appointed to and we have a stable managerial leadership team which now needs to embed itself. Maintaining workforce stability and staff retention is key in providing good quality services to children and it remains a priority to reduce high caseloads and ensure regular good quality support and supervision for our social workers and social care staff.

We have received the first three Unaccompanied Asylum Seeker Children (UASC) whom we have successfully transferred from Kent as part of their dispersal scheme. I am pleased to report that the children are suitably settled in Supported Lodgings. It is important that we increase our capacity to accommodate more UASC as the national dispersal scheme commences.

In line with the Government's clear agenda to regionalise adoption services, we are continuing to work with five West Midlands Local Authorities to see how we can achieve a regional approach that meets the needs of Shropshire children – maintaining our good quality and timely services but also challenging ourselves to achieve permanency for more children through Adoption or Special Guardianship where they cannot return to birth parent care.

Our role as Corporate Parent remains vital in ensuring that those children who are in the Care of Shropshire Council have the best life that they can. The Corporate Parenting Panel has been reviewed both in terms of membership and the way that it operates. The Children In Care Council has been reinvented and for the first time in many years, members have been able to actively engage directly with children in care. Feedback from members was positive, and we aim to repeat this valuable process. The Corporate Parenting Pledge is currently being reviewed by our young people, and will be brought forward for members to endorse.

3.0 EDUCATION IMPROVEMENT AND EFFICIENCY

3.1 Ofsted Inspections

28 of the 153 schools and academies in Shropshire were inspected by Ofsted during 2015-2016 and outcomes have continued to improve the profile of Shropshire primary and secondary schools. The Education Improvement Service's sustained and sharp focus on primary and secondary schools judged to be satisfactory or to require improvement has been sustained, and by August 2016 87% of all Shropshire schools and academies were judged as good or outstanding compared to the latest national figure of 84%. 89% of LA maintained schools are good or outstanding and 68% of Academies and Free schools are good or outstanding. 88% of primary schools and academies are judged good or outstanding compared with the latest national figure of 84%. Ofsted ratings for secondary schools and academies have also improved with 81% now judged to be good or outstanding compare to the latest national figure of 75%. In August 2015 71% of secondary schools and academies were good or outstanding.

The number of schools in Shropshire now judged to be inadequate has continued to reduce: there is 1 LA maintained primary school in this category.

A revised framework and Handbook for the inspection of Local Authority arrangements for supporting school improvement to ensure high quality education provision and outcomes for children was published in September 2015. Shropshire’s Education Improvement Service has not yet been inspected, but the judgements made by Ofsted inspectors in their individual school inspection reports continue to confirm the effectiveness of the challenge and support provided by the service.

3.2 Sustainability and efficiency of provision

Schools Forum has continued to work closely with officers and members on the funding and sustainability of schools in Shropshire, and have continued to support schools and governing bodies to consider their individual and collective position, with a growing number of federations or multi academy trust developing.

School leaders and governors are becoming increasingly aware of the demographic challenges facing their individual schools, or group of schools, and the need to secure sustainable models of leadership to ensure their schools are financially and educationally viable in the future. Finance workshops for vulnerable schools focusing on the use of the finance modelling tool have been held. The workshops have challenged and supported governors and Headteachers to take a proactive approach to securing a sustainable approach to ensuring a good or better education for children in their community.

While there is an overall demographic decline, pupil projections confirm that in some areas of the county there will be pressure on school places, mainly linked to proposed large scale housing developments, and consultations have been undertaken in the five specific areas to explore potential solutions.

Development sessions with Headteachers and chairs of governors have been undertaken, focussing on the government plans outline in Education Excellence Everywhere, to increase at pace the academy programme. Sessions aimed to raise awareness and understanding, and to engage decision makers in debate about Shropshire’s response to the issue. Further sessions are planned for October 2016.

The number of young people who are Not in Education Employment or Training (NEET) remains below the national average.

3.4 Special Educational Needs & Disabilities (SEND)

Work has continued to implement the SEND reforms, and in particular the conversion of Statements of Special Educational needs to integrated Education Health and Care Plans, together with the development of the Local Offer.

The prevalence of SEN at a local level continues to increase, and so we have been working hard to in developing specialist provision within mainstream setting, including early years settings. Plans include a second primary hub in South Shropshire for pupils who exhibit challenging behaviour, this will provide similar opportunity to that which exists in the Oswestry area. Plans are also progressing for a second specialist secondary hub provision to be located in the south of the County.

In May this year the Government published its framework for the Local Area inspection of SEND. This will be a joint inspection of the LA and the CCG, undertaken by Ofsted and the Care Quality Commission (CQC) to assess the effectiveness of local areas in fulfilling the new duties. Whilst an inspection has not yet taken place, preparation has been ongoing.

3.5 Early Years

The local authority provides information, support and guidance to Early Years providers in line with the statutory duties set out in the current code of practice. The quality of Shropshire early years provision is better than the national average as evidenced by the following table showing the inspection achievements of Shropshire early years providers, along with national and regional comparisons.

The table is based on data released by Ofsted for the period 1 January 2016 – 31 March 2016.

Area	% of providers rated Outstanding	% of providers rated Good	% of providers rated Requiring Improvement	% of providers rated Inadequate
National	22%	64%	9%	4%
West Midlands	20%	60%	11%	9%
Shropshire	55%	36%	0%	9%

Continued partnership working across early education, health and social care has shown an increased take up of early education places for disadvantaged 2 year olds (scheme title: 24U). In the last year this has risen from 71% to 79%, which is higher than the national take up rate of 70%.

The Integrated Review for 2 year olds (programme title: All about me @ 2), will be launched at the Early Years Provider Network Meeting in November 2016, following a pilot period which ended in July 2016. The full roll out across the county will commence in January 2017.

3.6 University Centre Shrewsbury

In January the oversight of the University development moved into the Children and Young People Portfolio. In its second year of operation, the University is

developing its curriculum and I am pleased to see an increasing numbers of students starting in September 2016.

4.0 Summary

The scale and pace of change in both Children's Social Care and Education continues. Add to this the financial imperatives of Shropshire Council, and the need for change is great and the ongoing priority will be to ensure services achieve good outcomes for our children and young people in a more cost effective way.

Key priorities for 2016/17 are:-

- Whilst the Corporate Parenting Panel membership has been reviewed to include key stakeholders, in order to ensure understanding and engagement of the corporate parenting agenda the Corporate Parenting Strategy and the Children in Care Council remain a key priority for further development.
- Embed new social work structure and ensure processes and systems are promoting timely interventions and decision making for children and families
- Continue to embed quality assurance, and achieve consistency of good practice in social work.
- Being inspection ready. New inspection regimes have been introduced for both Children's Social Care (including Safeguarding, Looked After Children and the Adoption process) and Education.
- The performance of our schools and the outcomes for children, especially those who are disadvantaged, will remain a focus of our work. We will continue to both support and challenge schools, including academies, in order to address underperformance and drive up outcomes.
- To challenge and support governors and headteachers to be proactive in responding to national policy concerning academies including through the exploring the opportunity to establish a local authority Multi-Academy Trust
- Continued implementation of the SEND reforms including personalisation

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

Cabinet Member (Portfolio Holder)

David Minnery

Local Member

All

Appendices

None.

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Committee and date
Council

22 September 2016

10.00am

Item

7

Public

Councillor Joyce Barrow
Young People's Scrutiny Committee Chairman

ANNUAL REPORT 2015-16

YOUNG PEOPLE'S SCRUTINY COMMITTEE

1.0 Summary

1.1 This is an overview of the work of the Young People's Scrutiny Committee during 2015-16 and its plans for the forthcoming year.

2.0 What has been done?

2.1 The Committee met formally on 9 occasions during the last municipal year.

2.2 During the year the Committee has received reports on the following subjects:

- Child Sexual Exploitation
- Changes to the provision of Youth Services
- Provision of Child Care and Early Years Provision
- Schools' Sustainability
- West Mercia Youth Justice Plan
- Special Educational Needs Hub Provision
- Child Health Data
- Transfer of Commissioning for 0 – 5 Health Visiting Services and Family Nurse Partnership
- The Oversight of Children who are Educated at home or who are Missing from Education
- Safeguarding arrangements in Independent Schools

- Financial Strategy
 - The Contribution of Schools to the Early Help and Child Protection Services
 - Post 16 Provision and Funding in schools with Sixth Form Provision and Colleges
 - The rate of referrals and re-referrals to Children's Social Care
 - Shropshire Safeguarding Children's Board Annual report
 - Social care support for Children with Disabilities
 - Promotion of physical activity
 - Child and Adolescent Mental Health Service (CAMHS) update
 - Health Visitor Service and Family Nurse Partnership Update
 - Management and costs of placements for Children in Local Authority Care
- 2.3 The Committee also received and commented on regular updates on the performance of Children's Services including data on Looked After Children [LAC], children on a Child Protection Plan, children in need, referrals to safeguarding and educational outcomes.
- 2.4 The Committee also received presentation as follows:
- "Hearing the Voice of the Child" from a pupil who had experienced bullying, who related her experiences of being bullied, how she had been helped by her school, and how she was now helping other pupils who were being bullied.
 - Diabetes Awareness campaign by the Shropshire Young Health Champions.
- 2.5 During the year the Task and Finish Group on Childhood Obesity concluded its work and its recommendations were adopted by Council. As a result of one of the Group's recommendations the 'Maternity, Adoption and Surrogacy Adoption Leave' Policy was updated to include additional policy statements in respect of breastfeeding at work which would support Shropshire Council employees continuing to breastfeed following their return to work.
- 2.6 In addition to the formal work of the Committee, the Chairman holds regular meetings with Portfolio Holders and Senior Officers to discuss matters that may merit scrutiny involvement.

3.0 Future Plans

- 3.1 The Committee will continue to receive reports and have input on the transformation and redesign of elements of Children's Services as these are being rolled out.
- 3.2 The Committee will also continue to monitor the performance of Children's Services.

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

Reports to Young People's Scrutiny Committee 2015/16

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights act 1998

Environmental Appraisal

There are no environmental issues relating to this report.

Risk Management Appraisal

There are no risks associated with this report.

Community / Consultations Appraisal

Consultation is a component of Scrutiny work to collect information to support the development of conclusions and recommendations.

Cabinet Members

Councillor David Minnery, Portfolio Holder for Children and Young People.

Councillor Nick Bardsley, Deputy Portfolio Holder for Education

Councillor Karen Calder, Portfolio Holder for Health and Wellbeing.

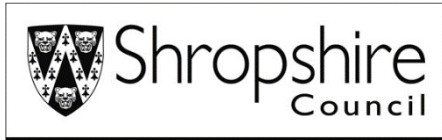
Local Member/s

All

Appendices

None

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<u>Committee and Date</u>	<u>Item</u>
Council	8
22 September 2016	
10.00 am	
	Public

PORTFOLIO HOLDER ANNUAL REPORT FOR PLANNING, HOUSING, REGULATORY SERVICES AND ENVIRONMENT

Portfolio holder: **Malcolm Price**
e-mail: malcolm.price@shropshire.gov.uk

1. STRATEGIC PLANNING

1.1 Local Plan

Work on the Local Plan review has commenced with the completion of the Full Objectively Assessed Housing Need which sets the base level of housing need for the next Local Plan period 2016 -2036. Alongside this, work has commenced on the Economic Development Needs Assessment to ascertain a commensurate requirement for employment land allocations and jobs growth/labour force. It is anticipated that a public consultation concerning strategic options for new development will be undertaken early in 2017. Other critical evidence base work to support the review will commence later this year or alongside the publication of strategic options, including a review of Green Belt boundaries, a 'call for sites' to update the Strategic Housing Land Availability Assessment and a development Viability Study.

1.2 Appeals

Since the adoption of SAMDev in December 2015 the Planning Policy team has taken a key role in Planning Appeals to ensure SAMDev policies are interpreted correctly and upheld by Planning Inspectors. Central to this is the continued defence of the Council's 5 Year Housing Land Supply position in the face of persistent challenge from the development industry; the latest assessment published by the Council in August indicates that we have a supply of 5.97 years.

1.3 Neighbourhood Plans/Community Led Plans

The Neighbourhood Plan process is active across Shropshire, the Shifnal Neighbourhood Plan has been successfully examined and a referendum has been set for the 15th Sept. Other Neighbourhood Plans are under way in Market Drayton and Stoke –upon-Tern whilst a cross-border Plan is being prepared with Malvern Hills District Council for Burford/Tenbury Wells. The Community Led Planning

process has also resulted in plans from Underdale/Monkmoor/Abbey wards in Shrewsbury and Hodnet Parish being brought forward for adoption by the Council.

1.4 Community Infrastructure Levy (CIL)

Reflecting Shropshire Councils' commitment to localism, there is a strong focus on ensuring a direct link between new development and the delivery of local community infrastructure needs. This means Shropshire is in a unique position nationally in ensuring that most of the CIL revenue will be spent within the 'Place Plan' area within which development takes place. Since the implementation of CIL in 2012 the Council had collected (as at 31/12/15):

CIL Fund	Collected
Administrative fee (5%)	£243,047
Neighbourhood Fund (15% or 25% with formal Neighbourhood Plan)	£627,424
Strategic Infrastructure Funding (10% of remainder)	£399,047
Local Infrastructure Funding (90% of remainder)	£3,591,422

1.5 S106

Planning obligations, or Section 106 legal agreements, continue to play a key role in helping to deliver local infrastructure in Shropshire, albeit gradually replaced by CIL in many ways. The Council inherited a large number of planning legal agreements (Section 106) from predecessor councils and continues to use such agreements in appropriate circumstances. The total value of monies in hand currently amounts to £7.42 million. These contributions will, amongst other things be spent on support for affordable housing provision, highway improvements, play and recreation provision and maintenance, and education provision.

2. STRATEGIC HOUSING

2.1 Enabling & Development

The House building sector in Shropshire continues to recover with 1,347 completions for 2015/16 compared with a low of 724 in 2011/12. This is due to a number of factors including the gradual recovery in the construction industry, lenders being more prepared to lend and progress on some of Shropshire's larger housing sites identified and brought forward through the development of the local plan.

Though encouraging, the Council recognises the wider economic benefits of helping stalled or unviable sites to come forward and has a continuing proactive and pragmatic approach to renegotiating obligations where viability issues are apparent.

The Council helps mitigate one of the principal viability issues by having an annually adjusted affordable housing target rate (10%, 15% & 20%), a rate(s) that reflect the current economic difficulties for developers and landowners and responds to the housing markets movement.

Housing completions are rewarded by Government via the New Homes Bonus (NHB) and Shropshire Council's 15/16 award was again in the top 28 of all English Councils.

As well as monitoring and continuing dialogue with developers, landowners, Registered Providers (RP's) and other building professionals relating to over 500 sites, the Enabling team also administer the highly popular and nationally acclaimed single plot exception site policy that seeks to offer those with a degree of housing need, a strong local connection and a need to remain in a rural community, the opportunity to build a home there. These homes have a restricted value, are secured for the community in perpetuity and fundamentally contribute to the continued sustainability of rural communities and contribute to about 10% of affordable housing delivery in Shropshire.

2.2 Affordable Housing Contributions

Since April 2010, Shropshire Council has required that all planning permissions for an open market dwelling contribute to affordable housing through the provision on site (depending on the site density and prevailing target rate), and/or the generation of a capital receipt (Affordable Housing Contribution – AHC). These have proved to be a vital source of funding for affordable housing schemes in Shropshire (see Housing Capital Schemes).

As of the 31st March 2016, this policy requirement has accumulated a potential affordable housing capital pot of nearly £14.2m based upon approved implemented/unimplemented planning permissions, ring fenced for local affordable housing projects. There is a time lag before these sums are received and available for use by the Council, as it is only payable by the developer after work has begun on site.

On the 28th Nov 2014, in a Written Ministerial Statement (WMS) Brandon Lewis MP stated that Councils should not seek affordable housing or other tariff type burdensome contributions from developments of 10 or less houses (5 or less in some rural protected areas). This would affect over 90% of planning applications in Shropshire and therefore our ability to deliver affordable housing on site or secure an AHC. Though this WMS was found to be unlawful and removed in July 2015, the Court of Appeal overturned that judgement and the WMS was reinstated as national policy. The Council's current position is that we can no longer automatically seek AHC on all house building planning applications.

2.3 Housing Capital Schemes

Since the Local Government Review in April 2009, Shropshire Council has been proactive in using land, capital and developer contributions collected through historic and current AHC s106 agreements to help fund Registered Providers and the private sector to develop additional affordable housing. To date, the Council has spent £6.4m to help deliver 426 new affordable homes, and allocated further funds to

deliver a 122 affordable homes currently on site. Additionally a number of other schemes are under negotiation. Not only is this a much needed addition to the stock of local needs housing, it is also important to note that the total construction value of these schemes amounts to more than £62.0m of much needed investment into the local economy as well as the wider economic stimulus construction sites generate locally. The construction business sector estimates that for every £1 pound directly spent on construction, a further £3 to £4 pounds is brought into the local economy.

2.4 Community Led Housing

Following on from the Sept 2012 Homes and Communities Agency (HCA) award of £1.3m to the Shropshire Council and Marches umbrella community land trust partnership, to develop 68 homes on 5 sites across the Marches, Shropshire Council continued to support and encourage similar initiative and new development opportunities through a New Homes Bonus funded grant initiative to RP's (Providers Grant) and host local parishes (Housing Parish Grant).

The Shropshire Community-Led Housing Providers Grant recognises the additional project costs that providers of affordable housing may experience when partnering on Community-Led schemes. Developing schemes in a genuinely collaborative and engaging way is simply more time consuming than more traditional developer led approaches. The Council is also of the view that rural schemes generally cost more to deliver in terms of high-quality design, materials, service infrastructure and a lack of opportunity for economies of scale and as such specific additional financial assistance is proposed for schemes demonstrating true community-led credentials. The Shropshire Community-Led Housing Parish Grant acknowledges the fact that as the new Community Infrastructure Levy (CiL) applies only to open market housing, there is no direct financial "reward" to communities that have actively supported and shaped new community-led affordable housing. Plainly the principal benefit is affordable housing to meet local housing need, but the grant provides some financial reward to these communities for promoting and actively engaging with a "Community-Led" project.

The funding for these grants began in 2012/13 and continued until March 2015. Currently a budget exists for 2016/17 and a decision on funding for additional years will be considered in due course.

To date, £2.4m has been spent & allocated to fund an additional 184 homes on contracts worth over £20m. As stated before, these construction schemes add significantly to the local economy (note - these figures are inclusive to those within Housing Capital Schemes above).

2.5 Self-Build

Work continues to progress on this exciting opportunity to bring forward an identified piece of Council owned land adjacent to London Road in Shrewsbury to be developed for up to 48 self build homes. Site investigations and Highway negotiations are complete and an outline application is due for submission in September 2016 following further consultation.

Shropshire Council were one of 12 LA's nationally to be chosen as Custom and Self Build "Vanguard" authorities by DCLG to pilot and develop a database of those keen to self-build and then seek to bring forward a site such as London Road. The feedback from the Vanguard authorities helped shape the recent Government legislation that seeks to increase this house building sector nationally from 5% to 15% of total delivery.

Shropshire Council has a budget sourced from the New Homes Bonus (NHB) to provide the necessary infrastructure and services and then sell the plots to self-builders. The intention is that this scheme encapsulates the complete range of self build, from the aspirational to the affordable. There is a great deal to consider in such a scheme but there are very exciting opportunities to develop this innovative market.

2.6 Challenges for 2016 - 2017

- **Right to Buy** – Right to Buy (RTB) presents a number of significant challenges for the Council, principally being the loss of affordable homes and the inability for the received receipt to provide a replacement home, particularly in rural areas. Latest industry figures indicate for every 8 homes sold through RTB only 1 is replaced. Currently the maximum "discount" a Shropshire tenant could receive is £77,000.00, this discount increases annually in line with inflation (CPI). On a rent of £90.00/week the maximum discount equates to nearly 17 years of rent paid.

The Government has through legislation extended the RTB to tenants of Housing Associations (HA). This has caused considerable concern for these private companies and registered charities as they have business, improvement and development plans based upon long term financial borrowings, borrowed against their asset base (the homes they own), clearly an initiative that diminishes that asset base and at a rate they cannot control, adds considerable uncertainty and nervousness into long term investment plans.

This is of particular concerns to the Council as we have to compensate the HA in full for having to sell at a discount. This is done by having to sell the Councils own higher value housing (managed by ST&RH – ALMO) when vacant/void. At present the full methodology is undetermined.

- **Affordable Housing Contributions** – The Minister of State for Housing and Planning, Brandon Lewis MP issued a Written Ministerial Statement (WMS) on 28th November announcing that Local Authorities should not request affordable housing contributions on sites of 10 units or less (and which have a maximum combined gross floor space of 1,000 m²), or 5 units or less in designated protected rural areas, the aim being to boost housing supply on smaller sites by removing "burdensome obligations".

The scale of impacts due to the rural nature of Shropshire are profound, sites of 11 or more dwellings are the exception rather than the rule, an analysis of submitted applications between Jan 2012 and Dec 2014 (1001 applications) demonstrated that 92% (928) were on sites of 10 or less and 85% (851) on 5 or less.

- **Rent reduction** – The 1% reduction for 4 years in Council/HA rent levels has taken hundreds of millions of pounds out of local HA/ALMO development plans over the medium and long term, resulting in much curtailed development programmes.
- **Starter Homes** – The Housing and Planning Bill has introduced “starter homes” (SH) as an affordable home. There are houses to be sold at 80% of the open market value (OMV) up to max of £250k, and to first time buyers under the age of 40yrs old. The intention is that ALL sites of 10 or more houses must have 20% of the houses as SH’s. The implication of that for Shropshire is that all of our affordable housing policy requirement on a site is taken by SH’s at the expense of affordable rented. The Bill is passed, the details by regulations is not due out until Oct/Nov.
- **Affordable/Social Rent homes** – No longer funded by the Government as the funding concentrates on starter homes and shared ownership and likely to be replaced on development sites by these new initiatives.
- **Welfare Reforms** – Significant reductions in Universal Credit and Housing Benefit (HB) for families that will impact upon their ability to pay the rent. The reductions for single people under 35, means the HB is insufficient for a one bed dwelling. These factors have significance for HA’s and the Council.

3. REGULATORY SERVICES

3.1 Background

The transition of Business Support and Regulatory Service back to Shropshire Council from ip&e has resulted in the regulatory functions which include Environmental Health, Trading Standards and Licensing moving to the Public Health Directorate from 8th July 2016. These services have a shared focus on improved outcomes for the health and wellbeing of people in Shropshire.

Officers and support staff have worked incredibly hard over the past 12 months to maintain service quality levels with a reduced resource base and increases in service demand. Savings of almost £300,000 were delivered through a redesign of the service.

3.2 Significant Service Achievements

- The team continues to respond to a high demand (over 1,300 service requests in 2015/16) for investigation into complaints of domestic nuisance, many of which are highly complex. This work links into the anti-social behaviour function which continues to be a central part of our role, working with partners to raise confidence and protect people from harm.
- The team has actively worked with partners to protect communities. An example is our contribution to the achievement of the Purple Flag status for Shrewsbury which aims to raise the standard and broaden the appeal of the town after 6pm. The Purple Flag assessors commented on a very robust partnership approach and

specifically highlighted the regulatory services joint night time patrols as very good. Further work is underway with partners to address the potential tensions between the planning and licensing regime through the development of Night Time Economy Planning Guidance.

- Building on our partnership working, Integrated Community Management (ICM) is being rolled out to the Shifnal and Wem areas of Shropshire. ICM is a new approach to multi-agency working around the safer communities agenda. ICM aims to enhance partnership working around local issues and needs whilst working with communities to enable them to self-help and become less reliant on public services.
- A more robust Hackney Carriage and Private Hire Licensing Policy was implemented on 1st April 2015 to improve safeguarding provisions. As a result of the enhanced focus on public safety there has been an increased workload due more detailed checks being undertaken and significant time spent defending our decisions to refuse or revoke licences when challenged by unsuccessful applicants through the Magistrates and Crown Courts. A programme of safeguarding awareness training for taxi/private hire drivers has also commenced and a successful prosecution was taken against a Private Hire Operator who used an unlicensed vehicle which therefore meant he did not have the necessary insurance.
- The service continues to focus activities based on risk and evidence. As a result of that work we have prosecuted a farmer for animal welfare issues and a failure to remove carcasses in accordance with animal by-product requirements which resulted in a suspended 18 week custodial sentence and a disqualification from keeping sheep for 10 years.
- We continue to focus on those members of the community who are most at risk from harm or exploitation. As a result we have identified and supported chronic scam victims who have not only lost large sums of money, over £100,000 in one case, as a result of being repeatedly scammed but have also suffered a detrimental impact to their health.
- The work officers carry out with food business in Shropshire (of which there are more than 3000) has resulted in a reduction in the number of complaints from members of the public regarding the standards in food businesses and an increase in the number of premises which meet the Food Standards Agency's criteria of "Broadly Compliant" with food safety legislation.

There has been a significant positive impact as a result of our work to bring empty properties back into use. The most recent high profile example is the Red Lyon pub in Whitchurch which has been transformed from an eyesore on the High Street into 11 new affordable homes and 2 new retail units. The building which has been renamed as the Victoria Hotel will be managed by Shropshire Housing Alliance (SHA) in partnership with the landlord.

4. HOUSING OPTIONS SERVICES

There have been 1,093 homelessness applications of which 901 decisions currently completed. Of the 901 decisions, 253 have had full duty accepted and 148 had their duty discharged

Main reason for presenting as homeless:

- 198 Parental evictions
- 150 Notice to quits
- 143 Non violent relationship breakdowns
- 133 Fleeing domestic violence
- 118 Asked to leave by other relatives or friends.

There have been 299 households accommodated in temporary accommodation - of which 202 were accommodated in bed and breakfasts.

578 households contacted Housing with a need for advice and assistance – all were under threat of homelessness.

2233 households contacted Housing with a need for advice and assistance of those we prevented homelessness in 495 cases.

Improvements in working practices have seen a dramatic reduction in the number of households who have been in priority banding on Shropshire HomePoint for a period longer than 6 months.

Work is ongoing to improve the 'Housing Solutions Wizard', an online self-help tool enabling clients to access personalized advice about their housing options, to produce a tailored action plan specific to their circumstances.

The Housing Options Team continue to be lead authority for the sub-regional partnership funded by the Department for Communities and Local Government. Strong relationships have been built with local authorities across Staffordshire and Telford & Wrekin, resulting in increased partnership working and sharing of good practice.

Housing have been involved in the peer review of Staffordshire Borough Council and are soon to be part of the peer review at Stoke Borough Council. Work has already started to prepare Shropshire Housing Services for its own peer review and from there work to obtain Gold Standard.

The Housing Options team is now centralised in one office base on the fourth floor in Shirehall. This is in response to reduction in staff numbers to ensure Officers can work together more efficiently in a supportive environment and also reduces the need for office space and associated costs elsewhere around the county. Officers originally located outside of Shrewsbury continue to provide face to face customer appointments as required from hub locations in the County market towns to ensure continuity of service for the public throughout the county.

In partnership with Advance Housing, My Safe Home and Wrekin Housing Trust the first HOLD (Home Ownership for People with long-term Disability) property has been completed in the county. Work continues to imbed this model of work into both Housing and Adult Social Care to promote the model amongst services users.

4.1 Private Sector Housing

The service is seeing a significant increase in reports of owner occupied properties which are in serious disrepair and exhibit a high number of Category 1 hazards

(Housing Health and Safety Rating System). In many of these cases there are issues of hoarding which is seen as a significant contributor to poor and hazardous home environments. Housing is working closely with Public Protection, Health, Community Mental Health and Social Care services to address this issue through partnered approaches. A joint protocol is being developed for both in-house processes and those with partnering agencies.

Shropshire HeatSavers has been developed as a partnership between Shropshire Council's Private Sector Housing Team, Public Health, NHS, Age UK and Mears PLC, to identify and respond to fuel poverty, the absence of suitable forms of heating in properties occupied by vulnerable people. The Private Sector Housing team host the Shropshire HeatSavers referral hub. HeatSavers receives referrals from health professionals and trained volunteers across the county. The scheme delivers significant savings to Shropshire Council, in particular Adult Social Care as well as Health Services. The team continue to supply radiators to vulnerable clients in need during the winter months. In 2016 Shropshire HeatSavers was shortlisted for 2 Local Government Association awards.

A number of energy efficiency roadshows were undertaken throughout the county using the data collated from the County's market towns. This will lead to more in-depth work prior to the next winter period.

4.2 Disabled Adaptations

By the end of August 2016 the total number of DFG (Disabled Facility Grant) referrals received by Private Sector Housing was 138. Of these there have been 99 approvals and of those 71 completions. The spend to date is £619,277.

The Occupational Therapist's (OTs) and DFG officers continue to work closely together for the benefit of service users. Work is ongoing regarding end-to-end monitoring of the DFG process to include the processes undertaken by Occupational Therapists, Private Sector Housing and Mears (Home Improvement Agency). The Home Improvement Agency, HandyPerson Service and Independent Living Centre contracts have been contracted on a 2 plus 1 basis as of 1st September 2016. The team look forward to more collaborative working.

4.3 Housing Support & Contracts

Community Housing Services has successfully extended the Housing Support contracts for a further 12 months as well as appointing new contracts for the Home Improvement Agency, HandyPerson Service, Independent Living Centre, Rough Sleepers Outreach Service and Shropshire Housing Advice and Prevention Scheme. This has resulted in significant savings for Shropshire Council and improved service design and delivery.

A detailed business case has been submitted for the retention of Accommodation-Based and Floating Support funding which expires in April 2017. In the meantime the Service is continuing to work closely with the two consortia (Shropshire Support

Partnership and Sustain Consortium) to ensure ongoing partnership working and future development of the service.

Housing Services are working closely with Children's Services to redesign accommodation for young people in the county. It is hoped this will be completed by the end of 2016.

A new Telecare and Assistive Technology Pilot is being developed in conjunction with Adult Social Care. The aim is to tie in the work undertaken through Adult Social Care, Housing and Occupational Therapists to develop an institution of assistive technology.

4.4 Shropshire HomePoint

Shropshire HomePoint, the county's choice-based lettings scheme provides a one-stop customer focused solution to meet the increasing needs and high aspirations of the people of Shropshire. Responsible primarily for operating the county's Housing Register, Property Register and Mutual Exchange Register, the Service is recognised as one of the most effective and efficient in the country, with record performance and largely same day / next day processing of workloads.

Shropshire HomePoint is currently developing an innovative real-time automated Dashboard and ScoreBoard Performance and Data Management System.

In 2015/16 over 1,696 applicants and their families were rehoused through Shropshire HomePoint and many more were helped to find alternative housing solutions.

5. WASTE MANAGEMENT

Shropshire Councils waste management services are provided through a 27 year PFI Integrated Contract with Veolia Environmental Services Shropshire which covers collection, transport, treatment and disposal of municipal waste. The contract began in 2007.

5.1 Collections

The collection service is in three parts, refuse, dry recycling (paper, glass, metals and plastics), and compostable waste. With approximately 135,000 properties in the county and each waste stream being collected once per fortnight, this means over 10.5 million collections per year. In terms of performance under the contract, results have generally been good. The number of missed collections has been consistently low. The figure for the recycling and composting rate for 2015/16 is yet to be finalised but will be around 51%.

In April 2016 Veolia and the Council reached agreement over a package of changes aimed at increasing the recycling rate and reducing the overall cost of the waste service. The package included three key changes to the kerbside collection service.

The first was an extension of the existing food waste collection service to cover the Shrewsbury area. This was implemented in June 2016, and enables Shrewsbury area residents to add food waste to their garden waste bins as happens in the North and South Shropshire areas. Leaflets explaining how to use the service were delivered to each household, along with a kitchen caddy and starter roll of caddy liners. The food waste and garden waste mixture is sent for In-Vessel Composting at the Agripost facility near Ford. The food waste collections will be extended into the Bridgnorth and Oswestry areas after the construction of an IVC facility which will be the final piece of infrastructure built under the PFI contract with Veolia.

The other changes to the collection service are both associated with dry kerbside recycling and will be rolled out across the county in 5 phases from October 2016. Cardboard will be added to the list of materials that are accepted, and this will be collected with paper in a 75 litre reusable sack, and the other recyclable materials (glass, plastics, and metal containers) will be collected together in boxes, mixed in whatever way the residents find convenient. The rollout timetable for this new service is given below.

Area	Start Service
Shrewsbury	3 October 2016
North Shropshire	31 October 2016
South Shropshire	5 December 2016
Oswestry	6 February 2017
Bridgnorth	27 February 2017

5.2 Household Recycling Centres (HRC's)

Veolia operate 5 HRCs in the county where residents can bring their household waste for recycling or disposal. These can be found in Shrewsbury, Whitchurch, Oswestry, Bridgnorth, and Craven Arms and together they have received around 35,000 tonnes of waste in the last year. They also act as transfer stations for the waste brought in by the collection service as well as litter and road sweepings from the Councils Street Cleansing contractor Ringway. Over 30 different waste streams are segregated for recycling at each site with an average 54% recycling and composting rate for last financial year, excluding soil and rubble. This shows an improvement on the 52% for the 2014/15 year.

Work on an extension to the Shrewsbury HRC was completed in March as part of the Energy Recovery Facility development. The extension has increased the overall size of the site by around 50% and has enabled some material streams to be moved to a more appropriate position outside the covered area, including asbestos, plasterboard, soil and rubble. This has in turn freed up more space in the indoor section of the site for other materials.

5.3 Battlefield Energy Recovery Facility

On September 10th 2016 the Battlefield ERF will have completed its first full year as an operational contract facility. The main outputs from the plant are electricity, sufficient to power 10,000 homes via the national grid, and ash, which is recycled via use as an aggregate in the construction industry.

The first planned maintenance shutdown was carried out in January 2016 and was completed in 11 days against an expected 15 days. Fine tuning of various processes was completed during this time and this has resulted in the plant exceeding targets for availability and electricity output.

Emissions from the plant are monitored continually by Veolia and the Environment Agency. The information is also publicly available at <http://www.veolia.co.uk/shropshire/facilities-services/facilities-services/energy-waste/battlefield-emissions-air-data>

6. PLANNING SERVICES

The Planning Service has experienced a number of key changes in the last 12 months. These include structural changes arising from the return to Shropshire Council from secondment to IP&E, and the disaggregation of the former Business Support & Regulatory Services from June this year. As a consequence Planning Services are now separate from Public Protection regulatory functions and sit within the Places & Enterprise Directorate alongside Strategic Planning, Economic Growth, and Broadband and Property functions. The service will report through a new Head of Economic Growth to be appointed shortly.

The Planning Services functions now include Development Management, Building Control, Natural & Historic Environment Teams, Land Charges, Street Naming & Numbering, Local Land & Property Gazeteer and Planning Obligations Monitoring.

6.1 Development Management

A thorough internal review of the Development Management function was undertaken early in 2016. The process of delivering sustainable development across the County can be challenging and controversial, it is time sensitive and involves a wide range of stakeholders who may have different objectives. It also lies at the heart of the council's broader aspiration to deliver sustainable economic growth. The review acknowledged that planning performance had been affected by public sector cuts coinciding with economic recovery and a significant number of speculative planning applications prior to the adoption of the SAMDev site allocation plan in December 2015. Temporary additional resource has supported the team and a series of recommendations and learning points from the review have been identified. These have been prioritised for action and are being addressed.

Planning processes are time sensitive and the Government has aligned its performance measures with those adopted by Shropshire a number of years ago, with the primary focus on measuring the percentage of applications determined in a time frame agreed with the applicant. This measure is qualitative in that it is a reflection of the requirement established in the National Planning Policy Framework (NPPF) at paragraph 187 to work proactively with applicants to secure positive outcomes where possible. Planning performance had suffered through the first two quarters of 2015/16 but with additional resource improved significantly in the first

quarter of 2016/17 with 86% of planning applications being determined in an agreed time frame.

Another measure of success is the Council's performance with planning appeals. Government figures confirm that Shropshire received the third highest number of planning appeals nationally in 2015/16, much of this due to speculative planning applications for sites outside the SAMDev Plan and yet the Council was successful in 82% cases over this period. The number of appeals had in this time almost doubled from 77 cases in 14/15 to 139 cases in 15/16. This places significant resource demands on the service.

6.2 Building Control

Building Control provides statutory regulation, advice and added value services on behalf of the council. For Building Control this year has been one of responding to the joint pressures of continuing growth in the construction industry and operating in an increasingly competitive environment. Pressures are significant in a highly competitive environment and although income to the service has stabilised a number of staff have left due to more attractive offers from the private sector. A business case to redesign the team for future resilience has been put forward for consideration.

The building control team has this year played a key role in managing the resolution to a number of high profile cases involving dangerous structures, a statutory function of the Council, including a fire damaged hotel in Alveley and a listed building near Hinstock significantly damaged by a heavy goods vehicle.

6.3 Natural & Historic Environment

This team includes building conservation, archaeology and arboriculture functions. The team has continued to process statutory functions within service standards throughout this year for works to protected trees and hedgerows as well as proposals for listed building consent and development affecting conservation areas. Officers have been proactively involved in targeted action to safeguard historic buildings and sites, projects to deliver regeneration such as Shrewsbury Flax Mill, and the redevelopment of key opportunity sites in historically sensitive areas where conservation led regeneration will be a key driver for economic growth.

6.4 Land Charges

The Land Charges team operates in a competitive environment and generates fee income on a cost recovery basis for the processing of land and property searches. For 15/16 the team exceeded its income target which suggests that the property transaction market is buoyant.

Work is being undertaken by the Land Registry to transfer statutory responsibility for the local land charges register. It remains to be seen what the impact will be for land charges provision within Local Authorities.

6.5 Street Naming & Numbering /LLPG

Street naming and Numbering is a statutory function delivered by a small team within the service. The Local Land and property Gazeteer (LLPG) function is responsible for address matching and positional accuracy. The figures we are monitored against by Geoplace are currently: -

VOA Council Tax	99.99% matched
VOA NDR	99.98% matched
Royal Mail postal address file	99.8% matched.

Geoplace validation for August 2016 reported no recurring errors in the Shropshire and LLPG reporting Shropshire Council LLPG as Gold standard.

6.6 Planning Obligations Monitoring

As part of the changes to team structures the Planning Obligations Monitoring team is now part of the Planning Service. It is responsible for collecting and monitoring financial and non-financial planning obligations. The current position is that £3.1M of funds have been collected in 2015/16 in respect of financial obligations associated with planning applications and £22.8M is currently outstanding. This position will however change as a result of the Governments Written Ministerial Statement advising that contributions should not be sought for sites of 5 or less houses in designated rural areas. As a consequence applicants are now seeking to vary planning applications so as not to pay the affordable housing contribution.

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

Cabinet Member (Portfolio Holder)
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Mal Price – Planning, Housing Regulatory Services and Environment

Local Member

All Members

Appendices

none



<u>Committee and Date</u>
Council
22 September 2016
10.00 am

<u>Item</u>
9

PORTFOLIO HOLDER REPORT FOR HIGHWAYS AND TRANSPORT

Responsible Officer: Cllr Simon Jones – Portfolio Holder for Highways and Transport

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1. Introduction

The purpose of this report is to update and highlight the key issues and developments within the Highways and Transport Portfolio in the previous year.

Shrewsbury Integrated Transport Package: SITP

The Public and Stakeholder consultation process is now complete on the range of interventions and proposals under the initial draft proposals as were submitted to the Local Enterprise Partnership (LEP) within the initial Outline Business Case. In light of the feedback received, the final design work on the package elements is now underway. The full report on feedback and adaptations made to the cycle, pedestrian and public realm elements in particular is available on the Councils Consultation portal. Further updates on design and progress will continue to be published here throughout the delivery phase of the package.

The first element of the package programmed for delivery, the Key Junctions (Reabrook, Meole Brace, Longden Coleham and English Bridge Gyratory), has now undergone the Pre- Qualification Questionnaire (PQQ) process and the shortlist of potential suppliers completed. The full tender for delivery of this element will be

undertaken shortly. In line with the package delivery programme, work will commence on these in January 2017.

Joint working continues with local stakeholders and Shrewsbury BiD on the development of the Wayfinding element of the Package. Initial samples for the on street inserts and the street furniture that will be commissioned to display these is now underway. The final design of these has undergone extensive public consultation, along with joint working on the optimum locations for these to be installed.

The SITP Package continues to progress in line with the agreed delivery plan, and in line with the spend profile dictated by the external Growth Deal funding that the Council is accessing through the Marches LEP. This represents £12m of external investment in the town over the next 4 years.

Oxon Link Road

The Link Road has now received a contract to deliver from the LEP, releasing the Growth Deal funding that will, when combined with developer contributions, deliver this new highway project. Work commenced this financial year and is proceeding through detailed highway and drainage design work, liaison with developers and landowners, and Highways England, in order to achieve completion of the project by 2021.

Rail

Shropshire Council continues to be actively involved in West Midlands Rail at an Officer and Director Level. Through this involvement, Shropshire has worked hard to guarantee that the recently released Invitation to Tender for new operators will include considerable improvements for Shropshire users in its base specification.

The devolved service, post 2017, will manage the replacement for the current

London Midland operated elements of the service between Shrewsbury and the Birmingham conurbation. The improvements that will be delivered include; a doubling of the current services to Birmingham to two an hour from the current hourly operation, increased services into the evening and later night running, Sunday service improvements that will effectively operate a full Saturday timetable. The benefits that will accrue to users, and also the economy of Shrewsbury and Shropshire could be considerable. Work now continues at an officer level to explore further potential enhancements with the shortlisted tenderers directly under individual Non-Disclosure Agreements.

In terms of the soon to be devolved Welsh Government Franchise, post 2018 (currently Arriva Train Wales operated), Shropshire Council is also now directly engaged with Welsh Government and Transport for Wales on shaping the future franchise mapping and service levels to ensure maximum benefit for Shropshire passengers.

Midlands Connect

Through active engagement in the Technical Advisors Group, Shropshire Officers, along with colleagues from Telford and Wrekin and Herefordshire Councils representing the Marches LEP, continue to lobby for prioritisation of local key Highway and Rail corridor prioritisation within future funding rounds of the Highways Agency and Network Rail. To date, a number of key local corridors within Shropshire have proceeded beyond the first sift process, and remain in scope as Midland Connect works to finalise its priorities for future strategic transport investment.

Local Transport Plan

The Transport Act 2000 placed a requirement on all local transport authorities in England, outside of London, to produce a local transport plan (LTP). Shropshire Council's current LTP (2011-2026) was never formally adopted and following a strategic review in 2015, it was widely acknowledged and supported by senior managers and Portfolio Holders (Transport and Highways and Economic Growth) that a new LTP should be developed. An up to date LTP will be key in Shropshire Council's future ability to bid for funding. Revenue funding will need to be identified to produce a new LTP to enable wider funding opportunities within Shropshire Council to be explored.

Accident review

Over the last year, the accident review process has been refined to look at accident cluster sites. This will enable Shropshire Council to prioritise its accident data led interventions annually.

Road Safety Policy – Community Led Concerns

Out of 84 submissions for 2016/2017 design funding, 10 schemes were taken forward. Pressure on the budget is mainly a result of major scheme match funding and issues with legacy schemes. Submissions for new design funding in 2017/2018 will be reviewed and prioritised in October 2016. Wherever possible, a rolling programme of design in Year 1 and delivery in a future year is being adopted to align with Shropshire's asset management objectives.

National Highways and Transport Survey (NHT)

The National Highways and Transport Public Satisfaction (NHT) Survey is conducted annually. In 2015, 898 questionnaires were completed in Shropshire. Compared to its peer group of 29 Local Authorities, Shropshire Council was ranked 11th for overall

satisfaction with transport and highways, compared to 9th in 2014 and 3rd in 2013.

Shropshire Council was ranked highest for satisfaction for the following Benchmark Indicators within its peer group:

- The condition of pavements
- The cleanliness of pavements
- Direction signposts for pedestrians
- Good Park and Ride schemes
- The routes taken by heavy goods vehicles
- Keeping drains clear and working
- Weed killing on pavements and roads
- Provision of drains

Further data provided demonstrated that the Highways and Transport Services was overall:-

Low Cost

Medium Quality

High Satisfaction

Traffic surveys

A significant HGV survey has been undertaken in the Wem area using ANPR technology. This will enable Shropshire Council to better understand the nature of HGV movements through Wem and to determine appropriate interventions, if any.

Annual multi-modal surveys and cycle counter monitoring continue to be undertaken in Shrewsbury and will support future review of the forthcoming major schemes.

Shifnal Transport Strategy

A successful consultation event was undertaken in December 2015 and clear support for the proposed enhancement scheme in the town centre was demonstrated. Funding for the enhancement scheme is dependent on a decision regarding the allocation of CIL by Shropshire Council.

Permits for Highways Work, system and Network Management Team.

The Network Management team who are based within the wider Highways and Transport section of Shropshire Council undertake Shropshire Council's legal duty to coordinate the highway network, this includes the facilitation of Shropshire Council lead works, Utility company works, private works on properties, the undertaking of development sites on our network and any highway licence such as skips and scaffolds.

To allow the service to undertake this function the applications from utility companies have a charge placed on them which is then used to fund the operation of this service. On average the service is dealing with approx. 600 permit applications per month for the whole county, there has been a significant increase in the number of application since the introduction of the scheme in 2014 however this trend is reflected nationally due to the upsurge in work occurring since the recession ended. Around 90% of these are granted with those that are refused are done so mainly due to either insufficient information being given, the work being developed in a way that is detrimental to Shropshire or due to the increased number of works on the network to facilitate at times it is not achievable to get all the works on the network at the times requested. The service is currently developing an annual report on how the permit scheme has performed in the first two years and this will be provided to the Portfolio Holder in early Autumn with a view to publish late Autumn.

In addition to managing the road network the service is tasked with managing the overall performance of those working on the network and undertake this duty by levying enforcement penalties for failings to adhere to the legislation. These charges are varied and provide a driver for these stakeholders to improve their performance and also provide data to that the authority can target and allocate our resource to tackling poor performance in our county.

The main enforcement tool allows us to serve Fixed Penalty Notices (FPN's) for legislative non-compliance in place of prosecutions; the service reviewed and assesses whether it is in the public interest to offer a discharged liability via an FPN or to progress immediately to prosecutions. Since April 2016 the tem have issued 862 FPNs and are working with Public Protection colleagues on a prosecution due to safety breaches. Of these issues 516 have been successfully enforced and the remaining are in negotiation with the utility companies with an aim to have payment within the legal timescales for payment; if they remain unaccepted the service will review and progress further to a formal prosecution.

In addition the most high profile enforcement tool is charges for works that exceed their reasonable timescale to undertake the work; i.e. the permit will be granted with a reasonable duration for the works to be completed within, should the works exceed this date without a valid reason a charge will be applied. These charges are based around the type of road, the disruption caused and are a daily charge. Since the introduction of an Inspection team to the Network Management Service there has been a dramatic increase in the number of sites identified, and this is due to the fact the service is now able to proactively inspect the works taking place in the county and identify any breaches. Since April 2016 the service has agreed with the relevant utilities that there were 268 sites that overran the reasonable timeframe and this in

total resulted in penalties of £858,975 being agreed to be paid. It is important to note that there are a number of utility companies who are performing poorly currently and the team are working with them to improve their performance as each instance causes disruption to our residents.

Following a Scrutiny review in 2011 where the team were asked to focus on the reinstatement work that was done in the county, the service now undertake a robust coring inspection regime; this is where we take a core of the reinstatement and check its compliance with legislation. It is important to note that if the Network Management team don't identify these failing within the first 2 years after the work is completed the burden of the remedial work is then passed to the Highways teams in Shropshire Council. In 2011 the failure rate of these tests was at 53% however once more samples were taken this led to a decrease in performance which saw the pass rate drop to 24% in 2014; however following a push with the utility companies and the identification of the key reasons for failure the latest phase has a pass rate of 75%; while it is still 1 in 4 reinstatements failing the service is pushing the performance in the right direction.

A further Scrutiny review was undertaken in Autumn 2015, and the progress and impact the team are having in organising and challenging organisations was well received and supported.

Highways Development Control – HDC.

The Developing Highways Team are progressing the update of our Specification & Design Guide to ensure that we are achieving best practice in terms of inclusive design, materials, incorporating sustainable drainage and on-going maintenance costs to the public purse. This is aimed also at helping developers wanting to

develop in Shropshire that we are a progressive and helpful authority in terms of modern design but that is fit for purpose.

Highways Drainage (major / centralised schemes)

The approach that is being taken to deliver a three year rolling programme suits the asset management approach well and allows efficiency of cost and delivery with internal arrangements and external providers, with schemes being identified and prioritised in year one, designed in year two and constructed in year three. The construction of this year's schemes has also required the production of tender documents in order for a mixed commitment of in house and external contractors to be utilised to support the programme delivery to be commissioned.

The delivery of the prioritised matrix of highway drainage schemes continues satisfactorily in 2016/17. The Mouchel commission has assisted the design of larger drainage schemes and the site monitoring of a wide variety of schemes.

Highways Maintenance.

Shropshire Council's highways service has developed an updated Highway Safety Inspection Manual for consideration and approval by Cabinet. The highway network represents a significant asset to support the connectivity, resilience and reputation of the county. It is vitally important that this network is managed and developed appropriately.

Shropshire Council is responsible for the majority of highways in the county and these are used for:

- Vehicle journeys
- Walking
- Cycling
- Horse riding etc.

To provide some perspective, the table below provides a “dashboard indicator “of the volumes and scope of the highways assets.

Asset type	Quantity – length in kilometres or volume	Condition
Carriageway	5,150 km	Asset condition is comparable with other rural shire authorities. 13% of the carriageways could be considered for maintenance.
Footway	1,350 km	Approximately 2% of footways could be considered for maintenance.
Structures	1015 in total	The Bridge Condition Indicator for the stock of bridges is 80%.
Drainage	85,290 gullies in total	Gully data is being recorded and cleaning programme is ongoing.
Street lighting	18,311 columns in total	The equipment associated with traffic signals is in good condition, only smaller projects of upgrading pedestrian crossings required over the next 3 years and few major junctions in the next 5 years require Capital

		allocation.
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Shropshire has the following type of road by kilometre length (excluding trunk roads which are managed by Highways England.)

Road type	Length (km`s)	Percentage of total
Minor roads	4,613.6	91.33%
Major Principal Roads	437.8	8.66%

The type, location, geography and topography of the road network, causes operational issues of logistics, network management and inherent hidden costs in physically assessing and ‘seeing’ the network in a dynamic and responsive content. For clarity and understanding, the legal definition of the highway includes footpaths, walkways etc.

The refreshed Highway Safety Inspection Manual will continue the existing countywide approach of utilising a formal system that prescribes the frequency of inspections and the method of assessing and recording its response to defects on the highway, and move towards identifying further efficiencies locally. The revised guidance will be implemented from 1st October 2016.

Therefore, an updated and corporately agreed inspection manual is critical for the Council in respect of ensuring adequate resources are deployed by the Highways Authority to ensure a high quality intervention regime is constantly delivered, providing confidence that statutory functions are being delivered as well as the reputational, economic and perception forming elements that the Council’s major assets can create.

The Council maintains a high repudiation rate in respect of third party claims, and this could have obvious consequences. **Currently the repudiation rate is circa 91.4% for 2016** (i.e. 91.4% of all claims defended / resisted). Obviously the figures vary depending on when the claims data is run, but Shropshire’s repudiation rate is consistently above 90%, which is well above the national average. The average insurance claim nationally is circa £3,000, which can impact upon the council’s direct and indirect budgets – i.e. increased insurance premiums. For context the recent repudiation rates are:

2014	90.9%
2015	95.4%
2016 (part year figure to date)	91.4%

Highways Delivery.

Highways Maintenance has three key areas of work that have developed over the last year.

Asset Management - the service is currently assessed as a Level 2 service by the Department for Transport (Level 3 being the highest) and the review and transformation of approach to the service is ongoing. This has resulted in the DFT providing additional incentivised funding for this financial year of £926,000 although the overall capital grant from central government is still in a net reduction of £470,000, as part of the overall budget reduction that will continue to see reduced capital budgets from central government over the next few years. Shropshire highways was invited to share its best practice recently at a national event in London to other authorities.

Redesign of Services – the redesign of minor maintenance has undertaken a significant re-design, this will support improved quality of works and permeant repairs to individual pot holes, and use of technology to ensure works efficiency in partnership with our term maintenance contractor. This initiative is supported by £500,000 of additional DFT finance, as Shropshire Highways has been awarded £1,036,000 in this financial year (over and above the £926,000 quoted earlier) to support maintenance improvements, the remaining £500,000 has been invested into carriageway resurfacing.

Capital Project Delivery.

The Highways Services has reorganised its capital project delivery, this is now a centralised team working in partnership with Mouchel in order to deliver the £8 million capital programme across the county, this has seen significant improvement in the identification, delivery and overall project management of the highways programme, ensuring higher quality works delivered as effectively as possible.

Further improvements in the use of technology and social media (web based blogs, work programmes valuable on the Council's web site, interactive road works map that are accessible to all, ability to subscribe to email alerts on road works updates all now existing and continue to demonstrate reduced number of telephone contacts with the council and increased use of web based services.

Comment [GC1]: Where should the closed bracket go in this sentence?

Shropshire Parking Strategy Development.

New parking equipment including new payment machines, barriers and Automatic Number Plate Recognition (ANPR) has recently been installed in Ravens Meadow Multi Storey car park in Shrewsbury town centre. The new equipment integrates vehicle sensors, number plate cameras and technology in barriers on entry and exit points to improve customer service. There are also new ways for motorists to pay for

parking, as well as accepting cash payments including banknotes, payments can now be made by card including both chip and pin, and contactless card payments. Current strategy development proposals moving forward for public consultation in the near future include:

- i. A standard linear tariff banding and ranking system
- ii. The introduction of a flat rate evening charge 6.00pm to 8.00am, 365 days year on all on and off street pay and display parking areas across the county
- iii. The extension of opening hours in Raven Meadows multi storey car park Shrewsbury to 24 hours, 7 days a week.

Business improvement, payment technology, asset management development, efficiency and streamlining work also continues to progress.

Sustainable Transport and Road Safety Education

A full programme of sustainable transport and road safety initiatives including Stepping Out pedestrian safety and Bikeability programmes continue to be delivered across Shropshire Schools and Colleges. DfT grant funding has been secured for continued delivery of Bikeability through to 2020 however funding levels have been significantly reduced which will require a review of costs, and possibly the way the service is delivered in the future.

Public Transport

A redesign of local bus services placing a greater emphasis on a transition to the commercial operation of these services was undertaken in 2015/16. This has seen a significant reduction in the overall public transport budget, achieved without a reduction in service levels to passengers.

Comment [GC2]: Do we want this in
Could create debate and media attention
ahead of any cabinet paper

During this period 2 services transferred from a subsidised to a commercial operation immediately and are continuing to flourish with those operators.

The Shrewsbury Park and Ride service was also redesigned prior to a procurement process, with an aim of improving service reliability and punctuality to passenger's whilst at the same time significantly reducing costs to the council. The contract for this was awarded to Arriva with effect from November 2015 with savings achieved of c£367k per annum, essentially meaning that the park & ride passenger element of the service would be delivered at zero cost to the council. In addition new low emission environmentally friendly vehicles are to be introduced into the service by Arriva in 2017 to provide a further enhancement to the service.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Cllr Simon Jones
Local Member N/A
Appendices None

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<u>Committee and Date</u>
Council
22 September 2016
10.00 am

<u>Item</u>
10

PORTFOLIO HOLDER REPORT FOR CULTURE AND LEISURE

Responsible Officer: Councillor Stuart West – Portfolio Holder for Culture and Leisure

E-mail: stuart.west@shropshire.gov.uk

Leisure Services

Leisure Services had several areas to focus on during the past year. A major area of work that officers have contributed to is the project looking at the future of swimming provision in Shrewsbury.

Following extensive consultation on the options appraisal produced by external consultants a report was taken to Cabinet on 13 July. Although Cabinet was minded to confirm and approve in principle that the preferred location for the replacement of existing swimming provision is Shrewsbury Sports Village, a period of 12 months was granted to all parties wishing to develop alternative proposals to retain swimming provision on the existing site at The Quarry.

Any alternatives will need to meet the Council's key objectives of affordability and participation support in the future. A further report will be taken to Cabinet on the proposed next steps and the detail including timetable, process and terms of reference in relation to recommendation.

Other priorities included the monitoring of the management contracts with Shropshire Community Leisure Trust and Teme Leisure whilst working closely with them to improve services; management transfer of joint-use facilities, directly managing facilities whilst discussing future management options, and continuing to support clubs, coaches, schools and individuals to maximise opportunities for increasing participation in a wide range of sports and physical activities.

Shropshire Community Leisure Trust

The Trust, with Serco Leisure as their managing agent, have operated 5 facilities on behalf of Shropshire Council since August 2012. 2015/16 was the third full year of contract operations and attendances across the 5 sites have increased by 25% since the contract commenced with over a 1 million visits last year. This figure contributed significantly to an overall attendance across all Shropshire leisure facilities of 1,997,607.

Significant outlay has been necessary from Shropshire Council as landlord of the 5 facilities to enable the Trust to operate efficiently, examples of which include the upgrading of drainage on some football pitches at Shrewsbury Sports Village, identifying and repairing a major water leak at Whitchurch Swimming Centre, upgrading the air-conditioning at Oswestry Leisure Centre and replacement and upgrading of swimming pool plant items, particularly at The Quarry Swimming Centre.

The Trust themselves continue to improve the facilities under tenant responsibilities, investment in the changing rooms at Whitchurch is a good example.

Teme Leisure

Teme continue to operate 4 leisure sites in the south of the county and have been able to maintain a high level of service and number of visits despite a reduction in funding.

The announcement of the Financial Strategy by the Council in January, which placed all discretionary services at risk, resulted in officers from Teme and Leisure Services becoming proactively involved in discussions with local groups to identify sustainable operating models, particularly in Bishop's Castle and Church Stretton. These discussions will continue over the coming months.

Joint-Use Facilities

As a commissioning authority, the Council are continuing with a programme of facility management transfers of joint-use facilities. This involves detailed negotiations with schools, colleges and academies on whose sites leisure facilities are managed directly by Leisure Services.

All current joint-use agreements are different and complex, creating difficulties in agreeing transfer terms and conditions. Transferring management responsibilities reduces costs significantly over a period of time, although Shropshire Council maintain revenue support to transferred facilities to ensure the continuation of community use.

Leisure officers continue to offer support whilst the new operators maintain those opportunities.

In March 2014, Schools Forum made the decision to alter the way joint-use funding is distributed to schools across the county. Reductions in joint-use funding to schools where leisure facilities are located commenced in April 2015 and will have a significant impact on how joint-use centres operate in the future. The Council, schools and existing operators face a difficult challenge in establishing future operational and management options.

Sports & Play Development

A major restructure within Leisure Services resulted in the majority of development staff leaving the Council at the end of May. Development staff now consist of one full-time Development Officer and a part-time Administration Officer who also undertakes responsibility for facility administration.

The Development Team continue to administer and support the Shropshire Schools Sports and Athletics Association, enabling schools throughout Shropshire to play competitively in a number of sports. The Play Store has also been retained, however, the role of Shropshire Council's Sports Development is now about support and not direct delivery.

Event Organisation & Management

The Leisure Services team continue to organise and manage major events within Shropshire, specifically the Severn Bridges Road Race and the International Awards Evening.

The TriUK Shropshire Triathlon took place in May following the award of European Championship qualification status. The Leisure Services team along with the Ellesmere organising committee ensured a successful event took place, attracting nearly 400 competitors.

Culture

Visitor Economy Team

Arts Service

Shropshire World War One Commemorations

Shropshire Archives and Shropshire Arts Service have continued to facilitate and deliver a wide range of arts and heritage projects to commemorate the 100th anniversary of the First World War. A short film celebrating this achievement is now available on the Shropshire Council YouTube channel

<https://www.youtube.com/user/ShropshireCouncil>

Planning is also now underway with partners, for further World War One commemorations, culminating in events and activity in Shrewsbury to mark the centenary of the death of the poet Wilfred Owen in November 2018.

The WW1 consortium is currently developing a programme of activity for 2017/18, with collective funding bids being submitted to Arts Council and Heritage Lottery Fund.

Shropshire Boys Dancing: 2016 was the sixth year of Boys Dancing, a successful project between Shropshire Council and the West Midlands Boys Dance Alliance, funded by Arts Council England. Over 100 boys from schools across Shropshire, worked with professional male dance artist to create a unique performance, 'The Collectors', responding to the Shrewsbury Museum and Art Gallery's Collections. There was a live dance promenade event at the Museum & Art Gallery, to a sell-out audience.

Culture Consortium Shropshire: This network of arts and cultural organisations and provider's works with children and young people (aged 0-25) in Shropshire. The consortium has a shared vision that children and young people aspire, achieve, progress and lead through arts and culture. By working together collectively the consortium are starting to deliver an aspirational cultural offer for children and young people.

Consortium members have recently benefited from fund-raising training, joint marketing and publicity and organisational development.

Arts Revenue Clients: During 2015/16 the Shropshire Council Revenue Client grant of £120,712 helped 27 arts organisations and festivals lever into the County the sum of £3,026,866.51 of external earned income, from ticket sales; workshop fees; grants from funding bodies such as the Arts Council England, Heritage Lottery Fund, trusts, foundations and sponsorship.

These are organisations that deliver a regular high quality arts programme, are county wide and represent a number of art forms.

Shropshire Archives

Opening hours and Archives Accreditation

Following a public consultation in the spring, the service reviewed its opening hours in June and is now open as follows:

Wednesday	10.00am-4.00pm
Thursday	10.00am-4.00pm
Friday	10.00am-4.00pm
1st Saturday in the month	10.00am-4.00pm

Both the reading room and the search room are open during these times providing an improved service. This has been very much appreciated by customers. Opening hours, particularly on Saturday, will continue to be reviewed based on the level of use.

Shropshire Archives had applied for Archives Accreditation, the new national standard for archive services managed by the National Archives, in 2015. However, a decision on the application was deferred following concerns over budget pressures and limited opening hours. Following the introduction of the revised hours described above, Shropshire Archives will reapply this year, and a decision on the application will be made by early 2017.

Much Wenlock Borough Minute Books

Much Wenlock Town Council has secured Heritage Lottery funding to work on the conservation, digitisation and transcription of the two earliest surviving minute books for Much Wenlock, which date from 1495-1810. Mary Beard, Professor of Classics at Cambridge University, who is originally from Much Wenlock, is supporting the project as its patron. Work on the archive conservation of the volumes has now started, and Shropshire Archives is currently recruiting a team of volunteers to support the cataloguing and transcription work.

Shropshire Victoria County History

Work on the Shropshire Victoria County History (VCH), supported by the University of London, has now started with the appointment of Judith Everard as a part time editor to work on the history of Wem. The very successful history day in Wem held on 24 June 2016 attracted over 80 participants, and a great deal of support for VCH activity. A group of over 20 volunteers are also now engaged on various VCH related research projects

The museum learning team continued to work across the county to provide learning services to schools in Shropshire, Staffordshire, Herefordshire and Powys. The numbers of school children visiting Shrewsbury Museum increased by 47% from 2014/15 to 2015/16. We have introduced new workshops, CPD opportunities and after school clubs and are working in partnership with the Friends of the Flaxmill Maltings to provide a workshop programme for primary school children at Shrewsbury's Grade 1 listed Flax Mill.

Shrewsbury Museums

Shrewsbury Museum & Art Gallery entered its second trading year at the converted Music Hall in The Square. More than 80,000 people visited one or more of the galleries during the year. Alongside the five permanent galleries of Shropshire history the Museum & Art Gallery put on 16 temporary exhibitions from blockbusters like 'Secret Egypt', Vikings and Lego to local history themed shows about Mary Webb, Shropshire's railways and canals and the twinning with Zutphen. The Community Gallery allows local organisations to put on exhibitions on local subjects.

A chance meeting at the RAF Museum between a member of staff and the public relations officer of RAF Cosford airbase led to one of the most prestigious and high

profile exhibitions so far. The Defence School of Photography at RAF Cosford brought its centenary exhibition to the balcony at the Museum & Art Gallery. Along with some superb photos taken over 100 years was the original camera used in the Great Escape, an episode in WWII made famous by the 1960s film.

The ever changing exhibition programme means that Shrewsbury Museum & Art Gallery retains a high profile in the local media with regular coverage of new shows. We also attract national TV shows like 'Bargain Hunt'.

The Music Hall is growing in popularity as a venue for meetings, weddings and events. Due to Shrewsbury's location at the heart of the Welsh rail network quite a few national Welsh organisations are now using us the venue to hold meeting with delegates coming from all over the Principality.

Shrewsbury Castle and Shropshire Regimental Museum continue to be well visited. Apart from the normal visitor business the Castle is a popular venue for weddings and occasional outdoor concerts and drama.

Both venues participate in the national promotion Heritage Open Days on the second weekend of September when hundreds of venues all around the country throw open their doors free of charge.

Museum Learning and Activities Team

The learning team continued to offer an extensive range of adult education classes at Shrewsbury Museum, Shropshire Archives and Ludlow Museum Resource Centre. Courses in Life Drawing, Canal History, Geology, and creative writing were fully booked. Acton Scott Historic Working Farm had a particularly successful year with its programme of Rural Crafts and Trades. New courses on tool sharpening, game cookery and pig keeping have proved popular additions to the programme and are helping to preserve often forgotten and fast disappearing rural skills.

The team were proud to work with award winning short story writer and novelist Lisa Blower who became Shrewsbury Museum & Art Gallery's first writer in residence in March 2016. Lisa took inspiration from the museum's Mary Webb exhibition to create a contemporary reimagining of Mary Webb's classic novel *Gone to Earth*. She ran two novel writing courses (attended by 30 course participants), two workshops for children (70 participants), hosted two book group sessions (15 participants) and participated in a high profile series of talks and lectures in the museum and across the country.

The service hosted the regional finals of the National Poetry recitation competition Poetry By Heart. This prestigious event was attended by the Mayor of Shrewsbury and 16 talented representatives from 8 county wide secondary schools.

Shrewsbury Museum's Friday morning toddler group 'Mini Mammoths' has continued to grow. The service works with early years educators to offer an inclusive family learning experience for parents and carers with children 4 and under. Since establishing the group 52 families have taken part in the collections themed sessions. The weekly sessions involve songs, stories, role-play, craft and a healthy snack.

The team were delighted to welcome 14,400 visitors to our Brick City exhibition which featured models created by LEGO artist Warren Elsmore. Families queued around the block to see Warren's marvellous LEGO creations. A LEGO play zone on the museum balcony for families to create and play together was built especially.

Acton Scott Historic Working Farm

2015 was the 40th year of operation of Acton Scott as a Museum and visitor attraction operated by Shropshire Council. To mark this event the Farm staff joined forces with the Village of Acton Scott to run a traditional Village Fete, raising funds for St Mary's Church and almost doubling the contribution made in previous years.

A new newsletter was launched that is distributed to every visitor – "The Acton Scott Herald" was very well received as it promoted future events and the courses programme at the same time as giving visitors a sought after souvenir of their visit.

At the end of the 2015 season the shop was moved to the entrance end of the site and a new focus in the shop on local artists and products. The old shop was turned into the "Fleece Barn" and a new display of shearing, weaving and spinning was created in this area this is proving a valuable educational aspect as visitors make the link between modern farming methods and the time consuming processes to make and dye clothing in the past.

As well as the new shop, a new outdoor workshop for courses was created as well as a new play area nearer to the Café. The signage on site has been revamped and the new Café operator has brought his own style to running an exceptional quality offering that has been very well received by visitors in to the 2016 season.

The new admissions & shop combined, and entrance way into the farm has been a great success, saving on staffing of two separate areas (Admissions and Shop) in to one functional area as well as creating a gallery space for artists and a heated indoor space for craft activity and demonstrations.

The traditional Courses programme has been a phenomenal success – at least 5 additional courses have had to be arranged to accommodate the overflow of students wishing to attend and some exciting new courses being planned for the 2017 season.

Museum Collections

Shropshire Museums cares for almost 300,000 objects.

The majority of our objects have been donated over the past 170 years by Shropshire residents.

Under the National Planning Policy Framework we offer Shropshire's only archaeological archive deposition service to developers.

Our museums permanently display over 2,000 objects. Every year our changing displays and loans to other organisations bring an additional 1,000 objects out of store.

Our professional standards of collection care allow us to borrow famous artworks and important objects from private collectors and major UK museums.

Over 3,000 of our objects are studied every year as part of both UK and international research programmes, helping to advance our understanding of the past and the natural world.

Our volunteers contributed over 2,000 hours a year to improve online access to our collections. In the last year members of the Caughley Society have completed a full catalogue of our nationally important Caughley porcelain collection. The Friends of Ludlow Museum are currently working in partnership with the Natural History Museum to digitise the most significant specimens in our geology collection.

Our staff, in collaboration with the Portable Antiquities Scheme, identify and record around 600 objects every year for the public and the Coroner's Office.

In 2015 the first recorded hoard of Iron Age coins found in Shropshire was found and will be purchased for display thanks solely to grants from local and national funding bodies.

Theatre Services

Old Market Hall

There were 1,121 film screenings in 2015/16 and overall attendance was 66,644, 8% up on attendances for 2014/15. The venue continued to offer a diverse programme of popular, independent and world cinema, alongside live and specially recorded screenings from the National Theatre, Glyndebourne and Royal Opera House among others. The Old Market Hall also stepped up its regular commitment to Subtitled Screenings for deaf and hearing impaired audiences, and Relaxed Screenings, specially designed for children with Autism.

Theatre Severn

There were 495 ticketed performances at Theatre Severn (Walker Theatre or Auditorium) during 2015/16. This resulted in annual attendance of 169,579, up 6% on 2014/15. 31% of these tickets were sold to households outside of Shropshire, evidence of the venue's wider appeal and ability to draw audiences to Shrewsbury and Shropshire from further afield.

The Pantomime (DICK WHITTINGTON) again enjoyed a record-breaking season, with almost 40,000 people attending the show. The production sold out to 95% of capacity. At this stage of the year, sales for the forthcoming Pantomime season (CINDERELLA) are currently 12% ahead of sales for the previous year. An additional performance has been added due to demand, to make a total of 66 performances.

For the first time since Year One (2009/10), Theatre Severn recorded an average attendance of 75% across all events.

The first planned maintenance shutdown was carried out in January 2016 and was completed in 11 days against an expected 15 days. Fine tuning of various processes was completed during this time and this has resulted in the plant exceeding targets for availability and electricity output.

Emissions from the plant are monitored continually by Veolia and the Environment Agency. The information is also publicly available at <http://www.veolia.co.uk/shropshire/facilities-services/facilities-services/energy-waste/battlefield-emissions-air-data>

Shropshire Libraries

Shropshire Libraries has continued to progress in redesigning its library services utilizing a locality commissioning approach to develop new management arrangements for smaller libraries and some customer service points where appropriate.

In our smaller market towns traditional face to face services are being delivered through active community enterprises. These initiatives are best placed to utilise their links to maximise their contacts.

Libraries current net controllable budget is £2,536,560, which is split across the following functions:

- Six libraries in principal market towns: £1,306,730
- Sixteen smaller libraries: £310,980
- Mobile libraries: £171,910
- Management, administration, I.T. and support services: £746,940

The above budget takes into account £415,990 ongoing annual savings that are scheduled to be made within 2016/17 through a combination of efficiency savings and improved operating arrangements.

Seven libraries have been transferred to new local community management arrangements:

- Albrighton,
- Shifnal
- Broseley
- Cleobury Mortimer

- Craven Arms
- Bishops Castle
- Highley

Pontesbury and Gobowen continue to be managed by Shropshire Council, with financial support from the local parish councils and other funders. Similar discussions are underway at Bayston Hill and Much Wenlock.

In partnership with Adult Social care we are progressing with a preferred bidder to deliver Library Services from the Meres Day Centre. The new provider hopes to take on operation of the Library Service by October 2016.

Discussions to deliver new management arrangements for the larger principal market town libraries are also being progressed. Advanced conversations are taking place with Shrewsbury Town council and Market Drayton with proposals expected to be brought forward for public consultation in the autumn. Discussions are currently underway in Bridgnorth, Ludlow, Oswestry and Whitchurch with local Town Councils to explore opportunities for alternative local management arrangements.

Shawbury Library Closure

Despite lengthy discussions taking place, no suggestions for alternative management of Shawbury library service were developed. A lengthy process of local consultation and engagement recently closed proposing the potential closure of Shawbury library. Utilizing a detailed Needs Assessment, and an Equality and social inclusion impact assessments (ESIIA) to support the consultation and recommendations for alternative provision. A report went to Cabinet on the 13th July 2016 to recommend the closure of Shawbury library and delivery of a mobile library service.

Church Stretton Library

Following the Portfolio Holder decision to move the library of the 27th March 2015 has now been quashed, work is now underway to seek a suitable solution to develop alternative management arrangements. Church Stretton Town Council is issuing a numbered consultation to every household, seeking views on the willingness or not of local households to pay more on their local Council Tax for the continuation of two local services, the Library and the community use of the Leisure Centre and Swimming Pool

Library Opening Hours Review

The changes to opening times at libraries throughout the county are currently subject to public consultation for 12 libraries. The proposals to change library opening hours do not affect libraries that have already transferred to community management

arrangements or are being directly supported by local parish council and other funding.

The new times suggested reflect the on-going decline in static library visits and the increasing use of remote services and social inclusive impacts, on an analysis of visitor numbers to each of the libraries to identify the quietest periods. The proposals focus on reducing library opening hours at quieter times at evenings and weekends, ensuring that people have access to services across the county when they are most used.

The reductions to opening hours recommended below, following the outcome of public consultation, are forecast to result in ongoing annual savings of £52,360.

The recommendations resulting from the consultation are summarised below:

Principal market town libraries:	Opening hours recommendations
Bridgnorth	Open 9.30 – 6.00 on Mondays instead of 9.30 – 7.30. Open 9.30 – 3.00 on Saturdays instead of 9.30 – 5.00. Reduction = 11.5 hours (subject to the outcomes of the public consultation on Customer Service Point opening hours)
Ludlow	Open 9.30 – 6.00 on Mondays instead of 9.30 – 5.00. Open 9.30 – 5.00 on Fridays instead of 9.30 – 7.30. Open 9.30 – 1.00 on Saturdays instead of 9.00 – 5.00 Reduction = 6 hours
Market Drayton	Close at 5pm on Fridays instead of 6pm. Open 9.30 – 1.00 on Saturdays instead of 9.00 – 5.00. Reduction = 5.5 hours
Oswestry	Open from 9.30 Mon – Sat instead of 9.00. Open 9.30 – 4.00 on Saturdays instead of 9.00 – 5.00. Close at 5.00 on Monday, Tuesday, Thursday and Friday instead of 6pm Reduction = 8 hours
Shrewsbury	Close at 7pm on Tuesdays instead of 8pm. Close at 5pm on Thursdays instead of 8pm. Open 9.30 – 4.00 on Saturdays instead of 9.00 – 5.00. Do not open on Sundays. Reduction = 8.5 hours

Whitchurch	Open 9.30 – 5.00 on Mondays instead of 1.30 – 5.00. Close at 6pm on Tuesdays instead of 7.30pm. Close at 5pm on Thursdays instead of 6pm. Open 9.30 – 1.00 on Saturdays instead of 9.00 – 5.00. Reduction = 3 hours
Local market town libraries:	
Bayston Hill	Close at 5pm on Tuesdays instead of 7.30pm. Reduction = 2.5 hours.
Ellesmere	No change to opening hours as a preferred bidder has recently been secured to deliver Library Services from the Meres Community Centre.
Gobowen	Close at 5pm on Tuesdays instead of 7pm. Reduction = 2 hours
Much Wenlock	Close at 5pm on Tuesdays and Thursdays instead of 6pm. Reduction = 2 hours
Shrewsbury, the Lantern	Close at 5pm instead of 6pm on Tuesdays, Thursdays and Fridays. Reduction = 3 hours
Wem	Close at 5pm on Tuesdays and Wednesdays instead of 6pm. Open 9.30 – 1.00 on Saturdays instead of 9.30 – 4.00. Reduction = 5 hours

Libraries Management and Administration Review

Review of the libraries management and administration is currently in the final stages following our staff consultation.

- The library management team will be reduced, making one of the posts of Library Area Manager redundant. The day to day operational management of the libraries will continue to be delivered by the existing renamed Library Managers.
- The deletion of 3 FTE existing Library Commissioning Manager posts, replacing them with 1.5 FTE Library Development Managers. The posts will have a combined role of leading in one or more specialist service areas plus the line management of the Team Librarians.
- A reduction in the number of Team Librarian posts and a reallocation of duties between posts in the new structure.

- The Library ICT Officer post will be deleted and some of the duties included as part of the new Team Librarian role to ensure the technological developments are implemented and ICT equipment is maintained.
- An amalgamation of Library Area Administration Officer role and Library Support assistants to continue support of transferred libraries in line with the service developments.

These savings amount to approximately £280,000 and are part of the £415,990 ongoing annual savings that are scheduled to be made within 2016/17 through a combination of efficiency savings and improved operating arrangements.

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Committee and Date

Council

22 September 2016

10.00 am

Item

11

Public

Councillor Vince Hunt
Environment and Services Scrutiny Committee Chairman

ANNUAL REPORT 2015-2016
ENVIRONMENT AND SERVICES SCRUTINY COMMITTEE

1.0 Summary

1.1 This is an overview of the work of the Environment and Services Scrutiny Committee during 2015-2016, alongside plans for the forthcoming year.

2.0 What have we done?

2.1 The Committee has met formally on six occasions over the last municipal year both in Shirehall and off-site and has considered a wide variety of issues.

2.2 During the year the Committee has received reports on the following subjects:

- The Provision of New Swimming Facilities in Shrewsbury. The report updated the committee on the work that was being undertaken, the consultation and next steps. Members from the Quarry Forum were also present who were able to ask a number of questions. Further reports will come back to the committee as this piece of work continues.
- Future Commissioning and Provision of Library Services. The report updated the Committee on progress made on the county-wide redesign of library services and received details of the trends in Library usage
- Shropshire Council's Play Area Provision. Members received an update on the provision of play areas in the County and the development of a Play Strategy for Shropshire. This has since led to the wider development of a Shropshire Public Open Spaces and recreation needs assessment which is progressing at present.
- Update on the Waste Management Service. The report gave an update on progress regarding the construction and commissioning of the Battlefield Energy Recovery Facility (ERF) and on the redesign of waste collection services. Prior to the meeting Members had visited the ERF

- Progress report on the Highways and Environment Maintenance Contract. The report gave an update on the Highways and Environment Term Maintenance Contract (HETMC). Members raised several concerns including communication of information to town and parish councils and the standard of some of the highways repairs. As a result of the meeting a new approach to communicating with members has been developed. Members also confirmed that they considered that the arrangements for winter maintenance were robust. Prior to the meeting Members had visited the Longden Road Depot to look at the winter maintenance equipment.
- Scrutiny of the Financial Strategy. Members noted the contents of the Financial Strategy and commented on parts of the strategy which impacted on services covered by the Committee
- Review of DEFRA Recommendations on the Waste Contract. The report advised Members of the recommendations arising from the DEFRA review of the Waste Management Contract. Members were advised that the production of the Contract Management Manual was the only item outstanding from the recommendations.
- The development of a Play Strategy for Shropshire. Members received a verbal update on the development of a Play Strategy. Members commented that the provision of recreational areas needed to be embedded into planning decisions and that there was a need to ensure that planning policies included the scope for this and recommended that Members of Planning Committees receive further training on this. These areas highlighted by the committee have been factored into the work that is ongoing by officers in developing the Needs Assessment.
- Shropshire Council Response to Flooding. The report outlined Shropshire Council's response to flooding, and illustrated how the Council worked with partner agencies when flooding may impact on people and property and also the work done by the Council in its role as a Lead Flood Authority.
- Provision of Community Transport for Shropshire. The report set out details on the current provision of Community Transport in Shropshire and the work of a number of small bus Community Transport Schemes in providing this. It was agreed that the Committee receive a presentation from the Director of the Community Transport Consortium and representatives from Community Transport Groups at a future meeting.
- The work of the Drug and Alcohol Action team. The report updated Members of the work of the Drug and Alcohol Team and the work being carried out to recommission the service. It was agreed that a further report would be brought to Committee once the recommissioned service was in place.

- Update on the Highways Permit Scheme. The report provided an overview of the performance of the Street Works Team since the introduction of the West and Shires Permit Scheme (WASP) in April 2014, which had arisen from a recommendation made by the Scrutiny Committee in 2011. Members were advised that the Streetworks Team were self-funding with income coming from a number of sources. and that any surplus that was made would be reinvested in the highways system.
- Development of Sustainable Energy. The report set out the work being carried out by the Council in the field of sustainable energy and future opportunities that may be available.

2.3 During the year the Committee considered the following petitions from members of the public:

- Request for a 20mph speed restriction on New Street in Shrewsbury (between the junction with Copthorne Road and the Boat House public house). Members noted the concerns of the petitioner and the Highways, Transport and Environmental Commissioning Manager meet with the Local Member to discuss ways of improving the data collection
- Request for a 20mph speed limit introduced on Redstone Drive, Highley, near to the local school. Members were advised that that road safety measures on Redstone Drive would be considered as part of a wider scheme for Highley as part of the annual prioritisation process for schemes to be funded for design in 2016/17
- Request for the removal of the speed cushions installed on the B5063 Wem Road, Shawbury, adjacent to RAF Shawbury. Members were advised that the speed cushions were installed as part of a wider package of measures under a safer routes to school plan following concerns raised by the local community, and supported the retention of the speed cushions.

3.0 What are our Future Plans?

3.1 The direction of work for the Committee is guided by the Director of Place and Enterprise and the Committee continues to focus its work by involvement in the following areas:

- i. Future development of the library service including the development of a new library strategy and scrutiny of the new model for customer service points.
- ii. Waste – to review and scrutinise the new collection models that are being introduced
- iii. Ringway – ongoing monitoring of the contract and performance and the annual winter preparations.

- iv. Ongoing development of the Shrewsbury swimming pool and the next phase of work considering alternative business cases for the current site.
- v. Bereavement Services – to review the new operation under the new contractor.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Reports to Environment and Services Scrutiny Committee 2015-16
Human Rights Act Appraisal The recommendations contained in this report are compatible with the provisions of the Human Rights act 1998
Environmental Appraisal There are no environmental issues relating to this report.
Risk Management Appraisal There are no risks associated with this report.
Community / Consultations Appraisal Consultation is a component of Scrutiny work to collect information to support the development of conclusions and recommendations.
Cabinet Members Councillor Stuart West Councillor Simon Jones Councillor Malcolm Price
Local Member/s All
Appendices None

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Committee and Date

Council

22 September 2016

10.00 am

Item

12

Public

REPORT OF THE INDEPENDENT REMUNERATION PANEL

Responsible Officer Claire Porter

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1.0 SUMMARY

- 1.1 This report incorporates the recommendations of the Independent Remuneration Panel on the level of remuneration for Shropshire Councillors with particular consideration of the remuneration of the Council's Scrutiny Chairs and Deputy Portfolio Holders.

2.0 RECOMMENDATIONS

- 2.1 The Council is requested to consider and approve, with or without amendment, the Independent Remuneration Panel's recommendations.

REPORT

3.0 BACKGROUND

- 3.1 The Panel met on 9 June 2016 to give consideration to Members' Allowances and, in particular, to consider the allowances for the Scrutiny Chairs and the Deputy Portfolio Holders. The Panel's recommendations are contained within the Report attached at Appendix 1.

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)

Councillor Malcolm Pate [Leader]

Local Member/s

All

Appendices

Appendix 1: Report of the Independent Remuneration Panel

**REPORT OF THE INDEPENDENT REMUNERATION PANEL -
REVIEW OF SCRUTINY COMMITTEE CHAIRMAN ALLOWANCE AND
MEMBERS'S ALLOWANCES SCHEME FOR 2016/17**

1.0 INTRODUCTION

1.1 In approving the current Members' Allowances Scheme in February 2016 Council also agreed that the Independent Remuneration Panel should meet to revisit the Scheme in the light of any changes to the role of elected Members and in particular the role of the Scrutiny Chairs with the Panel's proposals then being submitted for future consideration by Council.

1.2 The Independent Remuneration Panel met on 9 June 2016 and received oral representations from:

Clive Wright – Chief Executive
Councillor Pauline Dee – Independent Group
Councillor Hannah Fraser – Liberal Democrat Group
Councillor Alan Mosley – Labour Group
Councillor Roger Evans – Liberal Democrat Group
Councillor Heather Kidd – Liberal Democrat Group – written representations
Councillor Michael Wood – Conservative Group
Councillor Malcolm Pate – Conservative Group + Leader of the Council

2.0 SUBMISSION OF EVIDENCE

Chief Executive

2.1 During his discussion with the Panel the Chief Executive provided a detailed synopsis of the financial pressures facing the Council and the steps being taken to address the pressures. He drew particular attention to the massive impact of the county's demographic whereby people were living longer; this had an enormous impact on the Adult Social Care budget. Although the Council showed high levels of efficiency and enterprise the annual growing demand on this budget continued to result in a funding gap.

2.2 Responding to a question from the Panel, he commented that in his opinion, Members' workload had not significantly changed, though in the future Councillors are likely to play an even greater leadership role in their communities.

2.3 Responding to the Panel, the Chief Executive confirmed that despite thought having been given to possible alternatives, the necessary future development of the scrutiny function within the authority is still to be resolved.

2.4 He highlighted the remaining key areas of responsibility on the reduction of discretionary services, namely:

- Adult Social Care [noted also the ongoing debate whether this area was a health issue or a social issue and potential for joint working with health colleagues]
- Waste Collection – contract management
- Childrens’ Safeguarding
- Highways
- Planning – statutory function

2.5 Responding to the Panel, the Chief Executive confirmed that despite thought having been given to possible alternatives, the future development of the scrutiny function within the authority remained a highly political issue.

Councillor Pauline Dee

2.6 The Panel received confirmation from Councillor Pauline Dee that she believed that Members continued to work very hard. She had some concerns how younger people could be encouraged to become involved in local politics and drew attention to the methods she used in her local area to communicate with as wide a sector of the community as possible. She believed that local communication was essential in ascertaining the views of the public.

2.7 Referring to the Council’s current Scrutiny Committees, she commented that the work undertaken was largely very interesting but the level of ‘influence’ that resulted was less certain.

Councillor Hannah Fraser

2.8 She commented that she did not feel that the current scrutiny set-up was working, nor was it fit for purpose, and that subsequently the allowance being paid to each of the Scrutiny Chairman was not providing value for money for the Council. She added that the role of scrutiny was considered to be important but sadly she believed that money was being put in with little return. Responding to a comment from a member of the Panel she commented on the excellent work being done by Task and Finish Groups that did not receive any allowances.

2.9 The current system of allowances to Scrutiny Chairs and to Deputy Portfolio Holders could, she believed, be considered to be a system of patronage. Responding to a query from the Panel regarding the impact of the change in the Council’s leadership, she believed that it was too early to make an assessment.

2.10 Referring to the basic Member Allowance, Councillor Fraser stated that if the allowance was higher she would be able to do more to represent her electorate and be more effective in holding the decision makers to account. She believed that the current scrutiny regime was not wholly effective in this regard and had a tendency not to be open to ‘constructive criticism’. She also drew attention to some scrutiny committee agendas featuring a raft of items but did not actually ‘do anything or make recommendations for change.

- 2.11 She believed that the work of Task and Finish Groups was the most effective arena for scrutiny work but also understood that with the current political balance of the authority any real scope for change was limited.

Councillor Alan Mosley

- 2.12 Councillor Mosley was of the view that Members' Allowances should share the burden of the cuts (see 2.15 below). He was of the strong belief that the Council comprised too many Members particularly given the significant cuts in some of the Council's functions and the 37% reduction in staff numbers.
- 2.13 He commented on the inequity of the allowances scheme whereby, for example, a hard working Chair of a Task and Finish Group received no additional remuneration for this work whereas the Chairman of the parent Scrutiny Committee received a significant allowance. He noted that the much needed revitalisation of the Scrutiny process had been withdrawn hence, associated adjustments to allowances had not been implemented. The current role of most portfolio holders and the scrutiny chairs are incomparable, yet all received similar allowances, he said. He also made reference to the allowances paid to deputy Portfolio Holders when their contribution was hard to recognise and had little impact. He believed that there was a wide discrepancy in the workload of Members with some Members being rewarded in his view for doing very little whereas others worked extremely hard for the same allowance.
- 2.14 Referring to a query from a member of the Panel, he re-iterated his earlier point that the number of Shropshire Councillors needed to be decreased and he called for a Boundary Review in order to re-assess the number of Councillors within the authority. He commented that the number of services being commissioned out of the Council should be borne in mind and the reduced direct responsibilities of the Council did not require as many Members. Members were 'kept busy' in his view rather than having a role in policy and decision making.
- 2.15 Responding to the Panel Chairman, Councillor Mosley did not believe that the level of basic allowances should be reduced as this would make it even more difficult to recruit young Councillors. The distances to be travelled in the county and the significant time pressures should not be underestimated he concluded.

Councillor Heather Kidd's written representations

- 2.16 The Panel received written representations from Councillor Heather Kidd that drew attention to the current levels of I.T. support available to Members and the I.T. equipment offered. She considered that a full reappraisal of the scheme of Special Responsibility Allowances was necessary as those being paid SRA's would have less work to do as services were removed from Council control. She also believed that the Scrutiny Chairs did not undertake anywhere near the amount of work of Portfolio Holders and the level of work of Deputy Portfolio Holders was also questionable.

- 2.17 She believed that the allowances should be equalised across all Members in order to try and attract good quality candidates particularly as the role often resulted in having to give up paid work to do it justice.

Councillor Roger Evans

- 2.18 Confirmation was received from Councillor Roger Evans regarding his Group's concerns that the scrutiny process was not working and Chairmen were not carrying out their functions especially in relation to holding the Executive to account and examining the subsequent impact of their decisions. He commented on the scrutiny review process that had not been actioned by the Administration resulting in the five Scrutiny Committees still remaining in existence.
- 2.19 Amongst a number of issues raised, he made the point that the committees were not meeting on a regular basis and he circulated a schedule of dates which he said supported the concern that some of the scrutiny committees had met infrequently in recent months. He suggested that the allowance paid to the Scrutiny Chairmen should be reduced to reflect their perceived reduced workloads, with payments made instead to Task and Finish Group chairmen: raising the basic allowance paid to all members, or increasing the basic member allowance by a small amount and the balance used to reduce the total allowances paid. Examples from other Local Authorities were provided.
- 2.20 He also drew attention to the allowances paid to Deputy Portfolio Holders and suggested that, with the reduced responsibilities of the Council, their areas of responsibility could be absorbed by the Portfolio Holders.

Councillor Claire Wild

- 2.21 As a current Scrutiny Chairman and a former Portfolio Holder, Councillor Claire Wild commented that the work of a Scrutiny Chair was not as onerous as that of a Portfolio Holder, the latter was full time and high pressure. She believed that scrutiny work was evenly spread across the Scrutiny Committees and the development of the Work Programmes and the issues investigated by Task and Finish Groups were worthwhile.
- 2.22 Speaking from a personal perspective, she stated that her main aim as a Councillor was to seek to make improvements for the future. She drew attention to the difficulties in attracting young people to the role and stressed the need to nurture young talent within the authority. She commented that the average age of a Shropshire Councillor was 72 years.

Councillor Michael Wood

- 2.23 As a current Portfolio Holder, Councillor Michael Wood stressed that the work of a Portfolio Holder could not be compared against that of a Council Backbencher. The workload of a Portfolio Holder was significantly greater, but still retained responsibilities for routine Council work. He also commented that the work of the Chairman of the Audit Committee was onerous and should be recognised in the level of allowance attributed to this role. He drew

attention to the loss of pension contributions but also recognised that this was a national decision and commented that the level of allowances for Members had not changed since 2009.

Councillor Malcolm Pate – Leader of the Council

- 2.24 The Leader stated that he was concerned about the differential in the allowances paid to Scrutiny Chairs and Portfolio Holders and did not believe that the current levels made sense and needed to be reconsidered. Changes would be made to scrutiny after the elections in 2017 with implementation later that same year; a sensible evidence based format would be devised with measurable outcomes. He stressed how the role of Councillors had changed over the years with the massive responsibilities of the executive decision making role.
- 2.25 Referring to the need to attract young people to the role, the Leader stressed the need to offer an incentive to ensure that young people could 'afford' to do the job. He believed that young people coming in to the role needed to become full time politicians and receive adequate financial recompense to allow them to do this.
- 2.26 He disagreed with the view that the role of Portfolio Holders was becoming less onerous because of the commissioning of Council services. Furthermore, he disagreed that the role of backbenchers was diminishing and added that he was seeking to involve as many Members as possible in a consensus approach to decision making and therefore in his opinion the work of the backbencher was likely to increase. The Chief Executive added that Members who may not attend as many meetings or travel as frequently to the Shirehall may feel disenfranchised.
- 2.27 The Leader agreed that the number of Shropshire Councillors may be too high but added that the authority was geographically the largest in the country and this needed to be factored in to future thinking. He agreed that not all Members undertook the same amount of work and agreed that the SRAs needed to be re-visited; however, he added that he believed that the Deputy Portfolio Holders made a positive contribution to the efficiency of the Council.

3.0 **CONCLUSIONS**

- 3.1 Having analysed all of the evidence presented, the Panel made the following observations:
- There was likely to be a change in the scrutiny operation in the next 12 months. It was felt that there was a general consensus within the authority across all political parties that the current scrutiny system was no longer fit for purpose, required amendment and that related SRAs needed to be adjusted to reflect role scale, scope and complexity.
 - The Panel was of the view that the existing 5 scrutiny committees should probably be replaced with an alternative arrangement but it

would not be appropriate to change the allowances for Scrutiny Chairs for the time being pending the likelihood of scrutiny changes in 2017.

- The Panel agreed that, whilst there was a case for increasing the level of the basic allowance, it was felt that this should not add to the overall budget for Members' allowances. Rather, any increase in basic allowance should be funded from within the existing overall allowances budget. It was concluded that this could be achieved through a simplification and realignment of SRAs and that this should form part of a thorough review to be undertaken following the establishment of the next administration in 2017.
- Notwithstanding the previous conclusions, the currently unpaid roles of the Chairs of Task and Finish Groups were identified as needing further consideration for some form of allowance in the review suggested for 2017.

4.0 **RECOMMENDATIONS**

4.1 The Independent Remuneration Panel recommends to Council as follows:

- (a) That the Special Responsibility Allowance paid to the Scrutiny Chairman be continued at its present level on the basis that further changes are expected to be made to the existing Scrutiny Committee structure following the establishment of the next administration in 2017 and implemented later that year.
- (b) That although a 1% increase to the basic allowance to Members - which reflects that given to local authority staff - would seem to be appropriate, no increase in basic allowance should be implemented until it can be funded by a simplification of the current SRA structure as part of a thorough review.
- (c) That, following the establishment of the next administration in 2017, a thorough review should be undertaken at the earliest possible opportunity thereafter and that it should address the specific items mentioned previously but should also look more broadly at the allowances structure with a view to their continued relevance, utility and appropriateness.
- (d) That, as part of the above-mentioned review, consideration be given to:
 - The adoption of a slimmer, simplified approach to Special Responsibility Allowances
 - In so far as it possible and aligned to the previous point, seeking to reduce the size of the overall allowances budget whilst at the same time, recognising appropriately the contribution of members
 - The Scrutiny Function being restructured and simplified such that it better reflects the work that it needs to do in holding the administration to account and the work done by those involved is recognised appropriately

Ciaran Martin (Chairman)
Julia Baron
June Jones

James Parker
John Thomas

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<u>Committee and Date</u>
Council
22 September 2016
10.00 am

<u>Item</u>
13

COUNCIL TAX, BUSINESS RATES AND HOUSING BENEFIT OVERPAYMENT DEBT COLLECTION POLICY

Responsible Officer James Walton
e-mail: James.walton@shropshire.gov.uk Tel: 01743 255011

1. Summary

The authority has responsibility for the collection and administration of Council Tax, Business Rates and Housing Benefit Overpayments. There is complex legislation detailing how the amounts due from Business Rates and Council Tax are calculated and collected. There is also complex legislation detailing how Housing Benefit Overpayments are calculated, what is deemed recoverable, and the options available to recover the debt.

It is therefore good practise for Shropshire Council to detail its approach to collection of this debt. This will ensure clarity to taxpayers, businesses, members, other residents and advice agencies about the Council's approach to debt collection. It will also ensure a fair and consistent view is taken to debt enforcement, and that the Council is committed to identifying and assisting more vulnerable groups in society to manage their payments.

The attached Debt Collection Policy details the approach that will be taken by the Council in respect of collection of Council Tax, Business Rates and Housing Benefit Overpayments.

This Debt Collection Policy does not reflect the policy in relation to the general collection of other Sundry Debts of the Council (e.g. Service User contributions to their Social Care costs or premises hire) which are reported and approved via alternative processes.

2. Recommendations

It is recommended that

- i) Members are asked to approve the Council policy for Debt Collection of Council Tax, Business Rates and Housing Benefit Overpayment set out in Appendix A
- ii) The Council policy for Debt Collection of Council Tax, Business Rates and Housing Benefit Overpayment should be reviewed every three years

REPORT

3. Risk Assessment and Opportunities Appraisal

The Authority has a statutory duty to bill and collect Council Tax, Business Rates and Housing Benefit Overpayments. By 2020-21 Council Tax and Business Rates will be the main sources of Revenues for the authority. It is important that the Council has a transparent and detailed policy that outlines the approach it will take to collection and enforcement, where outstanding debts remain are unpaid.

4. Financial Implications

Failure to have a clearly outlined, transparent and fair approach to debt collection can lead to uncertainty and challenge which can have a detrimental effect on collection rates.

5. Background

Prior to the creation of the Unitary Authority in 2009 Council Tax, Business Rates and Housing Benefit were administered by the former district Councils. Each district Council had individual policies in relation to debt collection. From 2009 best practise has been shared to develop a fair and consistent approach to debt collection for Shropshire Council as a Unitary Authority. Since 2009, however, the approach taken by the Council has not been formalised into a single consistent policy document for approval by Council.

It is good practise for Shropshire Council to detail its approach to collection of debt. Producing a Council Tax, Business Rate and Housing Benefit Overpayment Debt Collection Policy will help to ensure clarity to taxpayers, businesses, members, other residents and advice agencies about the Council's approach to debt collection. It will also ensure a fair and consistent view is taken to debt enforcement,

and that the Council is committed to identifying and assisting more vulnerable groups in society to manage their payments.

This Policy will remain in place from the date approved by Council, but will be reviewed at least annually by officers and any material changes will be reported to Council for approval.

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

Cabinet Member (Portfolio Holder)

Malcolm Pate

Local Member

Appendices

Appendix A – Council Tax, Business Rates and Housing Benefit Overpayment Debt Collection Policy

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Council Tax, Business Rates and Housing Benefit Overpayment Debt Collection Policy

PHIL WEIR – REVENUES AND BENEFITS SERVICE MANAGER

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1.0 Introduction

- Shropshire Council has a legal duty to all residents, businesses and other organisations to ensure the prompt and effective billing and collection of all sums due to the Council. Delays in collection and non-payment of debt lead to less overall income, higher administrative costs, and reduced resources available for the provision of essential services.

1.1 Scope of the Policy

- The Revenues and Benefits Service is responsible for the assessment and collection of Council Tax and Business Rates, and for the collection of overpaid Housing Benefit.
- This policy relates specifically to the collection of the revenues detailed below.
 - Council Tax
 - Business Rates
 - Housing Benefit Overpayment
- The policy will be reviewed every three years to ensure it remains relevant, valid and in line with good practise.

1.2 Intention of the Debt Collection Policy

- The policy details the principles to be applied by the Council when undertaking the collection and enforcement of money from both residents and businesses.
- It explains how we will attempt to maximise debt recovery while treating people fairly and with respect
- It details the processes to be followed when making decisions about debt recovery that can have a wide reaching effect on the Council's customers
- It recognises the value of early and quality assured, free, independent and impartial money advice and the importance that debt reduction and income maximisation can have on the Council's customers who have fallen into debt. It draws on links with our partners, stakeholders and other outside organisations to ensure the approach is widely understood.

1.3 Promoting Good Practise

- When developing this policy the Council has taken into account national best practise guides including
- **DCLG** – Council Tax, Guidance to local councils on good practise in the collection of Council Tax arrears. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210478/Guidance_on_enforcement_of_CT_arrears.pdf
- **Ministry of Justice** – Taking Control of Goods: National Standards. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/353396/taking-control-of-goods-national-standards.pdf
- **DWP** – Pursuing Housing Benefit overpayment recovery effectively. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/404182/housing-benefit-overpayment-recovery-good-practice-guide.pdf
- **CAB** – Collection of Council Tax arrears good practise protocol. Available at https://www.citizensadvice.org.uk/global/migrated_documents/corporate/pdf-ct-protocol2013.pdf

1.4 Debt Monitoring

- The Revenues and Benefits Service monitor the level of outstanding debt monthly in respect of Council Tax, Business Rates and Housing Benefit Overpayment
- The Revenues and Benefit Service Manager provides update reports to Audit Committee at least once a year to provide information on collection of debt, outstanding arrears, trends and any issues relating to the Revenues and Benefits Service ability to collect outstanding debt.

2.0 Who pays what?

2.1 Council Tax

- The Council has a statutory duty to bill and collect Council Tax to over 135,000 households in Shropshire. Council Tax is collected in respect of precepts levied by Shropshire Council, West Mercia Police and Crime Commissioner, Shropshire and Wrekin Fire and Rescue Authority, and local Town and Parish Councils. The level of Council Tax is set each year by full resolution of Shropshire Council. The Revenues Teams assess who is liable for Council Tax and award any discounts and exemptions that may apply. The Benefits Teams assess applications for Council Tax Support. Council Tax bills are issued detailing what is due to be paid and when.

2.2 Business Rates

- The Council has a statutory duty to bill and collect Business Rates from over 11,500 businesses in Shropshire. The Business Rates Team assesses who should pay the rate and awards any reliefs or exemptions that are applicable. Each year the Government set a multiplier, which is multiplied by the rateable value of each business to set the annual rate. Business Rates bills are issued detailing what is due to be paid and when.
- Prior to 2013 Business Rates were collected locally but pooled nationally and redistributed to Local Authorities based on population. Since 2013 the Rates retention scheme has meant that the Government only retain 50% of the rates collected, the other 50% is retained locally. (In Shropshire, Shropshire Council retain 49% and the Fire Authority 1%).
- The Government has recently announced its intention that 100% of Business Rates should be retained locally by the end of the current parliamentary term. It is currently anticipated that Local Business Rate Retention will be in place by April 2019.

2.3 Housing Benefit Overpayment

- Housing Benefit Overpayments occur when people have a change in their circumstances (such as an increase in their income) which results in a claimant being paid more Housing Benefit than they are entitled to.

3.0 Our commitment to you

- At Shropshire Council we are committed to helping you manage your debts. We fully appreciate that Council Tax can be a high proportion of household income, Business Rates can be a large expense for a businesses and Housing Benefit Overpayments can amount to large sums of money. We promise that if you contact us about your arrears we will do the following:-
 - The Council will deal with you sensitively, professionally and courteously regardless of your age, disability, gender reassignment, marriage and civil partnership arrangement, pregnancy, race, religion or belief, sex, or sexual orientation.
 - The Council will take steps to ensure that we have made the appropriate checks to ensure inappropriate enforcement action is not taken against potentially vulnerable individuals. This includes but is not limited to restricted access to internal Council records such as social services systems
 - The Council will listen to what you have to say and offer advice concerning any entitlement that you may have to any welfare benefit or Council Tax discount and exemption to the best of our ability
 - The Council will take into account your personal and financial circumstances and in doing so may suggest alternative general spending arrangements that may better enable you to pay your debt
- The Council will ensure that all documentation issued is clear and concise, and that at each stage information is provided about what the bill payer can do to avoid the situation progressing, where the bill payer can get independent help and advice, what costs, if any, may be incurred, and what the next stage will be. A list of advertised advice agencies is at appendix D.

3.1 What we expect from you

- In response, our staff expect to be treated with courtesy and respect. Our staff and other customers should not be expected to deal with violent, rude or disruptive customers.
- Where staff are met by violent, rude or aggressive behaviour they will ask the customer to refrain from further behaviour of that type. If behaviour continues then the interaction may be terminated.

4.0 Council Tax Recovery

4.1 Council Tax Bills

- The Council has to follow regulations in the collection of Council Tax. The regulations are the Council Tax (Administration and Enforcement) Regulations 1992.
- The Council follows the statutory instalment scheme for collection of Council Tax which requires payments in ten monthly instalments. (with effect from 1 April 2013 Council Tax payers can request payment by twelve monthly instalments)
- The council offers twelve monthly instalments and four payment dates to taxpayers who agree to set up a direct debit as it is the cheapest and safest method of payment.
- The Council aims to assess all passported claims for Council Tax Support prior to either sending a Council Tax bill, or, taking any enforcement action against the claimant.
- A flow chart detailing the Council Tax recovery process is at appendix E.

4.2 Making Arrangements

- The Council may ask a taxpayer who contacts the Council to complete an Income and Expenditure form at any stage to allow us to fully understand your circumstances and enter into an appropriate payment arrangement. The Council are unlikely to enter into a payment arrangement with a taxpayer unless a fully completed income and expenditure form is returned to the Council.
- The Council may on occasion ask for clarification of certain items on the income and expenditure form and may ask the taxpayer to evidence certain details supplied by the taxpayer.

4.3 Council Tax Reminders and Final Notices

- If an instalment is not paid then the council must issue a reminder notice to the taxpayer.
- If the taxpayer fails to pay the amount detailed on the reminder notice a (discretionary) final notice is issued to advise that the full amount for the year has become due and payable
- If the taxpayer pays the balance on the reminder notice but fails to pay a future instalment on time a second reminder notice is issued
- If the taxpayer pays the balance on the second reminder notices but fails to pay a future instalment on time then the balance for the year becomes due and a final notice is issued
- The revenues staff have discretion to withdraw a final notice if the taxpayer brings the account up to date and agrees to pay the remaining instalments by direct debit

4.4 Summons and Magistrates Court

- If the taxpayer fails to pay the full balance as detailed in the final notice a summons to magistrates court is issued incurring £35.00 court costs (sum correct as at 1 April 2016).
- The revenues staff will seek to enter into arrangements at this stage but the council will still proceed to court for a Liability Order
- At the court hearing the Council will ask the Magistrates to award a Liability Order and a further £35.00 costs (sum correct as at 1 April 2016).
- Making an application for benefit is not a valid defence against the issue of a Liability Order.
- The court costs charged are reviewed every year to confirm that they are reasonable and only charged in accordance with regulations.

4.5 Council Tax Enforcement

- A Liability Order gives the Council certain powers that it can use to secure the debt. There are detailed rules that govern how the Council uses these powers. In the main these powers are:
 - Request for Information
 - Attachment of earnings
 - Attachment of benefit
 - Pass to enforcement agent for collection
 - Charging Order
 - Bankruptcy or winding up procedure
 - Committal to Prison
- The Council will normally prioritise an attachment of earnings or attachment of benefit order over other enforcement options if the information is available to do so. There may be circumstances, however, when other options will be considered. The Council will not consider charging orders and bankruptcy for enforcement unless attachment orders and enforcement agent action have been considered.

4.6 Request for Information

- The Council has to decide the most appropriate method of enforcement to use in each case. ***We will always send out a request for information form asking for details of a person's earnings and benefits entitlement, as well as a means enquiry form prior to taking any other form of enforcement action.*** If this form is completed by the debtor and returned to the Council we will have a better understanding of the debtor's circumstances and hopefully be able to either apply

for an attachment of earnings or benefit, or make an appropriate payment arrangement.

- The Council will only take into account relevant expenditure or outgoings when assessing a taxpayer's ability to pay. More information on how we assess this is included below.

4.7 Recovery workflow

- If the Income and Expenditure form is not returned then the Recovery Team will pass the cases through a recovery workflow system. This is an automated way to utilise information currently stored in our revenues and benefits system. The following information is provided if available.
 - If we hold earned income details on the benefits records, or if we have applied for an attachment of earnings order in respect of a previous Liability Order the system will propose attachment of earnings as a possible enforcement route
 - If we hold details on the benefits system that the debtor is in receipt of an attachable benefit, or if we have applied for an attachment of benefits order in respect of a previous Liability Order the system will propose attachment of benefits as a possible enforcement route
 - If the debtor has already had a previous Liability Order passed to the enforcement agent then the system will highlight these cases. The recovery officer will look at these cases and decide whether to continue with enforcement agent action in respect of the new debt. The recovery officer will take into account whether the enforcement agent was able to collect the previous debt or not, the number of failed payment arrangement arrangements the debtor has made with the Council, previous payment history, whether we hold other contact details (e.g. phone/e-mail) to enable an extra warning contact to be made with the debtor
 - If the system is unable to identify any of the above scenarios then the debt will be passed to the Council's enforcement agent for collection.

4.8 Attachment of Earnings/Benefit

- Once a Liability Order is awarded the Council's preferred method of enforcement is by Attachment of Earnings.
- If the debtor is on a low income and is in receipt of an attachable benefit then the Council will apply for an attachment of earnings. The Council can apply for two attachment of earnings orders at any one time but there are strict rules surrounding how different attachment of earnings orders are applied by employees and there are circumstances when an employer may not be able to action an attachment of earnings.
- The rates of deduction from either earnings or benefit are set regulations and the rates are detailed at appendix A.

4.9 Enforcement agents – The use of enforcement agents for Council Tax

- The Council uses a company of certified enforcement agents for enforcement of unpaid Council Tax and Business Rates
- The Council has a service level agreement with the enforcement agent and a strict code of practise that it expects the enforcement agent to adhere to.
- The Council undertake regular monitoring of cases that have been passed to its enforcement agent to ensure enforcement agent activity is within the code of practise and enforcement agent fees have been applied correctly to taxpayer's accounts. Enforcement agent fees in relation to Council Tax enforcement are set out in Council Tax regulations. The level of enforcement agent fees that may be charged are set out in appendix B.
- The Council has regular quarterly meeting with its enforcement agent to discuss progress of accounts collection, any issues outstanding, any complaints received and action taken.
- The enforcement agent is required to send a copy of any complaint received and a copy of their response to the Revenues and Benefits Service Manager.
- The Council will pass a case to the enforcement agent in the following circumstances
 - No contact has been received from the taxpayer
 - The taxpayer has consistently failed to adhere to payment arrangements that have been made
 - The taxpayer is not willing to enter into meaningful discussion about their income and expenditure and enter into an appropriate payment arrangement
 - The Council has been unable to secure an attachment of earnings or attachment of benefit order
 - The taxpayer has ignored the latest communication sent by the Council in relation to the debt
- The Council will always issue a warning letter to the taxpayer prior to passing their case to the enforcement agent with an accompanying income and expenditure form to enable the taxpayer to enter into meaningful communication with the Council and avoid enforcement agents being utilised.
- Anyone who appears to the Council to be a vulnerable person will not have their Council Tax Liability Order passed to the enforcement agent for collection. Our guidelines for who we would consider to be a vulnerable person are set out in Section 8.4 below.
- The Council generally do not recall a case once it has been sent to the enforcement agents, but may review this in the following circumstances
 - The debtor subsequently appears to be a vulnerable person
 - The Council becomes aware of the debtor's employment status and believes that an attachment of earnings would be a more suitable collection method. (The Council will include enforcement agent fees that have been incurred in the attachment of earnings order).
 - The Council becomes aware that the debtor is in receipt of Income Support

- Where a Council Tax payer has sought debt advice and is committed to repaying their Council Tax arrears the Council will take this into account and may instruct the enforcement agent to accept a reduced offer of payment. Before making this decision the Council will also take into account any additional information that is made available from the enforcement agent.

4.10 Charging Orders

- If the total debt outstanding is in excess of £1,000.00 the Council may apply to the County Court for a Charging Order imposing on any interest held beneficially by the debtor in the relevant designated dwelling, a charge for securing the due amount. The due amount will be the aggregate of the amount outstanding under the Liability Order plus a sum equal to the reasonably incurred costs.
- The Council will consider applying for a charging order in the following circumstances:
 - The Council has been unable to secure an attachment of earnings or attachment of benefit order
 - The Council's enforcement agent has been unable to secure payment of the outstanding debt
 - The taxpayer is not willing to enter into meaningful discussion about their income and expenditure and enter into an appropriate payment arrangement
 - The taxpayer has consistently failed to adhere to payment arrangements that have been made
 - The Council is satisfied that no other person would be likely to be unduly prejudiced by the making of the order
 - The Council has made reasonable efforts to contact the debtor in person to discuss the outstanding debt including a visit to the debtors property
 - A Revenues Team Leader has reviewed the case to consider whether a charging order is a fair and proportionate action
 - The Council has undertaken internal checks with its social care teams to ensure that the debtor is not a known vulnerable person
 - The debtor has had written warning of the consequences of a charging order and that the council is considering this as a means of enforcement, including signposting the debtor to a relevant advice agency

4.11 Bankruptcy

- The Council may consider initiating bankruptcy proceedings in order to collect Council Tax arrears
- The Council will consider bankruptcy as a means of enforcement in the following circumstances:
 - The Council has been unable to secure an attachment of earnings or attachment of benefit order

- The Council's enforcement agent has been unable to secure payment of the outstanding debt
- The taxpayer is not willing to enter into meaningful discussion about their income and expenditure and enter into an appropriate payment arrangement
- The taxpayer has consistently failed to adhere to payment arrangements that have been made
- The Council is satisfied that no other person would be likely to be unduly prejudiced by the making of the order
- The Council has made reasonable efforts to contact the debtor in person to discuss the outstanding debt including a visit to the debtors property
- A Revenues Team Leader has reviewed the case to consider whether bankruptcy is a fair and proportionate action
- The Council has undertaken internal checks with its social services teams to ensure that the debtor is not a known vulnerable person
- The debtor has had written warning of the consequences of a bankruptcy and that the council is considering this as a means of enforcement, including signposting the debtor to a relevant advice agency

4.12 Committal to Prison

- The Council may consider committal as a means of enforcement in the following circumstances:
 - The Council is satisfied that no other person would be likely to be unduly prejudiced by seeking a warrant of commitment
 - The Council has been unable to secure an attachment of earnings or attachment of benefit order
 - The Council's enforcement agent has been unable to secure payment of the outstanding debt
 - The taxpayer is not willing to enter into meaningful discussion about their income and expenditure and enter into an appropriate payment arrangement
 - The taxpayer has consistently failed to adhere to payment arrangements that have been made
 - The Council has made reasonable efforts to contact the debtor in person to discuss the outstanding debt including a visit to the debtors property
 - The Council has undertaken internal checks on its social services system to ensure that the debtor is not a known vulnerable person
 - A Revenues Team Leader has reviewed the case to consider whether committal is a fair and proportionate action
 - The debtor has had written warning of the consequences of committal and that the council is considering this as a means of enforcement, including signposting the debtor to a relevant advice agency

5.0 Business Rates Recovery

5.1 Business Rates Bills

- The Council has to follow regulations in the collection of Non Domestic Rates (Business Rates). The regulations are the Non-Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989.
- The Council follows the statutory instalment scheme for collection of Business Rates which requires payments in ten/twelve monthly instalments.
- The Council offers twelve monthly instalments and four payment dates to ratepayers who agree to set up a direct debit as it is the cheapest and safest method of payment.
- A flow chart detailing the Business Rates recovery process is at appendix F.

5.2 Business Rates - Making Arrangements

- The Council may ask a ratepayer who contacts the Council to complete an Income and Expenditure form at any stage to allow us to fully understand your circumstances and enter into an appropriate payment arrangement. The Council are unlikely to enter into a payment arrangement with a taxpayer unless a fully completed income and expenditure form is returned to the Council.
- The Council may on occasion ask for clarification of certain items on the income and expenditure form and may ask the taxpayer to evidence certain details supplied by the taxpayer. Please see section on Interpreting Debtors Expenditure for further details.

5.3 Business Rates Reminders and Final Notices

- If an instalment is not paid then the Council must issue a reminder notice to the ratepayer.
- If after receiving a reminder the ratepayer brings their instalments up to date but subsequently falls behind again the Council will issue a final notice and the ratepayer will lose the right to pay by monthly instalments and the whole amount for the year will become due.
- The revenues staff has discretion to withdraw a final notice if the ratepayer brings the account up to date and agrees to pay the remaining instalments by direct debit.

5.4 Summons and Magistrates Court

- If the ratepayer fails to pay the full balance as detailed in the final notice a summons to magistrates court is issued incurring £35.00 court costs (sum correct as at 1 April 2016).

- The revenues staff will seek to enter into arrangements at this stage but the Council will still proceed to court for a Liability Order.
- At the court hearing the Council will ask the Magistrates to award a Liability Order and a further £35.00 costs (sum correct as at 1 April 2016).
- Making an appeal against a rating assessment to the Valuation Office is not a valid defence against the issue of a Liability Order.

5.5 Business Rates Enforcement

- A Liability Order gives the Council certain powers that it can use to secure the debt. There are detailed rules that govern how the Council uses these powers. In the main these powers are:-
 - Pass to enforcement agent for collection
 - Bankruptcy or winding up procedure
 - Charging Orders
 - Committal to Prison

5.6 Enforcement agents – The Use of enforcement agents for Business Rates

- The Council uses a company of certified enforcement agents for enforcement of unpaid Council Tax and Business Rates.
- The Council has a service level agreement with the enforcement agent and a strict code of practise that it expects the enforcement agent to adhere to.
- The Council undertake regular monitoring of cases that have been passed to its enforcement agent to ensure enforcement agent activity is within the code of practise and enforcement agent fees have been applied correctly to taxpayer's accounts. Enforcement agent fees in relation to Business Rates enforcement are set out in Business Rate regulations. The level of enforcement agent fees that may be charged are set out in Appendix B.
- The Council has regular quarterly meeting with its enforcement agent to discuss progress of accounts collection, any issues outstanding, any complaints received and action taken.
- The Council will pass a case to the enforcement agent in the following circumstances:-
 - No contact has been received from the ratepayer.
 - The ratepayer has consistently failed to adhere to payment arrangements that have been made.
 - The ratepayer is not willing to enter into meaningful discussion about their income and expenditure and enter into an appropriate payment arrangement.
 - The taxpayer has ignored the latest communication sent by the Council in relation to the debt.

- The Council will always issue a warning letter to the ratepayer prior to passing their case to the enforcement agent.
- Anyone who appears to the Council to be a vulnerable person will not have their Business Rates Liability Order passed to the enforcement agent for collection. Our guidelines for who we would consider to be a vulnerable person are set out in Section 8.4 below.
- The Council generally do not recall a case once it has been sent to the enforcement agents, but may review this in the following circumstances:
 - The debtor subsequently appears to be a vulnerable person.

5.7 Bankruptcy and Insolvency

- The Authority will consider bankruptcy proceedings in order to collect Business Rates arrears.
- The Council will consider bankruptcy as a means of enforcement in the following circumstances:-
 - The Council's enforcement agent has been unable to secure payment of the outstanding debt.
 - The ratepayer is not willing to enter into meaningful discussion about their income and expenditure and enter into an appropriate payment arrangement (if sole trader).
 - The ratepayer has consistently failed to adhere to payment arrangements that have been made.
 - The Council is satisfied that no other person would be likely to be unduly prejudiced by the making of the order.
 - The Council has made reasonable efforts to contact the ratepayer in person to discuss the outstanding debt including a visit to the debtors property (if applicable e.g. sole trader).
 - A Revenues Team Leader has reviewed the case to consider whether bankruptcy is a fair and proportionate action.
 - The Council has undertaken internal checks with its social services teams to ensure that the debtor is not a known vulnerable person (if sole trader).
 - The debtor has had written warning of the consequences of a bankruptcy or insolvency and that the council is considering this as a means of enforcement, including signposting the debtor to a relevant advise agency (if sole trader).
 - The Council has taken full consideration on the effects on the local community in relation to the business no longer trading.

5.8 Committal to Prison (if sole trader)

- The Council will consider committal as a means of enforcement in the following circumstances:-
 - The Council is satisfied that no other person would be likely to be unduly prejudiced by seeking a warrant of commitment.
 - The Council's enforcement agent has been unable to secure payment of the outstanding debt.
 - The ratepayer is not willing to enter into meaningful discussion about their income and expenditure and enter into an appropriate payment arrangement.
 - The ratepayer has consistently failed to adhere to payment arrangements that have been made.
 - The Council has made reasonable efforts to contact the debtor in person to discuss the outstanding debt including a visit to the debtor's property.
 - A Revenues Team Leader has reviewed the case to consider whether bankruptcy is a fair and proportionate action.
 - The Council has undertaken internal checks with its social services teams to ensure that the debtor is not a known vulnerable person.
 - The debtor has had written warning of the consequences of a bankruptcy and that the council is considering this as a means of enforcement, including signposting the debtor to a relevant advice agency.

6.0 Housing Benefit Overpayment

- Housing Benefit overpayments are recovered in accordance with Regulations 99-107 of the Housing Benefit (General) Regulations 2006 (as amended) and with Regulations 80-88 of the Housing Benefit (State Pension Credit) Regulations 2006.
- This policy provides an overview of how Housing Benefit Overpayment may occur and recognises that there is detailed legislation and case law concerning administration of the Benefits System.
- This Policy is designed to provide guidance about how the Authority will recover an overpayment and does not cover wider administration of Housing Benefit.

6.1 What causes Housing Benefit Overpayments

- Benefit overpayments can occur for a number of reasons including
 - Local Authority Error
 - DWP Error
 - Claimant Error
 - Third Party Error
 - It is no one's fault
 - Other

6.2 Which Overpayments are Recoverable?

- An overpayment is recoverable if
 - It arose because of 'official error' and the claimant or someone acting on their behalf could reasonably have been expected to realise it was an overpayment
 - It is due to an error (or fraud) of the claimant or third party
 - It is no one's fault

6.3 How we decide if we should recover the Overpayment

- The Council has a degree of discretion whether to recover an overpayment. Personal circumstances are always taken into account before deciding to recover any outstanding amounts

- The Council may decide not to recover an overpayment where the claimant circumstances are exceptional, or where the Council considers the claimant to be a vulnerable person. (See Section 8.4 below)
- Current subsidy arrangements penalise the Council financially if we decide not to recover the majority of overpayments. Consequently, the Council must carefully consider any decision to attempt to recover an overpayment (or not), bearing in mind the wider and potentially significant financial implications for the Council.

6.4 Notification of Overpayments

- Any claimant asked to repay an overpayment must receive notification. This notification must confirm:
 - That an overpayment has occurred and whether it is recoverable
 - The reason for the overpayment
 - The amount of the overpayment
 - How the overpayment was calculated
 - The dates the overpayment covers
 - The amount of the deduction from ongoing benefit (if appropriate)
 - The right of appeal

6.5 Who we should recover from?

- Overpayments can be recovered from the claimant, the person acting on the claimant's behalf and/or from the person to whom it was paid. We are also able to recover from landlords when they have received the money directly.

6.6 Methods of Recovery

- There are several methods of recovery for overpaid Housing Benefit.
 - From arrears of Housing Benefit that become payable while there is an outstanding overpayment
 - By deduction from ongoing Housing Benefit
 - By deduction from the partner's ongoing Housing Benefit, as long as the claimant and partner were a couple at both the time of the overpayment and when deductions are being made
 - By deduction from certain DWP benefits
 - By applying to another Local Authority to ask them to deduct the overpayment from the claimant's ongoing Housing Benefit entitlement in their area

- By recovering from Housing Benefit paid to a landlord/agent for another tenant. i.e. when the landlord has been classed as responsible for the overpayment
- By invoicing the affected person for the amount outstanding
- By Direct Earnings Attachment
- By civil proceedings
- From the estate of a deceased person who has an overpayment
- By asking an enforcement agent to collect the debt on behalf of the Council

6.7 Deductions from Ongoing Benefit

- We will usually deduct a recoverable overpayment of Housing Benefit from ongoing Housing Benefit which could be paid to the claimant, landlord, appointee or agent. The maximum rates of recovery are set out by the Government each year. The rates for 2016-17 are set out at Appendix C.
- In order to recover from ongoing Housing Benefit entitlement the claimant must have a minimum entitlement to Housing Benefit of £1.00 and be left with a minimum of 50p per week.
- Where a claimant contacts the Council and states that the level of recovery is causing financial hardship they will be asked to complete an income and expenditure form. The Council will then make a decision based on this information whether to arrange for a lower amount to be recovered.
- Should a claimant wish to repay an overpayment at a higher rate, we can accept this as long as it does not exceed the customer's ability to make the payments.
- In order to maximise recovery, the Council periodically runs a report to identify all claims where we could potentially be recovering an overpayment at a higher weekly account. Any identified claims are reviewed to decide whether it is appropriate to do so.

6.8 Raising a Sundry Debt for claimants no longer in receipt of Housing Benefit

- Where the claimant is no longer in receipt of Housing Benefit an invoice will be raised and sent for the full balance outstanding.
- If the Invoice remains unpaid or the claimant has failed to make contact and agree a payment arrangement a reminder notice will be issued within 21 days

- If the Invoice remains unpaid or the claimant has failed to make contact and agree a payment arrangement a final notice will be issued within a further 21 days
- The Council will seek to agree an appropriate payment plan to clear the debt
- If the Invoice remains unpaid or the claimant has failed to make contact and agree a payment arrangement the debt may be passed to the Councils Enforcement Agent to make contact with the debtor and agree a repayment plan

6.9 Deduction from other DWP Benefit

- A recoverable overpayment of Housing Benefit may be deducted from the claimant's or partner's DWP benefits, but only if the overpayment was due to misrepresentation of, or failure to disclose, a material fact, and only if the authority is unable to recover overpaid Housing Benefit from future awards of Housing Benefit.
- The authority can recover from the following DWP benefits (list correct as at 1 April 2016).
 - Income Support (IS)
 - Attendance Allowance (AA)
 - Jobseeker's Allowance (income based) (JSA(IB))
 - Jobseeker's Allowance (contribution based) (JSA (C))
 - Disability Living Allowance (DLA)
 - Personal Independence Payments (PIP)
 - Employment Support Allowance (income-related) (ESA(IR))
 - Employment Support Allowance (contributory) (ESA(C))
 - Incapacity Benefit (IB)
 - Industrial Death Benefit (IDB)
 - Industrial Injuries Disablement Benefit (IIDB)
 - Carer's Allowance (CA)
 - Maternity Allowance (MA)
 - State Pension (SP)/Retirement Pension (RP)
 - State Pension Credit (SPC)
 - Severe Disablement Allowance (SDA)
 - Widowed Parents Allowance (WPA)
 - War Pension (WP)
 - War Disablement Pension (WDP)
 - Bereavement Allowance (BA)
- The maximum rates of deduction from IS/JSA (IB)/PC/ESA (IR) are as set out in Appendix C. For other DWP prescribed benefits the rate of deduction can be up to one third of the debtor's personal entitlement (these rates are updated annually). The debtor can contact DWP Debt Management to request a reduction in the rate of recovery if it is causing hardship.

6.10 Direct Earnings Attachment

- The Welfare Reform Act 2012 supported by the Social Security (Overpayments and Recovery) Regulations 2013 introduced Direct Earnings Attachments (DEA) from April 2013.
- A DEA allows for recovery of overpaid benefit directly from a debtor's earnings without having to apply via the court system. The regulations also allow Local Authorities to recover overpayments of Housing Benefit using a DEA.
- Where the Council becomes aware of a debtors employment the Council will consider a DEA as a means to recover the outstanding money.
- In order to make the debtor aware that a DEA is being considered the Council will always issue a *Letter Before Action* to the debtor. The purpose of the *Letter Before Action* is to prompt the debtor to contact the Council in an attempt to seek a voluntary repayment from them without the need for a DEA. If there is no contact from the debtor the DEA is implemented after 21 days.

6.11 Blameless Tenant Recovery

- If a recoverable overpayment of Housing Benefit was paid to a landlord/agent, the overpayment can be deducted from future payments to landlords/agents in respect of another 'blameless' tenants Housing Benefit
- If the Council decides to utilise this method, we will notify the landlord/agent which tenant's Housing Benefit was overpaid and who is the blameless tenant. The blameless tenant will not be notified.

6.12 Recovery Through the County Court

- The Council may commence proceedings against the debtor in the County Court and obtain a County Court judgement.
- If the Council obtains a County Court judgement significant costs may be incurred payable by the debtor.
- A County Court Judgement will usually be entered on the register of County Court Judgements. Most entries stay on the register for six years. Organisations such as banks, building societies and credit agencies use information on the register when

someone applies for credit such as a loan or overdraft and use this information to help them decide whether or not that person would be able to pay off the credit.

- The Council will send due notification to the debtor if is considering proceedings against the debtor in the County Court.

7.0 KEY MESSAGE - Please get in contact

- The key message for customers in arrears/debt with their Council Tax, Business Rates or Housing Benefit Overpayment has to be that they need to get in contact with the Recovery Team as soon as possible in order to:
 - i) Make us aware of their situation
 - ii) Enable us to evaluate their situation by completing an income and expenditure form
 - iii) Make any recommendations of any other discounts or exemptions that they may be entitled to
 - iv) Explore whether they may be entitled to Council Tax Support
 - v) Explore whether they may be entitled to any other welfare benefit
 - vi) Refer to an appropriate advice agency for any third party assistance.
 - vii) Decide on the most appropriate course of action to take. This may result in making an appropriate payment arrangement or in applying for an attachment of benefit or attachment of earnings order.
- ***The most important thing is that the debtor must show willing to work with the revenues and benefits team to take responsibility and improve their situation.***
- They may be in arrears due to different circumstances such as
 - i) Poor money management
 - ii) Inappropriate expenditure on non-priority items
 - iii) Reduced earnings requiring an evaluation of lifestyle
 - iv) Unaware of entitlement to benefits or discount
 - v) Illness/disability
 - vi) Low wage
 - vii) Irregular income
 - viii) Relationship break up
 - ix) Any combination of the above
- We are aware that people fall into arrears for a number of different reasons. We are conscious that some people fall regularly into arrears, and other people are in arrears for the first time due to losing employment for example. We are committed that everyone will be treated sensitively, fairly, and realistically. We would stress that this is a two way process and that taxpayers need to be confident enough to approach us and are willing to take steps to sort out their problems themselves, if we are going to have any chance of helping them.
- If people fail to contact the Recovery Team to make us aware of their situation the likelihood is that enforcement action will continue which may involve the use of the Council's enforcement agent to enforce the debt.

8.0 Debt Reduction/Income Maximisation/Expenditure Review

8.1 Debt reduction and income maximisation

- Reducing any debt outstanding and ensuring that the debtor is maximising their income should form a major part of any debt collection strategy. Revenues and Benefits Officers are trained to have an understanding of wider welfare benefits in order to be able to signpost debtors to ensure they are claiming their maximum entitlement.
- A document providing welfare benefit advice called 'A Helping Hand' is available for all officers to access. This provides an outline of all the major welfare benefits and lists relevant contact agencies and has internet links for further information.

8.2 Interpreting Debtors Expenditure

- The Council has to be satisfied that all debtors are taking responsibility for their own affairs. We are conscious that many people fall into debt problems due to an inability to properly manage their financial affairs. This can be due to excessive expenditure on non-priority items such as pay TV, mobile phones, cigarettes, alcohol and other non-necessity luxury items. It may be due to taking on an unaffordable rental liability, or no longer being able to afford mortgage payments. The Council has to make a reasonable assessment whether the taxpayer has fallen into arrears because of poor financial management. The Council will work to ensure that the debtor is able to afford a re payment arrangement by taking all relevant factors into account.
- Where the debtor has entered into a contract for repayment such as pay TV or Hire Purchase items the Council may ask for confirmation of when the contract ends or payments cease in order to re adjust the payment arrangement at that time, if appropriate, to increase payments to reflect the income increase.

8.3 Debt Prioritisation

- The Council is aware that people may have a number of different debts owed to either other Council departments or to other bodies. The Council will work and communicate with different bodies where relevant to ensure that any arrangements entered into with the debtor take into account their wider circumstances.

8.4 Vulnerable People

- The Council will ensure that it does not take inappropriate enforcement action in respect of vulnerable persons. Debtors who may be considered vulnerable may include persons
 - With medical conditions such as mental ill health, terminal illnesses
 - With a learning disability
 - With a physical disability or who may be housebound
 - Who are illiterate or unable to speak English
 - With an alcohol/drugs or gambling addiction
 - Fleeing domestic violence or other violence and have the support of either the police, or a statutory or voluntary agency
 - Who are prison leavers being supported by an appropriate organisation or agency
 - Who have a temporary change in their life such as a relationship breakdown or bereavement which may mean they need support on a short-term basis
 - Who have severe debt problems
 - That are subject to mortgage possession proceedings
 - Suffering any form of harassment
- This list is not exhaustive but may act as a guide.
- Where it appears to the Council that a debtor may fall into one of the above categories the following action may be taken
 - Other potential Council debt collection services will be notified to check the debtor on their records
 - All enforcement action will be suspended
 - A check will be made on the Social Services system to see if the individual is listed on their records
 - Information may be sought from third party support organisations for further information

Appendix A – Attachment of Earnings Order Deductions

DEDUCTIONS FROM WEEKLY EARNINGS	
Net Earnings	Deduction Rate %
Not Exceeding £55	0
Exceeding £55 but not exceeding £100	3
Exceeding £100 but not exceeding £135	5
Exceeding £135 but not exceeding £165	7
Exceeding £165 but not exceeding £260	12
Exceeding £260 but not exceeding £370	17
Exceeding £370	17 in respect of the first £370 and 50 in respect of the remainder

DEDUCTIONS FROM MONTHLY EARNINGS	
Net Earnings	Deduction Rate %
Not Exceeding £220	0
Exceeding £220 but not exceeding £400	3
Exceeding £400 but not exceeding £540	5
Exceeding £540 but not exceeding £660	7
Exceeding £660 but not exceeding £1040	12
Exceeding £1040 but not exceeding £1480	17
Exceeding £1480	17 in respect of the first £1480 and 50 in respect of the remainder

DEDUCTIONS FROM DAILY EARNINGS	
Net Earnings	Deduction Rate %
Not Exceeding £8	0
Exceeding £8 but not exceeding £15	3
Exceeding £15 but not exceeding £20	5
Exceeding £20but not exceeding £24	7
Exceeding £24 but not exceeding £38	12
Exceeding £38 but not exceeding £53	17
Exceeding £53	17 in respect of the first £53 and 50 in respect of the remainder

Appendix B – Enforcement agent fees schedule

Enforcement Agent Fees	
Stage	Fee
Compliance	£75.00
Enforcement	£235.00 plus 7.5% of the debt amount that exceeds £1500.00
Sale	£110.00 and 7.5% of the debt amount exceeding £1500.00

Appendix C – Maximum Rates for Deductions from Ongoing Benefit 2016-17

Maximum Rates for Deductions from Ongoing Benefit 2016-17	
Standard Rate	£11.10
If the claimant has been found guilty of fraud, or admitted fraud after caution	£18.50
Plus 50% of any earned income disregards	
Plus any disregard of regular charitable or voluntary payments	
£10 disregard of war disablement or bereavement pension	

Appendix D – Useful telephone numbers

Council Tax	0345 678 9002
Recovery Team	01743 256130
Benefits	0345 678 9001
Payment Line	0345 678 9009
Business Rates	0345 678 9003

Council.tax@shropshire.gov.uk

Business.rates@shropshire.gov.uk

benefits@shropshire.gov.uk

Revenues and Benefits

Shropshire Council

PO Box 4749

Shrewsbury

SY1 9GH

www.shropshire.gov.uk

Appendix E - Free, independent and impartial money advice

If you have run into financial difficulties, or are worried about debt and paying your bills, or just need some advice and support there are a number of organisations who offer free help and impartial advice. All of the services below are free, confidential and hold a standard accredited by the Money Advice Service www.moneyadviceservice.org.uk

CITIZENS ADVICE BUREAU

Citizens Advice offers free, independent, confidential and impartial debt advice through their webchat service

www.citizensadvice.org.uk

STEP CHANGE DEBT CHARITY

Step change helps change the lives of thousands of people every week. Their expert advice is impartial and personalised to each individual situation.

www.stepchange.org 0800 138 1111

DEBT COUNSELLORS CHARITABLE TRUST

A telephone based specialist advice service for anyone living in England and Wales

www.debtc.org 0300 456 2726

NATIONAL DEBTLINE

National Debtline has helped millions of people with their debts. They'll talk you through options and give clear advice on how to take back control

www.nationaldebtline.org 0808 808 4000

DEBT ADVICE FOUNDATION

National Debtline has helped millions of people with their debts. They'll talk you through options and give clear advice on how to take back control

www.nationaldebtline.org 0808 808 4000

PAYPLAN

Payplan provides the debt advice and support to enable you to take charge of your finances and focus on living again

www.payplan.com 0800 280 2816

BUSINESS DEBTLINE

www.businessdebtline.org 08001976026

Appendix F – Glossary of Terms

Debtor – Person who owes money to someone else.

Creditor – Person who is owed money by a debtor.

Recovery - The process a creditor follows to ensure that their debtor pays them their money.

Council Tax – Local Authority property tax.

Business Rates – Rates payable by businesses in respect of business premises.

Arrangement - An agreement between a creditor and debtor for regular monthly payments to be made to pay a debt.

Reminder Notice – A legal notice issued by the Council where a Council Tax or Business Rates instalment has not been paid and needs to be paid.

Final Notice – A legal notice issued by the Council where the full amount of Council Tax or Business Rates has not been paid and needs to be paid.

Summons – A Legal Notice advising the Council Tax payer or business ratepayer that the Magistrates Court are advising them to attend a court hearing because the outstanding amount has not been paid to the Council.

Court Costs – The Costs incurred by the debtor and payable to the Council because the Council has had to take the matter to Magistrates Court.

Liability Order – An order made by the Magistrates Court at the Court Hearing that gives the Council certain powers to enforce collection of the outstanding debt.

Request for Information – A legal Notice issued by the Council asking for information about the debtor's employment or benefits.

Income and Expenditure Form – A form that the debtor should complete to provide the Council with information about their earnings and benefits, and their outgoings, to assist the Council in making a decision about a realistic payment arrangement.

Attachment of Earnings – Where the Council can order the debtors employer to deduct money directly from the debtors salary to pay to the Council towards the outstanding debt.

Attachment of Benefits - Where the Council can order the DWP to deduct money directly from the debtor's benefits to pay to the Council towards the outstanding debt.

Charging Orders – An order whereby the outstanding debt must be repaid out of the proceeds of the sale of your property.

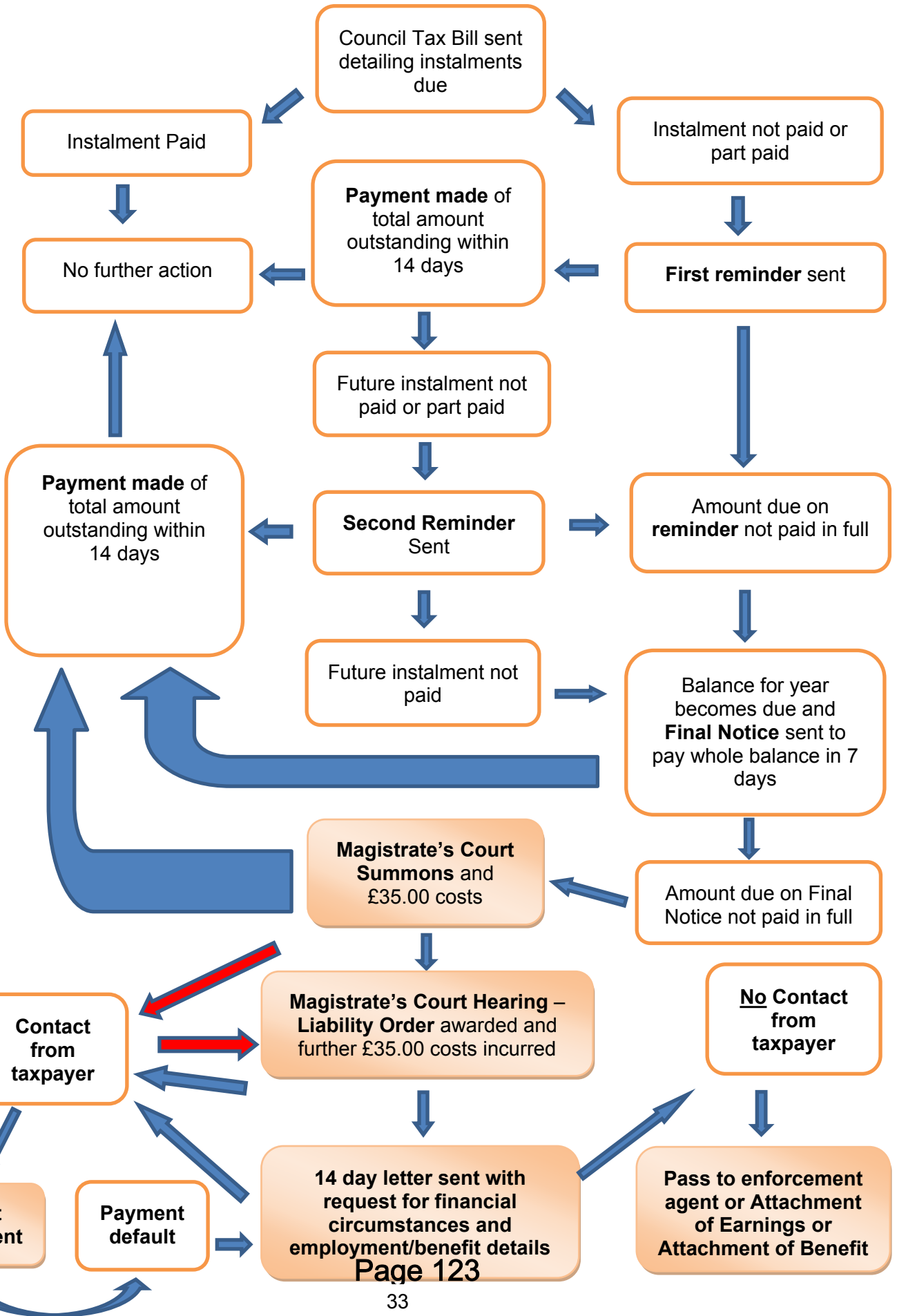
Bankruptcy – a legal status of a person who cannot repay their debts where there are certain legal restrictions.

Direct Earnings Attachment – A Direct Earnings Attachment allows for recovery of overpaid Housing Benefit directly from a debtor's earnings without having to apply via court.

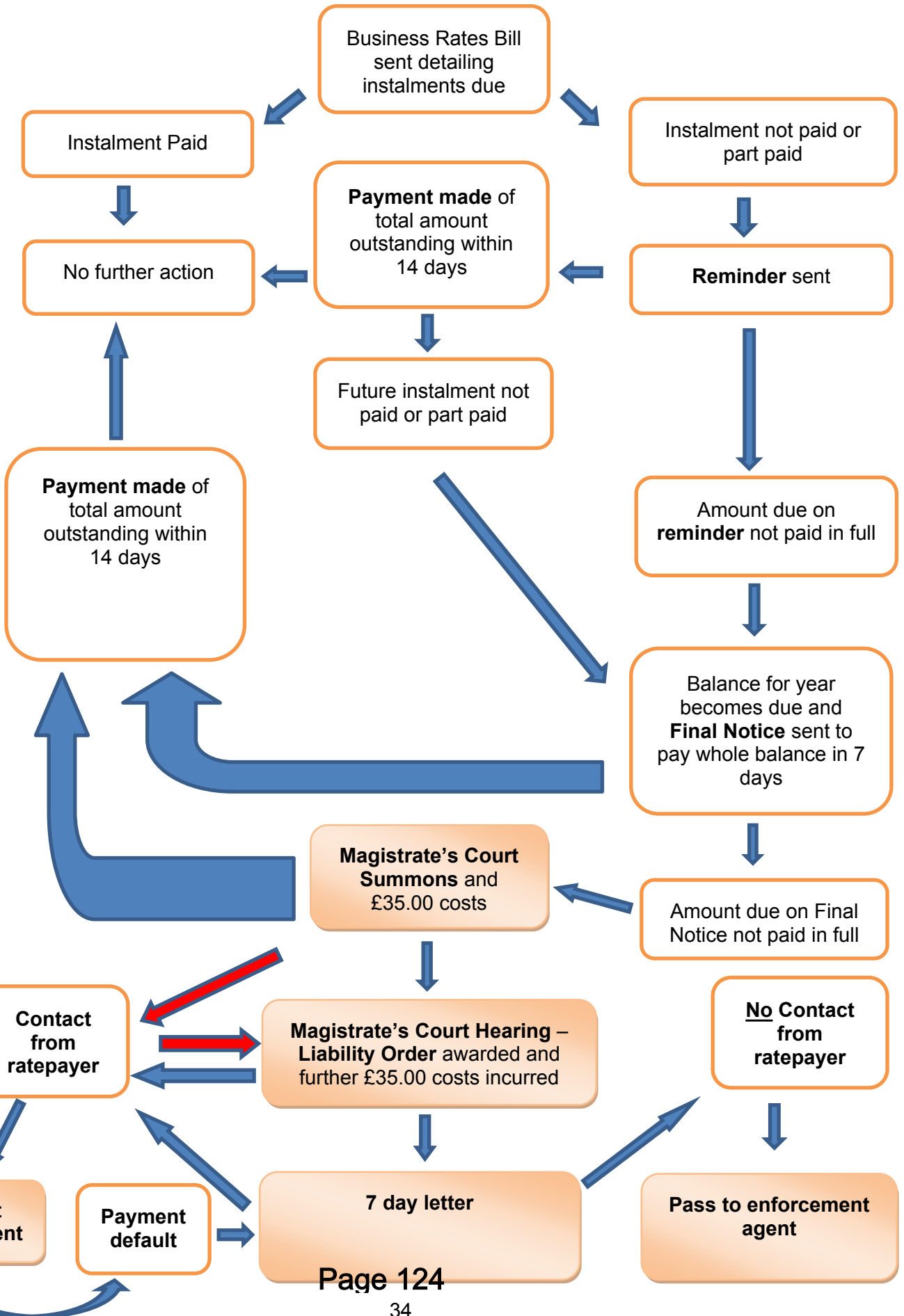
Department of Work and Pensions – Government department responsible for Housing Benefit regulations and administrative guidance

Enforcement Agent – formally known as bailiffs. Can visit your home if you don't pay your debts. May take some of your belongings to sell. Additional fees will be incurred.

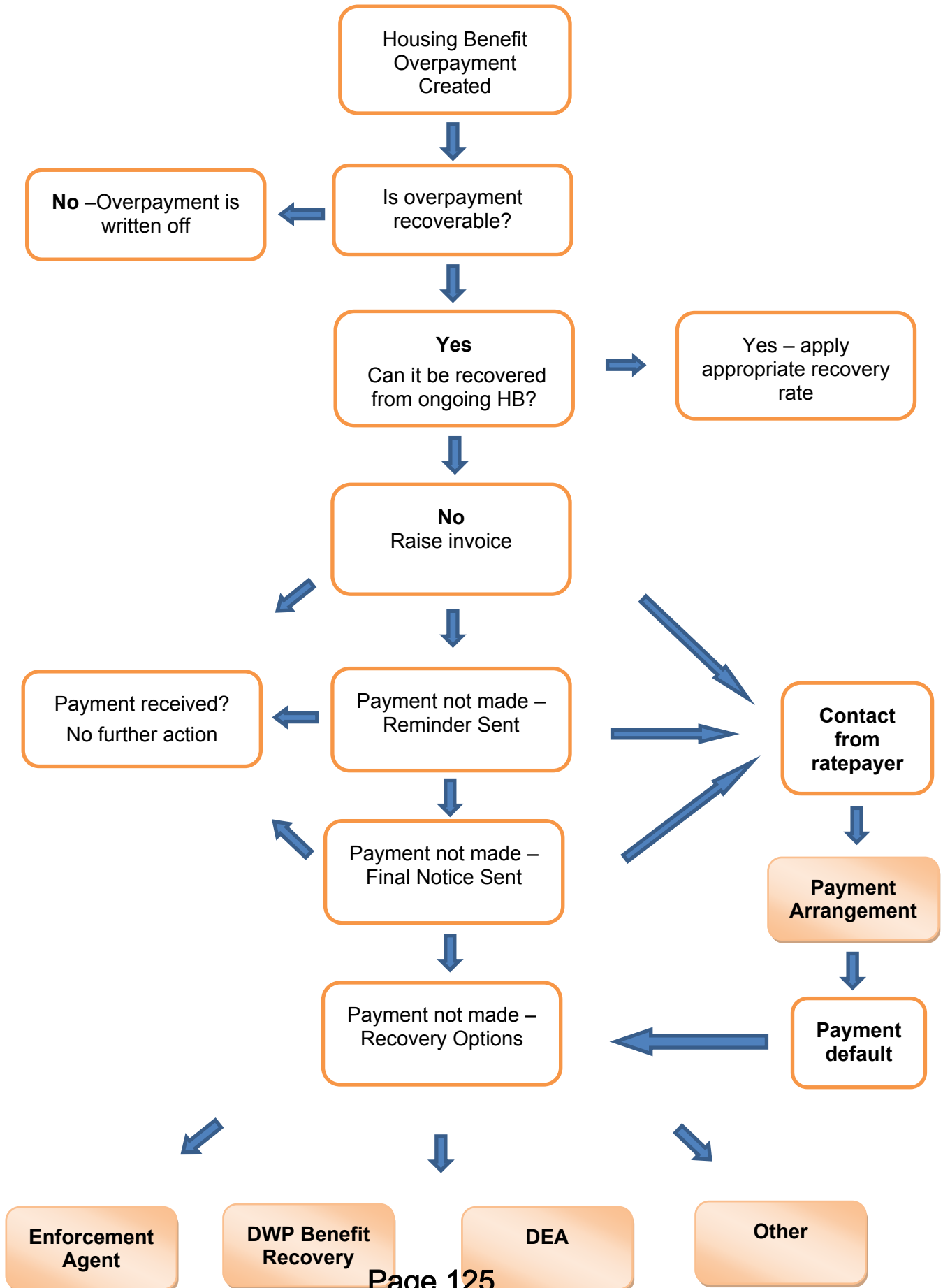
Appendix G – Council Tax Recovery flow chart



Appendix H – Business Rates Recovery flow chart



Appendix I – Housing Benefit Overpayment Recovery flow chart



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Council – 22nd September 2016

**Agenda Item 13 - COUNCIL TAX, BUSINESS RATES AND HOUSING
BENEFIT OVERPAYMENT DEBT COLLECTION POLICY**

Addendum

Please note the additional paragraph in **BOLD** to be inserted into the Introduction of the Council Tax, Business Rates and Housing Benefit Overpayment Debt Collection Policy (Appendix A):-

1.0 Introduction

- Shropshire Council has a legal duty to all residents, businesses and other organisations to ensure the prompt and effective billing and collection of all sums due to the Council. Delays in collection and non-payment of debt lead to less overall income, higher administrative costs, and reduced resources available for the provision of essential services.
- **We are aware that people fall into arrears for a number of different reasons. We are conscious that some people fall regularly into arrears, and other people are in arrears for the first time due to losing employment for example. We are committed that everyone will be treated sensitively, fairly, and realistically. We would stress that this is a two way process and that taxpayers need to be confident enough to approach us and are willing to take steps to sort out their problems themselves, if we are going to have any chance of helping them.**

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Committee and date

Council

22 September 2016

10.00 am

Item

14

Public

AUDITED ANNUAL STATEMENT OF ACCOUNTS 2015/16

Responsible Officer James Walton

Email: james.walton@shropshire.gov.uk

Tel: (01743) 258915

1. Summary

- 1.1 This covering report and attached Annual Statement of Accounts, present to Members the final audited outturn position for the financial year 2015/16.

2. Recommendations

It is recommended that Members:

- A. Consider and approve the 2015/16 Statement of Accounts and that the Chairman of the Council signs them (in accordance with the requirements of the Accounts and Audit Regulations 2015).
- B. Agree that the Head of Finance, Governance and Assurance be authorised to make any minor adjustments to the Statement of Accounts prior to the 30th September 2016.
- C. Agree that the Head of Finance, Governance and Assurance and the Chairman of the Audit Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. Details of the potential risks affecting the balances and financial health of the authority are considered within the Statement of Accounts.

4. Financial Implications

- 4.1. This report considers the overall financial position of the Authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the Authority, and the level of balances of held.

5. Background

- 5.1. The Accounts and Audit Regulations 2015 state that members are required to approve the annual accounts after, rather than before, the findings of the audit are known. The formal date for approval and publication of the accounts is 30 September.
- 5.2. A copy of the 2015/16 Statement of Accounts is attached at Appendix 1. The Council's external auditors, Grant Thornton, have audited the accounts during July and August. The audit of the accounts is substantially complete and the Auditor has indicated that an unqualified audit opinion will be issued on the accounts, subject to the successful completion of the outstanding matters.
- 5.3. The Accounts and Audit Regulations 2015 also require that the Statement of Accounts is accompanied by the Council's Annual Governance Statement which details the processes and procedures in place to enable the council to carry out its functions effectively. The Annual Governance Statement was approved by the Audit Committee on 23 June 2016 and is attached at Appendix 2.

6. External Audit Opinion

- 6.1. Grant Thornton are expected to provide an unqualified audit opinion on the Statement of Accounts and therefore will report as follows.

"In our opinion the financial statements give a true and fair view of the financial position of Shropshire Council as at 31 March 2016 and of its expenditure and income for the year then ended; give a true and fair view of the financial position of the Group as at 31 March 2016 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

7. Changes from the Draft Statement of Accounts Certified by the Head of Finance, Governance & Assurance on 30 June 2016

7.1 There have been no material changes identified during the audit, however there have been a number of additional disclosures required and minor changes made, all with the agreement of Grant Thornton. The changes are listed below:

- Amendment to the Gross Expenditure of Highways & Transport and Environmental & Regulatory Services in the Comprehensive Income & Expenditure Statement which have not impacted on the Total Net Cost of Services.
- Amendments to disclosures within the Financial Instrument Note to the Accounts.
- Minor typographical amendments have been included across the Statement of Accounts.

8. Letter of Representation

8.1 The Council is required to produce a letter of representation for the external auditors which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditors. External audit will only sign off the accounts once this letter has been received.

8.2 For Shropshire Council, this letter is produced in consultation with the external auditor, signed by the Head of Finance, Governance and Assurance and the Chairman of the Audit Committee and issued prior to the publication date of 30th September 2016.

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

Annual Statement of Accounts 2015/16. Audit Committee 23 June 2016

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

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2015/16

Cabinet Member (Portfolio Holder)

All

Local Member

All

Appendices

1. **Audited Statement of Accounts 2015/16** – this appendix is very large; a hard copy is available in the Members Library and it is attached on the web-link to these agenda papers.

2. **Annual Governance Statement**

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Statement of Accounts 2015-2016



ANNUAL STATEMENT OF ACCOUNTS 2015/16

The Statement of Accounts is the formal financial report on the Council's activities as required by the Accounts and Audit Regulations 2015, and other statutory provisions.

The statement includes:

1. Narrative Report (pages 1 to 11)
2. The Statement of Responsibilities (page 12)
3. The Audit Opinion and Certificate (pages 13 to 15)
4. The Core Financial Statements comprising:-
 - The Movement in Reserves Statement (pages 16 to 17)
 - The Comprehensive Income and Expenditure Statement (page 18)
 - The Balance Sheet (page 19)
 - The Cash Flow Statement (page 20)
5. The Notes to the Core Financial Statements (pages 21 to 88)
6. Group Accounts:
 - Introduction (pages 89 to 90)
 - The Group Movement in Reserves Statement (page 91 to 93)
 - The Group Comprehensive Income and Expenditure Statement (page 94)
 - The Group Balance Sheet (page 95)
 - The Group Cash Flow Statement (page 96)
 - The Group Account Notes (page 97)
7. The Pension Fund Accounts (pages 98 to 131)
8. The Housing Revenue Account (pages 132 to 136)
9. The Collection Fund (pages 137 to 138)
10. Glossary (pages 139 to 152)

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 Sedgley on (01743) 258937.

James Walton
Head of Finance, Governance & Assurance

Section 1

Narrative Report

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 this does not necessarily require 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.

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

- **A Narrative Report** – this provides an effective guide to the most significant matters reported in the accounts, including an explanation of the Council's financial position and details the performance of the Council during the financial year.
- **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 Council 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 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 2016. 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 non current 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 Council is partly accountable for the activities because of the closeness of its involvements i.e. in associates and joint ventures.
- **The Pension Fund Accounts and Disclosure Notes** – 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. The accounts summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2015/16 and assets and liabilities as at 31 March 2016.
- **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.

Financial Report

Revenue Outturn for 2015/16

The revenue budget for 2015/16 was agreed by Council in February 2015. During the course of the year, budgets can move between service areas in line with the Council’s approval process, however the Net Budget remains the same, to reflect the funding that the Council receives. Revenue budgets are monitored and reported regularly to Cabinet in order that service areas can identify any problem areas and take the necessary action to deal with the issues arising.

The final outturn position for each Service Area is shown in the table below which compares actual net expenditure with the approved budget. Further details of the outturn position for each directorate is shown in the Revenue Outturn report which is presented to Cabinet and Full Council.

NARRATIVE REPORT

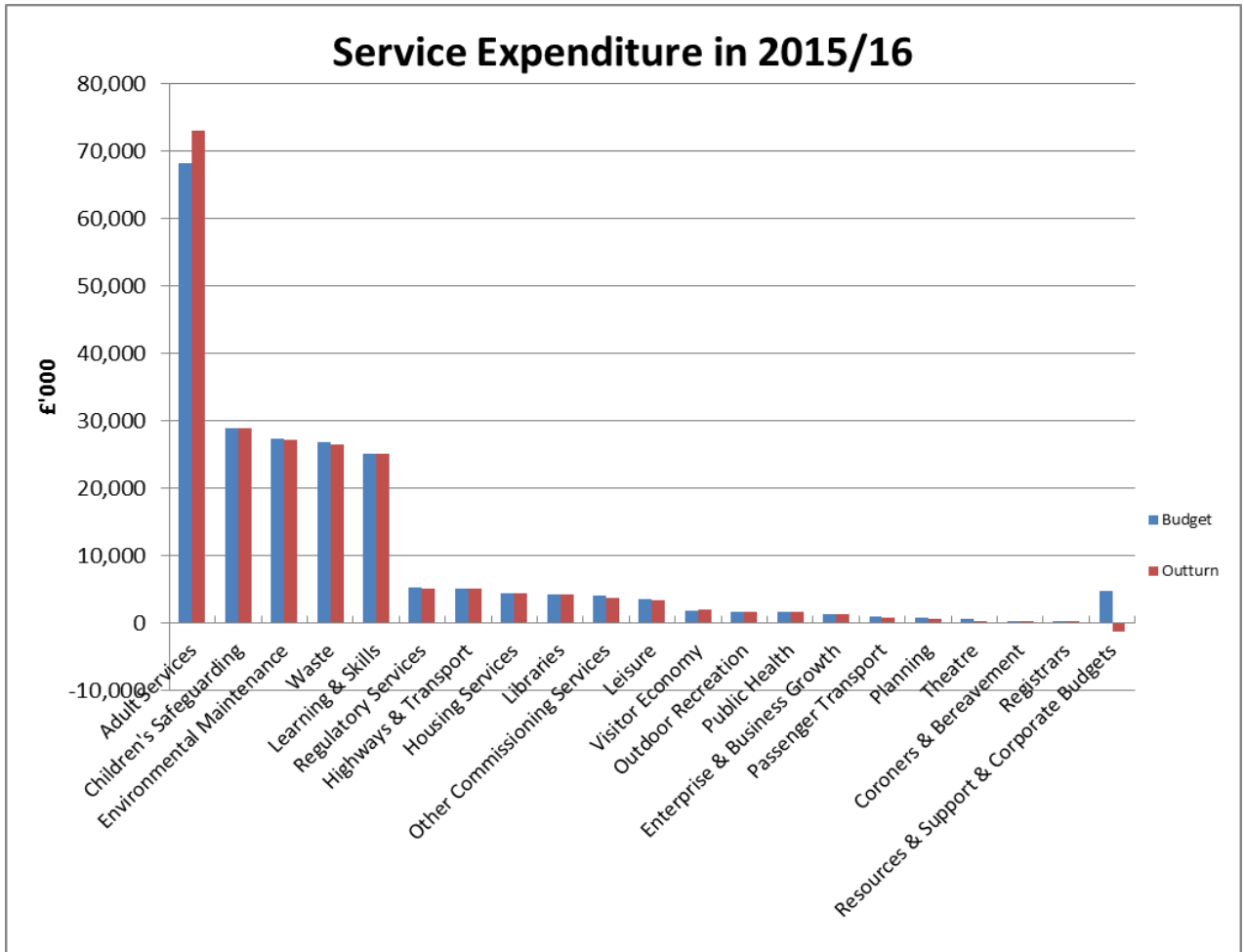
	Final Budget £000	Actual Outturn £000	Over/ (Under) £000
Service Expenditure			
Adult Services	72,435	77,281	4,846
Children's Services	53,859	53,892	32
Commissioning	82,917	81,238	(1,679)
Public Health	2,013	1,993	(20)
Resources & Support	7,375	5,072	(2,303)
Corporate	(2,756)	(6,448)	(3,692)
Net Budget	215,843	213,027	(2,816)
Funded By:			
Revenue Support Grant	(43,760)	(43,760)	0
Top Up grant	(10,036)	(10,036)	0
Business Rates	(39,166)	(39,166)	0
New Homes Bonus topslice	(395)	(151)	244
Shortfall in funding from Corporate Budgets	0	(244)	(244)
Collection Fund Surplus	(3,205)	(3,205)	0
Council Tax	(119,281)	(119,281)	0
Total Funding	(215,843)	(215,843)	0

Budget monitoring reports during the course of the year have shown the following position:

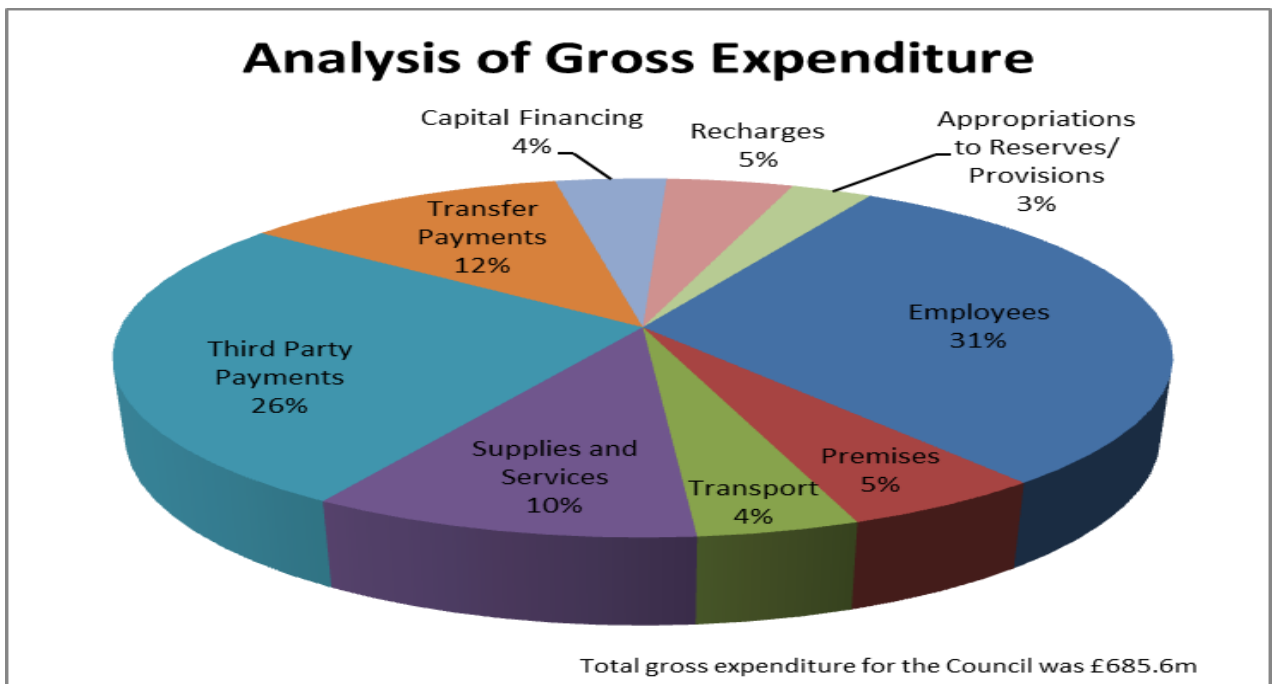
Over/(Under)spend Projected	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Adult Services	3,937	4,929	5,452	4,846
Children's Services	0	(1)	414	32
Commissioning	626	358	(343)	(1,679)
Public Health	(27)	(57)	(15)	(20)
Resources & Support	391	(283)	(1,999)	(2,303)
Corporate	96	(812)	(3,106)	(3,692)
TOTAL	5,023	4,135	403	(2,816)

The main area of overspend identified during the year, was in Adult Services where it was identified that costs of purchasing care packages were exceeding the budget from Quarter 1 onwards. Accordingly, all services were tasked with identifying where in-year savings could be made during the financial year to balance off the budget for 2015/16.

The chart below demonstrates which services the Council has spent its net budget on. It should be noted that this excludes any expenditure on schools which is funded separately through the Dedicated Schools Grant.



The gross expenditure for the Council, including expenditure for schools, was £685.6m, and this was spent on the following types of expenditure:



The overall underspend of £2.816m against service area's budgets represents 0.5% of the gross budget of £594m.

NARRATIVE REPORT

In addition, School balances, including invested sums, have increased by £3.216m 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 27 to the Accounts.

Capital Outturn for 2015/16

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 2015/16 as at outturn and slippage into the next financial year. Further details of the outturn position are provided in the Capital Outturn report presented to Cabinet and Full Council.

Service Area	Revised Budget 2015/16 £000	Actual Spend 2015/16 £000	Variance 2015/16 £000
General Fund			
Commissioning	30,792	25,850	4,942
Adult Services	2,591	2,114	477
Children's Services	8,374	6,846	1,528
Resources & Support	4,921	4,686	235
Total General Fund	46,678	39,496	7,182
Housing Revenue Account	5,202	4,943	259
Total Capital Programme	51,880	44,439	7,441

The table below provides a summary of the capital financing for the actual capital expenditure for 2015/16.

Financing	2015/16 £000
Self Financing Prudential Borrowing	3,172
Capital Grants & Contributions	34,627
Revenue Contributions	2,265
Major Repairs Allowance	3,273
Corporate Resources (Prudential Borrowing/Capital Receipts)	1,102
	44,439

The areas of most significant expenditure for schemes undertaken in 2015/16 are as follows:

	Expenditure 2015/16 £000	Scheme Total Budget £000

NARRATIVE REPORT

Commissioning

Highways, Bridges & Street Lighting Infrastructure	16,513	Ongoing
Integrated Transport Plan	1,153	Ongoing
Affordable Housing Schemes	837	Ongoing
Broadband – Phase 1	5,074	17,494

Adult Services

Supported Living Accommodation Schemes	507	Ongoing
Disabled Facilities Grants	1,230	Ongoing

Children's Services

Primary School Schemes	406	Ongoing
Secondary School Schemes	666	Ongoing
School Condition Schemes	3,652	Ongoing
Devolved Formula Capital & UIFSM - Allocated by schools	1,014	Ongoing

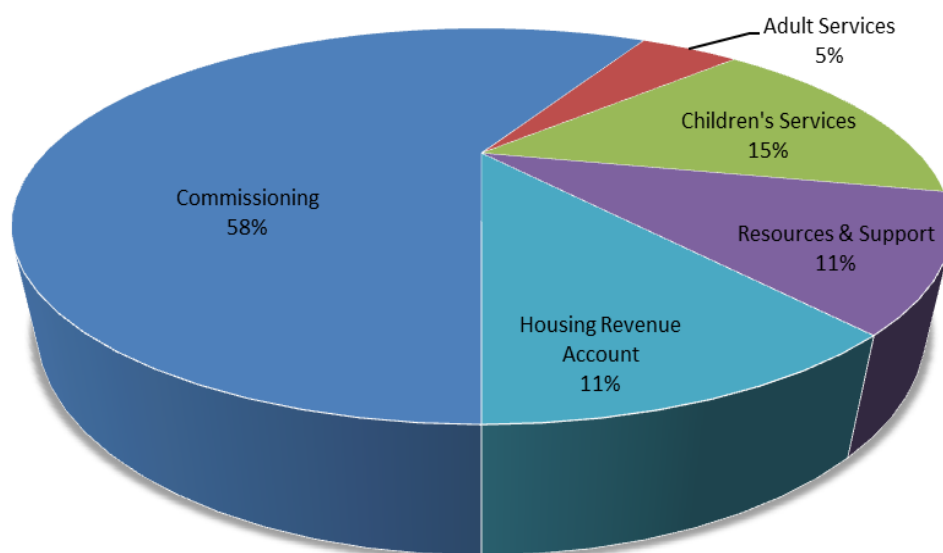
Resources & Support

Mardol House Student Halls of Residence refit	3,472	3,640
Solar PV Installations	510	Ongoing

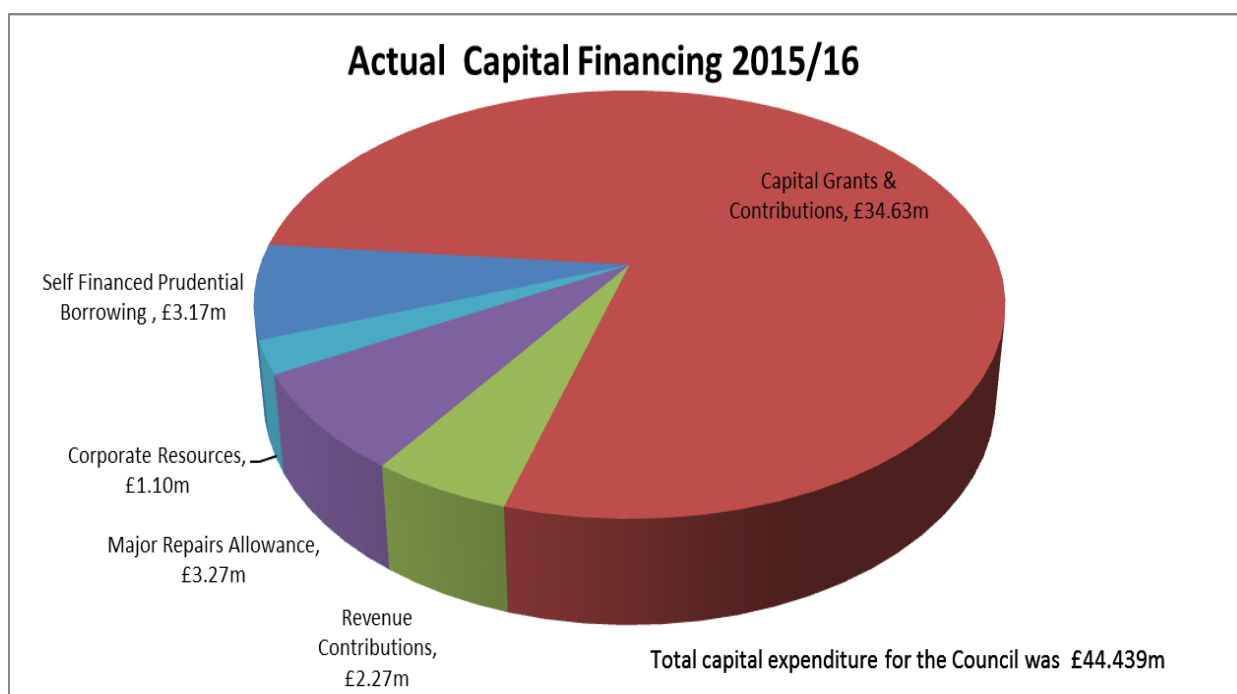
Housing Revenue Account

Housing Major Repairs Programme	3,296	Ongoing
New Build Programme – Phase 1&2	1,647	10,992

Actual Capital Expenditure 2015/16



Total capital expenditure for the Council was £44.439m



Reserves

The general fund balance has increased by £3.164m in 2015/16 to a total of £18.370m. This reflects the underspend within the revenue account during 2015/16, and whilst this balance is more than the Council had anticipated within the Council's Financial Strategy, this still remains below the risk assessed level of balances calculated.

Earmarked reserves have increased by £5.814m during 2015/16 which includes an increase in schools delegated balances of £2.6m. Other increases in reserves include the creation of a Financial Strategy Reserve which has been created during 2015/16 to provide one off funding for savings proposals in 2016/17. This has been offset by the reduction in the redundancy reserve of £3.6m paid out during the year.

Assets

During 2015/16 the Energy Renewable Facility in Battlefield, Shrewsbury as provided by Veolia under the Waste PFI contract was completed and became operational. Accordingly this asset has been recognised within the Council's Non-Current Assets on the Balance Sheet at a value of £86.3m.

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.

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 2015, the Council's net pensions liability amounted to £408m. In comparison, the deficit amounts to £389m at 31 March 2016 due to a change in financial assumptions impacting on the asset and liability figures. 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 21, and the change to the pension liability in 2015/16 is analysed in note 35 to the accounts.

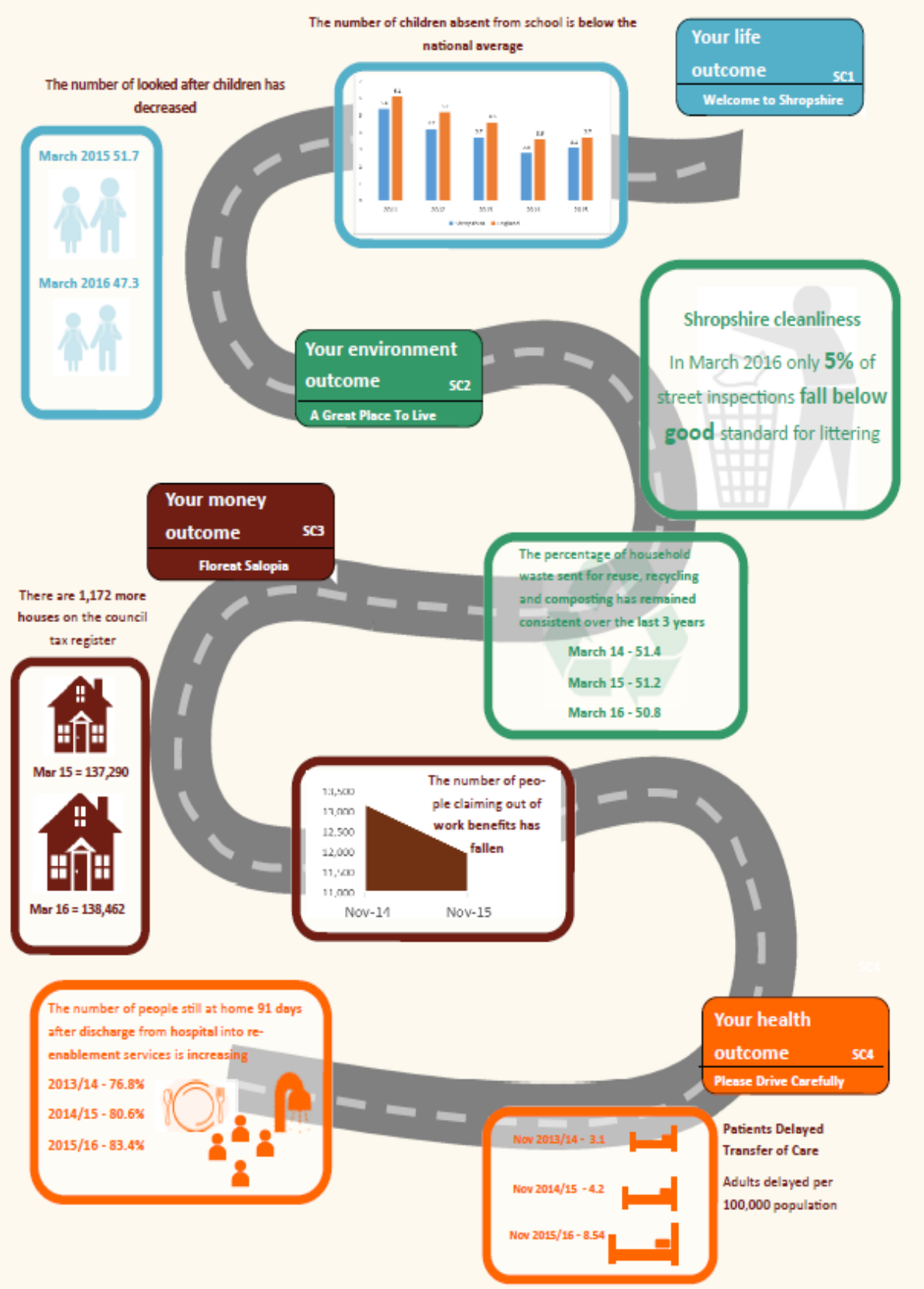
Performance in 2015/16

The Council measures its performance in relation to four outward focusing outcomes for Shropshire Council:

- **Your money** – 'Feel financially secure and to believe in a positive future for myself and my family'
- **Your environment** – 'Live in an attractive, vibrant and safe environment, in a place that is right for me'
- **Your life** – 'Feel valued as an individual and to live my life, with my choices respected and with as few compromises as possible'
- **Your health** – 'Live a long, enjoyable and healthy life'

The delivery of the outcomes for Shropshire is monitored on a quarterly basis. This is carried out through a summary infographic, shown below, that draws out key measures by exception that is presented to Cabinet. This is underpinned by a basket of indicators grouped into four technical dashboards which are reported to Performance Management Scrutiny Committee and enables a more detailed consideration of issues to take place.

Shropshire Outcomes



The performance in 2015/16 has shown a number of improvements or stabilisation of performance.

- The number of looked after children by the authority has decreased throughout 2015/16.
- The number of people claiming out of work benefits has fallen by 1,130.

In addition to these improvements there are confirmed challenges to be faced, and results show that they are being managed by the relevant service areas.

- Delays in discharge from hospital continues to be a key area of focus.

The increase in the numbers of delays in discharge in Shropshire is increasing above the national trend. Monitoring and reviews with partners are taking place to identify areas for focus and to ensure delays are kept to a minimum. Reducing delays is a high priority as this links to the supporting measures which have been agreed in the plan, to deliver the Better Care Fund outcomes and priorities.

Current and Future Prospects

The Council's current business plan incorporating the financial strategy was set for a 3 year period, from 2014/15 to 2016/17. As the Council is moving into the final year of this plan, work is progressing to develop a new corporate plan for 2016/17 to 2018/19 which details a new Council vision, mission, and values that it works to.

Alongside this the Council is also developing a new 3 year financial strategy. The budget strategy for 2016/17 and beyond looks to develop a Sustainable Business Model to understand and manage the Council's resources and costs. In doing so the Council is undertaking unprecedented dialogue with the public, business and stakeholders via our 'Big Conversation' to understand what our communities want and need; and creating a new vision for Shropshire and mission statement for Shropshire Council to enable us to plan for all of our futures.

The budget for 2016/17 includes savings proposals of £23.051m however the use of one-off funds will also be used to close the total funding gap of £47.487m in 2016/17. Further work is currently ongoing to establish how the 2017/18 budget can be balanced through a combination of ongoing savings proposals and the use of one off funds.

The development of a sustainable budget for the Council beyond the 2017/18 year will be difficult to progress until the Council fully understands the changes to funding that will occur in the Business Rate Retention Scheme. This is currently being considered by the Government.

In addition, there are a number of other areas that require further refinement (over the next twelve months) before consideration for inclusion in the 2017/18 budget:

- Consider how the Council could operate if no Revenue Support Grant was received.
- Impact of the introduction of the Care Bill 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 Council.

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 2016/17 – 2017/18 is £37.5m and the council is continuing with its asset management strategy to identify whether these potential receipts can be generated. The Council also intends to review whether the new statutory powers on the flexible use of capital receipts can be used within the Council.

The Council wholly owns a company (ip&e (Group) Ltd), as a vehicle for delivering a range of public services in Shropshire. On 17 February 2016, Cabinet agreed to bring the Council's relationship with ip&e Ltd to an end and terminate the strategic contract between the two parties. It was also agreed to terminate the service contracts between the Council and ip&e Ltd with effect from 31 March 2016. In its role as sole shareholder, the Cabinet agreed that ip&e Ltd should cease trading as soon as possible and take necessary actions to remove the company from the companies register. Whilst trading ceased on 31 March 2016, liabilities and commitments remain that need to be resolved before the company can formally apply to be dissolved and removed from the companies register and therefore further financial transactions will be incurred in the 2016/17 financial year.

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, that officer is 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.

Approved by Council

The Council's Statement of Accounts for 2015/16 was formally approved at a meeting of the Council on 22 September 2016.

Ann Hartley
Chairman of the Council
22 September 2016

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 the Head of Finance, Governance & Assurance

I hereby certify that the Statement of Accounts present a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2016.

James Walton
Head of Finance, Governance & Assurance
22 September 2016

Section 3

Audit Opinion & Certificate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL

We have audited the financial statements of Shropshire Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Core Financial Statements (the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement), the Notes to the Core Financial Statements, the Group Accounts (the Group Movement in Reserves Statement, the Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and the Notes to the Group Accounts), the Housing Revenue Account (the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Notes to the Housing Revenue Account) and the Collection Fund (the Collection Fund and the Notes to the Collection Fund). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance, Governance and Assurance and auditor

As explained more fully in the Statement of the Head of Finance, Governance and Assurance Responsibilities, the Head of Finance, Governance and Assurance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance, Governance and Assurance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, the Group Accounts Introduction and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

AUDIT OPINION AND CERTIFICATE

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, the Group Accounts Introduction and the Annual Governance Statement is consistent with the Group audited financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and the auditor

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

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria, issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper

AUDIT OPINION AND CERTIFICATE

arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have:

- completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016.
- completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act.

We are satisfied that the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016 and the objection brought to our attention so not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Mark Stocks

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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XX September 2016

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 shown 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 2015	15,206	55,027	3,076	1,635	3,954	78,898	312,161	391,059
<u>Movement in reserves during 2015/16</u>								
Surplus or (deficit) on the provision of services	(31,997)	0	496	0	0	(31,501)	0	(31,501)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	59,014	59,014
Total Comprehensive Income and Expenditure	(31,997)	0	496	0	0	(31,501)	59,014	27,513
Adjustments between accounting basis & funding basis under regulations (Note 6)	40,975	0	2,251	1,167	2,658	47,051	(47,051)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	8,978	0	2,747	1,167	2,658	15,550	11,963	27,513
Transfers to/(from) Earmarked Reserves (Note 7)	(5,814)	5,814	0	0	0	0	0	0
Increase/(Decrease) in 2015/16	3,164	5,814	2,747	1,167	2,658	15,550	11,963	27,513
Balance at 31 March 2016	18,370	60,841	5,823	2,802	6,612	94,448	324,124	418,572

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
Balance at 31 March 2014	20,019	35,119	2,545	3,722	2,786	64,191	455,699	519,890
<u>Movement in reserves during 2014/15</u>								
Surplus or (deficit) on the provision of services	(43,734)	0	10,567	0	0	(33,167)	0	(33,167)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(95,664)	(95,664)
Total Comprehensive Income and Expenditure	(43,734)	0	10,567	0	0	(33,167)	(95,664)	(128,831)
Adjustments between accounting basis & funding basis under regulations (Note 6)	58,829	0	(10,036)	(2,087)	1,168	47,874	(47,874)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	15,095	0	531	(2,087)	1,168	14,707	(143,538)	(128,831)
Transfers to/(from) Earmarked Reserves (Note 7)	(19,908)	19,908	0	0	0	0	0	0
Increase/(Decrease) in 2014/15	(4,813)	19,908	531	(2,087)	1,168	14,707	(143,538)	(128,831)
Balance at 31 March 2015	15,206	55,027	3,076	1,635	3,954	78,898	312,161	391,059

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.

2014/15			2015/16			
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
Expenditure on Continuing Services (Note 27)						
102,718	(30,552)	72,166	Adult Social Care	111,135	(36,534)	74,601
8,348	(2,999)	5,349	Central Services	8,978	(3,586)	5,392
228,346	(174,065)	54,281	Children's and Education Services	225,245	(178,102)	47,143
22,640	(8,335)	14,305	Cultural and Related Services	20,088	(7,530)	12,558
37,321	(5,691)	31,630	Environmental and Regulatory Services	48,938	(8,265)	40,673
38,301	(10,201)	28,100	Highways and Transport Services	37,503	(10,450)	27,053
5,012	(17,709)	(12,697)	Local Authority Housing (HRA)	15,588	(18,471)	(2,883)
82,589	(77,981)	4,608	Other Housing Services	81,034	(76,042)	4,992
20,657	(15,253)	5,404	Planning Services	25,219	(17,188)	8,031
10,488	(11,103)	(615)	Public Health	14,204	(13,073)	1,131
4,575	0	4,575	Corporate and Democratic Core	4,437	0	4,437
(485)	0	(485)	Non Distributed Costs	2,454	0	2,454
560,510	(353,889)	206,621	Net Cost of Services	594,823	(369,241)	225,582
		70,519	Other Operating Expenditure (Note 8)			28,667
		23,699	Financing and Investment Income and Expenditure (Note 9)			36,639
		(267,672)	Taxation and Non Specific Grant Income (Note 10)			(259,387)
		33,167	(Surplus) or Deficit on the Provision of Services			31,501
		(9,354)	(Surplus) or Deficit on Revaluation of Non Current Assets			(26,901)
		3,223	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			3,031
		101,795	Remeasurement of the Net Defined Benefit Liability			(35,144)
		95,664	Other Comprehensive Income and Expenditure			(59,014)
		128,831	Total Comprehensive Income and Expenditure			(27,513)

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Council 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 is those that the Council 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 2015	31 March 2016
£000	£000
Non-Current Assets	
995,904 Property, Plant & Equipment (Note 11)	1,072,784
2,592 Heritage Assets	2,622
47,673 Investment Property (Note 12)	50,855
432 Intangible Assets	173
599 Assets Held for Sale	599
1,047,200 Total Non-Current Assets	1,127,033
400 Long Term Investment (Note 16)	400
7,240 Long Term Debtors (Note 16)	13,614
1,054,840 Total Long Term Assets	1,141,047
Current Assets	
125 Current Held for Sale Investment Properties (Note 12)	160
3,635 Assets Held for Sale	5,860
41,730 Short Term Investments (Note 16)	58,850
994 Inventories	824
72,260 Short Term Debtors (Note 18)	67,430
68,343 Cash & Cash Equivalents (Notes 16 & 19)	75,956
187,087 Total Current Assets	209,080
1,241,927 Total Assets	1,350,127
Current Liabilities	
(10,131) Bank Overdraft (Notes 16 & 19)	(11,028)
(11,117) Short Term Borrowing (Note 16)	(7,200)
(51,883) Short Term Creditors (Note 20)	(62,785)
(3,585) Short Term Provisions	(2,708)
(6,042) Grants Receipts in Advance - Revenue (Note 33)	(6,926)
(70) Grants Receipts in Advance - Capital (Note 33)	(114)
(82,828) Total Current Liabilities	(90,761)
1,159,099 Total Assets Less Current Liabilities	1,259,366
Long Term Liabilities	
(707) Long Term Creditors (Note 16)	(695)
(328,968) Long Term Borrowing (Note 16)	(323,968)
(22,676) Other Long Term Liabilities (Note 15)	(118,426)
(407,792) Pensions Liability (Note 35)	(388,736)
(7,897) Long Term Provisions	(8,969)
(768,040) Total Long Term Liabilities	(840,794)
391,059 Net Assets	418,572
Financed by:	
78,898 Usable Reserves (Note 21)	94,448
312,161 Unusable Reserves (Note 22)	324,124
391,059 Total Reserves	418,572

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2014/15 £000	Revenue Activities	2015/16 £000	£000
33,167	Net (surplus) or deficit on the provision of services	31,501	
(95,024)	Adjust net surplus or deficit on the provision of services for non cash movements	(107,502)	
45,258	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	59,055	
(16,599)	Net cash flows from Operating Activities (Notes 23 & 24)		(16,946)
6,298	Investing Activities (Note 25)	(4,658)	
5,288	Financing Activities (Note 26)	14,888	
(5,013)	Net (increase) or decrease in cash and cash equivalents		(6,716)
53,199	Cash and cash equivalents at the beginning of the reporting period		58,212
58,212	Cash and cash equivalents at the end of the reporting period (Note 19)		64,928

Section 5

**Notes to the
Core Financial
Statements**

1. Accounting Policies

1.1. General

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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 Council'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 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 Council (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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 are charged to revenue.

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 current 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	Existing Use Value – Social Housing (EUV-SH)
Land & Buildings	Existing Use Value (EUV) – in accordance with UKPS 1.3 of the RICS Valuation Standards.
	Depreciated Replacement Cost (DRC) – for specialist properties where there is no market-based evidence of current value because of the specialist nature of the asset and the asset is rarely sold.
Vehicles, Plant & Equipment	Depreciated Historic Cost (HC)
Infrastructure	Historic Cost (HC)
Community Assets	Historic Cost (HC)
<u>Non-operational</u>	
Surplus Assets	Market Value (MV) fair value measurement estimated at highest and best use from a market participant’s perspective.
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 current value at the year-end, but as a minimum every 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 revalued, 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 revalued amount of the asset.

The Housing Revenue Account Council Dwellings are subject to an annual desktop review of value undertaken by the Valuation Office Agency.

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 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 revalued amount, an additional entry is required; the balance on the Revaluation Reserve in respect of the 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 dwellings disposed of under the Right to Buy Scheme 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 in the Movement in Reserves Statement.

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 the 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. As such Investment Properties are subject to an annual review to ensure their valuation reflects fair value at the 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 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 as an Asset Held for Sale and remain as Investment Properties until disposed of.

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 Council to undertake a significant reorganisation; or
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

An impairment loss on a revalued 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 revalued 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 revalued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the revalued 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 on assets used by the service in excess of any balance on the Revaluation Reserve for the asset.
- Amortisation of intangible 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 1.15 (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 non-current 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 Council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Such expenditure is charged to the 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 shown 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 assets 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.

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 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.

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.

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.

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. 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. 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. 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. All monies received by Shropshire Archives from the sale of material shall be used for the benefit of the Service's collections.

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 aside 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 of 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 Council 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 Council 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 16 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. 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.

1.21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council 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 any material liabilities will be disclosed in a separate note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 and the sum is material to the accounts.

1.22. Inventories

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

1.23. 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 2015/16. 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 Council’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.

1.24. 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, IFRS10 – Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS12 – Disclosure of Interest in Other Entities, IAS 27 - Separate Financial Statements, IAS28 - Investments in Associates and Joint Ventures except where interpretations or adaptations to fit the public sector have been detailed in the Code of Practice on Local Authority Accounting. Subsidiaries and joint ventures have been consolidated within the Council’s accounts on a cost basis, and accounting policies have been aligned between the Council and the companies consolidated in the Group.

1.25. Value Added Tax (VAT)

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

1.26. 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 Council 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 charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure statement.

Employees of the Council 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 provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the Teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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 Council 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 3.2% (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 Council 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 Council – 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 Council 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. Private Finance Initiative (PFI) Schemes

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 has been 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 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.

1.30. Accounting for Council Tax and Non Domestic Rates

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

As the collection of Council Tax for preceptors (the West Mercia Police and Crime Commissioner, and Shropshire & Wrekin Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Shropshire Council as the billing authority and to

the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

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

1.31. Accounting for Local Authority Maintained Schools

All Local Authority Maintained Schools in the Council area are considered to be entities controlled by the Council. In order to simplify the consolidation process and avoid consolidating in Group Accounts a considerable number of separate, relatively small entities; the Council's single entity financial statements include all the transactions of Local Authority Maintained Schools i.e. income, expenditure, assets, liabilities, reserves and cash flows of the schools.

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

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

The majority of Voluntary Aided and Voluntary Controlled schools in the Council area are owned by the respective Diocese. There is currently no legal arrangement in place for the School/Council to use the Diocese owned schools. The School/Council uses the school building to provide education under the provisions of the School Standards and Framework Act 1998. On this basis the school assets are used under "mere" licences and the assets are not recognised on the Council's balance sheet. The only exception to this is there are a small number of schools that should have transferred to Diocese 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.

Foundation schools owned by the Diocese are not recognised on the Council balance sheet as the position is the same as Voluntary Aided and Voluntary Controlled. Where ownership lies with the school or the school's Governing Body the School is recognised on the Council's Balance Sheet. There are a small number of schools who have recently changed their status to Foundation as part of local area Education Trusts. As yet no legal transfers have taken place of school land and buildings. On the assumption that these trusts will constitute the Governing

Bodies of these schools, the schools are to remain on-balance sheet. This will be reviewed when the legal transfers are agreed in case the position is different.

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

1.32. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2012 – 2014 Cycle). These improvements are minor, principally providing clarification.
- Amendment to IAS 1 Presentation of Financial Statements which provides guidance on the form of the financial statements. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and a new Expenditure and Funding Analysis will be introduced.

It is anticipated that the introduction of these standards will not have a material impact on the financial statements. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The Council 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 Local Authority Maintained schools and particularly Voluntary Aided, Voluntary Controlled and Foundation schools that are not owned by the Council. The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the school's land and buildings on its Balance Sheet where it legally owns the assets or the school Governing Body own the school. Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then they are not included on the Council's Balance Sheet.

The Council has completed an assessment of the different types of schools it controls within the Shropshire Council area to determine how these should be accounted for. The accounting treatment is detailed in the accounting policies (see 1.31).

- The Council is part of the Marches Local Enterprise Partnership (LEP) along with Herefordshire and Telford & Wrekin. The Council acts as accountable body for the LEP and therefore receives grant income on behalf of the LEP and processes expenditure in line with the grant schemes. The Council has concluded that the role of accountable body is to be deemed as an agent, and therefore the net grant held should not be accounted within the Council's accounts. Further details are provided at Note 37.

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 2016:

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.
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.
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	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% increase in

NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>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 Council with expert advice about the assumptions to be applied.</p>	<p>the discount rate assumption would result in a decrease in the pension liability of £19.086m.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured or based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes to below.</p>	<p>The authority uses the discounted cash flow model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets)</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>
Accruals	<p>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:</p> <ul style="list-style-type: none"> • Debtors 7% • Creditors 18% 	<p>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 £0.037m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.243m.</p>

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Finance, Governance & Assurance on 30 June 2016. Events taking place after this date are not reflected in the financial statement or notes.

At balance sheet date, Department of Education approval had been granted to one school to convert to Academy School status in the 2016/17 financial year. The conversion dates are anticipated to be later in the year and therefore the approval for transfer is considered as a non adjusting event after the reporting date.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

2015/16	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 to the Revenue Resources:						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs	16,088	0	0	0	0	(16,088)
Financial instruments	(319)	0	0	0	0	319
Council tax and NDR	2,773	0	0	0	0	(2,773)
Holiday pay	(1,046)	0	0	0	0	1,046
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	39,007	5,080	4,440	0	3,122	(51,649)
Total Adjustments to Revenue Resources	56,503	5,080	4,440	0	3,122	(69,145)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(1,595)	(2,869)	0	4,821	0	(357)
Administrative costs of non-current asset disposals	0	40	0	(40)	0	0
Payments to the government housing receipts pool	600	0	0	(600)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(12,268)	0	0	0	0	12,268
Capital expenditure financed from revenue balances	(2,265)	0	0	0	0	2,265
Total Adjustments between Revenue and Capital Resources	(15,528)	(2,829)	0	4,181	0	14,176
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(4,213)	0	4,213
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(3,273)	0	0	3,273

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16

	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
Application of capital grants to finance capital expenditure	0	0	0	0	(464)	464
Cash payments in relation to deferred capital receipts	0	0	0	32	0	(32)
Total Adjustments to Capital Resources	0	0	(3,273)	-4,181	(464)	7,918
Total Adjustments	40,975	2,251	1,167	0	2,658	(47,051)

2014/15 Comparative Figures

	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 to the Revenue Resources:						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs	8,603	0	0	0	0	(8,603)
Financial instruments	(297)	0	0	0	0	297
Council tax and NDR	106	0	0	0	0	(106)
Holiday pay	(6)	0	0	0	0	6
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	70,004	(6,710)	4,305	0	1,872	(69,471)
Total Adjustments to Revenue Resources	78,410	(6,710)	4,305	0	1,872	(77,877)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(3,180)	(1,712)	0	4,978	0	(86)
Administrative costs of non-current asset disposals	0	36	0	(36)	0	0
Payments to the government housing receipts pool	539	0	0	(539)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(15,055)	0	0	0	0	15,055
Capital expenditure financed from revenue balances	(1,886)	(1,650)	0	0	0	3,536
Total Adjustments between Revenue and Capital	(19,582)	(3,326)	0	4,403	0	18,505

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 Comparative Figures

Resources	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 to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(4,435)	0	4,435
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(6,392)	0	0	6,392
Application of capital grants to finance capital expenditure	0	0	0	0	(704)	704
Cash payments in relation to deferred capital receipts	0	0	0	32	0	(32)
Total Adjustments to Capital Resources	0	0	(6,392)	(4,403)	(704)	11,499
Total Adjustments	58,828	(10,036)	(2,087)	0	1,168	(47,873)

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 2015/16.

	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	17,061	(3,135)	5,567	19,493	(7,120)	1,663	14,036
Insurance Reserves	2,678	0	324	3,002	0	409	3,411
Reserves of trading and business units	131	0	169	300	0	307	607
Reserves retained for service departmental use	13,630	(5,474)	18,183	26,339	(12,525)	19,767	33,581
School Balances	1,619	(5,512)	9,786	5,893	(3,991)	7,304	9,206
Total	35,119	(14,121)	34,029	55,027	(23,636)	29,450	60,841

NOTES TO THE CORE FINANCIAL STATEMENTS

RESERVES

Sums set aside for major schemes, such as capital developments, or to fund major reorganisations – includes redundancy reserve, and specific reserves to fund capital and major projects including the university and other service transformation within the Council.

Insurance Reserves – includes fire liability and motor insurance reserves to fund the Council's future self insurance liabilities.

Reserves of trading and business units – includes any balance carried forward in relation to Shire Services to help smooth trading profits and losses over future years.

Reserves retained for service departmental use – includes a number of specific earmarked reserves for known service expenditure in future years. Significant balances include an IT expenditure reserve and a reserve including unringfenced revenue grants that have not been spent.

School Balances – includes unspent balances of budgets delegated to individual schools.

A breakdown of all specific earmarked reserve balances is shown in the 2015/16 Revenue Outturn report.

8. OTHER OPERATING EXPENDITURE

	2015/16 £000	2014/15 £000
Parish Council Precepts	6,307	5,908
Levies	121	118
Payments to the Government Housing Capital Receipts Pool	600	539
(Gains)/losses on the disposal of non-current assets*	20,755	63,670
(Gains)/losses on change in valuation of non-current assets	884	284
	28,667	70,519

* Losses on disposal include the transfer of schools to Academy which has resulted in a significant asset value being written out of the balance sheet. Further details are provided at Note 11.

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16 £000	2014/15 £000
Interest payable and similar charges	24,433	19,735
Net interest on the net defined benefit liability	12,624	12,439
Interest receivable and similar income	(2,153)	(1,815)
(Income) and expenditure in relation to investment properties and changes in their fair value	(5,077)	(18,559)
(Surpluses)/deficits on Trading Activities	6,812	11,899
	36,639	23,699

NOTES TO THE CORE FINANCIAL STATEMENTS

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	2015/16 £000	2014/15 £000
Council tax income	(128,428)	(126,097)
Non domestic rates	(46,793)	(45,018)
Non ringfenced government grants	(56,504)	(67,734)
Capital grants and contributions	(27,662)	(28,823)
	(259,387)	(267,672)

11. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2015/16.

	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 2015	170,500	527,753	16,089	438,847	3,583	2,737	6,301	1,165,810	33,527
Additions	3,539	107,843	1,933	17,641	33	0	2,116	133,105	99,703
Revaluation increases/(decreases) recognised in the Revaluation Reserve	966	12,876	0	0	0	472	0	14,314	1,118
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,711)	(44)	0	0	0	46	0	(15,709)	143
Derecognition - disposals	(1,328)	(20,293)	(120)	(42)	0	(200)	0	(21,983)	0
Derecognition - other	(39)	(3,530)	(6,083)	(19)	0	(7)	0	(9,678)	(2,747)
Assets reclassified (to)/from Held for Sale	(335)	(3,059)	0	0	0	(814)	0	(4,208)	0
Other movements in cost or valuation	561	(18,387)	(1,318)	0	0	(155)	(4,368)	(23,667)	(10,120)
At 31 March 2016	158,153	603,159	10,501	456,427	3,616	2,079	4,049	1,237,984	121,624
Depreciation and Impairments									
At 1 April 2015	(8,970)	(31,130)	(9,653)	(119,193)	(805)	(155)	0	(169,906)	(6,794)
Depreciation charge for 2015/16	(4,430)	(14,578)	(2,364)	(11,666)	(178)	(10)	0	(33,226)	(4,695)
Depreciation written out to the Revaluation Reserve	89	12,483	0	0	0	15	0	12,587	1,300
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,734	290	0	0	0	0	0	13,024	0

NOTES TO THE CORE FINANCIAL STATEMENTS

	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 Revaluation Reserve	0	(2,155)	0	0	0	(876)	0	(3,031)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(14,623)	(858)	0	0	(1,119)	0	(16,600)	(10,127)
Derecognition - disposals	68	1,273	65	24	0	27	0	1,457	0
Derecognition - other	6	365	6,083	19	0	7	0	6,480	2,747
Other movements in depreciation and impairment	503	20,092	1,319	0	0	2,101	0	24,015	10,120
At 31 March 2016	0	(27,983)	(5,408)	(130,816)	(983)	(10)	0	(165,200)	(7,449)
NBV at 31 March 2016	158,153	575,176	5,093	325,611	2,633	2,069	4,049	1,072,784	114,175
NBV at 31 March 2015	161,530	496,623	6,436	319,654	2,778	2,582	6,301	995,904	26,733

The comparative movements in 2014/15 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 2014	155,499	618,008	22,691	419,988	4,356	2,133	8,210	1,230,885	42,560
Additions	8,187	5,720	1,054	17,942	78	0	4,254	37,235	195
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	3,206	0	0	0	68	0	3,274	(2,774)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,730	(14,453)	0	0	0	(20)	(12)	(6,755)	(5,593)
Derecognition - disposals	(1,198)	(62,733)	(975)	0	0	0	0	(64,906)	0
Derecognition - other	0	(6,295)	(6,682)	(156)	(851)	0	(31)	(14,015)	(851)
Assets reclassified (to)/from Held for Sale	(829)	(2,705)	0	0	0	0	0	(3,534)	0
Other movements in cost or valuation	1,111	(12,995)	1	1,073	0	556	(6,120)	(16,374)	(10)
At 31 March 2015	170,500	527,753	16,089	438,847	3,583	2,737	6,301	1,165,810	33,527

NOTES TO THE CORE FINANCIAL STATEMENTS

	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
Depreciation and Impairments									
At 1 April 2014	(4,375)	(41,575)	(13,818)	(108,082)	(646)	(160)	(17)	(168,673)	(7,952)
Depreciation charge for 2014/15	(4,295)	(11,345)	(2,946)	(11,239)	(174)	(70)	0	(30,069)	(1,621)
Depreciation written out to the Revaluation Reserve	0	6,017	0	0	0	63	0	6,080	139
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	4,456	0	0	0	0	0	4,456	1,820
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(3,219)	0	0	0	(4)	0	(3,223)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(333)	(8,639)	0	0	0	(51)	0	(9,023)	0
Derecognition - disposals	33	5,260	456	0	0	0	0	5,749	0
Derecognition - other	0	406	6,655	128	15	0	0	7,204	810
Other movements in depreciation and impairment	0	17,509	0	0	0	67	17	17,593	10
At 31 March 2015	(8,970)	(31,130)	(9,653)	(119,193)	(805)	(155)	0	(169,906)	(6,794)
NBV at 31 March 2015	161,530	496,623	6,436	319,654	2,778	2,582	6,301	995,904	26,733
NBV at 31 March 2014	151,124	576,433	8,873	311,906	3,710	1,973	8,193	1,062,212	34,608

Local Authority Maintained Schools

Included in the above balances for other land and buildings are all or a significant part of 11 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 £19.86m.

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 Shropshire Council 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.

Two 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, and are still to be actioned, but may be overtaken by any plans to transfer these schools to Academy status. The total net book value for these schools as at the balance sheet date is £20.90m.

Academy Schools

In 2015/16 four 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 2015/16 for these schools was £17.68m.

At balance sheet date, Department of Education approval had been granted to one school to convert to Academy status, but their conversion dates are not until later in 2016/17.

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 2016, 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 2016/17 and future years budgeted to cost £28.112m. Similar commitments at 31 March 2015 were £25.528m. The major commitments were:

- Rural Broadband - £11.939m.
- Highways & Transport schemes - £6.906m.
- HRA Major Repairs Programme - £5.195m.
- HRA New Build Programme - £2.225m.

Revaluations

The Council 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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	5,093	0	5,543
Valued at Fair Value as at:					
31-Mar-16	158,153	760	0	0	158,913
01-Apr-15	0	273,092	0	2,070	275,162
01-Apr-14	0	118,886	0	0	118,886
01-Apr-13	0	86,016	0	0	86,016
01-Apr-12	0	42,969	0	0	42,969
01-Apr-11	0	53,003	0	0	53,003
Total Cost or Valuation	158,153	575,176	5,093	2,070	740,493

In addition the Council has also instructed its valuers to undertake a review of all assets held in the other land and buildings category to ensure that the carrying value of assets as valued in previous years is not materially different from their fair value. All other asset classes are unaffected.

In order to perform this exercise the other land and building category was split into the sub-categories with the relevant values detailed in the table below:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £000	2014/15 £000
Schools, Children's Services and other Education Facilities	226,978	245,548
Culture & Heritage Buildings	63,876	61,100
Leisure & Recreation	53,791	50,184
Highways & Car Parks	44,101	44,877
Social Services	30,556	28,898
Administrative Offices	17,195	22,818
Waste Management Site	103,569	14,378
Business / Commercial Sites (including Markets)	14,000	14,370
Housing Services (including Gypsy Sites)	8,257	6,463
Smallholdings	10,873	6,165
Other	1,980	1,822
Total	575,176	496,623

12. 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.

	2015/16 £000	2014/15 £000
Rental income & service charges from investment property	(1,156)	(964)
Direct operating expenses arising from investment property	(3,921)	139
Net (gain)/loss	(5,077)	(825)

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:

	Long term		Current	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Balance at start of the year	47,673	28,878	125	0
Additions:				
- Purchases	0	4,500	0	0
Disposals:	(231)	(2,022)	(125)	0
Net gains/losses from fair value adjustments	5,013	17,759	(1,092)	(25)
Transfers:				
- To/from Property, Plant and Equipment	(1,450)	(1,292)	1,102	0
- To/from Current/Long term	(150)	(150)	150	150
Balance at end of the year	50,855	47,673	160	125

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2016 are as follows:

2015/16	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
Recurring fair value measurements using:	£000	£000	£000	£000
Residential (market rental) properties	0	7,942	0	7,942
Office units	0	32,579	0	32,579
Commercial units	5,335	5,159	0	10,494
Total	5,335	45,680	0	51,015

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The market approach and the income approach have been used to as the valuation techniques to measure the fair value of Investment Properties.

The fair value of properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

The Income approach has been used mainly in relation to Investment Properties leased on a commercial basis. The income approach is calculated by means of the discounted cash flow method, where the expected cash flows from the properties are discounted to establish the present value of the net income stream. This approach is based on the authorities lease data and data on the local rental market.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's Investment Properties, the valuations have been on the basis of the highest and best use of the asset. In a small number of instances this differs to their current use, mainly where sites would have a higher value if use for residential development, and it is expected planning permission for these sites would be granted based on existing planning policy. The authority is actively working to bring these sites forward for development, but this process can take a number of years.

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation Process for Investment Properties

The fair value of the authority's investment properties are subject to revaluations in accordance with the authority's policy on revaluing non-current assets, undertaken by the authority's internal Estates Department for General Fund assets and Valuation Office Agency for HRA assets. As Investment Properties are valued on a market value basis and hence more volatile to changes in valuation, they are also subject to annual desktop review, to ensure the valuation reflects current value at the balance sheet date.

13. 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 years 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.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	330,609	338,035
Adjustment for loans for capital purposes not previously included in CFR	0	0
Adjusted Opening Capital Financing Requirement (including PFI & Finance Lease)	330,609	338,035
Capital investment		
Property, Plant and Equipment	133,221	37,357
Investment Properties	0	4,500
Intangible Assets	53	16
Revenue Expenditure Funded from Capital under Statute	10,760	12,351
Capital Loans	6,870	4,255
Sources of finance		
Capital receipts	(4,213)	(4,435)
Capital grants and other contributions	(34,626)	(36,487)
Direct Revenue Financing (Including MRA)	(5,538)	(9,928)
Minimum Revenue Provision	(12,268)	(15,055)
Closing Capital Financing Requirement (including PFI & Finance Lease)	424,868	330,609
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	242,875	246,044
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	84,595	84,595
Closing Capital Financing Requirement – PFI & Finance Lease	97,397	(30)
	424,867	330,609
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(11,571)	(9,951)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	8,402	5,856
Assets acquired under finance leases	0	(23)
Assets acquired under PFI contracts	97,427	(3,308)
Increase/(decrease) in Capital Financing Requirement	94,258	(7,426)

14. 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 £20.400m.

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 £40.800m 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

During 2015/16 the Energy Renewable Facility in Battlefield, Shrewsbury as provided by Veolia under the Waste PFI contract was completed and became operational. Accordingly this asset has been recognised within the Council's Non-Current Assets on the Balance Sheet at a value of £86.3m and similarly the Finance Lease Liability has also increased.

The value of assets held and liabilities resulting from the QICS and Waste PFI contract at each balance sheet date since the commencement of the contract and an analysis of the movements are shown below:

	QICS PFI		Waste PFI	
	Year Ended	Year Ended	Year Ended	Year Ended
	31/03/16	31/03/15	31/03/16	31/03/15
	£000	£000	£000	£000
Non-Current Assets – Land & Buildings				
Balance Brought Forward	13,697	20,373	11,134	11,448
- Depreciation in Period	(269)	(269)	(3,426)	(339)
- Additions	7	0	99,118	66
- Revaluation	0	(6,407)	2,561	0
- Derecognition	(7)	0	(10,120)	(41)
Balance Carried Forward	13,428	13,697	99,266	11,134
Non-Current Assets - Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	1,901	2,786
- Depreciation in Period	0	0	(1,000)	(1,014)
- Additions	0	0	578	129
Balance Carried Forward	0	0	1,479	1,901
Prepayments				
Balance Brought Forward	0	0	22,706	19,383
- Planned Capital Expenditure	0	0	(1,677)	3,323
Balance Carried Forward	0	0	21,029	22,706
Finance Lease Liability				
Balance Brought Forward	(13,038)	(13,279)	(9,638)	(9,383)
- Additions	0	0	(99,469)	(195)
- Repayment of Principal	216	241	3,503	(60)
Balance Carried Forward	(12,822)	(13,038)	(105,604)	(9,638)

Details of Payments due to be made under PFI contracts

Year	Service Charges *	Principal	Interest #	Total Unitary Charge Payment
	(£000)	(£000)	(£000)	(£000)
Amounts Falling Due Within One Year	25,424	5,268	11,094	41,786
Amounts Falling Due Within 2 - 5 Years	84,667	15,544	47,033	147,244
Amounts Falling Due Within 6 - 10 Years	127,198	13,961	53,674	194,833
Amounts Falling Due Within 11 - 15 Years	137,981	26,496	49,159	213,636
Amounts Falling Due Within 16 - 20 Years	172,311	41,044	30,370	243,725
Amounts Falling Due Within 21 - 25 Years	1,321	713	123	2,157

* comprised of operating costs and lifecycle costs

comprised of finance lease interest and contingent rental

NOTES TO THE CORE FINANCIAL STATEMENTS

15. LEASES

Authority as a Lessee

Finance Leases

The Council 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 2016 £000	31 March 2015 £000
Buildings	112,695	24,831
Vehicles, Plant and Equipment (salt domes)	0	0
Vehicles, Plant and Equipment (PFI)	1,480	1,902
Total	114,175	26,733

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 2016 £000	31 March 2015 £000
Finance lease liabilities (NPV of minimum lease payments)	124,200	103,241
Finance costs payable in future years	218,707	192,740
Minimum lease payments	342,907	295,981

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Not later than one year	17,450	16,364	5,152	5,247
Later than one year and not later than five years	64,832	62,588	18,275	15,441
Later than five years	260,625	217,029	100,773	82,553
Total	342,907	295,981	124,200	103,241

The finance lease liabilities recognised on the balance sheet as "Deferred Liabilities" totals £118.426m. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 14 Private Finance Initiative Schemes.

NOTES TO THE CORE FINANCIAL STATEMENTS

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	(236)	(4,916)	(5,152)
Lease liability (due after 1 year)	(12,586)	(100,688)	(113,274)
Total	(12,822)	(105,604)	(118,426)

Operating Leases

The Council has acquired vehicles and equipment by entering into operating 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 2016 £000	31 March 2015 £000
Expiring not later than one year	106	102
Expiring later than one year and not later than five years	657	671
Expiring later than five years	409	624
Total	1,172	1,397

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2016 £000	31 March 2015 £000
Lease payments	1,654	2,077
Sub Lease receivable	0	0
Total	1,654	2,077

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2016 £000	31 March 2015 £000
Expiring not later than one year	234	139
Expiring later than one year and not later than five years	397	708
Expiring later than five years	1,370	1,288
Total	2,001	2,135

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Investments:				
Loans and receivables	400	400	134,806	110,073
Total investments	400	400	134,806	110,073
Debtors:				
Loans and receivables	13,614	7,240	0	0
Financial assets carried at contract amounts	0	0	40,372	46,049
Total Debtors	13,614	7,240	40,372	46,049
Borrowing:				
Financial liabilities at amortised cost	(323,968)	(328,968)	(7,200)	(11,117)
Total Borrowings	(323,968)	(328,968)	(7,200)	(11,117)
Other Long Term Liabilities:				
PFI and finance lease liabilities	(118,426)	(22,676)	0	0
Total Other Long Term Liabilities	(118,426)	(22,676)	0	0
Creditors:				
Financial liabilities carried at contract amount	(695)	(707)	(54,967)	(45,218)
Cash overdrawn	0	0	(11,028)	(10,131)
Total Creditors	(695)	(707)	(65,995)	(55,349)

The debtors figure included in the balance sheet includes payments in advance from individuals and organisations which are not considered to be financial instruments, therefore these prepayments have been excluded above. Similarly the creditors figure also includes receipts in advance which are not a financial instrument, therefore these have been excluded above. A reconciliation of the Financial Instrument figures to the Balance Sheet is provided below:

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2016 £000	31 March 2015 £000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	40,372	46,049
Payments In Advance	27,058	26,211
Total Debtors as per Balance Sheet	67,430	72,260
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(54,967)	(45,218)
Receipts In Advance	(7,818)	(6,665)
Total Creditors as per Balance Sheet	(62,785)	(51,883)

Soft Loans

Small Business Loans

Shropshire Council has entered into two legal contracts with MRRT Ltd to provide funding to MRRT Ltd to be used to provide small business loans. As at the balance sheet date a total of £0.650m has been loaned to MRRT Ltd.

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 Ltd 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 £2.073m 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 £0.320m. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Income, Expense, Gains and Losses

	2015/16			2014/15		
	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	24,433	0	24,433	19,734	0	19,734
Total expense in Surplus or Deficit on the Provision of Services	24,433	0	24,433	19,734	0	19,734
Interest income	0	(2,153)	(2,153)	0	(1,815)	(1,815)
Interest income accrued on impaired financial assets	0	0	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(2,153)	(2,153)	0	(1,815)	(1,815)
Net (gain)/loss for the year	24,433	(2,153)	22,280	19,734	(1,815)	17,919

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows. The fair values calculated are as follows:

	31 March 2016		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities - LOBOS	49,200	62,659	49,200	60,055
Financial liabilities - PWLB	279,768	345,266	288,568	354,998
PFI liabilities	118,426	239,887	22,676	40,358

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2016		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables:				
Cash	47,480	47,480	35,900	35,900
Fixed Term Deposits	87,000	87,324	74,000	74,208
Long term debtors	7,240	7,240	7,240	7,240
Long term investments	400	400	400	400

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) 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.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31 March 2016			Total £000
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
Recurring fair value measurements using:				
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	407,925	0	407,925
PFI and finance lease liabilities	0	239,887	0	239,887
Total	0	647,812	0	647,812
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	2,723	2,723
Other loans and receivables	0	134,804	0	134,804
Total	0	134,804	2,723	137,527

	31 March 2015 Comparative Year			Total £000
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
Recurring fair value measurements using:				
Financial liabilities				
Financial liabilities held at amortised cost:				
Long term creditors	0	0	0	0
PFI and finance lease liabilities	0	40,358	0	40,358
Total	0	455,411	0	455,411
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	2,442	2,442
Other loans and receivables	0	110,108	0	110,108
Total	0	110,108	2,442	112,550

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at 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.

Financial Assets	Financial Liabilities
No early repayment or impairment is recognised	No early repayment is recognised
Estimated ranges of interest rates at 31 March 2016 of 0.25% to 0.55% for loans receivable, based on new lending rates for equivalent loans at that date	Estimated ranges of interest rates at 31 March 2016 of 1.13% to 3.14% for loans payable, based on new lending rates for equivalent loans at that date
The fair value of trade and other receivables is taken to be the invoiced or billed amount	

17. 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2016	Estimated maximum exposure to default and uncollectability at 31 March 2016	Estimated maximum exposure at 31 March 2015
	£000	%	%	%	£000
	A	B	C	(AxC)	
Loans and receivables held with counterparties having a default rating of:					
AA	27,480	0.03	0.03	0.00	0.00
A	80,000	0.08	0.08	0.00	0.00
BBB	15,000	0.19	0.19	0.00	0.00
Other Local Authorities	12,000	0.00	0.00	0.00	0.00
Debtors (Customers)	22,417	Local Experience	Local Experience	Local Experience	Local Experience

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council generally allows its customers 30 days credit. Of the £22.417m outstanding from customers £12.878m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2015/16 £000	2014/15 £000
Less than 3 months overdue	2,263	2,236
3 to 6 months overdue	2,618	2,546
6 months to 1 year overdue	2,277	2,715
More than 1 year overdue	5,720	4,064
	12,878	11,561

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourably high interest rates. The Council'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	2015/16 £000	2014/15 £000
Less than 1 year	5,061	8,861
Between 1 and 2 years	6,400	5,000
Between 2 and 5 years	14,000	16,400
Between 5 and 10 years	18,600	22,100
More than ten years	284,968	285,468
	329,029	337,829

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 2016 the Council's total outstanding debt (excluding accrued interest) amounted to £329.029m of which none of these loans were at stepped interest rates. Out of this balance £279.768m relates to fixed rate Public Works Loan Board (PWL) loans, £49.200m relates to Lenders Option Borrower Option (LOBO) market loans, £0.061m relates to temporary loans for voluntary groups. 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2016, £47.480m 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.

18. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2016.

	31 March 2016 £000	31 March 2015 £000
Central Government Bodies	7,923	7,358
Other Local Authorities	2,228	1,782
NHS Bodies	6,044	11,869
Public Corporations and Trading Funds	4	2
Other Entities and Individuals	30,202	28,543
Waste PFI Prepayments	21,029	22,706
	67,430	72,260

19. CASH AND CASH EQUIVALENTS

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

	31 March 2016 £000	31 March 2015 £000
Bank current accounts	32,480	30,900
Short term deposits with building societies	43,476	37,443
Total Cash and Cash Equivalents	75,956	68,343
Bank Overdraft	(11,028)	(10,131)
Cash Overdrawn	(11,028)	(10,131)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2016.

	31 March 2016 £000	31 March 2015 £000
Central Government Bodies	(5,281)	(5,695)
Other Local Authorities	(1,566)	(3,625)
NHS Bodies	(2,265)	(3,240)
Public Corporations and Trading Funds	0	(5)
Other Entities and Individuals	(53,673)	(39,318)
	(62,785)	(51,883)

21. USABLE RESERVES

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

	31 March 2016 £000	31 March 2015 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	2,802	1,635
Reserves	60,841	55,027
Capital Grants Unapplied Account	6,612	3,954
HRA Balance	5,823	3,076
General Fund Balance	18,370	15,206
Total Usable Reserves	94,448	78,898

22. UNUSABLE RESERVES

	31 March 2016 £000	31 March 2015 £000
Revaluation Reserve	136,248	121,439
Capital Adjustment Account	584,836	605,297
Financial Instruments Adjustment Account	(5,284)	(5,603)
Deferred Capital Receipts Reserve	740	772
Pensions Reserve	(388,736)	(407,792)
Collection Fund Adjustment Account	(1,515)	1,259
Accumulated Absences Account	(2,165)	(3,211)
Total Unusable Reserves	324,124	312,161

Revaluation Reserve

	2015/16 £000	2014/15 £000
Balance at 1 April	121,439	137,177

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £000	2014/15 £000
Upward revaluation of assets	29,446	14,544
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,576)	(8,414)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	23,870	6,130
Difference between fair value depreciation and historical depreciation	(3,604)	(3,254)
Accumulated gains on assets sold or scrapped	(5,457)	(15,814)
Other transfers to the Capital Adjustment Account	0	(2,800)
Amount written off to the Capital Adjustment Account	(9,061)	(21,868)
Balance at 31 March	136,248	121,439

Capital Adjustment Account

	2015/16 £000	2014/15 £000
Balance at 1 April	605,297	622,864
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	(49,906)	(39,380)
- Revaluation losses on Property, Plant and Equipment	(3,569)	(2,366)
- Amortisation of intangible assets	(318)	(365)
- Revenue expenditure funded from capital under statute	(10,760)	(12,351)
- 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	(25,536)	(68,612)
	(90,089)	(123,074)
Adjusting amounts written out of the Revaluation Reserve	9,061	21,868
Net written out amount of the cost of non-current assets consumed in the year	(81,028)	(101,206)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	4,213	4,435
- Use of the Major Repairs Reserve to finance new capital expenditure	3,273	6,392
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,163	35,783
- Application of grants to capital financing from the Capital Grants Unapplied Account	464	704
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12,268	15,055
- Capital expenditure charged against the General Fund and HRA balances	2,265	3,536
	56,646	65,905
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,921	17,734
Balance at 31 March	584,836	605,297

Financial Instruments Adjustment Account

	2015/16 £000	2014/15 £000
Balance at 1 April	(5,603)	(5,900)

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £000	2014/15 £000
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	315	315
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	4	(18)
Balance at 31 March	(5,284)	(5,603)

Pensions Reserve

	2015/16 £000	2014/15 £000
Balance at 1 April	(407,792)	(297,394)
Remeasurements of the net defined benefit liability/(asset)	35,144	(101,795)
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	(36,529)	(28,732)
Employer's pension contributions and direct payments to pensioners payable in the year	20,441	20,129
Balance at 31 March	(388,736)	(407,792)

Deferred Capital Receipts Reserve

	2015/16 £000	2014/15 £000
Balance at 1 April	772	804
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(32)	(32)
Balance at 31 March	740	772

Collection Fund Adjustment Account

	2015/16 £000	2014/15 £000
Balance at 1 April	1,259	1,365
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	(2,774)	(106)
Balance at 31 March	(1,515)	1,259

Accumulated Absences Account

	2015/16 £000	2014/15 £000
Balance at 1 April	(3,211)	(3,217)
Settlement or cancellation of accrual made at the end of the preceding year	3,211	3,217

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £000	2014/15 £000
Amounts accrued at the end of the current year	(2,165)	(3,211)
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	1,046	6
Balance at 31 March	(2,165)	(3,211)

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

	2015/16 £000	2014/15 £000
Surplus/(Deficit) for year per Comprehensive Income & Expenditure Statement	(31,501)	(33,167)
Adjust net surplus or deficit on the provision of services for non cash movements:		
Depreciation	49,906	39,379
Impairment and downward valuations	3,569	2,365
Amortisation	317	365
Impairment losses on loans & advances debited to surplus or deficit on the provision of services in year	7	23
Reductions in fair value of non PWLB Loans	0	0
Soft Loans – Interest adjustment	0	0
Adjustments for effective interest rates	0	2
Increase/(Decrease) in Interest Creditors	(113)	(27)
Increase/(Decrease) in Creditors	9,384	(5,315)
(Increase)/Decrease in Interest and Dividend Debtors	(171)	1
(Increase)/Decrease in Debtors	6,894	(3,226)
(Increase)/Decrease in Inventories	170	(28)
Pension Liability	16,088	8,603
Contributions to/(from) Provisions	193	2,089
Carrying amount of non-current assets sold	25,179	68,527
Movement in Investment Property Values	(3,921)	(17,734)
	107,502	95,024
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	(16,949)	(2,625)
Capital Grants credited to surplus or deficit on the provision of services	(37,284)	(37,655)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4,822)	(4,978)
	(59,055)	(45,258)
Net Cash Flows from Operating Activities	16,946	16,599

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/16 £000	2014/15 £000
Interest received	(1,981)	(1,816)
Interest paid	24,540	19,736

NOTES TO THE CORE FINANCIAL STATEMENTS

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2015/16 £000	2014/15 £000
Purchase of property, plant and equipment, investment property and intangible assets	31,111	43,828
Other payments for investing activities	7,192	4,361
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(32)	(32)
Other receipts from investing activities*	(42,929)	(41,859)
Net cash flows from investing activities	(4,658)	6,298

* This includes capital grants received in year.

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2015/16 £000	2014/15 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,719	204
Repayments of short and long term borrowing	8,812	5,071
Other payments for financing activities*	2,357	13
Net cash flows from financing activities	14,888	5,288

* Represents change in value of NNDR debtor/creditor

27. 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 service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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 2015/16	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(42,787)	(27,768)	(46,498)	(2,975)	(79,707)	(199,735)
Government grants	(4,041)	(158,700)	(4,859)	(11,501)	(93,764)	(272,865)
Total Income	(46,828)	(186,468)	(51,357)	(14,476)	(173,471)	(472,600)
Employee expenses	16,795	28,777	25,041	3,024	31,796	105,433
Other service expenses	103,016	206,295	103,350	10,885	108,601	532,147

NOTES TO THE CORE FINANCIAL STATEMENTS

Service Area Income and Expenditure 2015/16	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Support service recharges	4,405	5,309	6,324	2,556	29,453	48,047
Total Expenditure	124,216	240,381	134,715	16,465	169,850	685,627
Net Expenditure	77,388	53,913	83,358	1,989	(3,621)	213,027

Service Area Income and Expenditure 2014/15	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(35,268)	(26,259)	(44,080)	(2,284)	(66,128)	(174,019)
Government grants	(226)	(159,396)	(3,786)	(10,063)	(87,851)	(261,322)
Total Income	(35,494)	(185,655)	(47,866)	(12,347)	(153,979)	(435,341)
Employee expenses	16,205	26,589	23,317	2,617	29,447	98,175
Other service expenses	93,332	208,865	102,263	10,766	107,001	522,227
Support service recharges	4,110	6,187	7,391	1,034	19,362	38,084
Total Expenditure	113,647	241,641	132,971	14,417	155,810	658,486
Net Expenditure	78,153	55,986	85,105	2,070	1,831	223,145

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.

	2015/16 £000	2014/15 £000
Net expenditure in the Service Area Analysis	213,027	223,145
Net expenditure of services and support services not included in the Analysis	(217,628)	(186,679)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(496)	(10,567)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	36,598	7,268
Cost of Services in Comprehensive Income and Expenditure Statement	31,501	33,167

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16

	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	(197,109)	(18,470)	40,281	(46,793)	(222,091)
Interest and investment income	(2,626)	(43)	516	0	(2,153)
Income from council tax	0	0	0	(128,428)	(128,428)
Government grants and contributions	(272,865)	(315)	4,518	(71,259)	(339,921)
Total Income	(472,600)	(18,828)	45,315	(246,480)	(692,593)
Employee expenses	204,676	0	(1,046)	0	203,630
Other service expenses	392,251	12,611	(45,981)	(183)	358,698
Support Service recharges	53,199	194	0	0	53,393
Depreciation, amortisation and impairment	0	3,023	52,253	0	55,276
Interest Payments	35,383	2,994	(13,943)	0	24,434
Precepts & Levies	117	0	0	6,307	6,424
Payments to Housing Capital Receipts Pool	0	0	0	600	600
Gain or Loss on Disposal of Non-Current Assets	0	(489)	0	22,128	21,639
Total expenditure	685,626	18,333	(8,717)	28,852	724,094
(Surplus) or deficit on the provision of services	213,027	(496)	36,598	(217,628)	31,501

2014/15 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	(171,965)	(17,730)	3,852	0	(185,843)
Interest and investment income	(2,054)	(40)	279	0	(1,815)
Income from council tax	0	0	0	(126,097)	(126,097)
Government grants and contributions	(261,322)	(922)	(3,852)	(130,131)	(396,227)
Total Income	(435,341)	(18,692)	279	(256,228)	(709,982)
Employee expenses	200,629	0	(6)	0	200,623
Other service expenses	379,825	8,104	(6,190)	(919)	380,820
Support Service recharges	43,041	185	0	0	43,226
Depreciation, amortisation and impairment	0	(3,092)	30,703	0	27,611
Interest Payments	34,873	2,995	(17,518)	0	20,350

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 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
Precepts & Levies	118	0	0	5,908	6,026
Payments to Housing Capital Receipts Pool	0	0	0	539	539
Gain or Loss on Disposal of Non-Current Assets	0	(67)	0	64,021	63,954
Total expenditure	658,486	8,125	6,989	69,549	743,149
(Surplus) or deficit on the provision of services	223,145	(10,567)	7,268	(186,679)	33,167

28. 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 Council or other organisations. Details of these units with a turnover of greater than £5m in 2015/16 are as follows:

		2015/16		2014/15	
		£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	(15,382)		(15,134)	
	Expenditure	15,759		15,437	
	(Surplus)/ Deficit		377		303
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	(5,512)		(6,998)	
	Expenditure	7,339		7,412	
	(Surplus)/ Deficit		1,827		414
The consolidated results of the other 17 of the Council's 19 trading units are	Turnover	(39,524)		(37,650)	
	Expenditure	44,132		48,832	
	(Surplus)/ Deficit		4,608		11,182
Net Surplus on Trading Activities			6,812		11,899

29. MEMBERS' ALLOWANCES

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

	2015/16 £000	2014/15 £000
Basic Allowances	846	851

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £000	2014/15 £000
Special Responsibility Allowances	282	286
Expenses	53	68
Total	1,181	1,205

30. 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	2015/16	£101,466	£0	£101,466	£13,698	£115,164
	2014/15	£99,981	£0	£99,981	£13,497	£113,478
Director of Adult Services (left January 2016)	2015/16	£81,383	£0	£81,383	£10,628	£92,011
	2014/15	£97,485	£0	£97,485	£13,160	£110,645
Director of Adult Services (started January 2016)	2015/16	£20,214	£0	£20,214	£2,729	£22,942
	2014/15	£0	£0	£0	£0	£0
Director of Children's Services	2015/16	£98,940	£0	£98,940	£13,357	£112,297
	2014/15	£97,485	£0	£97,485	£13,160	£110,645
Director of Commissioning	2015/16	£98,940	£0	£98,940	£13,357	£112,297
	2014/15	£97,485	£0	£97,485	£13,160	£110,645
Director of Public Health ^	2015/16	£98,781	£0	£98,781	£14,431	£113,212
	2014/15	£98,453	£0	£98,453	£13,783	£112,236
Director of Resources and Support (left December 2015) *	2015/16	£69,378	£0	£69,378	£9,264	£78,642
	2014/15	£97,485	£0	£97,485	£13,160	£110,645
Head of Legal and Democratic Services, Monitoring Officer	2015/16	£97,838	£0	£97,838	£13,208	£111,046
	2014/15	£96,620	£0	£96,620	£13,044	£109,664
Head of Finance, Governance & Assurance, S151 Officer °	2015/16	£96,600	£0	£96,600	£13,041	£109,641
	2014/15	£95,400	£0	£95,400	£12,879	£108,279
Head of Human Resource (reports to Chief Executive from January 2016)	2015/16	£20,400	£0	£20,400	£2,754	£23,154
	2014/15	£0	£0	£0	£0	£0

The Council's pension contributions 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 cannot be allocated to specific individuals.

^ An element of the total remuneration paid to the Director of Public Health was recharged to Herefordshire Council (£63,700) to reflect the shared arrangement for the Director of Public Health role.

* An element of the total remuneration paid to the Director of Resources & Support was recharged to ip&e Ltd (£78,642) to reflect the secondment arrangement during 2015/16. The Director Of Resources & Support also received a compromise agreement payment of £23,900 during 2015/16 in accordance with the Council's policy.

° An element of the total remuneration paid to the Head of Finance, Governance & Assurance is recharged to Shropshire County Pension Fund (£6,500), Shropshire & Wrekin Fire Authority (£15,640), West Mercia Energy (£4,000), and Marches LEP (£1,100) to reflect the various treasurer roles undertaken within those organisations.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

Salaried Remuneration Band £000	2015/16 No. of Employees	2014/15 No. of Employees
50,000 - 54,999	78	86
55,000 - 59,999	46	34
60,000 - 64,999	26	26
65,000 - 69,999	15	11
70,000 - 74,999	3	2
75,000 - 79,999	5	5
80,000 - 84,999	9	12
85,000 - 89,999	6	4
90,000 - 94,999	0	1
95,000 - 99,999	4	7
100,000 - 104,999	3	1
105,000 - 109,999	1	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. The figures disclosed include exit packages for schools and the Council.

	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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	102	27	106	90	208	117	1,240	924
£20,001 - £40,000	9	2	13	23	22	25	566	701
£40,001 - £60,000	0	0	12	11	12	11	616	531
£60,001 - £80,000	3	0	8	10	11	10	768	701
£80,001 - £100,000	0	0	3	4	3	4	256	372
£100,001 - £200,000	0	0	6	4	6	4	725	453
Total	114	29	148	142	262	171	4,171	3,682

31. 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 Council's external auditors:

	2015/16 £000	2014/15 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	134	179
Fees payable to external audit for the certification of grant claims and returns	14	15
Fees payable in respect of other services provided by the external audit during the year	21	13
Total	169	207

32. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Details of the deployment of DSG for 2015/16 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2015/16 before Academy recoupment	35,318	153,333	188,650
Central provision with Schools and De-delegated Budgets	4,240	(4,240)	0
Early Years Maintained Settings included in ISB on S251	(2,442)	2,442	0
Re-Allocation of High Needs to ISB	(2,216)	2,216	0
High Needs Commissioned Places	(6,095)	6,095	0
High Needs Recoupment	0	(4,278)	(4,278)
Academy figure recouped for 2015/16	0	(49,061)	(49,061)
Total DSG after Academy recoupment for 2015/16	28,805	106,507	135,311
Plus: Brought forward from 2014/15	2,629	(419)	2,210
Less: Carry forward to 2016/17 agreed in advance	0	0	0
Agreed budgeted distribution in 2015/16	31,434	106,088	137,522
In-year adjustments	0	290	290
Final budgeted distribution in 2015/16	31,434	106,378	137,812
Less: Actual central expenditure	(27,887)	0	(27,887)
Less: Actual ISB deployed to schools	0	(104,659)	(104,659)
Early Years PVI included in ISB on S251	0	(2,738)	(2,738)
Plus: Local authority contribution for 2015/16	0	0	0
Carry forward to 2016/17	3,547	(1,020)	2,527

33. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(43,760)	(57,058)
Local Services Support Grant	(241)	(305)
New Homes Bonus	(7,505)	(5,913)
Council Tax Freeze Grant	(1,325)	(1,307)
Business Rates Relief Grant	(3,673)	(2,988)
Efficiency Support for Sparse Areas	0	(163)
Capital Grants & contributions	(27,663)	(28,823)
Total	(84,167)	(96,557)
Credited to Services		
DWP Housing Benefit	(68,100)	(69,060)
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	(1,346)	(1,208)
DCLG Waste PFI	(3,186)	(3,186)
DCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(135,284)	(133,991)
DFE/DE Sixth Forms funding	(2,029)	(3,080)
DFE Pupil Premium Grant	(6,591)	(7,190)
DFE UFSM	(3,128)	(1,847)
DFE PE & Sports	(1,052)	(1,069)

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £000	2014/15 £000
Education Services Grant	(2,828)	(3,765)
DoH Public Health Grant	(11,032)	(9,843)
DfT Local Sustainable Transport	0	(977)
DCLG/DoH Adult Social Care New Burdens	(2,008)	0
Independent Living Fund Grant	(1,315)	0
Other Grants	(6,711)	(8,158)
Capital Grants & contributions	(9,622)	(8,832)
Total	(255,755)	(253,729)

The Council 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 2016 £000	31 March 2015 £000
Grants Receipts in Advance (Capital Grants)		
Other Grants & Contributions	(114)	(70)
Total	(114)	(70)
Grants Receipts in Advance (Revenue Grants)		
EFA Designated Schools Grant	(2,527)	(2,210)
DWP Housing Benefit Subsidy	(1,418)	0
CLG Tackling Troubled Families	(650)	(593)
Standards Fund	(354)	(549)
SEN Reform	(523)	(528)
Homelessness	(36)	(290)
Arts Council	(245)	(190)
CLG Social Services PFI	(210)	(210)
Police & Crime Commissioner - CCTV	(189)	0
Small Business Rate Relief Grant	0	(195)
EFA Pupil Premium Grant	0	(180)
Other Grants	(774)	(1,097)
Total	(6,926)	(6,042)

34. 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 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. 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 2015/16, the Council paid £8.232m to Teachers' Pensions in respect of teachers' retirement benefits. The contribution rate increased during the year from 14.1% in April 2015 to 16.48% in September 2015. The figures for 2014/15 were £7.946m 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.

In 2015/16, the Council paid £0.123m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.0% of pensionable pay. The figures for 2014/15 were £0.106m and 14.0%.

35. 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.

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(23,075)	(18,016)
- past service gain/(cost)	(8)	(360)
- curtailment gain/(cost)	(169)	2,083
	(23,252)	(16,293)
Financing and Investment Income and Expenditure:		
- net interest expense	(12,624)	(12,439)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(35,876)	(28,732)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	(24,276)	46,518
- experience (gain)/loss	0	0
- actuarial gains and (losses) arising on changes in demographic assumptions	0	(148,313)

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
- actuarial gains and (losses) arising on changes in financial assumptions	59,420	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(732)	(130,527)
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	35,876	28,732
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(20,441)	(20,129)

Assets and Liabilities Recognised in the Balance Sheet

	2015/16 £000	2014/15 £000
Present value of the defined benefit obligation	(1,085,538)	(1,114,833)
Fair value of plan assets	696,802	707,041
Net liability arising from defined benefit obligation	(388,736)	(407,792)

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Opening fair value of scheme assets at 1 April	707,041	646,316
Interest income	22,604	28,255
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	(24,276)	46,518
Contributions from employer	20,441	20,129
Contributions from employees into the scheme	5,324	5,300
Benefits paid	(34,728)	(37,083)
Other	396	(2,394)
Closing fair value of scheme assets at 31 March	696,802	707,041

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Opening balance at 1 April	(1,114,833)	(943,710)
Current Service Cost	(22,649)	(17,595)
Interest Cost	(35,228)	(40,694)
Contributions from scheme participants	(5,324)	(5,300)
Remeasurement gain/(loss):		

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Actuarial gains/(losses) arising from changes in demographic assumptions	0	(148,313)
Actuarial gains/(losses) arising from changes in financial assumptions	59,420	0
Other	0	0
Past service costs	(8)	(360)
Losses/(gains) on curtailment	(1,221)	(1,484)
Liabilities assumed on entity combinations	34,728	0
Benefits paid	1,658	37,083
Liabilities extinguished on settlements	(2,081)	5,540
Closing balance at 31 March	(1,085,538)	(1,114,833)

Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2015/16 £000	2014/15 £000
Cash and cash equivalents	11,985	21,989
Equity investments:		
UK quoted	52,259	58,260
Global quoted	303,527	309,471
Sub-total equity	355,786	367,731
Bonds:		
UK Government fixed	0	0
UK Government indexed	77,415	78,482
Government	0	0
PIMCO (Global Investment grade credit)	50,797	51,685
PIMCO (Global Absolute return bond fund)	51,076	50,271
Sub-total bonds	179,288	180,438
Property:		
Property funds	37,279	28,989
Sub-total property	37,279	28,989
Alternatives:		
Private Equity	30,520	29,484
Infrastructure	10,313	4,525
Hedge Funds	71,631	73,885
Sub-total alternatives	112,464	107,894
Total assets	696,802	707,041

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.9 yrs	23.8 yrs
Women	26.3 yrs	26.1 yrs
Longevity at 65 for future pensioners:		
Men	26.1 yrs	26.0 yrs
Women	29.1 yrs	29.0 yrs
Rate of inflation	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.5%	3.2%

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)	1,106,442	1,064,634
Rate of inflation (increase or decrease by 0.1%)	1,104,965	1,066,111
Rate of increase in salaries (increase or decrease by 0.1%)	1,089,041	1,082,035
Rate of increase in pensions (increase or decrease by 0.1%)	1,104,965	1,066,111
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,066,452	1,104,624

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 16 of the Shropshire County Pension Fund Annual Report.

Impact on the Council'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 £19.296m expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18 years for 2015/16 (18 years 2014/15).

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 their Disclosure of Pecuniary Interests 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 2015/16 was £24.741m compared with £31.773m for 2014/15.

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 £4.222m to organisations where members are employed and £0.210m 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 £0.493m has been made in contract payments to such organisations.

Entities Controlled or Significantly Influenced by the Council

As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. The Council received £0.977m from the pension fund for the costs of administration it provided in 2015/16 compared with £0.906m for 2014/15.

The Council also has group relationships with West Mercia Energy, Shropshire Towns & Rural Housing and IP&E Ltd. 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 89.

37. MARCHES LOCAL ENTERPRISE PARTNERSHIP

Shropshire Council, Telford & Wrekin Council and Herefordshire Council are Partners within the Marches Local Enterprise Partnership. The Partnership was launched in 2010 to create conditions for economic vitality and sustainable employment across the regions represented by the 3 Councils.

The Partnership is not a partnership in law, nor a formal decision making body, and does not have the power to bind the three Councils. The accountable body for the Marches LEP is Shropshire Council and all funding and transactions are processed through Shropshire Council's accounts. Shropshire Council's role within these transactions is deemed to be an agent, acting as an intermediary on behalf of the 3 Councils, therefore Shropshire Council accounts do not include the total income and expenditure for the Marches LEP. Instead, each Council within the Marches LEP will include any funding received from the Marches LEP and expenditure incurred in relation to LEP projects within their accounts. Accordingly any cash balances held by Shropshire Council in relation to the LEP is represented by a creditor within the Council's accounts.

Detailed below are the total funding received and expenditure paid out (cash) by Shropshire Council by 31st March in relation to the Marches LEP including the net creditor within Shropshire Council's balance sheet.

	2015/16	
	£000	£000
Opening Creditor 01 April 2015		(8,765)
Funding Received:		
Growth Deal	(12,800)	
DfT South Wye Package	(2,146)	
Growth Hub	(250)	
Core Funding	(250)	
Capacity Funding	(250)	
Match Funding – Partner Contributions	(121)	

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16	
	£000	£000
Marches Investment Fund	(120)	
Interest on Balances	(101)	(16,038)
Expenditure:		
Growth Deal Projects	6,866	
Growth Hub	247	
Capacity Funding Projects	504	
Marches Investment Fund Expenditure	49	
LEP Management Costs	289	7,955
Marches LEP Creditor		(16,848)

38. BETTER CARE FUND

Shropshire Council and Shropshire CCG are partners in the provision of a range of services including support to hospital admission avoidance, hospital discharge planning, carers support and housing. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006.

The aims and benefits of the Partners in entering in to this Agreement are to:

- ◆ improve the quality and efficiency of the Services;
- ◆ meet the National Conditions and Local Objectives as set out in the Better Care Fund plan;
- ◆ make more effective use of resources through the establishment and maintenance of an aligned fund for revenue expenditure on the Services;

Financing	2015/16		2014/15	
	£000		£000	
Funding provided to the pooled Budget:				
Shropshire Council	2,155		0	
Shropshire CCG	19,596		0	
	21,751		0	
Expenditure met from the pooled Budget:				
Shropshire Council	10,149		0	
Shropshire CCG	11,453		0	
	21,602		0	
Net underspend arising on the pooled budget during the year		149		0

39. 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

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.	(9,172)	21,184	223,408	0
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(4,152)	7,530	139,929	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(7,455)	1,650	279,278	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,073)	750	48,785	0
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	(40,571)	38,075	471,837	(13,937)
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	(28,212)	43,690	490,573	(4,031)

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.

40. CONTINGENT LIABILITIES

At 31 March 2016 Council had the identified the following contingent liabilities:

There are a number of legal cases outstanding that may result in future costs for the Council. These include:

- Numerous potential Article 5 claims for unlawful deprivations of liberty
- Article 8 claims by children accommodated when applications for a Care Order should have been made.
- Planning Inquiries
- S288 planning challenges outstanding
- Judicial Review for planning permission
- Judicial Review regarding DOLS funding
- Costs awarded against the Council in Barnsley Judicial Review.
- Costs from Hopton Heath Planning Judicial Review.
- Church Stretton library.

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 Council), and
- Energize Shropshire Telford & Wrekin (Grouped with Shropshire Council).

MENCAP no longer has active members, on closure they cleared their outstanding liabilities, they now have 7 pensioners and 1 deferred member Age Concern has 7 active members, 21 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 16 active members, 120 pensioners, 43 deferred members and 6 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 33 active members, 9 deferred members and 6 pensioners. 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 26 active members, 16 pensioners, 26 deferred members and 8 dependant. HMM Arts no longer has active members, on closure Shropshire Council has absorbed its asset and liabilities, they now have 3 deferred members and 2 pensioners .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 also provided guarantees to ip&e (Group) Ltd and Shropshire Towns & Rural Housing within the Shropshire County Pension Fund to fund any potential pension liabilities. On the closure of ip&e (Group) Ltd, all assets and liabilities were transferred back to the Council. The Council has also agreed for 1 Admission Body; Mayfair Trust who are contracting to run services under contract, to be grouped with the Council for accounting purposes. This means all Pension assets and liabilities stay with the Council.

The Council has entered into six “Funding and Development Agreements” with a Development Trust for construction of supported living properties. Under these agreements the Development Trust has provided the Council with funding totalling £2.696m 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.

The Council has made a provision for NDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

41. 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 postal services, car parking, landfill, leisure 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.

Section 6

Group Accounts

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2015 to 31 March 2016. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

In common with many other local authorities, the Council uses different forms of service delivery, where this is appropriate. In some cases it has created separate companies with its partners to deliver those services. The use of separate companies mean that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture. 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 21-40 have been adopted and applied for group account purposes.

The pages which follow contain the Group's Financial Statements for the year ended 31 March 2016, with comparative figures for the previous financial year.

IP&E LIMITED

IP&E Ltd is a trading company wholly owned by Shropshire Council. It was established to provide public services on the council's behalf and also to trade with other organisations. The company was incorporated on 30 May 2012. On 17 February 2016, Cabinet agreed to bring the Council's relationship with ip&e Ltd to an end and terminate the strategic contract between the two parties. It was also agreed to terminate the service contracts between the Council and ip&e Ltd with effect from 31 March 2016. In its role as sole shareholder, the Cabinet agreed that ip&e Ltd should cease trading as soon as possible and take necessary actions to remove the company from the companies register. Whilst trading ceased on 31 March 2016, liabilities and commitments remain that need to be resolved before the company can formally apply to be dissolved and removed from the companies register and therefore further financial transactions will be incurred in the 2016/17 financial year.

IP&E Ltd has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. Figures have been consolidated based on the audited statement of accounts for 31st March 2016. For 2015/16 IP&E Ltd had total income of £13.930m, total expenditure of £13.913m, assets of £1.531m and liabilities of £1.482m.

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 IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. For 2015/16 Shropshire Towns and Rural Housing Limited had total income of £13.590, total expenditure of £12.943m, assets of £5.126m and liabilities of £4.766m.

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 IFRS11 - Joint Arrangements and IAS 28 – Investments in Associates and 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 Council's share of West Mercia Energy's balances is 25.7%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2016. For 2015/16 West Mercia Energy had total income of £63.885m, total expenditure of £63.845m, assets of £14.128m and liabilities of £16.285m.

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 2015	15,206	55,027	3,076	1,635	3,954	78,898	312,161	391,059	(2,043)	389,016
Movement in reserves during 2015/16										
Surplus or (deficit) on the provision of services	(23,010)	0	496	0	0	(22,514)	0	(22,514)	(8,313)	(30,827)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	59,014	59,014	1,215	60,229
Total Comprehensive Income and Expenditure	(23,010)	0	496	0	0	(22,514)	59,014	36,500	(7,098)	29,402
Adjustments between Group Accounts and authority accounts	(8,987)	0	0	0	0	(8,987)	0	(8,987)	8,987	0
Net Increase/Decrease before Transfers	(31,997)	0	496	0	0	(31,501)	59,014	27,513	1,889	29,402
Adjustments between accounting basis and funding basis under regulations	40,975	0	2,251	1,167	2,658	47,051	(47,051)	0	9	9
Net Increase/Decrease before Transfers to Earmarked Reserves	8,978	0	2,747	1,167	2,658	15,550	11,963	27,513	1,898	29,411
Transfers to/from Earmarked Reserves	(5,814)	5,814	0	0	0	0	0	0	0	0
Increase/Decrease in 2015/16	3,164	5,814	2,747	1,167	2,658	15,550	11,963	27,513	1,898	29,411
Balance at 31 March 2016	18,370	60,841	5,823	2,802	6,612	94,448	324,124	418,572	(145)	418,427

GROUP ACCOUNTS

2014/15 Comparative Figures	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 2014	20,019	35,119	2,545	3,722	2,786	64,191	455,699	519,890	(568)	519,322
Movement in reserves during 2014/15										
Surplus or (deficit) on the provision of services	(27,226)	0	10,567	0	0	(16,659)	0	(16,659)	(15,914)	(32,573)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(95,664)	(95,664)	(2,090)	(97,754)
Total Comprehensive Income and Expenditure	(27,226)	0	10,567	0	0	(16,659)	(95,664)	(112,323)	(18,004)	(130,327)
Adjustments between Group Accounts and authority accounts	(16,508)	0	0	0	0	(16,508)	0	(16,508)	16,529	21
Net Increase/Decrease before Transfers	(43,734)	0	10,567	0	0	(33,167)	(95,664)	(128,831)	(1,475)	(130,306)
Adjustments between accounting basis and funding basis under regulations	58,829	0	(10,036)	(2,087)	1,168	47,874	(47,874)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	15,095	0	531	(2,087)	1,168	14,707	(143,538)	(128,831)	(1,475)	(130,306)
Transfers to/from Earmarked Reserves	(19,908)	19,908	0	0	0	0	0	0	0	0
Increase/Decrease in 2014/15	(4,813)	19,908	531	(2,087)	1,168	14,707	(143,538)	(128,831)	(1,475)	(130,306)
Balance at 31 March 2015	15,206	55,027	3,076	1,635	3,954	78,898	312,161	391,059	(2,043)	389,016

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	8,987	0	0	0	8,987	0	8,987	(8,987)	0
Total adjustments between Group Accounts and authority accounts	8,987	0	0	0	8,987	0	8,987	(8,987)	0

GROUP ACCOUNTS

The Group Comprehensive Income & Expenditure Statement

2014/15 Group Expenditure £000		SC Net Expenditure £000	2015/16 Adjustments £000	Group Expenditure £000
	Expenditure on Continuing Services			
72,166	Adult Social Care	74,601	0	74,601
5,824	Central Services to the public	5,392	525	5,917
54,281	Children's and Education Services	47,143	0	47,143
14,305	Cultural and Related Services	12,558	0	12,558
31,630	Environmental and Regulatory Services	49,157	0	49,157
28,100	Highways and Transport Services	18,569	0	18,569
(13,250)	Local Authority Housing (HRA)	(2,883)	(698)	(3,581)
4,608	Other Housing Services	4,992	0	4,992
5,404	Planning Services	8,031	0	8,031
(615)	Public Health	1,131	0	1,131
4,575	Corporate and Democratic Core	4,437	0	4,437
(485)	Non Distributed Costs	2,454	0	2,454
206,543	Net Cost of Services	225,582	(173)	225,409
70,519	Other Operating Expenditure	28,667	0	28,667
23,717	Financing and Investment Income and Expenditure	36,639	72	36,711
(267,672)	Taxation and Non Specific Grant Income	(259,387)	0	(259,387)
33,107	(Surplus)/Deficit on the provision of services	31,501	(101)	31,400
(534)	Associates & Joint Ventures Accounted for on an equity basis	0	(572)	(572)
32,573	Group (Surplus)/Deficit	31,501	(673)	30,828
(9,354)	(Surplus) or deficit on revaluation of non-current assets	(26,901)	0	(26,901)
3,223	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve	3,031	0	3,031
103,885	Remeasurement of pension assets and liabilities	(35,144)	(1,215)	(36,359)
97,754	Other Comprehensive Income and Expenditure	(59,014)	(1,215)	(60,229)
130,327	Total Comprehensive Income and Expenditure	(27,513)	(1,888)	(29,401)

GROUP ACCOUNTS

Group Balance Sheet at 31 March 2015

31 March 2015		SC	31 March 2016	
£000		£000	Adjustments	Group
			£000	£000
995,912	Property, Plant & Equipment	1,072,784	21	1,072,805
2,592	Heritage Assets	2,622	0	2,622
47,673	Investment Property	50,855	0	50,855
447	Intangible Assets	173	0	173
599	Assets Held for Sale	599	0	599
1,047,223	Total Non-Current Assets	1,127,033	21	1,127,054
400	Long Term Investment	400	0	400
(693)	Investments in Associates and Joint Ventures	0	(555)	(555)
7,147	Long Term Debtors	13,614	0	13,614
1,054,078	Total Long Term Assets	1,141,047	(534)	1,140,514
	Current Assets			
125	Current Held for Sale Investment Properties	160	0	160
3,635	Assets Held for Sale	5,860	0	5,860
41,730	Short Term Investments	58,850	0	58,850
1,016	Inventories	824	23	847
71,537	Short Term Debtors	67,430	509	67,939
71,077	Cash & Cash Equivalents	75,956	4,329	80,285
189,120	Total Current Assets	209,080	4,861	213,941
1,243,198	Total Assets	1,350,127	4,327	1,354,454
	Current Liabilities			
(10,131)	Bank Overdraft	(11,028)	0	(11,028)
(11,117)	Short Term Borrowing	(7,200)	0	(7,200)
(52,679)	Short Term Creditors	(62,785)	(2,604)	(65,389)
(3,585)	Provisions	(2,708)	0	(2,708)
(6,042)	Grants Receipts in Advance - Revenue	(6,926)	0	(6,926)
(70)	Grants Receipts in Advance - Capital	(114)	0	(114)
(83,624)	Total Current Liabilities	(90,761)	(2,604)	(93,365)
1,159,574	Total Assets Less Current Liabilities	1,259,366	1,723	1,261,089
	Long Term Liabilities			
(707)	Long Term Creditors	(695)	0	(695)
(328,968)	Long Term Borrowing	(323,968)	0	(323,968)
(22,676)	Other Long Term Liabilities	(118,426)	0	(118,426)
(410,310)	Pensions Liability	(388,736)	(1,869)	(390,605)
(7,897)	Provisions	(8,969)	0	(8,969)
(770,558)	Total Long Term Liabilities	(840,794)	(1,869)	(842,663)
389,016	Total Assets Less Liabilities	418,572	(146)	418,426
	Financed by:			
80,108	Usable Reserves	94,448	2,990	97,438
308,908	Unusable Reserves	324,124	(3,136)	320,988
389,016	Total Reserves	418,572	(146)	418,426

GROUP ACCOUNTS

Group Cash Flow Statement

2014/15 Group £000	Revenue Activities	SC £000	2015/16 Adjustments £000	Group £000
32,573	Net (surplus) or deficit on the provision of services	31,501	(674)	30,827
(95,200)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(107,502)	(801)	(108,303)
45,389	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	59,055	383	59,438
(17,238)	Net cash flows from operating activities	(16,946)	(1,092)	(18,038)
6,298	Investing activities	(4,658)	21	(4,637)
4,813	Financing activities	14,888	(524)	14,364
(6,127)	Net (increase) or decrease in cash and cash equivalents	(6,716)	(1,595)	(8,311)
54,819	Cash and cash equivalents at the beginning of the reporting period	58,212	2,734	60,946
60,946	Cash and cash equivalents at the end of the reporting period	64,928	4,329	69,257

GROUP ACCOUNTS

Notes to Group Accounts

G1. Consolidation of West Mercia Energy

Figures in respect of West Mercia Energy have been consolidated using the equity method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WME £000	SC Share (25.7%) £000
Turnover	(63,885)	(16,443)
Cost of Goods Sold and Operating Expenses	61,662	15,871
Interest and Investment Income	144	37
Net Operating Surplus	(2,079)	(535)
Distribution of Surplus to Member Authorities	2,039	525
NET SURPLUS FOR THE YEAR	(40)	(10)

G2. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£13.590m) and expenditure (£12.892m) of Shropshire Towns & Rural Housing Limited, giving a net income of £0.698m has been included within Local Authority Housing (HRA) in the Net Cost of Services. The inter-company transactions with Shropshire Council have been excluded from Local Authority Housing (HRA) (Income/Expenditure £11.574m).

G3. Consolidation of IP&E Ltd

The operating income (£13.930m) and expenditure (£13.913m) of IP&E Ltd, giving a net income of £0.016m has been included within Surpluses/deficits on Trading Activities. The inter-company transactions with Shropshire Council have been excluded from Surpluses/deficits on Trading Activities (Income/Expenditure £2.586m).

G4. Investment included in Group Balance Sheet

	WME £000	SC Share (25.7%) £000
Assets		
Plant & Equipment	27	7
Short term debtors	9,151	2,355
Cash and cash equivalents	4,950	1,274
Total Assets	14,128	3,636
Liabilities		
Short term creditors	(11,335)	(2,918)
Other long term liabilities	(4,950)	(1,274)
Total Liabilities	(16,285)	(4,192)
Net Investments in Associates and Joint Ventures	(2,157)	(554)

Section 7

**Pension Fund
Accounts**

Introduction

During the year the Shropshire Fund decreased in value by £19 million to be valued at £1.494 billion at the end of the year. The Fund decreased in value by 0.6% over the year and underperformed its benchmark by 1.3%. This is the first year in seven years the fund has decreased in value, this was largely due to the fall in equity markets throughout the year.

The Shropshire Fund had a variety of positive and negative investment returns in a number of asset classes during the year. The strongest returns were experienced in Private Equity where the Fund's investments increased in value by a notable 19.9% in the year. The Fund has also achieved strong returns in Property rising by 14.3% and Infrastructure increasing by 11.8%. The Funds allocation to Index Linked Bonds also increased by 1.9% in line with the index. However, Hedge Funds delivered a negative return of 3.5% and all of the equity managers with the exception of MFS delivered negative returns during the year.

The Pensions Committee determine the strategic asset allocation for the Fund. This outlines the proportion of assets that the Fund invests in equities, bonds and alternative assets such as property. This is the most important decision that the Committee makes because it has the biggest impact on the long term returns of the Fund.

The Pensions Committee undertakes thorough monitoring of the Fund's investment managers and is prepared to make changes in response to investment underperformance or new investment opportunities.

During 2015/16, the Committee together with Officers and Aon Hewitt have been reviewing the Fund's investment strategy. This included building a greater understanding of the Fund's investment risk relative to its liabilities. A number of potential improvements to the investment strategy were reviewed and two recommendations have now been approved.

The 7.5% allocation to Investment Grade Bonds managed by PIMCO was reviewed during 2015/16. This was due to strong returns being generated since 2009 but the future outlook for Investment Grade Bonds now appears limited by low yields, low credit spreads and declining liquidity. All of this allocation was replaced by more Unconstrained Bond Funds in early 2016 which provides further diversification within the Fund and improves the Fund's risk adjusted returns going forward. The defining feature of unconstrained strategies is the flexibility in their approach to asset allocation and security selection within the global bond universe, which can offer better returns and more downside protection.

It was also agreed at Pension Committee to commence the appointment process for a Liability Driven Investment (LDI) manager to replace the existing holding in Index Linked Gilts. The present value of the Fund's liabilities, as measured by the Fund's Actuary, will increase if long term gilt yields (interest rates) fall and if long term inflation rises. If this is not matched by a corresponding rise in the Fund's asset value then the overall funding level will fall. The current investment strategy has a 10% allocation to index-linked gilts which will move in a similar way to the liabilities as interest rates and inflation changes. By appointing an LDI manager it enables the Fund to more efficiently match its assets to the interest rate and inflation movements of its liabilities by either increasing the level of liability matching while maintaining the allocation to growth assets or achieve the same level of liability matching while increasing the allocation to growth assets.

PENSION FUND ACCOUNTS

In March 2016 the Fund reduced its allocation in investment grade corporate bonds by 7.5% by redeeming funds from PIMCO and increasing the allocation to absolute return bonds. In May 2016 the 10% allocation to index linked bonds was also terminated to fund the new allocation to absolute return bonds and Liability Driven Investment. There were no other Fund manager changes during the financial year.

It is expected that these appointments will provide further diversification of returns, improve the efficiency of the Fund's matching assets, specifically to match the movement of the Fund's liabilities caused by interest rates and inflation, independent of the allocation to return seeking assets and will help maintain the high standards expected from Shropshire's investment managers.

The Fund undergoes an independent actuarial valuation every 3 years. The latest actuarial valuation was conducted at the end of March 2013, identifying that the Fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 76%. The next actuarial valuation is being undertaken in March 2016 and the results will be known in November 2016.

As a local government pension scheme the Fund is able to take a long term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way. Whilst there is a lot written in the press about gold plated public sector pensions the reality is very different. The average pension paid from the Shropshire Fund last year was £4,400.

The Government's investment pooling agenda has meant that the Shropshire Fund has been working extremely hard during the year with eight other Funds in the Midlands region in order to meet the tight deadlines set by Government to pool assets by 1 April 2018. The pace of change will only continue to accelerate, most notably with the introduction of LGPS investment asset pooling.

LGPS Central is a major strategic collaboration of eight LGPS funds across the Midlands region. It will be a multi-asset manager, investing approximately £35 billion of assets on behalf of its member funds from 2018 onwards. The aims of LGPS Central will be to deliver cost savings, to build on the existing investment expertise of its member funds through increased scale, resilience, and sharing of knowledge, and to have in place strong governance and decision-making arrangements. It will also aim to make the best use of a blend of internal and external investment management. Working with our partners to develop and implement LGPS Central will be a major strategic focus for the fund over the next two years.

The Pensions Administration Team have had a busy year embedding the Career Average Revalued Earnings (CARE) Scheme, introduced on 1 April 2014. The CARE Scheme brought with it increased workloads and complexities which meant that some existing processes required updating and training was required for the team as well as Fund Employers.

Throughout the year Fund Employers have been supported to try and ensure the data they have to provide to the team is supplied according to the Scheme regulations. To assist with this a middleware service called iConnect went live with two of the largest Fund employers. This enabled data to be transferred directly from the employer's payroll system into the

PENSION FUND ACCOUNTS

Pensions administration system. This has helped improve the accuracy of the data received by the Fund.

Members have been kept up to date through the year via various newsletters and updates. The website has been constantly updated with the latest Pensions news and more members are now using the on-line facilities.

PENSION FUND ACCOUNTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

2014/15 £000		2015/16 £000
	Income	
	Contributions	
(44,657)	Employers (Note 7)	(45,854)
(14,134)	Employees (Note 7)	(14,235)
(4,339)	Transfers In from other pension funds (Notes 3, 7)	(2,373)
(63,130)	Total Income	(62,462)
	Expenditure	
	Benefits Payable	
51,090	Pensions (Note 7)	53,069
10,842	Commutation of pensions and lump sum retirement benefits (Note 7)	9,488
1,202	Lump Sums (Note 7)	1,074
	Payment to & Account of Leavers	
81	Refund of contributions (Note 7)	245
4,312	Transfers to other funds (Notes 3, 7)	4,259
67,527	Total Expenditure	68,135
4,397	Net additions from dealings with scheme members	5,673
13,764	Management Expenses (Note 8)	13,097
	Returns on Investments	
(19,248)	Investment Income (Notes 3, 9, 14)	(19,322)
(16,767)	(Gain)/loss on cash and currency hedging	(12,277)
20	Taxes on Income (Note 10)	20
(155,698)	Profits and losses on disposal of investments and changes in value of investments (Note 11)	31,554
(191,693)	Net (increase) / decrease in the net assets available for benefits during the year	(25)
(173,532)	(Surplus) / deficit on the pension fund for the year	18,745
1,339,203	Opening net assets of the scheme	1,512,735
1,512,735	Closing net assets of the scheme	1,493,990

PENSION FUND ACCOUNTS

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2016

31 March 2015		31 March 2016	
£000		£000	%
	Investment Assets		
228,604	Equities	213,865	14.32
	Pooled Investment Vehicles		
159,821	Unitised Investment Vehicles	162,999	10.91
1,082,132	Other Managed Funds	1,077,783	72.14
	Cash Deposits		
39,915	Deposits	38,116	2.55
3,380	Temporary Investments (Note 279)	860	0.06
1,513,852	Total Investment Assets	1,493,623	99.98
	Current Assets		
2,044	Contributions due from Employers (Note 18)	2,262	0.15
1,288	Other Current Assets (Note 18)	1,835	0.12
20	Cash Balances (Note 27)	5	0.00
	Current Liabilities		
(505)	Unpaid Benefits (Note 19)	(380)	(0.03)
(3,964)	Other Current Liabilities (Note 19)	(3,355)	(0.22)
1,512,735	Net Assets of the Scheme - Available to Fund Benefits as at 31 March	1,493,990	100.00

NOTES TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

1. DESCRIPTION OF FUND

The Shropshire County Pension Fund is part of the Local Government Pension Scheme and is administered by Shropshire Council. The Council is the reporting entity for this Pension Fund.

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined benefit pension scheme administered by Shropshire Council to provide pensions and other benefits for pensionable employees of Shropshire Council and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Shropshire County Pension Fund Committee, which is a committee of Shropshire Council.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Shropshire County Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 152 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2016	31 March 2015
Number of employers with active members	114	99
Number of employees in the scheme		
Shropshire Council	7,605	7,166
Other employers	9,264	8,980
Total	16,869	16,146
Number of pensioners in the scheme		
Shropshire Council	4,806	4,686
Other employers	4,838	4,723
Total	9,644	9,409

PENSION FUND ACCOUNTS

Shropshire County Pension Fund	31 March 2016	31 March 2015
Number of deferred pensioners in the scheme		
Shropshire Council	7,755	7,265
Other employers	7,919	7,184
Total	15,674	14,449

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was as at 31 March 2013. Currently, employer contribution rates range from 5.4% to 28.0% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 X final pensionable salary	Each year worked is worth 1/60 X final pensionable salary
Lump Sum	Automatic lump sum of 3x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate. Employers deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations (see note 7). Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 7). Bulk (group) transfers are included for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is also disclosed in the Net Assets Statement as a current financial asset.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and is therefore exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and in 2015/16 this figure is £19,575.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee will be performance related :-

Majedie Asset Management – UK Equities

Pimco Europe Ltd – Absolute Return Bonds

MFS Investment Management –Global Equities

Blackrock – Hedge Fund

Investec Asset Management – Global Equities

Harris Associates – Global Equities

Brevan Howard – Multi Strategy Hedge Fund

Performance related fees in 2015/16 £2.640m (2014/15 £3.928m).

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015/16, £0.007m of fees is based on such estimates (2014/15 £0.013m).

Net Assets Statement

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the day the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined as follows:

PENSION FUND ACCOUNTS

- Market quoted investments are valued by the bid market price ruling on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund manager in accordance with the International Private Equity and Venture Capital Valuation guidelines 2012.
- Investments in infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published. If single priced they are valued at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of withholding tax.
- Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.
- Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.
- The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
- Shropshire County Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. Please see note 20 for further information.

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012.

The pension fund liability is calculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in note 17. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. ASSUMPTIONS MADE ABOUT ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year.

PENSION FUND ACCOUNTS

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £65.7 million. There is a risk that this investment may be under or over-stated in the accounts.
Hedge Funds	The hedge funds are valued at the sum of the fair values provided by the Administrators of the underlying funds plus any adjustments deemed necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £149.1 million. There is a risk that these investments may be under/over - stated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2016 and when these accounts were authorised that require any adjustments to be made.

7. ANALYSIS OF THE MAIN REVENUE ACCOUNT TRANSACTIONS

The following table provides further analysis of contributions received and benefits paid between the Administering Authority (Shropshire Council), Designated Bodies and Scheme Employers (Unitary, Town and Parish Councils) and Admission Bodies (Private bodies carrying out former Local Government functions or bodies providing a public service on a non-profit making basis).

2015/16	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
<u>Contribution Received</u>				
Employees	5,289	2,234	6,712	14,235
Employers	18,687	6,997	20,170	45,854
Transfers In	1,375	76	922	2,373
Total Income	25,351	9,307	27,804	62,462
<u>Payments Made</u>				
Pensions	32,484	6,261	14,324	53,069
Lump Sums	3,928	1,982	3,578	9,488
Death Benefits	405	58	611	1,074
Refunds	80	21	144	245
Transfers Out	351	374	3,534	4,259

PENSION FUND ACCOUNTS

Total Expenditure	37,248	8,696	22,191	68,135
2014/15 comparative figures	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
<u>Contribution Received</u>				
Employees	(5,306)	(2,269)	(6,559)	(14,134)
Employers	(18,732)	(7,154)	(18,771)	(44,657)
Transfers In	(1,142)	(2,012)	(1,185)	(4,339)
Total Income	(25,180)	(11,435)	(26,515)	(63,130)
<u>Payments Made</u>				
Pensions	31,725	5,806	13,559	51,090
Lump Sums	5,643	1,796	3,403	10,842
Death Benefits	454	129	619	1,202
Refunds	45	3	33	81
Transfers Out	1,730	762	1,820	4,312
Total Expenditure	39,597	8,496	19,434	67,527

This table breaks down the employers contributions amount of £45.854m from the above table.

	2015/16	2014/15
	£000	£000
Employers normal contributions	31,199	30,860
Employers deficit contributions	11,333	10,639
Employers augmentation contributions	3,322	3,158
	45,854	44,657

8. MANAGEMENT EXPENSES

This analysis of the costs of managing the Shropshire County Pension Fund during the period has been prepared in accordance with CIPFA guidance.

	2015/16	2014/15
	£000	£000
Administrative costs	817	785
Investment management expenses	11,673	12,451
Oversight and governance costs	607	528
	13,097	13,764

Each external Investment Manager receives a fee for their services based on the market value of the assets they manage on the Funds behalf. Active managers are required to produce a specific target return in excess of their benchmark return and are paid a performance related fee (over and above a basic fee) for reaching required levels of outperformance. The management fees disclosed also include all investment management fees directly incurred by the Fund by pooled fund investments.

PENSION FUND ACCOUNTS

The investment management expenses shown below includes £2.640m (2014/15 £3.928m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £0.449m in respect of transaction costs (2014/15 £0.404m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of Investments (see note 11A).

	2015/16 £000	2014/15 £000
Management Fees	7,098	7,186
Performance Fees	2,640	3,928
Other Fees	1,435	841
Transaction Costs	449	404
Custody Fees	51	92
	11,673	12,451

The costs incurred by the Council in administering the Fund totalled £0.817m for the year ended 31 March 2016 (2014/15 £0.785m).

	2015/16 £000	2014/15 £000
Employee Costs	541	525
IT	155	129
Printing & Postage	62	60
Office Accommodation	28	22
Subscriptions	14	22
Other Costs	17	27
	817	785

The costs incurred by the Council in Oversight and Governance totalled £0.607m for the year ended 31 March 2016 (2014/15 £0.528m).

	2015/16 £000	2014/15 £000
Investment advice	294	202
Employee costs (pensions investment)	138	108
Actuarial advice	5	75
Responsible engagement overlay	48	40
Professional fees	23	23
External audit	27	23
Performance analysis	23	22
Internal audit	17	17
Legal & Committee	15	15
Other Costs	17	3
	607	528

PENSION FUND ACCOUNTS

9. INVESTMENT INCOME

The table below analyses the investment income received by the Fund (mostly in the form of dividends) over the last 12 months.

	2015/16 £000	2014/15 £000
Interest from Fixed Interest Securities	0	(421)
Dividends from equities	(6,508)	(6,229)
Income from pooled investment vehicles	(3,649)	(3,097)
Interest on cash deposits	(22)	(25)
Other	(9,143)	(9,476)
	119,322	(19,248)

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2015/16 £000	2014/15 £000
Withholding tax – Fixed interest securities	0	0
Withholding tax - equities	20	8
Withholding tax - pooled	0	12
	20	20

11A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type	Value as at 1 April £000	Purchases at cost & derivative payments £000	Sale proceeds & derivative receipts £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
2015/16						
Equities	228,604	84,236	(79,570)		(19,405)	213,865
Pooled Investment Vehicles – Unitised Investment Vehicles	159,821	0	0		3,178	162,999
Pooled Investment Vehicles – Other Managed Funds	1,082,132	156,834	(143,357)	(2,460)	(15,366)	1,077,783*
Sub total	1,470,557	241,070	(222,927)	(2,460)	(31,593)	1,454,647
Cash deposits – with Managers	39,915	8,468	(8,517)	(1,789)	39	38,116
Temporary Investments	3,380			(2,520)		860
Total	1,513,852	249,538	(231,444)	(6,769)	(31,554)**	1,493,623

PENSION FUND ACCOUNTS

Investment type	Value as at 1 April		Purchases at cost & derivative payments		Sale proceeds & derivative receipts		Other cash transactions		Change in market value		Value as at 31 March	
2014/15 comparative figures	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities – Public Sector	61,798		3,643		(65,380)				(61)			0
Equities	207,853		89,382		(87,992)				19,361			228,604
Pooled Investment Vehicles – Unitised Investment Vehicles	131,773		0		0				28,048			159,821
Pooled Investment Vehicles – Other Managed Funds	912,315		116,035		(55,181)				108,963			1,082,132*
Derivative contracts	638		0		(21)				(617)			0
Sub total	1,314,377		209,060		(208,574)		0		155,694			1,470,557
Cash deposits – with Managers	22,241						17,670		4			39,915
Cash deposits – margin balances	(43)						43					0
Temporary Investments	2,650						730					3,380
Total	1,339,225		209,060		(208,574)		18,443		155,698**			1,513,852

* Within the Pooled Investment Vehicles - other managed funds total of £1077.783m are £214.739m of level 3 investments as at 31 March 2016. The value of the level 3 investments were £218.741m as at 1st April 2015 which increased to £214.739m as at 31 March 2016. The decrease in value is due to purchases of £23.896m, sales of £22.247m and change in market value of -£5.651m.

** The total change in market value for 2015/16 as per the table above is -£31.554m. This figure is made up of profit on sales of £28.599m and also the difference between book cost and market value for the whole Fund which for 2015/16 was -£60.153m.

11B. ANALYSIS OF INVESTMENTS (EXCLUDING DERIVATIVE CONTRACTS)

	2015/16 £000	2014/15 £000
Fixed Interest Securities		
Overseas		
Public sector quoted	0	0
Total Fixed Interest Securities	0	0
Equities		
UK		
Quoted	103,007	103,656
Overseas		
Quoted	110,858	124,948
Total Equities	213,865	228,604
Pooled Funds – additional analysis		
UK		
Index Linked Bonds	162,999	159,821
Unit Trusts	11,075	10,410
Overseas		
Unit Trusts	753,072	780,065
Hedge Funds	149,051	154,404

PENSION FUND ACCOUNTS

	2015/16 £000	2014/15 £000
Pooled property investments	77,526	62,970
Private Equity	65,688	64,337
Infrastructure	21,371	9,946
Total Pooled Funds	1,240,782	1,241,953
Total	1,454,647	1,470,557

12. ANALYSIS OF DERIVATIVES

Between November 2007 and September 2013 the Fund passively hedged 50% of all currency exposure to eliminate some of the risks over the longer term involved in holding an increased proportion of overseas investments. In 2013 a decision was made to terminate the contract with Northern Trust who provided this service due to the restructure of the Fund which took place on 30 September 2013.

From September 2013, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling.

13. CASH EQUITISATION

During 2013/14, following a review of the Fund structure, a decision was taken to terminate the Fund cash equitisation programme. This was designed to reduce risk by maintaining the Fund close to its strategic asset allocation and minimise the drag on investment performance caused by holding cash. This was completed using futures.

Following on from the restructure cash equitisation is no longer required as this is now managed within the Pension Fund team.

14. STOCK LENDING

The Fund participates in a stock lending programme with its Custodian, Northern Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Collateral is restricted to AAA Sovereign debt (the highest rated collateral available).

Collateralised lending generated income of £0.079m in 2015/16 and this is included within investment income in the Pension Fund Account. At 31 March 2016 £7.971m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £8.604m worth of collateral representing 108% of stock lent.

Although stock lending involves the transfer of title of those securities to the borrower, the lender's rights to the normal benefits and corporate actions that would have arisen had the asset not been lent are protected. The lender thus retains an economic interest in the securities transferred. During the period stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

PENSION FUND ACCOUNTS

15A. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2016			31 March 2015		
	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Financial Assets						
Equities	213,865	0	0	228,593	0	0
Pooled Investment Vehicles – Unitised Investment Vehicles	162,999	0	0	159,821	0	0
Pooled Investment Vehicles – Other Managed Funds	1,077,783	0	0	1,082,132	0	0
Cash	0	38,981	0	0	43,325	0
Debtors	0	4,097	0	0	3,332	0
Total Assets	1,454,647	43,078	0	1,470,546	46,657	0
Financial Liabilities						
Creditors	0	0	(3,735)	0	0	(4,468)
Total Liabilities	0	0	(3,735)	0	0	(4,468)
Total	1,454,647	43,078	(3,735)	1,470,546	46,657	(4,468)

15B. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2015/16 £000	2014/15 £000
Financial Assets		
Fair value through profit and loss	(31,554)	155,698
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
	(31,554)	155,698

15C. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1:

Financial instruments at level 1 are those where the fair values are derived from unadjusted

PENSION FUND ACCOUNTS

quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2:

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3:

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly, however, lag a quarter behind so the valuation in the accounts is as at 31st December 2015. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant unobservable inputs
				Level 1	Level 2	Level 3
2015/16			£000	£000	£000	£000
Equities	Majedie Asset Management	UK Equities	105,961	105,961		
	Harris Associates	Global Equities	107,897	107,897		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	162,999	162,999		
	Majedie Asset Management	UK Pooled Fund	11,075	11,075		
	Pimco Europe Ltd	Global Aggregate Bonds	104,506	104,506		

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Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant unobservable inputs
				Level 1	Level 2	Level 3
			£000	£000	£000	£000
2015/16						
	MFS	Global Equities	134,460	134,460		
	HarbourVest Partners Ltd	Private Equity	65,688			65,688
	Aberdeen	Property Unit	77,525		77,525	
	Property Investors	Trusts				
	Blackrock	Hedge Fund	75,029			75,029
	Global Infrastructure Partners	Infrastructure	21,371		21,371	
	Legal & General	Global Equities	290,816	290,816		
	Investec	Global Equities	124,194	123,194		
	Brevan Howard	Hedge Fund	74,022			74,022
	Blackrock	Fixed Interest	100,096	100,096		
Net Current Assets (incl cash)			39,351	39,351		
Total			1,493,990	1,180,355	98,896	214,739

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant unobservable inputs
				Level 1	Level 2	Level 3
			£000	£000	£000	£000
2014/15						
Equities	Majedie Asset Management	UK Equities	114,245	114,245		
	Harris Associates	Global Equities	114,348	114,348		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	159,821	159,821		
	Majedie Asset Management	UK Pooled Fund	10,410	10,410		
	Pimco Europe Ltd	Global Aggregate Bonds	213,878	213,878		
	MFS	Global Equities	132,423	132,423		
	HarbourVest Partners Ltd	Private Equity	64,337			64,337
	Aberdeen	Property Unit	62,971		62,971	
	Property Investors	Trusts				
	Blackrock	Hedge Fund	77,314			77,314
	Global Infrastructure Partners	Infrastructure	9,946		9,946	
	Legal & General	Global Equities	304,277	304,277		
	Investec	Global Equities	129,486	129,486		
	Brevan Howard	Hedge Fund	77,090			77,090
Net Current Assets (incl cash)			42,189	42,189		
Total			1,512,735	1,221,077	72,917	218,741

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk the Pension Fund Officers and the Fund investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by Fund Officers to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

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Asset Type	Potential market movements (+/-)
UK Equities	10.7%
Global Equities	9.8%
Property	2.4%
Private Equity	4.6%
Hedge Funds	4.6%
Absolute Return Bonds	2.8%
UK ILG over 5 years	9.6%
Infrastructure	4.6%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset type	Value as at 31 March	Potential market movement	Value on increase	Value on decrease
2015/16	£000	£000	£000	£000
Net Assets including Cash	39,343	0	39,343	39,343
Investment Portfolio Assets				
UK Equities	114,082	12,207	126,289	101,875
Global Equities	659,329	64,614	723,943	594,715
Corporate Bonds	204,602	5,729	210,331	198,873
Property	77,525	1,861	79,386	75,664
Private Equity	65,688	3,022	68,710	62,666
Hedge Funds	149,051	6,856	155,907	142,195
UK Index linked Gilts over 5 years	162,999	15,648	178,647	147,351
Infrastructure	21,371	983	22,354	20,388
Total assets available to pay benefits	1,493,990	110,920	1,604,910	1,383,070

Asset type	Value as at 31 March	Potential market movement	Value on increase	Value on decrease
2014/15	£000	£000	£000	£000
Net Assets including Cash	42,189	0	42,189	42,189
Investment Portfolio Assets				
UK Equities	114,066	11,749	125,815	102,317
Global Equities	691,124	61,925	753,049	629,199
Corporate Bonds	213,878	5,497	219,375	208,381
Property	62,970	2,286	65,256	60,684
Private Equity	64,337	3,120	67,457	61,217
Hedge Funds	154,404	7,056	161,460	147,348
UK Index linked Gilts over 5 years	159,821	15,327	175,148	144,494
Infrastructure	9,946	433	10,379	9,513
Total assets available to pay benefits	1,512,735	107,393	1,620,128	1,405,342

PENSION FUND ACCOUNTS

Interest rate risk

The Fund invests in financial assets e.g. corporate and index linked bonds for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest movements as at 31 March 2016 and 31 March 2015 is set out in the following table. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	As at 31 March 2016 £000	As at 31 March 2015 £000
Cash and cash equivalents	35,656	39,915
Cash balances	5	20
Index Linked Bonds	162,999	159,821
Corporate Bonds	204,602	213,878
Total change in assets available	403,262	413,635

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

The following analysis shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates assuming all variables, in particular exchange rates, remain constant.

Asset type	Carrying amount £000	Effect on asset values	
As at 31 March 2016	£000	+100BPS £000	-100BPS £000
Cash and cash equivalents	35,656	0	0
Cash balances	5	0	0
Index Linked Bonds (average 25 years)	162,999	(40,750)	40,750
Absolute Return Strategy IV Fund (-1.87 years)	104,506	4,013	(4,013)
Global Investment Grade Credit Fund (5.67 years)	100,096	(1,692)	1,692
Total change in assets available	403,262	(38,428)	38,428

Asset type	Carrying amount £000	Effect on asset values	
As at 31 March 2015	£000	+100BPS £000	+100BPS £000
Cash and cash equivalents	39,915	0	0
Cash balances	20	0	0
Index Linked Bonds (average 25 years)	159,822	(39,955)	39,955
Absolute Return Strategy IV Fund (-1.87 years)	106,473	1,991	(1,991)
Global Investment Grade Credit Fund (5.67 years)	107,405	(6,090)	6,090
Total change in assets available	413,635	(44,054)	44,054

PENSION FUND ACCOUNTS

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

During 2015/16 the Fund received £0.022m in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.055m. The impact of a 1% fall in interest rates would be a £0.022m reduction in interest received as this would imply negative interest rates. It is therefore assumed no interest would have been received or charged on these investments.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than £ sterling. The following table summarises the Fund's currency exposure as at 31 March 2016 and as at the previous year end:

Currency exposure – asset type	As at 31 March 2016 £000	As at 31 March 2015 £000
Overseas Equities	354,361	368,515
Overseas Pooled Equity	100,096	0
Overseas Private Equity	68,239	67,925
Overseas Pooled Property	24,320	15,043
Overseas Government Bonds	22,948	0
Overseas Infrastructure	0	16,067
Total change in assets available	569,964	467,550

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6% (as measured by one standard deviation). A 6% fluctuation in the currency is considered reasonable based on historical movements in the month end exchange rates over a rolling 36 month period assuming all other variables, in particular, interest rates, remain constant. A 6% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 2016 £000	Change in year in the net assets available to pay benefits	
As at 31 March 2016	£000	+6% £000	-6% £000
Overseas Equities	354,361	375,425	333,296
Overseas Fixed Interest	100,096	106,046	94,146
Overseas Private Equity	68,239	72,296	64,183
Overseas Pooled Property	24,320	25,766	22,874
Overseas Infrastructure	22,948	24,312	21,584
Total change in assets available	569,964	603,845	536,083

PENSION FUND ACCOUNTS

Currency exposure - asset type	Carrying amount	Change in year in the net assets available to pay benefits	
		+5%	-5%
As at 31 March 2015	£000	£000	£000
Overseas Equities	368,515	386,941	350,089
Overseas Private Equity	67,925	71,321	64,529
Overseas Pooled Property	15,043	15,795	14,291
Overseas Infrastructure	16,067	16,870	15,264
Total change in assets available	467,550	490,927	444,173

Credit Risk

Credit risk is the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, (the Fund currently does not hold any but derivatives positions would be an exception here, where risk equates to the net market value of a positive derivative position). However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The investment priorities for the management of the pension fund revenue cash held for day to day transactions are the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction of minimisation of risk. Accordingly, the Administering Authority 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 Administering Authority's creditworthiness policy which the Pension Fund has also adopted and approved as part of the annual Pension Fund Treasury strategy.

The Fund's lending list is reviewed continuously in conjunction with the Administering Authority's treasury advisor. The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. The maximum amount is currently limited to £4,000,000. With security of capital being the main priority, lending continues to be restricted to highly credit rated institutions, part nationalised institutions and other Local Authorities. In addition to credit ratings the Administering Authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

Asset type	Rating	As at 31 March	As at 31 March
		2016	2015
		£000	£000
Natwest Instant Access Account	BBB+	0	1,380
Handelsbanken Instant Access Account	AA	860	2,000
Total		860	3,380

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also to meet investment commitments.

The Fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2016 was £24.747m. The Fund does not have access to an overdraft facility. All financial liabilities at 31 March 2016 are due within one year.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation was undertaken as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The Funding strategy statement specifies a target period for achieving full funding of 19 years (19 years as at the 2010 valuation). For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2013 actuarial valuation, the Fund was assessed as 76% funded (81% at the March 2010 valuation). This corresponded to a deficit of £383 million (2010 valuation was £226 million) at that time. Revised contributions set by the 2013 valuation were introduced in 2014/15 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 14.0% of pensionable pay.

The valuation of the Fund has been undertaken by the projected unit method under which the salary increase assumed for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

PENSION FUND ACCOUNTS

Financial assumptions	31 March 2013	31 March 2010
Discount rate	4.95% p.a.	6.25% p.a.
Assumed long term CPI inflation	2.6% p.a.	3.0% p.a.
Salary increases – long term	4.1% p.a.	4.5% p.a.
Salary increases – short term	1% p.a. for 3 years	In line with Government proposals
Pension increases in payment	2.6% p.a.	3.0% p.a.

Mortality assumptions	Male	Female
Current pensioners (at age 65)	23.7	26.0
Future pensioners (assumed current age 45)	25.9	28.8

18. ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2016. An analysis of debtors is shown below:

	2015/16 £000	2014/15 £000
Central Government bodies	5	9
Other Local Authorities	1,949	1,679
NHS Bodies	0	1
Other entities and individuals	2,143	1,643
Total	4,097	3,332

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2016. An analysis of creditors is shown below:

	2015/16 £000	2014/15 £000
Other Local Authorities	1,852	1,239
Other entities and individuals	1,883	3,230
Total	3,735	4,469

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Scheme members have the option to make Additional Voluntary Contributions (AVC's) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093).

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member.

At present there are around 497 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2015/16 contributions to the schemes amounted to £0.474m. The combined value of the AVC funds as at 31 March 2016 was £4.276m.

21. RELATED PARTY TRANSACTIONS

The Shropshire County Pension Fund is administered by Shropshire Council. Consequently there is a strong relationship between the Council and the Pension Fund. Shropshire Council incurred costs of £0.977m (2014/15 £0.906m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

Shropshire Council is also the single largest employer of members of the pension fund and contributed £18.523m (2014/15 £18.686m). All monies owing to the Fund were paid across in the year. The Scheme Administrator of the Shropshire County Pension Fund is also the Head of Finance, Governance & Assurance for Shropshire Council.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Head of Finance, Governance & Assurance (s151 Officer & Scheme Administrator), the Head of Treasury and Pensions, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the Fund.

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Shropshire County Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Shropshire Council.

Under legislation, introduced in 2003/04, Councillors are entitled to join the scheme and three Members of the Pension Fund Committee are Members of the Fund. These are Thomas Biggins, Malcolm Pate and Andrew B Davies.

Jean Smith, pensioner representative, and Nigel Neat, Unison representative, are also members of the Fund.

Legislation which came into force on 1 April 2014 means the LGPS is only available to councillors and elected mayors of an English County Council or District Council who elected to join before 31 March 2014. From 1 April 2014 access to the LGPS for councillors has been removed. Current members can continue in the LGPS until the end of their individual office.

22. CONTRACTUAL COMMITMENTS

The Fund has a 5% (£75 million) strategic asset allocation to Private Equity. It is necessary to over commit the strategic asset allocation because some private equity investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2016 £129m has been committed to investment in private equity via a fund of funds manager (HarbourVest Partners). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2016 the funds Private Equity investments totalled £65.688m.

23. CONTINGENT ASSETS

14 admitted body employers in the Shropshire County Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

24. VALUE ADDED TAX

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

25. CUSTODY OF INVESTMENTS

Custodial Services are provided to the Fund by Northern Trust. This includes the safekeeping of assets, the collection of income, the exercise of voting rights and the monitoring and execution of corporate actions in conjunction with investment managers. The Custodian also provides independent confirmation of the assets and their value held by the Fund. Securities are held on a segregated basis via a nominee account and are clearly separated from the Custodian's own assets.

26. FUND AUDITORS

Grant Thornton has completed its audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

27. PENSION FUND BANK ACCOUNT

In March 2010 a separate bank account was opened for the Shropshire County Pension Fund and from the 1 April 2010 all income received is being paid into this account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2016 £0.860 million was invested. The cash balance in the Pension Fund account as at the same date was £0.005 million. During 2015/16 all expenditure was still being paid by Shropshire Council on behalf of the Fund and this was reimbursed to Shropshire Council on a monthly basis.

In April 2016 a second bank account was opened and from 27th April 2016 the Fund will have the capacity to make all payments direct from this account including the monthly pensioner payroll. The Fund will no longer require Shropshire Council to make payments on its behalf and therefore the monthly transfer to Shropshire Council will no longer be necessary.

28. FUND STRUCTURE UPDATE

At the March 2015 Pensions Committee, members, (under guidance from the Fund Advisers), decided to undertake a manager selection exercise to appoint a Liability Driven Investment (LDI) Manager and two unconstrained bond managers. This would be achieved by replacing the L&G index linked gilt allocation as well as the Pimco Investment grade corporate bond investment.

At the June 2015 Committee Blackrock and Global Asset Management (GAM) were appointed as unconstrained bond managers and BMO Global Asset Management (BMO) as the LDI Manager. The process to transfer funds from Pimco to Blackrock took place in March 2016, whereas the L&G to BMO and GAM transfers were not completed until April and May 2016 respectively.

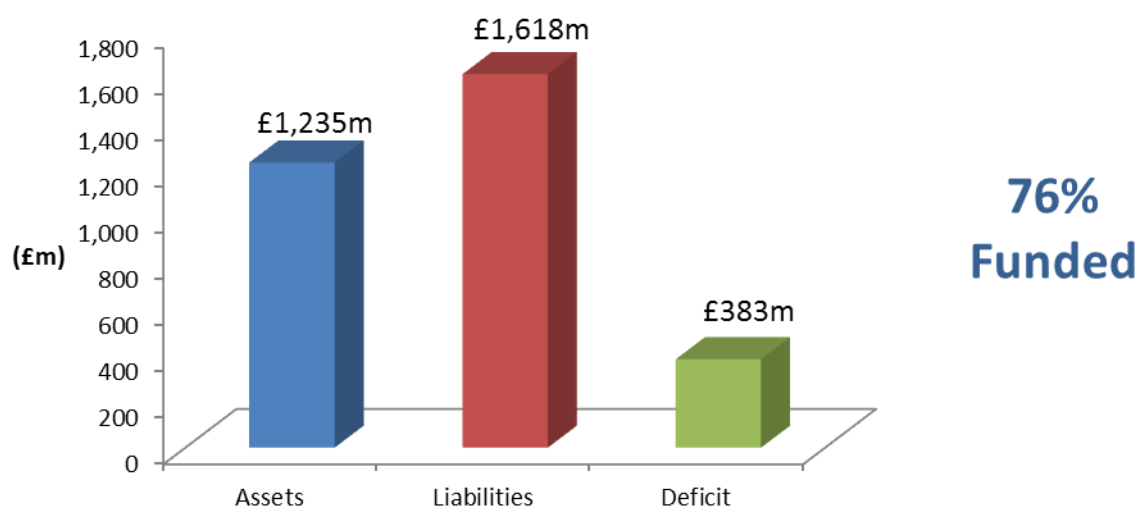
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2016 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 in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became 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.

PENSION FUND ACCOUNTS

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.

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 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2015	31 March 2016
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% 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 rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,181 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£118 million. Adding interest over the year increases the liabilities by c£72 million, and allowing for net benefits accrued/paid over the period increases the liabilities by a further c£9 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £2,144 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL ON THE CONSISTENCY OF THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE PENSION FUND ANNUAL REPORT

The accompanying pension fund financial statements of Shropshire Council (the "Authority") for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 21 September 2016. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

The Head of Finance, Governance and Assurance (s151 Officer and Scheme Administrator) responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the: Introduction, Management and Financial Performance, Investment Policy and Performance, Scheme Administration, Actuarial Report on Funds, Governance Arrangements, Pensions Administration Strategy, Funding Strategy Statement, Statement of Investment Principles, Communications, Further Information, Governance Compliance Statement,

PENSION FUND ACCOUNTS

Administration Strategy Statement. Funding Strategy Statement, Statement of Investment Principles, and the Communications Policy Statement.

Opinion

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
Colmore Circus
Queensway
Birmingham
West Midlands B4 6AT

xx September 2016

Section 8

**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

2014/15		2015/16	
£		£	£
	Expenditure		
4,743,484	Repairs & Maintenance	4,332,865	
3,266,387	Supervision and Management	3,617,899	
117,734	Rents, rates taxes and other charges	140,092	
4,262,170	Depreciation - Dwellings	4,400,340	
43,030	- Other	40,030	
(7,397,450)	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	2,977,643	
6,540	Debt Management Costs	16,500	
(23,620)	Provision for Bad or Doubtful Debts	63,000	
5,018,275	Total Expenditure		15,588,368
	Income		
(17,197,625)	Dwelling Rents	(17,963,955)	
(175,657)	Non Dwelling Rents	(174,096)	
(27,200)	Other Income	(7,619)	
(308,431)	Charges for Services and Facilities	(324,869)	
(921,849)	Contributions towards expenditure	(314,510)	
(18,630,761)	Total Income		(18,785,048)
(13,612,487)	Net Cost of HRA Services included in the Comprehensive I&E Statement		(3,196,680)
178,275	HRA Share of Corporate & Democratic Core		193,757
(13,434,212)	Net Cost of HRA Services		(3,002,924)
(67,493)	(Gain) or loss on sale of HRA Assets		(489,886)
2,994,856	Interest payable and similar charges		2,993,944
(39,267)	Interest and Investment Income		(42,995)
(20,561)	Income & Expenditure in relation to investment properties & change in fair values		45,045
(10,566,676)	(Surplus) or deficit for the year on HRA Services		(496,815)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2014/15 £		2015/16 £
(2,546,067)	Balance on the HRA at the end of the previous year	(3,075,951)
(10,566,676)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(496,815)
10,036,792	Adjustments between accounting basis and funding basis under statute	(2,251,257)
(529,884)	Net increase or (decrease) before transfers to or from reserves	(2,748,073)
0	Transfers to or (from) Reserves	0
(529,884)	(Increase) or Decrease in year on the HRA	(2,748,073)
(3,075,951)	Balance on the HRA at the end of the current year	(5,824,024)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2015/16	2014/15 Restated
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,244	3,261
Flats	869	874
	4,113	4,135
Change in Stock		
Stock at 1 April	4,135	4,115
Less: Sales – Right to Buy	(31)	(28)
Sales – Other	0	0
Disposal/restructuring	0	(1)
Acquisition – full ownership	6	38
Acquisition – shared ownership	3	11
	4,113	4,135

2. RENT ARREARS

	2015/16 £	2014/15 £
Due from Current Tenants	103,600	88,137
Due from Former Tenants	102,131	83,388
Total Rent Arrears as at 31 March	205,731	171,525
Pre-Payments	(310,860)	(321,652)
Net Arrears	(105,130)	(150,127)

As at 31 March 2016, the total provision set aside for housing rent bad debts is £353,875.

HOUSING REVENUE ACCOUNT

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings	Other Land & Buildings	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Current Assets Held for Sale	Total
	£	£	£	£	£	£	£
Cost or Valuation							
At 1 April 2015	170,500,584	767,000	1,514,751	172,782,336	309,999	734,777	173,827,112
Additions	3,539,093	0	1,390,633	4,929,727	0	0	4,929,727
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	965,910	(7,000)	0	958,910	0	0	958,910
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,711,054)	0	0	(15,711,054)	(64,999)	(899)	(15,776,952)
Derecognition - disposals	(1,328,181)	0	0	(1,328,181)	0	(1,045,228)	(2,373,409)
Derecognition - other	(39,000)	0	0	(39,000)	0	0	(39,000)
Assets reclassified (to)/from Held for Sale	(335,100)	0	0	(335,100)	0	335,100	0
Other movements in cost or valuation	561,201	0	(1,064,411)	(503,210)	0	0	(503,210)
As at 31 March 2016	158,153,455	760,000	1,840,973	160,754,428	245,000	23,750	161,023,178
Accumulated Depreciation and Impairment							
At 1 April 2015	(8,970,220)	(20,720)	0	(8,990,940)	0	0	(8,990,940)
Depreciation Charge	(4,430,010)	(10,360)	0	(4,440,370)	0	0	(4,440,370)
Depreciation written out to the Revaluation Reserve	89,010	31,080	0	120,090	0	0	120,090
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,734,310	0	0	12,734,310	0	0	12,734,310
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	67,700	0	0	67,700	0	0	67,700
Derecognition - other	6,000	0	0	6,000	0	0	6,000
Other movements in depreciation and impairment	503,210	0	0	503,210	0	0	503,210
As at 31 March 2016	0	0	0	0	0	0	0
Net Book Value							
As at 31 March 2016	158,153,455	760,000	1,840,973	160,754,428	245,000	23,750	161,023,178
As at 31 March 2015	161,530,364	746,280	1,514,751	163,791,396	309,999	734,777	164,836,172

There is a difference of £313.559m between the tenanted valuation and the District Valuer's Vacant Possession Value of £475.089m at 1 April 2015.

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.

HOUSING REVENUE ACCOUNT

The difference represents the economic cost of the Government providing council housing at less than market rents.

4. MAJOR REPAIRS RESERVE

	2015/16 £	2014/15 £
Balance Brought Forward	1,635,524	3,722,229
Amount Transferred to the MRR during the Year	4,440,370	4,305,200
Capital Expenditure Financing	(3,273,194)	(6,391,905)
Balance Carried Forward	2,802,700	1,635,524

5. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on the Council Housing Stock during the year was financed as follows.

	2015/16 £	2014/15 £
Usable Capital Receipts	1,355,034	147,780
Revenue Contributions utilised in year	0	1,650,000
Major Repairs Allowance	3,273,194	6,391,905
Government Grants and Contributions	314,510	921,849
Total Capital Expenditure on Housing Stock	4,942,737	9,111,534

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.

	2015/16 £	2014/15 £
Sale of Council Houses under Right to Buy (RTB)	1,709,750	1,614,500
Other Land & Buildings	1,157,644	103,750
Total Capital Receipts from HRA Asset Disposals	2,867,394	1,718,250
Less Capital Receipts subject to Pooling requirement	(600,488)	(538,587)
Net Capital Receipts from HRA Asset Disposals	2,266,906	1,179,663

7. HOUSING REPAIRS ACCOUNT

	2015/16 £	2014/15 £
Balance Brought Forward 1 April	25,000	25,000
Expenditure on Capital	0	0
Balance Carried Forward 31 March	25,000	25,000

HOUSING REVENUE ACCOUNT

8. CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

	2015/16 £	2014/15 £
Interest paid on mid-year HRA Capital Financing Requirement	66,692	67,604
Less Impairment	(3,042,642)	(332,854)
Capital Asset Charges Accounting Adjustment	(2,975,950)	(265,250)

Impairment represents capital work undertaken in the year that did not increase the asset value.

Section 9

Collection Fund

COLLECTION FUND

The Collection Fund is a statutory account showing the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution to local authorities and Central Government.

COLLECTION FUND

2014/15 Total £000		Council Tax £000	2015/16 NDR £000	Total £000
	Income:			
(154,576)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(158,061)		(158,061)
0	Income from Specific Grants	(47)		(47)
3	Transfers from General Fund - Transitional relief	2		2
(76,294)	Income collectable from business ratepayers		(75,520)	(75,520)
257	Transitional Protection Payments		(337)	(337)
(230,610)	TOTAL INCOME	(158,105)	(75,857)	(233,962)
	Expenditure:			
	Precepts			
160,339	- Shropshire Council and Parish and Town Councils	125,587	39,166	164,753
18,314	- West Mercia Police & Crime Commissioner	19,039	0	19,039
9,848	- Shropshire & Wrekin Fire Authority	9,444	799	10,244
38,170	- Central Government	0	39,965	39,965
464	Charges to Collection Fund - costs of collection	0	463	463
	Bad and doubtful debts			
(1,037)	- write offs	(24)	(375)	(399)
1,353	- provisions	572	594	1,166
	Appeals rates			
(1,993)	- write offs	0	(2,258)	(2,258)
8,122	- provisions	0	3,852	3,852
	Contributions			
450	- Towards previous year's estimated Collection Fund surplus	5,061	(1,906)	3,155
234,031	TOTAL EXPENDITURE	159,680	80,301	239,980
3,421	Deficit/(Surplus) for the Year	1,575	4,443	6,018
(425)	Balance brought forward	(4,920)	7,916	2,996
2,996	Balance carried forward	(3,346)	12,360	9,014

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 2015/16 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	28.38	5/9	15.77
A	15,363.75	6/9	10242.50
B	26,223.78	7/9	20396.27
C	23,915.73	8/9	21258.43
D	17,655.92	9/9	17655.92
E	13,428.08	11/9	16412.10
F	7,312.61	13/9	10562.66
G	4,069.49	15/9	6782.48
H	254.9	18/9	509.80
			103,835.93
Adjustment for MoD Properties (665.43 Band D Equivalents) and Collection Rate (98.0%)			(1,424.60)
			102,411.33

2. NON-DOMESTIC RATES (BUSINESS RATES)

Shropshire Council is the billing authority for NDR and retains 49% share of the total collected and distributes the remaining balance to Central Government (50%) and Shropshire & Wrekin Fire Authority (1%).

At 31 March 2016, the total non-domestic rateable value for all business premises in Shropshire was £203,209,572. The multiplier set by Government to calculate rate bills in 2015/16 was 48.0p for small businesses and 49.3p for all other businesses.

Section 10

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 organisation's 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.
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.
Accruals	The accruals accounting concept requires the non-cash effect 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 Gain	This 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 Loss	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).

GLOSSARY

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.
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 non-current 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.

GLOSSARY

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.
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	<p>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.</p> <p>The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.</p> <p>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.</p>
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.

GLOSSARY

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. non-current 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 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.
Capital Receipts	The proceeds from the sale of non-current assets such as land and buildings. These sums can be used to finance new capital expenditure.
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.
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.
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.

GLOSSARY

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.
Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates 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.
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.
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.
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.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.

GLOSSARY

Depreciation	The accounting term used to describe the charge made representing the cost of using tangible non-current 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.
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 non-current 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 Council, 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.

GLOSSARY

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. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.
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.
General Fund Balance	<p>The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.</p> <p>The General Fund Balance is the reserve held by the Council for general purposes, i.e. against which there are no specific commitments. 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.</p>
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.

GLOSSARY

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 Housing Revenue Account 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. This account includes 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.
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.

GLOSSARY

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.
Major Repairs Reserve	The Council 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.
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 three years.
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 non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

GLOSSARY

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 non-current assets.
Non-Current Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
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.
Pension 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. 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.
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	<p>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.</p> <p>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.</p>
Revenue Expenditure	<p>Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.</p>
Revenue Expenditure Funded By Capital Under Statute	<p>Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of non-current assets.</p>
Revenue Support Grant (RSG)	<p>An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.</p>
Reserves	<p>Sums are set aside in reserves for specific future purposes rather than to fund past events.</p>
Service Reporting Code of Practice (SERCOP)	<p>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.</p>
Soft Loan	<p>This is a loan which is provided with a below-market rate of interest.</p>
Specific Grant	<p>A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.</p>
Subsidiary	<p>An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)</p>
Surplus	<p>Arises when income exceeds expenditure or when expenditure is less than available budget.</p>

GLOSSARY

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 non-current 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.

Statement of Accounts

2015 – 2016

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SHROPSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT

2015/16

Scope of responsibility

1. Shropshire Council (the 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. The 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.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.
3. 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 code is on the Council website at: <http://staff.shropshire.gov.uk/committee-services/documents/s11249/Part5CodesandProtocols.doc.pdf>. This statement explains how the Council has complied with the Code and also meets the requirements of Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

4. The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and 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 contributed to the delivery of appropriate services and value for money.
5. 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 any risks to the achievement of Council policies, aims and objectives; to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.
6. The governance framework accords with proper practice and has been in place at the Council for the year ended 31st March 2016, up to the date of approval of the Statement of Accounts.
7. A brief description of the key elements of the Council's governance framework is outlined below. Documents referred to may be viewed on the Council's website and are available on request.

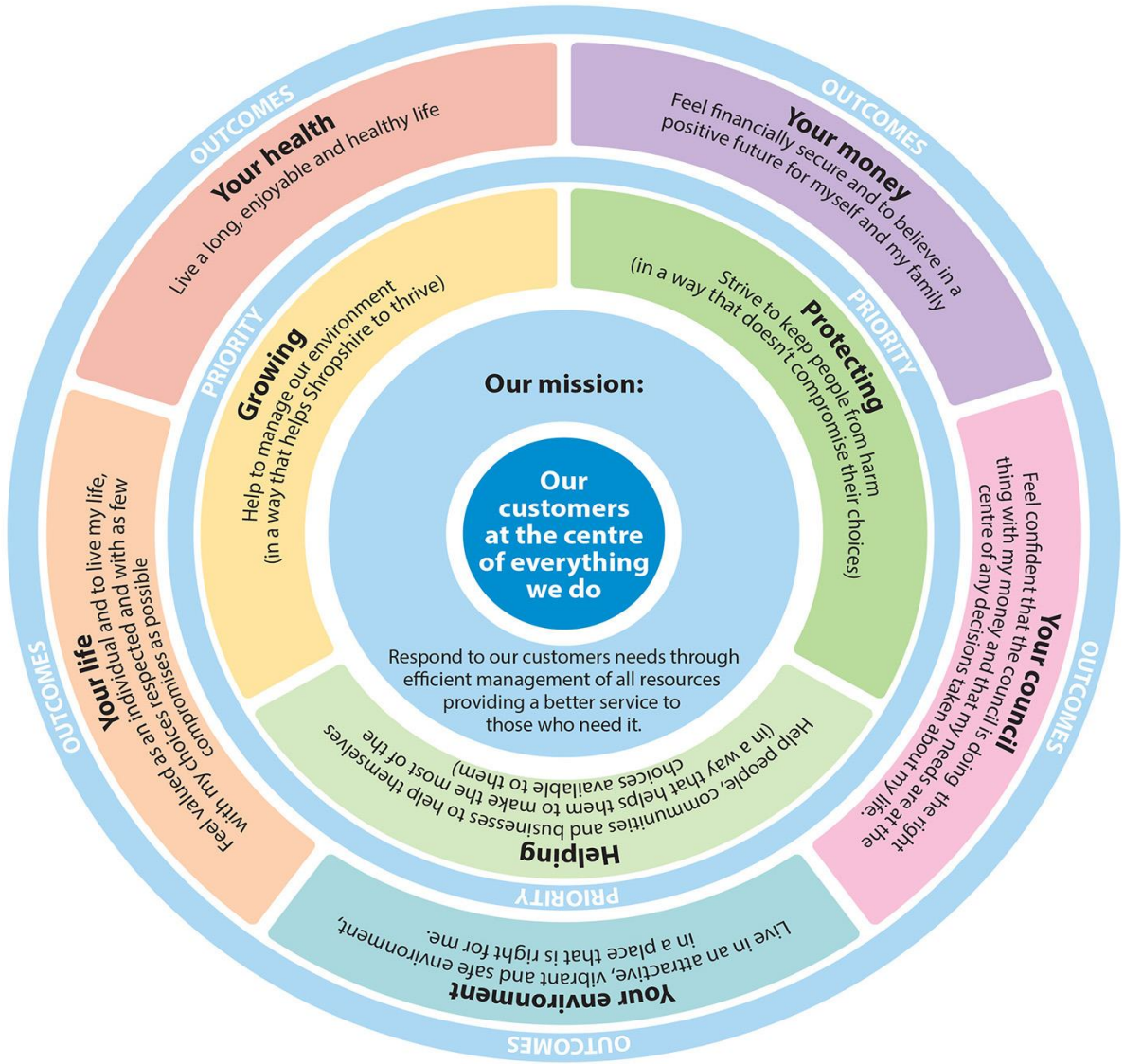
Leadership and behaviour

8. The Council's Constitution is updated annually and sets out how the Council operates. It states the matters reserved for decision by the whole Council, the responsibilities of the Leader and Cabinet, the matters reserved for collective and individual decision, and the powers delegated to panels, boards, committees and wider bodies such as partnerships. Decision making powers not reserved for members are delegated to directors and senior managers. The Monitoring Officer's main roles are: to report on matters she believes are, or are likely to be, illegal or amount to maladministration; to be responsible for matters relating to the conduct of Councillors and Officers and to be responsible for the operation of the Council's Constitution. **Annex A** identifies the process which leads to the preparation of the Annual Governance Statement and it being signed off and published with the Statement of Accounts. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.
9. 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 members. The incumbent Leader's resignation in November 2015 brought about a change in Leader and Cabinet members. Key decisions are published in the Executive Forward Plan and are discussed with Council officers at a meeting of the Cabinet, open for the public to attend except where confidential matters are being discussed. The Cabinet can only make decisions which are in line with the Council's overall policies and budget. Decisions outside of the budget or policy framework must be referred to the Council as a whole to decide.
10. Senior Management are responsible for overseeing and monitoring the control environment as an integral part of the risk management process. This key management responsibility is supported by the three statutory officers; the Head of Paid Service (Chief Executive), the Chief Financial Officer (Head of Finance Governance and Assurance, and Section 151 Officer) and the Monitoring Officer (Head of Legal and Democratic Services) the roles of whom are set out in the Constitution, plus Internal and External Audit and other external review agencies, such as Ofsted, the Care Quality Commission etc.
11. The Council's financial arrangements conform with the governance requirements of the CIPFA, "Statement on the Role of the Chief Financial Officer in Local Government (2010)" as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Chief Financial Officer has statutory responsibility for the proper management of the Council's finances and is a key member of the Council's senior management team reporting directly to the Chief Executive. He devolves formally the management of the Council's finances within services to directors through a scheme of delegation. Directors further devolve decision making through service schemes of management. The Section 151 Officer also provides detailed financial rules, guidance and finance training for members, managers and staff.
12. The Council's assurance arrangements conform to the governance requirements of CIPFA's "Statement on the Role of the Head of Internal Audit (2010)". The Audit Service Manager reports functionally to the Audit Committee, which approves the proposed Audit Plan and receives performance reports throughout the year on audit and anti-fraud activity as well as the annual report and opinion on the internal control framework.
13. Whilst the Audit Service Manager is responsible for its compilation, the Annual Governance Statement is prepared with the full engagement of senior management and key officers, using data collated from all areas of the Council.

14. The Council has in place an effective Audit Committee which provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process, including scrutiny of Treasury Management strategy and policies. The core functions of the Audit Committee are undertaken in accordance with CIPFA's, "Audit Committee – Practical Guide for Local Authorities".
15. The Constitution includes codes of conduct for both members and staff. These are reviewed regularly to reflect any necessary changes and 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 and members and appropriate induction sessions are arranged for all new staff and members.
16. The Head of Legal and Democratic Services is also the Council's Senior Information Risk Owner (SIRO) and there is an Information Governance Group which considers and reviews risk assessments and current issues on the handling and use of personal information. Risk assessments are updated to reflect system and service changes. All employees handling personal data are required to undertake appropriate training on line.
17. Monitoring of compliance is delivered by relevant key officers, including the Section 151 Officer and the Monitoring Officer.
18. The Chief Executive continues to show his commitment to engage with and support staff by providing regular updates and key messages through emails and he visits places of work regularly to engage with staff.

Openness and comprehensive stakeholder engagement

19. The Council's Business Plan and Financial Strategy 2014-17 has been reviewed and refreshed for 2016/17. The plan sets out an approach to redesigning everything the Council currently does and how best use will be made of the resources available. The financial strategy takes account of any known transfer of services to other delivery models to ensure that the Council's financial position is understood and reflected ahead of any decision taken to approve a transfer. It remains flexible and responsive to emerging local issues and significant national developments such as the Care Act, whilst continuing to focus on delivery of the Council's outcomes as detailed in the diagram overleaf.
20. The Council commissioned a review of its Inspiring Partnerships and Enterprise initiative (ip&e), comprising two companies: ip&e Limited and ip&e Trading. The review sought to determine if the company had achieved its objectives as a wholly owned separate trading entity or whether the business activities, commercial practice and income generation could be achieved more efficiently and effectively within the Council or another entity. The review agreed to cease the Company's operation and return the services to the Council. A high level Directors' Commissioning Group was established to monitor the overall progress of all new delivery models. Individual directors are responsible for the effective management of change and transformation in their areas but also report through to this Group, where relevant. The Council will review the close down of ip&e and the separate external audit of ip&e yet to be completed and will identify opportunities for learning arising therefrom. This will be reported as appropriate to the Audit Committee and, as far as is relevant and necessary, in the 2016/17 Annual Governance Statement of the Council.



21. A revised performance framework was implemented in 2014/15 to measure the Council's delivery of change, as well as the impact of commissioning decisions on Council outcomes. Quarterly performance reports are presented to Cabinet and Scrutiny Committees. The reports highlight any areas of concern. These are monitored and Cabinet will refer issues of continuing concern to Scrutiny for review.
22. The initial savings required for the period 2014-17 were agreed by Council in February 2014. Over the three year period, savings of £80m were identified as required, £66.333m by 2015/16.
23. In February 2015, review of progress on achievement of savings to set the 2015/16 budget identified some slippage in achievement and also further savings required to offset growth of £28.442m.
24. Throughout 2015/16 regular monitoring reports have been considered by Cabinet. The monitoring considers both achievement of savings and other expenditure and income variations. Where there has been a delay in achieving savings or the planned savings have not been achieved, management action has been taken to find alternative savings and offset service pressures to seek to balance the 2015/16 budget, the details of which appear in the quarterly revenue monitoring reports to Cabinet.
25. In February 2016, Council agreed the financial strategy for 2016/17 to 2018/19. For 2016/17, which was the third and final year of the financial strategy 2014-17, projections of resources and expenditure have been revised and, after taking into account slippage on achievement of 2015/16 savings and new pressures identified largely in Adults services, proposals to meet a funding shortfall of £47.474m were agreed.
26. There is an established Opportunity Risk Management Strategy in place supported by a Risk Management Governance Structure of officers and members which has key responsibilities for maintaining the profile of risk management across all areas of service. The Strategy is signed and endorsed by the Chief Executive.
27. The strategic risks to the Council have been identified. Action plans have been prepared to mitigate these risks and are aligned to them. The plans are designed to minimise disruption to the delivery of the Council's outcomes where possible. The strategic risks are updated bi-monthly and reported to the Directors and informal Cabinet meetings. All committee reports include a section on risk assessment and opportunities appraisal and all risks are allocated an owner.
28. The Council recognises the importance of communicating its vision and uses a number of channels to this effect.
29. The Council regularly consults with the public on strategic decisions and service developments. During 2015/16 the Council responded to the increasing challenge of reducing funding from Government and the need to make hard decisions about how services will be delivered in the future by developing and launching the Big Conversation. Split into two phases, the Big Conversation combines communication with the development of a sustainable engagement framework. The first phase utilised external expertise from a national market research company (Pye Tait Ltd) and used a survey, focus groups and action planning workshops to develop a comprehensive and statistically viable view of perceptions relating to the Council's Financial Strategy 2016/17 to 2018/19. The findings have informed the decision to raise Council Tax by the maximum 1.99% as well as the 2% precept for Adult

Social Care, and confirmed the Financial Strategy focus on which service areas should be protected in future years. They also informed ongoing work with public sector partners, town and parish councils, the Voluntary Community and Social Enterprise sector, communities and individuals to see if there are different ways of delivering services which are valued in communities with little or no money. The second phase of the Big Conversation will run from April 2016 and will develop the sustainable engagement framework for the Council and its partners.

Locality commissioning

30. Shropshire Council has continued to commission services and activity locally, developing a number of commissioning models which have resulted in a range of community based activities being delivered differently. Soft market testing, use of local intelligence and consultation enable robust assessments of need to be undertaken. This leads to the design of services and activity that reflects both strategic and local need. In 2015/16 a number of library services and Customer First Points, plus activities for young people have all been commissioned locally. The Council has also been able to delegate the responsibility for the provision of youth activity to Shrewsbury Town Council and transfer areas of amenity land and public open space to town councils. These approaches enable a very local design for the management of services and assets along with the opportunity for other resources, such as external funding, volunteers and other assets to be employed and maximised to add value for communities.
31. Reports taken to Cabinet describe the council's approach to the redesign of the library service and customer service points, and the locality commissioning of youth activity.
32. Shropshire Council's Local Joint Committees (LJCs) are instrumental in the locality commissioning process, either by commissioning taking place through them, as with youth activity, or by providing local intelligence that informs commissioning design. LJCs continue to provide a local public forum for discussions on services and assets to take place as well as providing a local partnership structure for Shropshire Council and town and parish councils. There will be a review of the LJCs in 2016/17 to ensure that they evolve in line with the changes affecting Shropshire Council, town and parish councils and communities.

Commissioning

33. During 2015/16 the Council reviewed the functions which support effective commissioning and developed a support unit to work across the Council. The Commissioning Support Unit brings together teams that:

- acquire and manage data;
- provide engagement;
- collect and analyse feedback developing insights;
- provide performance management and policy advice;
- support and develop intelligence;
- support effective procurement and contract management;
- Support strategic commissioning development.

Short term benefits are already emerging with better sharing of skills and knowledge and the building of working groups around topics and issues. The new unit enables the right challenge and support to be integrated into teams with operational staff and lead senior officers/commissioners, and supports the move to intelligence driven decision making.

Contracts review

34. One of the key areas of work for the Commissioning Support Unit team continues to be the establishment of a consistent approach to contract management that ensures key principles are followed in order to develop a more cohesive and robust way of monitoring and managing

contracts. An analysis is underway looking at the top 80% by value of contractor expenditure and reviewing and matching this against the specific contractual arrangements and documentation in place. This will identify the contractual arrangements currently in place and ensure there is a central electronic repository of procurement and contract documentation in order to assist commissioners when re-commissioning or decommissioning services. This will also assist the Council to ensure that consistent outcomes, values and performance measures are built into new contract arrangements. Finally, this work will assist in the development of a contract management framework together with guidance for commissioners and help to target ongoing skills development requirements.

Counter fraud

35. The Council has a zero tolerance to fraud, corruption and bribery and 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 demonstrate that action is being taken and outcomes are visible. It is transparent about this process and reports to senior management and to those charged with governance.
36. Guidance on 'Speaking up about Wrongdoing' which incorporates whistle blowing is distributed to staff, members and contractors. Any irregularities identified will be investigated by Internal Audit or the appropriate officers within the Services. Audit Committee are responsible for the monitoring and overview of the "Speaking up about Wrongdoing Policy" and receive an annual report.

People

37. The Council continues to invest in staff and members to ensure engagement and motivation.
38. Implementation of the Council's values and behaviours starts at Induction. All staff can access an electronic skills assessment and a leadership toolkit. Staff can discuss development needs with their manager and identify relevant training from a core skills programme. Managers have access to a management development programme and supporting toolkit covering HR related topics. An organisation wide coaching group provides support using a range of tools to help people through change.
39. 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. It comprises the induction programme, essential training which all Members are asked to undertake, the Member briefing programme, and individual assessment of development needs.

Partnerships and other joint arrangements

40. The Council continues to support a range of joint working initiatives to improve service performance and delivery. Governance arrangements in respect of partnerships and other group working are identified within the Constitution, Financial Rules and the Corporate Performance Management Framework.
41. 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 works towards best practice in partnership arrangements. A cross sector Change and

Compact Group leads compact work for the County ensuring it is considered in all strategic change projects, new policies and integrated into cross-sector projects.

42. The VCS Assembly has around 250 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 disability, health and social care, criminal justice etc.). The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities. It works to establish cross sector working and co-production in the development of new policy, programmes and guidance. Public sector representatives work closely with the VCS Assembly representatives through the VCS Assembly Board and a wide range of task groups linked to local partnership structures.
43. A number of public health services are delivered by the Council in conjunction with the local NHS and other services in the area to provide information and services to promote healthier lifestyles. The Health and Wellbeing Board acts as the coordinating body for health and social care related areas of partnership.
44. There are weekly Chief Operating Officer Meetings between Social Care, Shrewsbury and Telford Hospital (SATH), the Clinical Commissioning Group (CCG) and Shropshire Community Trust. On a case by case basis in relation to Clinical Health Commissioning (CHC) funding, agreement is reached through a multi-disciplinary CHC process which includes a social worker assessment. CHC funding income is reviewed on a monthly basis by senior managers in adult social care and a dispute process is in place. The Head of Operations has regular meetings with the CHC lead nurse at the CCG.
45. Better Care Fund activity is reviewed through the Health and Wellbeing Delivery Group and Health and Wellbeing Board. The Transforming Care Partnership (TCP) Board is joint with Telford and Wrekin and reports to the Health and Wellbeing Board. The TCP Board includes senior managers in adult social care.
46. The Strategic Transformation Plan is being developed with health and social care partners across the whole health and social care economy including Telford and Wrekin
47. Shropshire Towns and Rural Housing Ltd (ST&RH) manages homes and neighbourhoods on behalf of the Council, collecting rent, organising repairs and making improvements to the housing stock. The 'management agreement' between the two parties sets out in detail the 'who-does-what'. It includes arrangements for checking how ST&RH performs to make sure high standards are maintained.

Review of effectiveness – how does the Council know its arrangements are working?

48. The 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 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.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

49. The Head of Paid Service, Chief Financial Officer and the Monitoring Officer all contribute to the identification of any known areas of weakness which may need to be addressed. Led by the Chief Executive, 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 of the Council or steps are being taken to address known areas of weakness.
50. Management Team have provided assurance that the arrangements generally continue to be regarded as fit for purpose in accordance with the governance framework. Where there are exceptions and services have been identified as having fundamental or significant risks in their management controls, for example the infrastructure IT systems, these form part of an on-going process of service improvement which is managed, monitored and reported upon. Progress on key system internal control areas is also being reported to Audit Committee. The significant areas to be addressed for the Council and activities for their management are outlined in the action plans later in this statement.
51. The Council has implemented the actions agreed in the 2014/15 Annual Governance Statement. A summary of which appear below:

An Information Communications Technology Strategy has been implemented

Work to develop the ICT strategy is underway, but is delayed slightly. The Council has experienced difficulties in appointing a Head of IT to lead on this.

Improved governance arrangements for commissioning and the robust monitoring of contracts are in place

A review of the top fifty contracts was completed and a single team (Commissioning Support Unit) established to manage and monitor all of the key areas across the commissioning cycle including contract management. A central electronic repository of procurement and contract documentation is being established alongside development of a contract management framework with guidance for commissioners and help to target ongoing skill requirements.

The Commissioning Approach web based tool was updated to further enhance this area. New governance arrangements were put in place (Commissioning Directors' Group) to ensure all new commissioning, recommissioning and decommissioning has a single avenue for approval.

Commissioning of new youth activity has taken place through the Local Joint Committees, coordinated by the Community Enablement Team. A locality commissioning approach has also been taken to transfer the management of local libraries and customer service points to community based organisations, led by the Area Commissioner and Locality Commissioning Managers. Further opportunities will be progressed in 2016/17 with town and parish councils and local voluntary sector organisations.

The Council's Business Plan and Financial Strategy has been regularly monitored to deliver a balanced budget

The Council continued regular monitoring and review of delivery against the second year of the Council's Business Plan and Financial Strategy and adjusted plans as required at Director and Cabinet levels to achieve a balanced budget for 2016/17. This was achieved and approved by Council on 25 February 2016.

The Corporate Plan, ICT and Workforce Development Strategies are all in development, but have been progressed significantly, specifically for alignment to the new Medium Term Financial Plan and 2017/18 Budget.

The Council's Business Plan and Financial Strategy has been regularly monitored to deliver outcomes through commissioning

The Council continued regular monitoring and review of delivery against the second year of the Council's Business Plan and Financial Strategy to deliver outcomes, whilst managing demand and exploring different delivery methods through commissioning. Following lessons learnt in 2015/16, it has refreshed its business plan and financial strategy and reviewed its approach to commissioning which has led to significant changes and the drafting of a Corporate Plan to redirect Council services.

A new model of commissioning youth activities based on identified need using a needs analysis including one around rurality was developed. This replaced the former universal approach that the Council adopted. Commissioning of youth activities has been led at a local level via the Local Joint Committee's and local members to maximise the local intelligence and to ensure value for money on the reduced budget that was available. Work was undertaken to review a number of bus routes including the Park and Ride service and to encourage competition in the corresponding marketplace. As a result of this work £497k annual savings have been achieved with little change to the outcomes originally scoped.

A workforce plan aligned to business plans and supported by our staff development processes is implemented

Staffing resources, given the changing shape of the Council, continue to remain skilled, knowledgeable and appropriate to deliver the Council's business plans. Especially for commissioning and ICT resources the Council has invested in consultants to meet an interim skills gap and, although unsuccessful in recruiting a Head of IT, has moved quickly to progress a solution.

Robust business cases for any project involving redesign and new delivery models are in place

Guidance for providing business cases was reviewed, updated and requires the inclusion of key areas:

- Service description and vision;
- Full options appraisal of the alternative delivery models;
- Financial statement;
- Market assessment;
- Staff assessment;
- Summary of assets being included (if a service is transitioning out of the Council);
- Equality impact and social inclusion needs assessment;
- Risk assessment;
- Timescales and timetable of activity.

The comprehensive business case is now subject to a robust decision making process:

- The officer with lead responsibility for the redesign or new service delivery model
 - a. Ensures that the business case meets the expectations of the guidance and that the information provided is accurate and allows for the decision making process to be followed.
 - b. Is accountable for considering the need to communicate the business case to directors and the appropriate portfolio holders throughout the process.
 - c. Ensures that the business case and supporting report is subject to approval by Shropshire Council's Cabinet.
- Shropshire Council's Cabinet have the opportunity to accept the business case, ask for further information, or reject it.
- Once approved, the lead responsible officer is accountable for implementing the recommendations and next steps to progress the Business Case.

Whilst the business case process is well documented, the consistency and quality of its application has been variable. Increased communication, challenge and adoption of the process is required.

Safeguarding governance arrangements have been reviewed

Adult and Children's Services are continually reviewing Safeguarding processes in light of new and emerging guidance, national and local issues. A review of the governance arrangements for the key health, well-being and safeguarding forums has commenced but has not yet been completed, and is continuing through 2016/17. An Independent Adult Safeguarding Board was re-established, April 2015, in accordance with requirements of the Care Act with an independent Chair; a Designated Adult Safeguarding Manager (DASM) is in place; there are regular Care Quality Commission (CQC) liaison meetings held jointly with Telford to monitor the quality of independent care provision; regular meetings are held with Healthwatch¹ to agree activity relating to enter and view inspections to gather user and patient experiences. These are reported to CQC liaison meetings.

A review of Deprivation of Liberty Safeguards (DOLS) activity has been undertaken and the Director of Adult Social Services' (ADASS) risk matrix has been applied and included in the

¹ Healthwatch Shropshire is the health and social care champion for people and local communities in Shropshire

use of light touch assessments. These are reviewed by senior managers on a regular basis and the annual position has been reported to Directors and Cabinet; In addition, annual training for DOLS authorisers is undertaken.

52. The Internal Audit Service complies with the requirements of the Public Sector Internal Audit Standards and works continually with managers in assessing the risk management, control and governance environment, enhancing processes where necessary. A risk based internal audit plan is in place which examines all key financial and managerial systems. This is endorsed by the Audit Committee and reports on counter fraud activity.
53. 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. This is based primarily on the continuing numbers, and negative direction of travel, of the internal audit assurances provided on the IT infrastructure systems. These risks are already known to Directors and Members and are reflected in the strategic risk register. The IT infrastructure on which Council applications operate continues to present a clear risk to service continuity. This has now been the case for several years, and although it is acknowledged that significant resource and prioritisation has been applied to manage this risk, it was also accepted that it may take several years for the necessary improvements to be implemented and embedded sufficiently to attain appropriate assurance levels. The issues currently identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must continue to prioritise implementation of plans to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, it should be said, there has been no evidence of significant IT business failure or other error that could result in a material misstatement in the Council's accounts and reliance can still be placed upon it for that purpose.
54. Members and officers have been advised on the implications of the Audit Committee's review of the effectiveness of the governance framework, and that the issues identified are sufficient to warrant the Audit Service Manager qualifying the annual audit opinion to the extent that management must prioritise implementing their plans to address those issues. Audit Committee continue to monitor planned improvements.
55. In their Audit Findings for the year ended 31 March 2015, the External Auditor provided an unqualified opinion on the financial statements and an unqualified Value for Money (VFM) conclusion. In respect of internal controls a high level recommendation was made; 'Management should strengthen ICT resilience during a major event in relation to business continuity and disaster recovery to reduce the risk that access to and functionality of significant data could be considerably compromised.' Management actions have been agreed to address this risk.
56. The External Auditor also issued an unqualified opinion on the Pension Fund for the year ended 31 March 2015.
57. Given the uncertainty in relation to future funding mechanisms for Local Authorities and the Council's ability to set a sustainable budget for future years, a financial Health Check was commissioned from the Local Government Association. The outcomes and recommendations arising from that review have been considered and a small number of improvements to processes and governance have been implemented.
58. Cabinet monitors the effectiveness of the internal control system via consideration of regular performance and financial information reports from 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 performance in their area highlighting matters which require improvement.

59. 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.
60. During 2015/16 all Shropshire Council's adult services, registered by the Care Quality Commission (CQC), maintained their compliance status with CQC. Four Rivers Nursing Home was inspected in autumn 2016 and achieved a good rating.
61. During the year a further registered service, Kempfield, was transferred to an external provider. The service has maintained its registration and compliance status following transfer.
62. Adult Social Care services senior staff have participated in the regional peer review programme as peer assessors. The learning from being involved as a peer assessor will inform the Council's preparations for its own peer review later in 2016.
63. Adult Social Care continues to participate in regional and collaborative work. During 2015/16 adult social care participated in a review of carers support services commissioned by the NHS and examples of both good practice and where outcomes could have been different for carers have been include in the resulting report.
64. The Adult Social Care Senior Directorate Management team meetings have included regular reviews of the introduction the new Care Act Legislation and assured themselves of compliance.
65. The Health and Adult Social Care Scrutiny Committee continued to receive a variety of reports and reviews of adult social care. During 2015/16 two previously externalised care services, Community Living and Shared Lives, which are both CQC registered services, have been subject to Scrutiny which included Members meeting the service users that these services support as well as the care staff who deliver the service to hear their views first hand
66. Schools' performances, as measured by Ofsted inspections have continued to improve over the last two years. In December 2014 69 per cent of Shropshire secondary schools were judged by Ofsted to be good or outstanding and 75 per cent of pupils attended good or outstanding secondary schools. In March 2016 76 per cent of Shropshire secondary schools were judged by Ofsted to be good or outstanding and 78 per cent of pupils attended good or outstanding secondary schools. Over the same period the proportion of good and outstanding Shropshire primary schools has risen from 82 to 84 per cent and the proportion of pupils attending good or outstanding primary schools has remained at 84 per cent. In March 2016 one secondary academy and two primary schools were in special measures categories. When an LA maintained school is judged to require special measures the Council is required to set out its action plan for improvement. All action plans have been approved by Ofsted and the Council's support for these schools has been judged to be effective.
67. Ofsted last 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 potential for good 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 improvements continue. 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 continued through 2015/16. In June 2015 a Peer Review took place conducted by the LGA. This is an extensive review and identified areas of good practice as well as areas for improvement. An Internal Improvement Board has been established to oversee the implementation of the Action Plan.

68. Shropshire's children's homes: Chelmaren and the new short breaks provision at Havenbrook were both inspected twice in 2015/16. Chelmaren was rated as outstanding at full inspection in November 2015 and the interim inspection in February 2016 adjudged that it had sustained effectiveness. Havenbrook was rated as "requires improvement" at full inspection in December 2015 but the interim inspection in February 2016 adjudged that it had improved effectiveness.
69. Direct quotations from the 2016 Chelmaren inspection include: "Staff have an excellent knowledge and understanding of safeguarding. They are extremely competent in identifying the risk factors that influence young people's behaviours and work with young people and other agencies to reduce these", "Staff receive excellent support and training from the registered manager" and "Partnership working arrangements between the home, education providers and health services are very effective". Direct quotations from the 2016 Havenbrook inspection include: "Young people are safe and say they feel safe. Staff provide support and assistance to create a safe and welcoming environment that helps them to feel at ease" and "The effective joint working with health, education and social services has enabled young people to improve their, social, emotional and physical well-being". During verbal feedback the inspector also described Havenbrook as having innovative development in edge of care provision for young people and she felt others would most certainly be following suit. She felt the need for such service had been known for some time but no one had been "visionary or brave" enough to take the first step and she noted the approach very positively as "a service that will be the envy of other LA's".
70. During 2015/16 two inspections of children's centres took place, a single area inspection of Severn Valley was graded as "good" and a Borders area group inspection was graded as "requires improvement". An action plan is in place and reviewed quarterly.

Significant governance issues

71. The main challenges facing the Council appear below and are set in the context of delivering services to acceptable standards whilst achieving the budget savings required in 2016/17 and the overall funding gap of £80m as identified as part of the Business Plan and Financial Strategy. To ensure this is delivered and strategic risks managed, the Council will strive to achieve the following outcomes:

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
1.	Regular Sound engagement is in place between health and social care for the future provision of services, which includes the agreement of Clinical Health Commissioning funding on a case by case level through to service redesign and commissioning through the Better Care Fund, the Transforming Care Partnership and the Strategic Transformation Plan.	Differences in culture and priority between the Council and key NHS partners leads to the risk of higher than necessary costs to both Health and Adult Social Care	<p>Delivery against the BCF programme and Health and Well Being Board three Exemplar Projects</p> <p>Agreement for Continuing Health Care funding agreed on a case by case basis using jointly agreed risk tool</p> <p>Service redesign and commissioning through the Better Care Fund, the Transforming Care Partnership and the Strategic Transformation Plan in conjunction with the Health and Wellbeing Board.</p> <p>Public Health to be focussed on short term evidence based cost reducing interventions</p> <p>Overspend on discharge from hospitals is brought under control</p>	<p>Rod Thomson</p> <p>Andy Begley</p> <p>Andy Begley</p> <p>Rod Thomson</p> <p>Andy Begley</p>	<p>March 2017</p> <p>June 2016</p> <p>April 2016 and onwards</p> <p>June 2016</p> <p>June 2016</p>
2.	The Council is considering	Failure to be	Involvement in three way	George Candler	June2016

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	devolution opportunities with at least four partners: <ul style="list-style-type: none"> • The Marches • West Midlands Combined Authorities • Northern Gateway • Middle England Authorities 	involved will weaken Shropshire's opportunity to maximise financial rewards that in turn will drive economic growth in the area.	discussions, shaping the devolution proposals with T&W and Herefordshire Councils Involvement with WMCA to understand and be at the forefront of key strategic thinking decision making Partner on the Northern Gateway Partnership to maximise opportunities from the HS2 Crewe station development along the A500 corridor Exploring shared opportunities with other adjacent authorities (Staffs CC, Cheshire East, Powys) in areas such as shared services, skills or staff	George Candler	March 2017
				George Candler	March 2017
				George Candler	March 2017
	Shropshire Council has maximised all opportunities from the Marches LEP		Development of Local Growth Fund 3 Bids	George Candler	June 2016
			Submission for funding from the Local Majors Fund to develop an outline Business Case for the North west Relief Road	George Candler	July 2016

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	There is an Economic Vision and Strategy for Shropshire		Economic Development Needs Assessment being delivered by Oxford Economics	George Candler	July 2016
			Shropshire Council working in partnership with IPPR (North) to co-design the vision and strategy	George Candler	Sept 2016
3.	<p>The Council is communicating where it is going to all stakeholders through an approved Corporate Plan and associated strategies (E.g. workforce and IT).</p> <p>There are clear links between service delivery and the Corporate Plan.</p>	<p>Failure to clearly articulate the strategic vision and strategy for the Council results in inability to deliver outcomes</p> <p>Loss of reputation and public confidence in the Council by failing to meet public expectations and identified need.</p>	<p>Completion of Draft Corporate Plan</p> <p>Strategies, policies and service plans reviewed to ensure delivery of Corporate plan</p>	<p>Clive Wright</p> <p>Clive Wright</p>	<p>June 2016</p> <p>December 2016</p>
4.	<p>The Council's IT Strategy is established and underpins the Corporate Plan.</p> <p>IT solutions and systems have robust controls embedded within them to ensure business continuity</p>	<p>Failure of existing systems could result in significant impact on service delivery and disruption to business activities.</p>	<p>IT strategy drafted</p> <p>Work completed on IT system controls and reported to Directors on a monthly basis.</p>	<p>Clive Wright</p> <p>Karen Davis / Paul Voogt</p>	<p>31 May 2016</p> <p>Monthly</p>

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	in the event of a disaster.	Failure to implement an ICT Digital Transformation Programme to provide ICT solutions to support business applications, will impact the strategic direction of travel.			
5.	A balanced budget is achieved and resources allocated and managed effectively within known financial constraints.	<p>Inability to set a sustainable budget with the resources available, resulting in services not being delivered.</p> <p>Lack of clarity from Central Government on the future funding levels and increased uncertainty re: local resources, which inhibits the ability to calculate future budgets.</p> <p>A funding methodology that disadvantages</p>	<p>Financial Strategy approved and communicated</p> <p>Service plans reflect any proposed changes to budgets and senior managers complete and report on regular budget monitoring reports to Directors</p> <p>Directors provide robust challenge of achievements against the financial strategy.</p>	<p>James Walton</p> <p>Clive Wright</p> <p>Clive Wright</p>	<p>July 2016</p> <p>August 2016</p> <p>August 2016</p>

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
		Shropshire results and certain inability to deliver statutory duties.			
6.	<p>Human resources are skilled, knowledgeable and appropriate to deliver the Council's Corporate Plan. Especially in the areas of ICT and commissioning.</p> <p>Structural changes aligned to business plans are consulted upon, supported by staff and members, implemented and monitored for effectiveness.</p>	<p>Inadequate retention and recruitment of experienced and qualified staff results in insufficient capacity and experience to sustain the Council's service provision.</p> <p>Insufficient mechanisms in place to report and manage work related stress results in increasing levels of staff absence and compromised service delivery.</p> <p>Risk of challenge from unions to required and proposed organisational restructures and</p>	A Workforce Strategy is in place to complement and deliver the Corporate Plan.	Michele Leith	May 2016

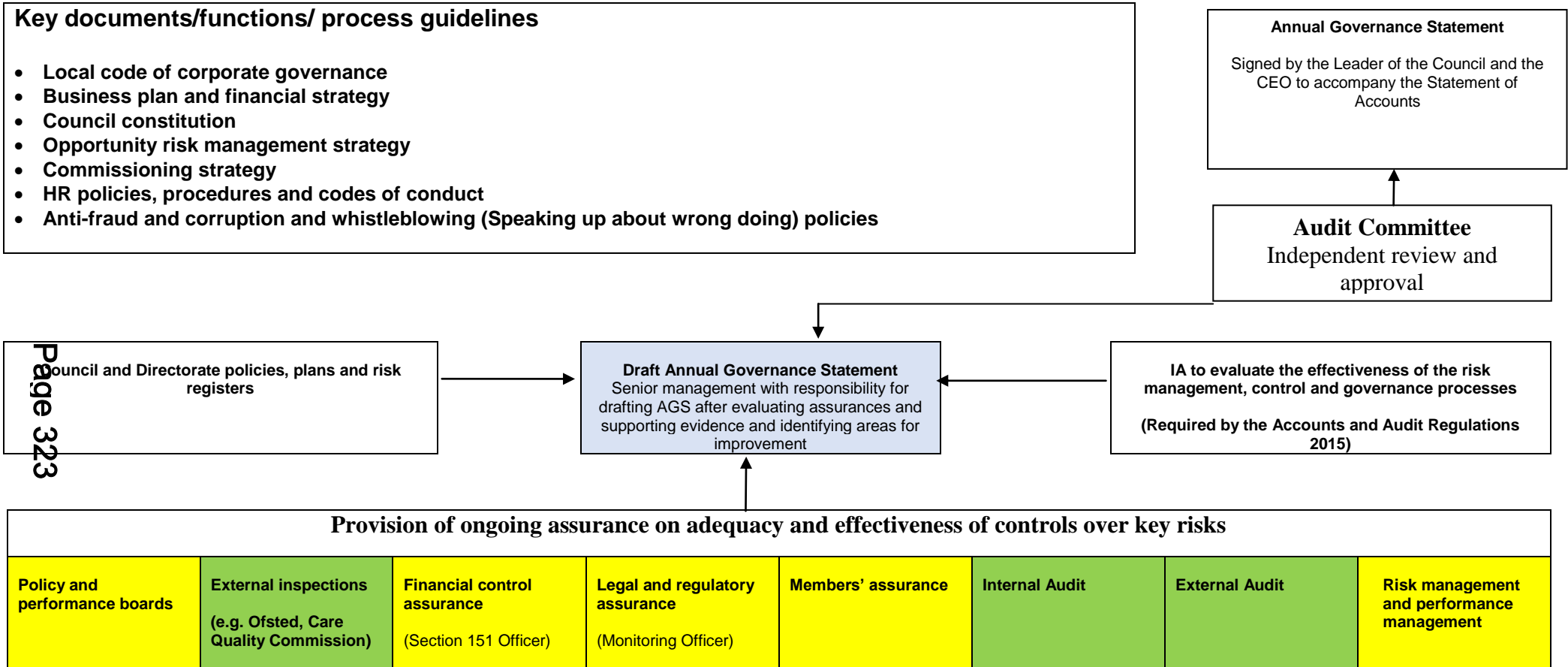
	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
		the possibility to gain support in a wider public arena against these changes.			
7.	Adults and children and children are safeguarded. There are supporting governance arrangements and processes in place and consultation with key stakeholders.	Failure to safeguard vulnerable adults and children	Performance measures are under development for inclusion in an annual adult safeguarding report	Andy Begley	March 2017

72. The associated strategic risks have been identified, remain under close review and will be managed throughout the year given that they are key to ensuring the continued delivery of high quality services.
73. Over the coming year, the Council propose to take steps to address the above matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements identified in the review of effectiveness and will monitor their implementation and operation as part of its next annual review.

Leader

CEO/ Head of the Paid Service

ANNUAL GOVERNANCE STATEMENT (AGS) ASSURANCE FRAMEWORK 2015/16



Page 323

Key to levels of assurance
First line of defence
Second line of defence
Third line of defence

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Committee and Date
Cabinet
27 July 2016

Audit Committee
15 September 2016

Council
22 September 2016

Item

15

Public

ANNUAL TREASURY REPORT 2015/16

Responsible Officer James Walton

e-mail: James.Walton@shropshire.gov.uk

Tel: (01743) 255011

1. Summary

- 1.1. The report informs members of treasury activities for Shropshire Council for 2015/16, including the investment performance of the internal treasury team to 31 March 2016. The internal treasury team outperformed their investment benchmark by 0.27% in 2015/16 and performance for the last three years is 0.28% per annum above benchmark. Treasury activities during the year have been within approved prudential and treasury indicators set and have complied with the Treasury Strategy.
- 1.2. During 2015/16 the performance of the Treasury Team delivered an underspend of £1.499 million compared to budget as highlighted in paragraph 10.5 of this report. This underspend helped the Council to achieve an overall underspend at the end of the financial year.

2. Recommendations

- 2.1. Members are asked to accept the position as set out in the report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2. There are no direct environmental, equalities or climate change consequences arising from this report.
- 3.3. Compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement and Treasury Management Practices and the Prudential Code for Capital Finance together with the rigorous

internal controls will enable the Council to manage the risk associated with Treasury Management activities and the potential for financial loss.

4. Financial Implications

- 4.1. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing as a result of capital receipt generation or delays in delivery of the capital programme will both have a positive impact of the council's cash position. Similarly, higher than benchmarked returns on available cash will also help the Council's financial position. For monitoring purposes, assumptions are made early in year about borrowing and returns based on the strategies agreed by Council in the preceding February. Performance outside of these assumptions results in increased or reduced income for the Council.
- 4.2. The 2015/16 performance is above benchmark for the reasons outlined in paragraph 10.5 of this report and has delivered additional income of £1.499 million which has been reflected in the final Revenue Monitor report for 2015/16.

5. Background

- 5.1. The Council defines its treasury management activities as "the management of the authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks".
- 5.2. The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2015/16. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 5.3. Changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. Minimum reporting requirements are that the Council should receive the following reports:
- An annual treasury strategy in advance of the year.
 - A mid-year treasury update report.
 - An annual report following the year describing the activity compared to the strategy.
- 5.4. The CIPFA Code of Practice on Treasury Management states that these reports should be scrutinised by a nominated committee and members should be trained on treasury management activities in order to support them in their scrutiny role. These reports were scrutinised by the Audit Committee before they were reported to full Council for approval. Members have also received training on treasury management issues to support their

scrutiny role by completing the CIPFA treasury management self-assessment and further Member training has been undertaken in conjunction with our Treasury Advisor, Capita Asset Services.

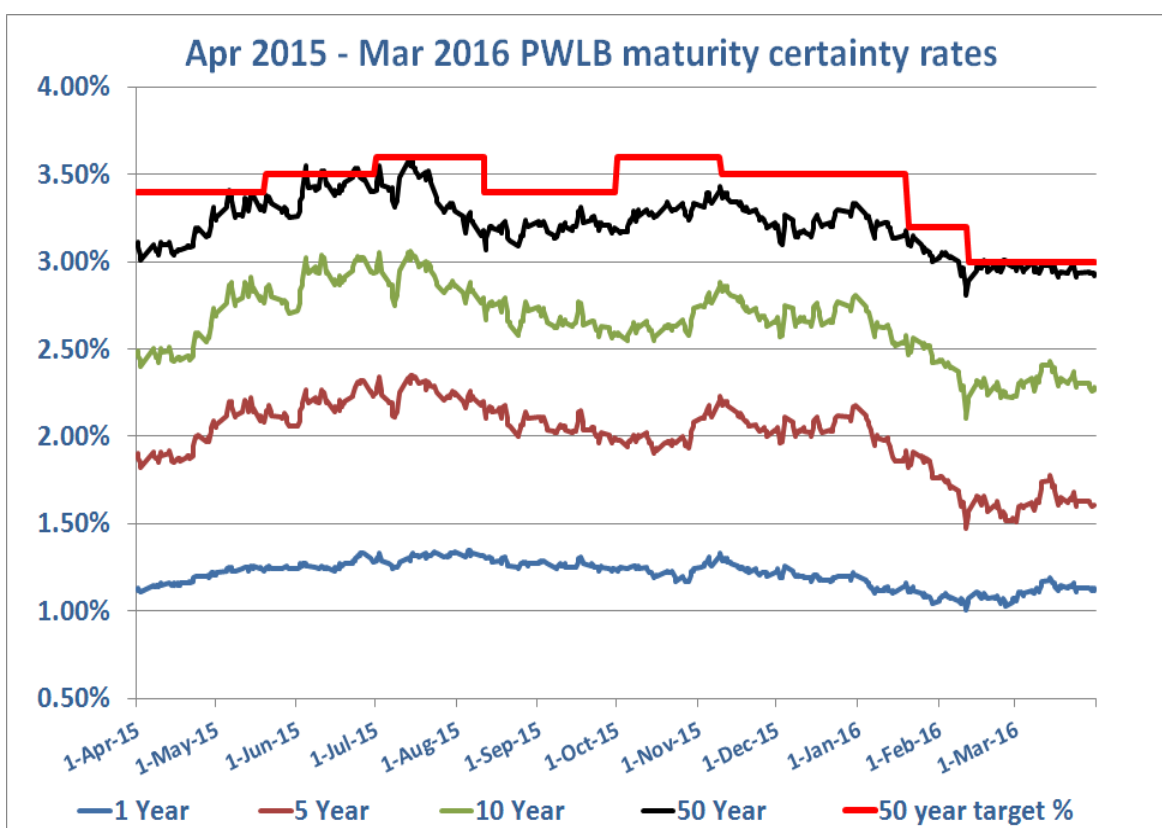
- 5.5. In addition to the minimum reporting requirements, the Director's and Cabinet also receive quarterly treasury management update reports for information.
- 5.6. The Treasury Strategy for 2015/16 was approved by Council in February 2015, the mid-year treasury update report was approved by Council in December 2015. This Annual Report sets out our actual treasury performance for the year and shows how the actual treasury performance varied from our estimates and planning assumptions.

6. Borrowing Strategy for 2015/16

- 6.1. The Council did not have an external borrowing requirement for 2015/16 to 2017/18 but based on the prospects for interest rates outlined in the Treasury Strategy, the Council would adopt a pragmatic approach if circumstances changed when considering any new borrowing.
- 6.2. Short term Public Works Loan Board (PWLB) rates were expected to be significantly cheaper than longer term borrowing rates during the year therefore borrowing in the under 10 year period early on in the financial year when rates were expected to be at their lowest would be considered. Variable rate borrowing was also expected to be cheaper than long term fixed rate borrowing throughout the year.
- 6.3. An alternative strategy was to defer any new borrowing as long term borrowing rates were expected to be higher than investment rates during the year. This would maximise savings in the short term and also have the added benefit of running down investments which would reduce credit risk. Short term money market borrowing was not used during the year.

7. Borrowing outturn for 2015/16

- 7.1. The Treasury Team take advice from its external treasury advisor, Capita Asset Services, on the most opportune time to borrow. Movements in rates during 2015/16 are shown in the graph below.



7.2. Members have previously been advised of the unexpected change of policy on PWLB lending arrangements in October 2010 following the Comprehensive Spending Review. This resulted in an increase in all new borrowing rates of between 0.75 – 0.85%, without an associated increase in early redemption rates. This made new borrowing more expensive and repayment relatively less attractive.

7.3. The table below shows PWLB borrowing rates for a selection of maturity periods. The table also shows the high and low points in rates during the year, average rates during the year and individual rates at the start and the end of the financial year.

	4.5 – 5yrs	9.5 – 10yrs	24.5 – 25 yrs	49.5 – 50 yrs
01/04/2015	1.90%	2.49%	3.15%	3.11%
31/03/2016	1.61%	2.28%	3.11%	2.92%
High	2.35%	3.06%	3.66%	3.58%
Low	1.47%	2.10%	2.98%	2.81%
Average	2.00%	2.65%	3.35%	3.22%
High date	14/07/2015	14/07/2015	02/07/2015	14/07/2015
Low date	11/02/2016	11/02/2016	11/02/2016	11/02/2016

7.4. Following discussions with Capita, as general fund borrowing rates were significantly higher than investment rates during the year it was agreed that if any new borrowing was required during the year it would be deferred in order to maximise savings in the short term and reduce credit risk by reducing investments. Due to a review of the Capital Programme no new external borrowing was required in 2015/16.

7.5. The Council's total debt portfolio at 31 March 2016 is set out below:-

Type of Debt	Balance £m	Average Borrowing Rate 2015/2016
General Fund Fixed rate – PWLB	196.42	5.48%
HRA Fixed rate - PWLB	83.35	3.51%
Fixed rate – Market	49.20	4.10%
Variable rate	0	N/A

7.6. The maturity profile of the debt is evenly spread to avoid large repayments in any one financial year. The average debt period for PWLB loans is 21 years, market loans have an average debt period of 54 years. The total debt portfolio has a maturity range from 1 year to 62 years.

7.7. The Treasury Strategy allows up to 15% of the total outstanding debt to mature in any one year. It is prudent to have the Council's debt maturing over many years so as to minimise the risk of having to re-finance when interest rates may be high. The actual debt maturity profile is within these limits (Appendix A).

8. Debt rescheduling

8.1. No debt restructuring was undertaken during 2015/16. The introduction of a differential in PWLB rates on the 1 November 2007, which was compounded further following a policy change in October 2010 as outlined above has meant that large premiums would be incurred if debt restructuring was undertaken, which cannot be justified on value for money grounds.

8.2. Although these changes have restricted debt restructuring, the current debt portfolio is continually monitored in conjunction with external advisers in the light of changing economic and market conditions to identify opportunities for debt rescheduling. Debt rescheduling will only be undertaken:

- To generate cash savings at minimum risk.
- To help fulfil the Treasury Strategy.
- To enhance the balance of the long term portfolio by amending the maturity profile and/or volatility of the portfolio.

9. Investment Strategy for 2015/16

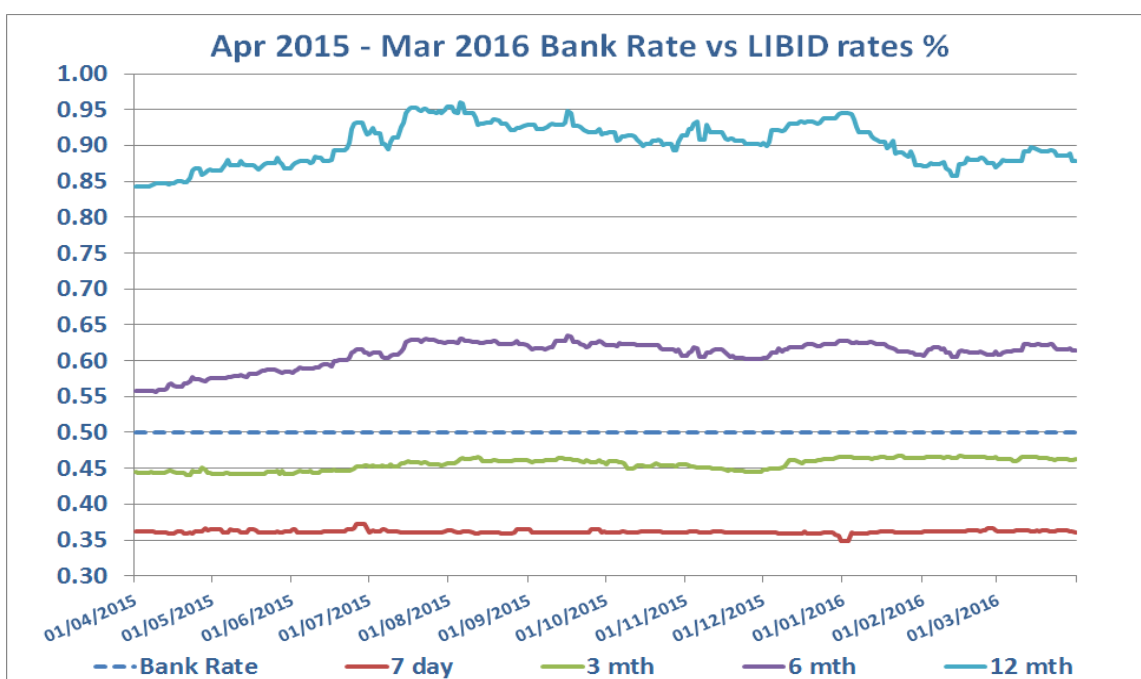
9.1. Our treasury advisor originally felt when the strategy was approved by Council in February 2015 that the bank rate would remain at its historically low level of 0.50% until December 2015 when a rise to 0.75% was expected. During the year their interest rate forecast was reviewed and their updated forecast was approved by Council in December 2015 as part of the mid-year report. Their revised forecast was that the bank rate would remain at 0.50% until June 2016.

9.2. In 2015/16 investment of surplus cash was managed by the internal treasury team. The strategy for the in-house team was influenced by the need to

keep funds relatively short for cash flow purposes. Lending continued to be restricted to UK banks, one overseas bank, three Building Societies, Nationalised and Part Nationalised Banks, UK Government and other Local Authorities in line with the Council's policy on creditworthiness which was approved in the Annual Investment Strategy. Following approval from the Section 151 Officer, two Money Market Fund accounts (AAA credit rating) were also set up in 2015/16, however, funds were not transferred into these accounts until April 2016. The rates on these accounts are higher than short term fixed deposit rates which will help increase the overall yield.

10. Investment outturn 2015/16

- 10.1 Bank rate remained at its historic low of 0.5% throughout the year, it has now remained unchanged for seven years. Deposit rates remained depressed during the whole year, primarily due to the effects of the Funding for Lending Scheme and due to the continuing weak expectations as to when Bank Rate would start rising.
- 10.2 The Funding for Lending Scheme, announced in July 2012, has resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling drastically in the second half of 2012 and continuing into 2015/16.
- 10.3 To counter the historically low investment rates and following advice from Capita, use was made of direct deals with main UK banks which were part nationalised, for various periods from three months to one year. Direct deals offered substantially enhanced rates over the equivalent rates available through brokers. This provided opportunities to lock into higher, long term rates at times when it was thought they offered substantial enhancement over short term benchmark rates. Due to the enhanced market rates over bank rate this resulted in the total portfolio outperforming the benchmark. Use of instant access accounts with NatWest, HSBC and Svenska Handelsbanken was continued, as these accounts offered both instant access to funds and paid a rate which was higher than placing short term deposits through brokers.
- 10.4 Movements in short term rates through the year are shown in the below.



10.5 Throughout the year the level of interest rates and average investment balances were higher than budgeted. This resulted in the internal treasury team achieving a higher level of interest on revenue balances than budgeted. This surplus was in addition to an underspend on debt charges due to no long term general fund borrowing being undertaken in 2015/16. The total £1.499 million underspend helped the Council to achieve an overall under spend at the end of the financial year.

10.6 At 31 March 2016 the allocation of the cash portfolio was as follows:

	£m
• In-house short dated deposits for cash flow management	97.5
• In-house long dated deposits (up to 1 year)	25.0
• Other Local Authorities	12.0
Total	134.5

10.7 The following table shows the average return on cash investments for the internal treasury team during the year and for the last 3 years to 31 March 2016. Recognising the need to manage short term cash flow requirements, the target for the internal team is the 7 day LIBID rate.

	Return 2015/16	Return 3 years to 31 March 2016
	%	% p.a.
Internal Treasury Team	0.63	0.60
Benchmark (7 Day LIBID rate)	0.36	0.32

10.8 The conclusions to be drawn from the table are:

- During 2015/16 the internal treasury team outperformed their benchmark by 0.27%.
- Over the 3 year period the internal team's performance has been 0.28% per annum above the benchmark.

11. Compliance with Treasury Limits and Prudential Indicators

11.1 All borrowing and lending transactions undertaken through the year have complied with the procedures and limits set out in the Council's Treasury Management Practices and Treasury Strategy. In addition, all investments made have been within the limits set in the approved counterparty list. No institutions, in which investments were made, showed any difficulty in repaying investments and interest in full during the year.

11.2 Appendix B shows the Prudential Indicators approved by Council as part of the 2015/16 and 2016/17 (revised estimate) Treasury Strategies compared with the actual figures for 2015/16. In summary, during 2015/16 treasury activities have been within the prudential and treasury limits set in the Treasury Strategy.

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

Council, February 2015, Treasury Strategy 2015/16.

Council, December 2015, Treasury Strategy 2015/16 Mid-Year Review.

Council, February 2016, Treasury Strategy 2016/17.

Cabinet, July 2015, Treasury Management Update Quarter 1 2015/16.

Cabinet, December 2015, Treasury Management Update Quarter 2 2015/16.

Cabinet, February 2016, Treasury Management Update Quarter 3 2015/16.

Cabinet, July 2016, Treasury Management Update Quarter 4 2015/16.

Cabinet Member:

Malcolm Pate (Leader), Portfolio Holder

Local Member

N/A

Appendices

A. Debt Maturity Profile as at 31 March 2016

B. Prudential Indicators 2015/16

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APPENDIX B**SHROPSHIRE COUNCIL PRUDENTIAL INDICATORS 2015/16**

- C1. The Prudential Code requires the Council to set Prudential Indicators in the Treasury Strategy and report performance against those indicators in the Annual Treasury Report.
- C2. The ratio of financing costs compared to the net revenue stream of the Council was lower than expected in 2015/16 due to no general fund borrowing being undertaken during the year.

Prudential Indicator	2015/16 Estimate	2015/16 Actual
	%	%
Non HRA Ratio of financing costs to net revenue stream	10.7	10.3

Prudential Indicator	2015/16 Estimate	2015/16 Actual
	%	%
Non HRA Ratio of financing costs (net of investment income) to net revenue stream	10.3	9.7
HRA Ratio of financing costs to HRA net revenue stream	41.5	40.3

- C3. The cost of capital investment decisions funded from a re-direction of existing resources was lower than expected due to lower than anticipated interest rates.

Prudential Indicator	2015/16 Estimate	2015/16 Actual
Estimates of impact of Capital Investment decisions in the present capital programme	£ p	£ p
Cost of capital investment decisions funded from re-direction of existing resources (Council Tax Band D, per annum)	22.62	21.52
Cost of capital investment decisions funded from increase in council tax (Council Tax Band D, per annum)	0	0
Cost of capital investment decisions funded from increase in average housing rent per week	0	0
Total	22.62	21.52

- C4. It can be seen from the tables that the authority was well within the approved authorised limit and the operational boundary for external debt for 2015/16.

Prudential Indicator	2015/16	2015/16
----------------------	---------	---------

	Estimate	Actual
External Debt	£ m	£ m
Authorised Limit:		
Borrowing	442	329
Other long term liabilities	81	97
Total	523	426

Prudential Indicator	2015/16 Estimate	2015/16 Actual
External Debt	£ m	£ m
Operational Boundary:		
Borrowing	406	329
Other long term liabilities	81	97
Total	487	426

- C5. Gross borrowing was as anticipated due to no general fund borrowing being undertaken in 2015/16. A key indicator of prudence is that net borrowing should not exceed the capital financing requirement. It can be seen from the following figures that the Council continues to meet this prudential indicator. The Capital Financing Requirement was lower than estimated following slippage in the capital programme that resulted in a reduced financing requirement from the capital receipts previously set-aside as approved by Council.

Prudential Indicator	2015/16 Revised Estimate	2015/16 Actual
Net Borrowing & Capital Financing Requirement:	£ m	£ m
Gross Borrowing (inc. HRA)	329	329
Investments	140	134
Net Borrowing	189	195
Non HRA Capital Financing Requirement	253	243
HRA Capital Financing Requirement	85	85
Total CFR	338	328

- C6. Total capital expenditure during the year was lower than anticipated. Explanations for these under-spends were included in the 2015/2016 final capital outturn report.

Prudential Indicator	2015/16 Revised Estimate	2015/16 Actual
	£ m	£ m
Non HRA Capital expenditure	46	40

HRA Capital expenditure	5	5
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- C7. The level of fixed rate and variable rate borrowing were within the approved limits for the year.

Prudential Indicator	2015/16 Estimate	2015/16 Actual
Upper Limit For Fixed/Variable Rate Borrowing	£ m	£ m
Fixed Rate (GF)	442	244
Fixed Rate (HRA)	96	85
Variable Rate	221	0

- C8. The level of fixed rate and variable rate investments were within the approved limits during 2015/16.

Prudential Indicator	2015/16 Estimate	2015/16 Actual
Upper Limit For Fixed/Variable Rate Investments	£ m	£ m
Fixed Rate	200	87
Variable Rate	200	47

- C9. No investments over 364 days were held by the internal treasury team.

Prudential Indicator	2015/16 Estimate	2015/16 Actual
Upper Limit For Sums Invested over 364 days	£m	£m
Internal Team	40	0
External Manager	30	0

- C10. The maturity profile was within the limits set in the Treasury Strategy.

Prudential Indicator	2015/16 Upper Limit	2015/16 Actual
Maturity Structure of External Borrowing	%	%
Under 12 months	15	2
12 months to 2 years	15	2
2 years to 5 years	45	4
5 years to 10 years	75	6
10 years to 20 years	100	31
20 years to 30 years	100	21
30 years top 40 years	100	16
40 years to 50 years	100	10
50 years and above	100	8

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Committee and date

Council

22 September 2016

10.00 a.m.

Item No

16

Public

COMMUNITY GOVERNANCE REVIEWS

Responsible Officer Claire Porter

Email: claire.porter@shropshire.gov.uk

Telephone: (01743) 252763

1.0 Summary

1.1 The Council is requested to approve the recommendations of its Community Governance Working Party in respect of the reviews recently undertaken in the following Parishes, following publication of the Final Proposals documents, which are attached:

- 1.1.1 Abdon/Heath;
- 1.1.2 Adderley/Market Drayton/Moreton Say
- 1.1.3 Albrighton;
- 1.1.4 Wem Rural; and
- 1.1.5 Wroxeter and Uppington

1.2 This work was undertaken by a Working Party comprising Councillors Butler, (Chairman), Davenport, Evans, Mellings, Mosley, Mrs Shineton, Turner.

2.0 Recommendations

2.1 That the Council approves the recommendations of the Community Governance Working Party in respect of the following Parishes:

- 2.1.1 Abdon/Heath
- 2.1.2 Adderley/Market Drayton/Moreton Say
- 2.1.3 Albrighton;
- 2.1.4 Wem Rural; and
- 2.1.5 Wroxeter and Uppington

3. Risk Assessment and Opportunities Appraisal

3.1 The recommendations in this report have no impact on the safeguarding arrangements for children and vulnerable adults. Shropshire Council is required to keep the electoral arrangements of Parishes in its area under review. The recommendations in this report do not have an adverse impact

on human rights or equalities. When conducting a review, the Council is required to have regard to the identities and interests of the community in the area and is required to consult with local government electors in the area under review and any other person or body which, in the opinion of the Council, might have an interest in the review.

4. Financial Implications

- 4.1 The cost of making the reorganisation orders will be borne by Shropshire Council and will be limited to officer time. There is no power to reclaim these costs from the Town/Parish Councils.

5.0 The Parishes of Abdon and Heath

- 5.1 The Council gave public notice of the Community Governance Review of the Parishes of Abdon and Heath in January 2016 and also published the terms of reference for that review. This was in response to a request from the Parish Council to create a new Parish by amalgamating the separate Parishes of Abdon and Heath.
- 5.2 Currently, the Parishes have a combined Council consisting of three members for the Parish of Abdon and two for the Parish of Heath.
- 5.3 The Community Governance Working Party considers that a new Parish without wards represented by a Parish Council made up of five members can provide for effective and convenient community governance for the whole of the Abdon and Heath Parish areas.
- 5.4 The new Parish would be known as the Parish of Abdon and Heath and the Parish Council has suggested that the new Parish should have a Parish Council consisting of 5 members.
- 5.5 S79 of the 2007 Act provides authority for Shropshire Council to consider and, if appropriate, to make an order confirming such changes to the electoral arrangements of a Parish or Parishes.
- 5.6 Councillor Cecelia Motley, Shropshire Councillor for the division in which the Parish is situated, supports the proposed change.

6.0 The Parishes of Adderley, Market Drayton and Moreton Say

- 61 The Council gave public notice of the Community Governance Review of the Parishes of Adderley, Market Drayton and Moreton Say in January 2016 and also published the terms of reference for that review. This was in response to a request from the Market Drayton Town Council to reduce the number of Town Councillors and to extend the boundaries of the Parish into the Parishes of Adderley and Moreton Say.

- 6.2 Currently, Market Drayton Town Council has 17 Councillors spread over three wards. The Town Council requested that consideration be given to reducing that number to 12.
- 6.3 The Community Governance Working Party considers that a reduction in the number of Councillors to 12 can provide for effective and convenient community governance for the Parish of Market Drayton spread over the existing 3 wards as follows:
- 6.3.1 Market Drayton South – 3 Councillors
 - 6.3.2 Market Drayton East – 3 Councillors
 - 6.3.3 Market Drayton North – 6 Councillors
- 6.4 The Community Governance Working Party was not provided with any evidence to support extending the boundary of the Parish of Market Drayton in the manner that had been suggested. Objections had been made to the request. Consequently, members of the Working Group felt unable to agree to those changes and recommends that no change is made to the boundaries at this stage.
- 6.5 S79 of the 2007 Act provides authority for Shropshire Council to consider and, if appropriate, to make an order confirming such changes to the electoral arrangements of a Parish or Parishes.
- 6.4 Councillors Roger Hughes and David Minnery, Shropshire Councillors for the Market Drayton West division within the Parish of Market Drayton and Councillor John Cadwallader, Shropshire Councillor for the Market Drayton East division, part of which is within the Parish of Market Drayton, support the proposal to reduce the number of Town Councillors.
- 6.5 Councillor Paul Wynn, Shropshire Councillor for the division adjacent to the Parish of Market Drayton and in which the Parishes of Adderley and Moreton Say which would have been affected by the proposals are situated, supports the proposal to not alter the boundaries.

7.0 The Parish of Albrighton

- 7.1 The Council gave public notice of the Community Governance Review of the Parish of Albrighton in January 2016 and also published the terms of reference for that review. This was in response to a request from the Parish Council seeking the discontinuance of the present warding arrangements. The Parish Council is currently separated into two wards, the North Ward and the South Ward.
- 7.2 The Parish Council has not requested that there be any other change to the electoral arrangements.
- 7.3 The Community Governance Working Party considers that a Parish Council made up of 15 Councillors without wards can provide for effective and convenient community governance for the whole of the Parish of Albrighton.

- 7.3 S79 of the 2007 Act provides authority for Shropshire Council to consider and, if appropriate, to make an order confirming such changes to the electoral arrangements of a Parish Council.
- 7.4 Councillor Malcolm Pate, Shropshire Councillor for the division in which the Parish is situated, supports the proposed change.

8.0 The Parish of Wem Rural

- 8.1 The Council gave public notice of the Community Governance Review of the Parish of Wem Rural in January 2016 and also published the terms of reference for that review. This was in response to a request from the Parish Council seeking to rename the “Wem” ward because of the confusion which is often caused due to its proximity to the Parish of Wem, which is adjacent to the Parish of Wem Rural
- 8.2 The Parish Council has not requested that there be any other change to the electoral arrangements.
- 8.3 The Community Governance Working Party considers that the Wem ward of the Parish Council should be renamed the “Roden” ward in order to assist in the effective and convenient community governance for the whole of the Parish of Wem Rural.
- 8.3 S79 of the 2007 Act provides authority for Shropshire Council to consider and, if appropriate, to make an order confirming such changes to the electoral arrangements of a Parish Council.
- 8.4 Councillor Chris Mellings, Shropshire Councillor for the division in which the Parish is situated, supports the proposal to change the name of the ward.
- 8.5 Councillor Pauline Dee, Shropshire Councillor for the division in which the Parish is situated, supports the proposed change.

9.0 The Parish of Wroxeter and Uppington

- 9.1 The Council gave public notice of the Community Governance Review of the Parish of Wroxeter and Uppington in January 2016 and also published the terms of reference for that review. This was in response to a request from the Parish Council to reduce the number of Parish Councillors from 11 to 9.
- 9.2 The Parish Council has not requested that there be any other change to the electoral arrangements.
- 9.3 The Community Governance Working Party considers that the number of Councillors for the Parish of Wroxeter and Uppington should be reduced. It considers that 9 Councillors for the Parish is still too many and that by reducing the number of Parish Councillors to 7, effective and convenient

community governance for the whole of the Parish of Wroxeter and Uppington would be provided.

- 10.3 S79 of the 2007 Act provides authority for Shropshire Council to consider and, if appropriate, to make an order confirming such changes to the electoral arrangements of a Parish Council.
- 10.4 Councillor Claire Wild, Shropshire Councillor for the division in which the Parish is situated, supports the proposed change.

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

Cabinet Member

Malcolm Pate

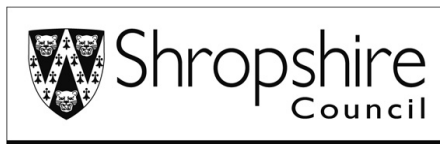
Local Member

John Cadwallader, Pauline Dee, Roger Hughes, Chris Mellings, David Minnery, Cecelia Motley, Malcolm Pate, Claire Wild, Brian Williams and Paul Wynn.

Appendices

None

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<u>Committee and Date</u>	<u>Item</u>
Council	17
22 September 2016	
10.00 am	
	Public

ADOPTION OF THE UNDERDALE, MONKMOOR AND ABBEY (UMACC) COMMUNITY LED PLAN

Responsible Officer George Candler, Director of Place and Enterprise
e-mail: George.candler@shropshire.gov.uk Tel: 01743 258671

1. Summary

- 1.1 This report recommends the adoption of the Underdale, Monkmoor and Abbey (UMACC) Community Led Plan by Shropshire Council as a material consideration for development management purposes. The responsibility for planning policy adoption falls to full Council. A copy of the Community Led Plan has been placed in the members library and can be viewed at: <http://www.umacc.org.uk/>
- 1.2 The Community Led Plan has been prepared by the Underdale, Monkmoor and Abbey Community Circle, based on extensive community consultation. Shropshire Council has promoted community-led plans as a more sustainable model to the full-blown statutory process for neighbourhood development plans set out in the Localism Act. As such the UMACC Community Led Plan does not need to undergo a costly examination or referendum, but is given weight by the Local Planning Authority through resolution of Shropshire Council to draw on the Plan to help inform development management decisions.

2. Recommendations

It is recommended that Policies R1-5; SC1-2; SCL1; TP1 and 5; HCD1 and 3-7; HBA1-3 and 5; GS1-4; and GA1-6 of the Underdale, Monkmoor and Abbey (UMACC) Community Led Plan (pages 21-28 of Appendix 1) be adopted as material considerations for the purpose of development management decisions by the Council in its role as Local Planning Authority.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Shropshire Council's planning approach is committed to promoting and supporting community led planning as a more cost effective and sustainable alternative to the Neighbourhood Plans introduced by the Localism Act. For such community led plans to be given formal weight as a material planning consideration when determining planning applications it is necessary for

Shropshire Council, as the Local Planning Authority, to formally adopt the Community Led Plan with this stated intention.

- 3.2 Once endorsed by the Local Planning Authority in this way, the Community Led Plan should also be given due weight by the Planning Inspectorate, not least due to the strong community engagement which has informed its preparation and its focus on the sustainability of future proposals in this area of Shrewsbury.
- 3.3 For the avoidance of doubt, the resolution to endorse the UMACC Community Led Plan refers to Policies R1-5; SC1-2; SCL1; TP1 and 5; HCD1 and 3-7; HBA1-3 and 5; GS1-4; and GA1-6 on pages 21-28.
- 3.4 Certain policies in the Plan relate to matters beyond the scope of development management decisions on planning applications. These are policies R6; SC3; SCL2-3; TP2-4; HCD2; HCD8-9; and HBA4. These policies may however be relevant to the operation of other Shropshire Council services.
- 3.5 The Planning & Compulsory Purchase Act 2004 requires that planning applications must be considered in accordance with the statutory Development Plan, unless material considerations indicate otherwise. This means that the adoption by Shropshire Council of the UMACC Community Led Plan for development management purposes will clearly establish it as a material planning consideration. The thorough consultation and democratic process by which the Community Led Plan was prepared is likely to lend it weight as part of planning decisions, including those taken by planning inspectors. Nevertheless, other material considerations may on occasion over-rule the Community Led Plan, not least the provisions of the National Planning Policy Framework (NPPF). While Shropshire Council may seek to apply the Community Led Plan in development management decisions, it is important to set local expectations at a realistic level, particularly in light of appeal decisions across England that regularly depart from adopted local plans when other considerations, particularly housing supply, are brought to bear.
- 3.6 Whilst Shropshire Council officers and the local Shropshire Councillors have been involved in the preparation of the Community Led Plan, the work of Underdale, Monkmoor and Abbey Community Circle and its active community members in producing this plan is to be strongly applauded.

4. Financial Implications

- 4.1 A significant proportion of the cost has been met by the fact that UMACC's members have given their time voluntarily to the project, but UMACC was one of five groups in Shropshire which also received financial support to prepare a Community Led Plan from a national Department for Communities and Local Government pilot 'frontrunner' programme (via Shropshire Council). Apart from member and officer time the Community Led Plan has had no cost implications for Shropshire Council.

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

Cabinet Member (Portfolio Holder)

Mal Price, Portfolio Holder Planning, Housing and Commissioning (Central)

Local Members

Cllr Miles Kenny; Cllr Pam Moseley; Cllr Hannah Fraser

Appendices:

A copy of the UMACC Community Led Plan is available in the Members Library and can be viewed at: <http://www.umacc.org.uk/>

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Shropshire and Wrekin Fire and Rescue Authority Chair's Report of the Meetings held in June 2016

Annual Meeting – 15 June 2016

Election of Chair and Appointment of Vice-Chair

The Fire Authority has re-elected Councillor Stuart West as its Chair and appointed Councillor Eric Carter as its Vice-Chair until June 2017.

Vote of Thanks and Welcome

The Fire Authority has given a vote of thanks for Councillors Kiernan, Mason and Reynolds who left the Fire Authority in May.

The Fire Authority also welcomed new Members Councillors Barnes and Pinter and welcomed Councillor Murray back to the Authority.

Anti-Fraud, Bribery and Corruption Strategy

In April 2005, the Fire Authority adopted an Anti-Fraud and Corruption Strategy (since amended to include references to bribery), which is designed to:

- Encourage prevention;
- Promote detection; and
- Identify a clear pathway for investigation.

The Fire Authority has, on the recommendation of its Audit and Performance Management Committee, agreed amendments to the Strategy, following the annual review conducted by officers.

The Strategy will be brought to the attention of all employees on the Service's weekly newsletter.

Committee Composition and Allocation of Seats to Political Groups

The Fire Authority has agreed the composition of its Committees and the allocations of seats on its committees to political groups.

Committee Membership and Constitution

The Fire Authority has confirmed appointments to its committees and appointed its Chair, Councillor Stuart West, to the Local Government Association Fire Services Commission. It has also reviewed and agreed the constitution of its committees.

Review of Member Role Descriptions

The Fire Authority has review and agreed the following Member Role Descriptions:

- Member
- Chair of the Authority
- Vice-Chair of the Authority
- Leaders of the Main Opposition Groups
- Equality and Diversity Champion
- Independent Person, including Skills and Competencies

Review of Standing Orders and Scheme of Delegation to Officers

The Fire Authority has reviewed and agreed its Standing Orders for the Regulation of Proceedings and Business, Standing Orders relating to Contracts and the Scheme of Delegation to Officers.

Statement of Accounts 2015/16

The Fire Authority has received a report, setting out the key revenue issues, which have arisen from work on the Statement of Accounts 2015/16, and has approved how the General Fund balance will be used in 2016/17.

Corporate Risk Management Annual Report 2014/15

The Fire Authority has received an annual report on corporate risk management work during the last 12 months, produced jointly by officers and the Member Champion for Risk Management and Audit.

Following Members' feedback from the Risk Management Training that they received in March 2016, changes have been made to the reporting of Corporate Risk with the Authority's Audit and Performance Management Committee, as the scrutiny committee, now receiving the Corporate Risk Management Summary Report, which had previously been presented to the Strategy and Resources Committee. To avoid duplication of reporting, information on corporate risk will now be incorporated into appropriate financial reports to the Strategy and Resources Committee.

The frequency of corporate risk management reporting to the Fire Authority has also been increased. The Fire Authority will now receive summary reports on a six monthly basis rather than an annual basis.

Partnership Working

Partnership working is a key element in the Fire Authority's strategy to meet its vision of "Putting Shropshire's Safety First". It is also a key theme of the Fire Service National Framework. The Fire Authority and the Service are actively involved in a number of partnerships, which are risk assessed for liability and reputation and scrutinised by the Service's Risk Management Group. This Group maintains a partnership register and monitors the outcome and productivity of each of the partnerships.

Over recent years the Service has developed several new partnerships, which primarily support its prevention activities, in particular, providing a means to target some of the most vulnerable people in the community. All partnerships have been risk assessed and measurable objectives set.

The Fire Authority has received a report, giving details of the more significant partnerships, in which the Service is involved.

Extraordinary Meeting – 28 June 2016

The Fire Authority ratified the decision of its Brigade Managers' Employment Panel, following a selection process, to appoint the Deputy Chief Fire Officer Rod Hammerton as the new Chief Fire Officer. The appointment will take effect from 13 July 2016, following the retirement of Chief Fire Officer John Redmond on 12 July 2016.

The Fire Authority also delegated power to the Brigade Managers' Employment Panel to commence the recruitment process for the resulting Brigade Manager vacancy, reporting back to the Authority with its recommendations for appointment.



Stuart West
Chair
Shropshire and Wrekin Fire and Rescue Authority
September 2016

Background Papers

Agenda and Papers for the meetings of Shropshire and Wrekin Fire and Rescue Authority held on 15 June 2016 and 28 June 2016.

The agendas and reports (with the exception of exempt or confidential items) for all Fire Authority meetings and those of its Committees appear on the Brigade's website:

<http://www.shropshirefire.gov.uk>

To access reports go to the Fire Service's website and follow the steps below.

- Click on the 'Managing the Service' icon at the bottom of page
- Click on the 'Fire Authority' icon
- Click on 'Meetings' in the list on the right hand side of the screen
- Click on the appropriate meeting date and the various reports and appendices will be listed

If you have any difficulty with the website, please contact Lynn Ince, Executive Support Officer, on 01743 260225.

Council
22 September 2016

MEMBERS' QUESTIONS

AGENDA ITEM 20

QUESTION 1

MR DAVID ROBERTS will ask the following question:

We seem to have adopted a grossly unfair appeal system in the licensing department. It appears that if an applicant appeals against a decision he/she cannot attend the appeal hearing but the council officer concerned can. This to me seems to be inherently unfair. Does the Portfolio Holder agree with me that this practice needs to change to allow the appellant to put their case?

MR MALCOLM PRICE, the Portfolio Holder for Planning, Housing, Regulatory Services and Environment will reply:

Shropshire Council has not adopted an 'appeal system'; the licensing appeals processes that exist are based in law and operated through the Courts. Any applicant who is aggrieved by a licensing related decision of the Council can appeal to the relevant Court and can put their case forward either directly by themselves or through a legal representative. This takes place in front of Magistrates and, if necessary, a Crown Court Judge.

However the question posed appears to refer to the way in which the Council operates its Licensing Panel. This Panel is not an appeal system; it is an internal mechanism set up by the Council to assist and support the officers who have delegated authority to make licensing decisions. The Council's Hackney Carriage & Private Hire Licensing Policy (page 9) <http://new.shropshire.gov.uk/media1/2319/finalpluswithplusamendmentsplusv2plushcphpluslicensingpluspolicyplus2015plus-plus2019.pdf> sets out the role of the Licensing Panel.

The manager responsible for licensing will make a decision in consultation with a legal adviser and other officers considered appropriate. Currently, the Panel consists of a licensing officer and representatives from adult and children's safeguarding and is attended by a Council solicitor in their capacity as an independent legal adviser. The Panel assists and supports officers to deal with new applications, renewals and reviews of licences that are referred directly by a licensing officer. Matters, where the officer with delegated authority is unable to reach a decision, or for any other reason so agreed by that officer, will be referred to the Licensing and Safety Sub-Committee for determination. Applicants are not invited to attend Panel but they are given the opportunity to provide written representations for it to consider.

In conclusion, an applicant can make written representations at the Licensing Panel stage and, if aggrieved by a decision that is subsequently made by an officer who has delegated authority to make licensing decisions, the applicant may then formally appeal that decision in the Courts. At this stage the applicant has the opportunity to put their case forward. On this basis, the current practices undertaken by the Council are fair and reasonable and there are no plans to change them.

QUESTION 2

MR DUNCAN KERR will ask the following question:

In order to provide the cash to fund IT projects and redundancies the Cabinet has agreed to sell many small-holdings in the county. These tenants have been given just a few months to finance the purchase of their land or risk it being sold to an unknown entity. Some of these tenants have worked their land for years, even decades. Can the Leader tell us exactly how many tenancies have or will receive notice, how much notice they have been given, and whether he will commit to review these timescales for long-standing tenants.

MR ROBERT TINDALL, Deputy Cabinet Member for Estates and Built Assets will reply:

Thank you for the question in relation to the Smallholding estate. Cabinet have been exploring the possibility of disposing of the smallholding estate for some time, although a decision to dispose of the whole estate has not been made, it will be considered by Cabinet on the 14th September. Dialogue with tenants has been ongoing since July of 2014, in the intervening period a number of tenants have acquired their smallholdings. Any decision to dispose would be on the basis of existing tenancy rights and would not require notice being served on tenants to leave their holdings.

Can I take this opportunity to remind members, as has been made clear at previous council meetings, this kind of question seeking factual information readily available and accessible to members themselves with a minimum of research can be asked routinely of officers or cabinet members and does not need to wait to come to full Council.

QUESTION 3

MR DUNCAN KERR will ask the following question:

With 'White Ribbon Day' approaching soon, I would like to pay tribute to the work on domestic abuse undertaken by the Council's Community Safety Team. Given their commitment, it seems unfortunate that the Council is not on the White Ribbon website as having met the standard. Could you explain what is holding us back?

MRS KAREN CALDER, Portfolio Holder for Health will reply:

Since 2011 the Shropshire Community Safety Partnership has supported White Ribbon and has promoted it widely across the County as a way of raising awareness about the impact of domestic abuse and violence and the effect it has on people's lives, but more importantly to encourage men to make a stand against DV and to take a lead in tackling it.

The Partnership has, over the years worked closely with Shrewsbury Town Football Club who have both promoted, and supported, White Ribbon events on match days. It has had stalls, both in Shirehall and other venues, in order to promote White Ribbon. The Partnership has also looked to agencies and organisations such as the Police, Probation and Health to raise awareness amongst their work force and to wear the white ribbon and talk about what it means. Shropshire Councillors have given their support to the campaign, and a number of people have volunteered to be White Ribbon Ambassadors. This has included the Chief Executive of Shropshire Council and the Chair of the Shropshire Community Safety Partnership.

Shropshire Council is currently on the White Ribbon website <http://www.whiteribboncampaign.co.uk/shropshire> and encourages people to pledge their support for White Ribbon, and the Community Safety Partnership will be promoting the page again this year as part of the 2016 campaign. In respect of the Council being listed on the White Ribbon website as having achieved a standard in respect of White Ribbon, this is currently under review in order to see what is required. The Partnership welcomes the support of elected members in respect of what is being done to tackle domestic abuse in Shropshire and hope that we can work with Councillors in raising awareness of the event during November.

QUESTION 4

MR MILES KENNY will ask the following question:

- a) In his Autumn 2015 Statement, the Chancellor announced there would be a £580m Sustainable Travel Fund giving the Council plenty of time to prepare for bids following publication of bid details. On July 5th the Government asked for invitations to apply for funding from a share of the £60m Sustainable Travel Access Fund. Local Authorities were expected to contribute 10% of the allocated grant. The fund was for innovative walking and cycling revenue projects which could, for example help people get to work. The closing date for applications was September 9th 2016. Shropshire Council did not apply for the funding thereby denying travel opportunities for a number of people, funding which would have kept people in work or provided work, helped to achieve Shropshire Council objectives of reducing inactivity and obesity, reduce Shropshire's Carbon footprint, improving air quality and reducing the costs of road maintenance by having less vehicles on the road. Why was no bid made?

- b) Why have many of the road gullies been left with weeds growing in them this year?

MR SIMON JONES, the Portfolio Holder for Highways and Transportation will reply:

- a) Shropshire Council has made the difficult decision not to submit a further bid for the Sustainable Transport access fund.

It is considered that we have lost considerable legacy momentum, following our unsuccessful bids first to extend our LSTF project into 2015/16 and more recently for the Sustainable Transport Transition Year. We applied considerable resource to both these bid submissions including ring fencing of local contributions that have since been reassigned and are no longer available. Given the current financial climate and limited time scale for any further submission, it is considered that we are unable to justify use of our current limited funding resource for a third bid to the scale required for a bid to cover a 3 year period (including pre requirement to identify sufficient match funding for any project) that may also not be successful.

We have also given consideration as to how we could embed and align any access fund proposals within our Local Enterprise Partnership Growth Deal programme, but there are the following constraints; no option to work retrospectively on existing and contracted Growth Deal 2 round schemes now in delivery, and also a shift in the nature of our recent Growth Deal 3 submissions away from major transport and infrastructure programmes. As such, any dovetailing is not considered practically achievable.

This decision was not made lightly, we have reviewed a number of other successful authority bids and undertaken comparison assessments with our own bids. We consider that although there is evidence of positive continued legacy with a number of LSTF projects our overall sustainable transport strategy needs to be better streamlined, with more focused overall objectives.

In order to achieve objectives, to support the local economy by supporting access to new and existing employment, education and training; and actively promote increased levels of physical activity through walking and cycling, we are proposing to redevelop our strategy which hopefully in turn will result from our commitment and be a primary output from the development of Shropshire's LTP 4.

- b) We have a maintenance regime for emptying and cleansing gullies/grids. They are on either a twice yearly, annual or every two year frequency. Most urban estate grids are cleaned every two years, those on A and B class roads are mostly on an annual cycle and those where there is a higher flood risk, due to leaves, silt wash off or any other reason that means they might become blocked are on a "hot spot" list and done twice a year, or on a frequency needed to keep them clear.

With Urban grids there is a possibility that grass or weeds could settle and germinate in the frame or in the gully and grow up out of the grid. We do not

weed spray these gullies as most connect to watercourses and we do not want to release herbicides into those. They will be cleaned out when the tanker visits to remove the sediment trapped at the bottom of the gully pot. This has also been a very good season for grass and weed growth, which could compound the problem.

There will be occasions when a grid will be missed, due to a parked car, for example, or there may also be an occasional one that is not on our asset register and are not being done, as we will not have told our contractor. Officers have checked the gully register for Cllr Kenny's ward and it looks as though most if not all are on it.

If there are any specific gullies which are causing Members concern please contact the divisional highways office and they will be able to check that they are on the register and be able to advise when they are next due to be emptied.

QUESTION 5

MR MILES KENNY will ask the following question:

£1/2m of Council Taxpayers money was spent on refurbishing the West Wing of the Shirehall now largely empty. What do you intend doing with the offices?

MR MALCOLM PATE, the Leader of the Council will reply:

Thank you for the question. The West Wing of the Shirehall is at capacity. It houses the Customer Service Centre, the Premises Services Team, the Public Protection and Communications team.

In addition to the West Wing being full, moving staff around has increased the utilisation of Shirehall and has brought senior managers, elected members and staff teams in closer proximity to each other to improve accessibility. In addition staff of the customer service team have been repatriated from a previously rented building, saving the council £237,000 per year and reconnecting these staff to our operations and by doing improved moral is being reported.

Repatriating staff will reduce back office costs and enable us to make services more sustainable by focusing resources at front line activity. Linked to our digital strategy, this will enable us to build a modern workforce equipped with state of the art tools to do their work, thereby increasing productivity, improving services and reducing cost.

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