

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND
Date: 16 September 2015

Committee: Council

Date: Thursday, 24 September 2015

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)

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

Your Committee Officers are:

Karen Nixon, Committee Officer and **Jane Palmer** Senior Committee Officer

Tel: 01743 252724 or 257712

Email: karen.nixon@shropshire.gov.uk OR jane.palmer@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 - 14)

To approve as a correct record the minutes of the previous meeting held on 23 July 2015, attached marked 3.

Contact Karen Nixon Tel 01743 2527720.

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

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

A petition bearing over 1,000 signatures has been received from Mr K Richards, of Shawbury protesting to Shropshire Council at the planned closure of Shawbury Library.

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

6 QUESTIONS FROM MEMBERS (Pages 15 - 20)

To receive any questions from Members, notice of which has been given in accordance with Procedure Rule 15.2, attached marked 6.

7 REPORT OF THE PORTFOLIO HOLDER FOR HEALTH (Pages 21 - 30)

To receive the report from the Portfolio Holder for Health, attached marked 7.

8 REPORT OF THE PORTFOLIO HOLDER FOR BUSINESS, IP&E, CULTURE AND COMMISSIONING (NORTH) (Pages 31 - 52)

To receive the report from the Portfolio Holder for Business, ip&e, Culture and Commissioning (North) attached marked 8.

9 REPORT OF THE PORTFOLIO HOLDER FOR CHILDREN'S SERVICE (Pages 53 - 64)

To receive the report from the Portfolio Holder for Children's Services, attached marked 9.

10 ANNUAL REPORT 2014/15 OF THE YOUNG PEOPLE'S SCRUTINY COMMITTEE (Pages 65 - 68)

To receive the report from the Chairman of the Young People's Scrutiny Committee, attached marked 10.

11 REPORT OF THE PORTFOLIO HOLDER FOR TRANSFORMATION AND PERFORMANCE (Pages 69 - 80)

To receive the report from the Portfolio Holder for Performance, attached marked 11.

12 ANNUAL REPORT 2014/15 OF THE PERFORMANCE MANAGEMENT SCRUTINY COMMITTEE (Pages 81 - 84)

To receive the report from the Chairman of the Performance Management Scrutiny Committee, attached marked 12.

13 FINANCIAL RULES UPDATE (Pages 85 - 164)

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

Contact James Walton Tel 01743 255011.

14 AUDITED STATEMENT OF ACCOUNTS 2014/15 (Pages 165 - 352)

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

Contact James Walton Tel 01743 255011.

15 ANNUAL TREASURY REPORT 2014/15 (Pages 353 - 366)

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

Contact James Walton Tel 01743 255011.

16 CORPORATE LANDLORD - BUDGET IMPLICATIONS (Pages 367 - 372)

Report of the Head of Finance, Governance and Assurance is attached, marked 16.

Contact James Walton Tel 01743 255011.

17 REGULATION OF INVESTIGATORY POWERS POLICY (Pages 373 - 436)

Report of the Head of Economic Growth and Prosperity is attached, marked 17.

Contact Andy Evans Tel 01743 253869.

18 THE DEVELOPMENT OF OSWESTRY INNOVATION PARK

Report of the Head of Economic Growth and Prosperity will follow, marked 18.

Contact Andy Evans Tel 01743 253869.

19 COMMUNITY GOVERNANCE REVIEWS (Pages 437 - 442)

Report of the Head of Legal and Democratic Services is attached, marked 19.

Contact Claire Porter Tel 01743 252763.

20 MOTION

The following motion has been received in accordance with Procedure Rule 16 from Councillor Andy Boddington:

“This Council:

- believes that we all have a moral responsibility to aid and resettle refugees
- it is the duty of the government and all councils to react to this humanitarian crisis by helping shelter families classified as refugees under 1951 Refugee Convention.

This Council Resolves:

- i. To recognise that it should join others in taking urgent action to help refugees.
- ii. To set up and empower a politically balanced group of councillors. This will work with the Housing Options team and external organisations to take action to help refugees find a home and settle in Shropshire.
- iii. To accept and discuss reports from the group at: the Cabinet meeting of 28 October 2015; Performance Scrutiny Committee; and full Council on 17 December 2015. The reports will state the group’s progressing conclusions; the actions that it has taken or proposes to take; and the actions the Council has taken or is recommended to take.
- iv. To instruct the Chief Executive to write to the county’s MPs and the Prime Minister to remind them of the UK’s moral responsibility to resettle many more refugees than currently proposed. The Chief Executive should seek guidance from the proposed group on the wording of his letter.”

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Committee and Date

Council

24 September 2015

COUNCIL

Minutes of the meeting held on 23 July 2015

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

10.00 am - 2.15 pm

Responsible Officer: Karen Nixon

Email: karen.nixon@shropshire.gov.uk Tel: 01743 252724

Present

Councillors Malcolm Pate (Chairman) and Keith Barrow (Leader)
Councillors David Lloyd (Speaker), Steve Charmley (Deputy Leader), Peter Adams, Andrew Bannerman, Nicholas Bardsley, Charlotte Barnes, Joyce Barrow, Andy Boddington, Vernon Bushell, Thomas Biggins, Gwilym Butler, John Cadwallader, Dean Carroll, Lee Chapman, Anne Chebsey, Peter Cherrington, Ted Clarke, Gerald Dakin, Steve Davenport, David Evans, Roger Evans, Hannah Fraser, Ann Hartley, Nigel Hartin, Richard Huffer, Tracey Huffer, Roger Hughes, Vince Hunt, John Hurst-Knight, Jean Jones, Simon Jones, Miles Kenny, Heather Kidd, Robert Macey, Chris Mellings, Pamela Moseley, Alan Mosley, Cecilia Motley, Peggy Mullock, Peter Nutting, Mike Owen, Kevin Pardy, William Parr, Vivienne Parry, John Price, Malcolm Price, David Roberts, Keith Roberts, Madge Shingleton, Jon Tandy, David Turner, Arthur Walpole, Stuart West, Claire Wild, Brian Williams, Leslie Winwood, Michael Wood, Tina Woodward and Paul Wynn

19 **APOLOGIES FOR ABSENCE**

The Chief Executive reported that apologies for absence had been received from Mr T Barker, Mr T Bebb, Mrs K Calder, Mr A Davies, Mrs P Dee, Mr J Everall, Mr C Lea, Mrs J Mackenzie, Mr D Minnery, Mr P Nutting, Mr D Roberts, Mr R Tindall, Mr D Tremellen, Mr K Turley and Mr M Williams.

20 **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.

Both Mr N Hartin and Mrs M Shingleton declared an interest in the second Motion proposed by Mr R Evans (see Minute 40.2).

21 **MINUTES**

RESOLVED: That the Minutes of the meeting held on 14 May 2015, as circulated with the agenda papers, be approved and signed as a correct record.

22 ANNOUNCEMENTS

22.1 Chairman's Engagements

The Chairman referred Members to the list of official engagements carried out by himself and the Speaker since the last meeting of the Council on 14 May 2014, which had been circulated at the meeting.

22.2 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 he had written to each one of the recipients to congratulate them on their achievement:

Members of the Order of the British Empire (MBE)

Kenneth Arch, of Bridgnorth, for services to the community in Shropshire particularly in Bridgnorth.

Leslie George Goodchild, of Newport, Senior Executive Officer Ministry of Defence, for services in support of the Royal Air Force.

Robert Gordon Humphreys, of Bucknell, Honorary Secretary All Party Parliamentary Beer Group, for services to Alcohol Policy.

Dr Nigel Timothy James O'Connor, from Shrewsbury, retired Consultant Haematologist Royal Shrewsbury Hospital, Shropshire, for his services to haematology in the health service.

Jane Victoria Redshaw, of Bridgnorth, for services to the Community and to Charity in Wolverhampton, West Midlands and Bridgnorth, Shropshire.

Sandy Lindsay, of Telford, for services to Business and Young People in the North West.

Medallist of the Order of the British Empire (BEM)

Jeremy Hobbs, Shropshire, for services to Charity, especially Compton Hospice in Wolverhampton.

23 PUBLIC QUESTIONS

Petitions

The Speaker advised that there were no petitions.

Public Questions

The Speaker announced that one public question had been received in accordance with Procedure Rule 15 (a copy of the report containing the detailed question and the formal response is attached to the signed minutes):

- (i) Received from Mr Patrick Cosgrove on behalf of Shropshire and Marches Campaign for Better Broadband in Rural Areas and answered by Mr S Charmley, Portfolio Holder for Business, ip&e, Culture and Commissioning (North) in relation to additional sources of money that would result from Shropshire's contractual relationship with BT – copy attached to the signed minutes.

By way of a supplementary question Mr Cosgrove commented on the Phase 2 rollout which he was sure Shropshire Council had good documentary evidence to show how the Council's £8.2m and BDUK's £9.2m was being spent. However, he asked if the Council had equally good documentary evidence to show how BT's promised £8.6m would be used?

In response, the Portfolio Holder confirmed that there was much correspondence on this matter. The Broadband Partnership which the Better Broadband group had withdrawn from was the vehicle to be used by Shropshire Council for future rollouts, and he confirmed that the Council was confident about how the monies were being spent. He confirmed that if this information could be put into the public domain he would be happy to share this with Mr Cosgrove.

24 QUESTIONS FROM MEMBERS

The Speaker advised that nine 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 R Evans and answered by Mr S Charmley Portfolio Holder for Business, ip&e, Culture and Commissioning (North) in relation to the Transformation Challenge Award TCA to facilitate the transfer of six libraries to new community based management arrangements in 2015/16 – copy attached to the signed minutes.

By way of a supplementary question Mr Evans asked which would be the sixth library as only five were identified in the response. He also asked if Pontesbury Library would be eligible for any funding.

In response the Portfolio Holder confirmed that the funding was not wholly confirmed yet and that after the five libraries were dealt with, there might possibly be funding available for other libraries that needed it.

- (ii) Received from Mr R Evans and answered by Mr K Barrow, Leader of the Council, in relation to the IT system at the Shirehall and where to find information about portfolio holders – copy attached to the signed minutes.

By way of a supplementary question Mr Evans urged the Leader to ensure that money was used to improve the IT within the Shirehall and asked for clarification about who dealt with commissioning in the north, centre and south of the county.

In response the Leader confirmed that officers were dealing with de-risking IT first, but at a speed in order to not waste money. After that had been completed the money would be spent over the following 12 months. He assured Mr Evans that he took on board his comments and that he was also just as keen to move this forward.

- (iii) Received from Mr A Boddington and answered by Mrs K Calder, Portfolio Holder for Health in relation to the Registrars service and working patterns and opening hours – copy attached to the signed minutes.

By way of a supplementary question Mr Boddington asked if the Council was now re-shaping it's services because of staff leaving, rather than the best way to provide efficient services.

In response Mr S Charmley, on behalf of the Portfolio Holder who was not present, confirmed that he would get a written response from the Portfolio Holder to Mr Boddington after the meeting.

- (iv) Received from Mrs V Parry and answered by Mr K Barrow, Leader of the Council, in relation to the Council's Constitution and Openness and the removal of cameras from the public at a previous Council meeting – copy attached to the signed minutes.

Mrs Parry commented that she welcomed the new guidance. However, by way of a supplementary question she indicated that she was unable to find the recording of each Cabinet meeting on the website and asked if they were available.

In response the Leader confirmed that the recordings of Cabinet were available on the web. He hoped the general principle of his response was accepted and he suggested following each meeting that in future the feasibility of filming Council meetings ought to be looked at.

- (v) Received from Mr R Huffer and answered by Mr M Price, Portfolio Holder for Regulatory Services, Housing and Commissioning (Central) regarding permitted development rights – copy attached to the signed minutes.

By way of a supplementary question Mr Huffer asked if a 'pub protection policy' could be developed by Shropshire Council to protect Public Houses.

In response Mr Price confirmed that he would look into this matter and get back to Mr Huffer after the meeting with his formal response.

- (vi) Received from Mr C Mellings and answered by Mr M Owen, Portfolio Holder for Finance, Resources and Support, regarding Strategic Working Groups – copy attached to the signed minutes.

By way of a supplementary question Mr Mellings asked if the strategic groups envisaged for 2015/16 would not perhaps be a better role for scrutiny in the future.

In response Mr Owen commented that he had offered to meet up with Mr Mellings prior to the Council meeting to discuss this, but unfortunately this had not been possible. Therefore he offered to meet with Mr Mellings after the Cabinet meeting on 29 July along with the S151 Officer to explain things further.

- (vii) Received from Mr C Mellings and answered by Mr M Owen, Portfolio Holder for Finance, Resources and Support, regarding current risks to the Council's budget/financial strategy and what was being done to address this – copy attached to the signed minutes.

By way of a supplementary question Mr Mellings asked what assurance could be given that the 2015/16 budget would be achieved without relying on one-offs.

In response Mr Owen commented that he had offered to meet up with Mr Mellings prior to the Council meeting to discuss this, but unfortunately this had not been possible. Therefore he offered to meet with Mr Mellings after the Cabinet meeting on 29 July along with the S151 Officer to explain things further.

- (viii) Received from Mrs C Barnes and answered by Mr S Charmley, Portfolio Holder for Business, ip&e, Culture and Commissioning (North) regarding the rental of office accommodation – copy attached to the signed minutes.

By way of a supplementary question Mrs Barnes asked if Council-owned accommodation could be investigated, including 'not fit for purpose' accommodation and offered to assist if that was acceptable.

In response Mr Charmley confirmed the running costs for Jupiter House were split on a pro rata basis between ip&e who used 308 square metres and Council staff who used 488 square metres. Regarding other Council-owned assets he advised that the Portfolio Holder for Finance, Resources and Support would be able to provide this information after the meeting, which Mr M Owen confirmed he would do in writing.

- (ix) Received from Mrs C Barnes and answered by Mr S Charmley, Portfolio Holder for Business, ip&e, Culture and Commissioning (North) regarding cuts in leisure service delivery, particularly in relation to swimming pools – copy attached to the signed minutes.

By way of a supplementary question Mrs Barnes asked if the various suggestions she made within her question (points 1 to 5) could be looked at in Scrutiny and acted upon.

In response Mr Charmley said that he was happy for this to be looked at if the relevant Scrutiny Chairman was agreeable. There was currently no facilities strategy and he was happy for Mrs Barnes to become involved in this and even lead on it, if she so wished.

25 POLICING SHROPSHIRE - OPPORTUNITIES AND THREATS

In introducing the Chief Constable of West Mercia Police, Mr David Shaw to the meeting, the Speaker also welcomed the Superintendent for Shropshire, Mr David McWilliams and expressed his thanks to the Police for their help and support over the years policing Shropshire. Mr Shaw indicated that he welcomed the opportunity to attend the meeting to make a verbal presentation to the Council on 'Policing in Shropshire – Opportunities and Threats'. Briefly he covered the following matters;

Emerging trends

- Many years of reduced crime had been seen nationally, but that was just starting to bottom out. This observation was made not only by the Police Force; it was borne out by other external bodies too. However, it was pleasing to report that this was relatively low in Shropshire, and appeared to be bucking the trend nationally.
- There was a significant rise in some forms of violent crime; particularly around sexual offences. There was no doubt there has been a 'post Savile effect' with considerable numbers of victims of historic sex offences coming forward.
- An increase in business crime, shoplifting etc., was also being seen. Whilst this was not alarming it was on the increase.

The Strategic Alliance – working together with Warwickshire Police Authority continued to be a success and sharing the costs of different elements ensured funding was kept on the front-line.

Spending/Budget

The Chief Constable believed that policing would look fundamentally different in five years' time. The financial situation they found themselves in was part of the context but it was not what defined West Mercia. The Chief Constable confirmed it was of concern, but he was convinced that West Mercia would continue to provide good policing.

Review

The Chief Constable indicated that they were considering transferring resources from Leominster to Ludlow and told Members that changes made in 2013 might not have been "completely right" whilst confirming that the review was not "subterfuge for cutting back and de-grading".

In conclusion, Mr Shaw stated that fundamentally policing in Shropshire would look very different in 5 years' time, as would he believed local authority services. He thanked the Members for their time and confirmed he would continue to work closely with the local authority.

A Question and Answer session ensued with the Chief Constable responding to specific questions, queries and concerns raised by Mrs H Kidd, Mr R Evans, Mr A Boddington, Mrs M Shingleton, Mrs J Barrow, Mr D Turner, Mr A Mosley, Mr S West, Mr M Kenny, Mr P Cherington and Mr V Hunt.

The Leader thanked The Chief Constable for his presentation and commented that he hoped the close working relationship with West Mercia would continue.

RESOLVED: That the contents of the verbal report by the Chief Constable of West Mercia Police be noted and approved.

26 PORTFOLIO HOLDER REPORT FOR ADULT SERVICES AND COMMISSIONING (SOUTH)

Mr L Chapman presented his report, a copy of which is attached to the signed minutes, on undertaking his responsibilities as Portfolio Holder for Adult Services and Local Commissioning (South). The report set out what had been achieved so far and the direction for the future.

Mr Chapman amplified his report and responded to questions, queries and concerns raised by Members, including Mrs H Kidd, Mr S West, Mrs P Moseley, Mr R Evans, Mrs A Hartley and Mr A Moseley.

RESOLVED: That the contents of the report by the Portfolio Holder for Adult Services and Local Commissioning (South) be received.

27 ANNUAL REPORT OF THE HEALTH & ADULT SOCIAL CARE SCRUTINY COMMITTEE 2014/15

Mr G Dakin presented a report, a copy of which is attached to the signed minutes, which gave an overview of the work of the Health and Adult Social Care Scrutiny Committee during 2014-15 and its plans for the forthcoming year.

RESOLVED: That the contents of the Annual Report of the Health and Adult Social Care Scrutiny Committee be received.

28 PORTFOLIO HOLDER REPORT FOR HIGHWAYS AND TRANSPORT

Mr S Jones presented his report, a copy of which is attached to the signed minutes, on undertaking his responsibilities as Portfolio Holder for Highways and Transport. The report set out what had been achieved so far and the direction for the future.

Mr Jones amplified his report and responded to questions, queries and concerns raised by Members, including Dr J Jones, Mr A Bannerman, Mrs J Barrow, Mr M Kenny, Mrs H Kidd, Mr N Hartin, Mr C Mellings, Mrs M Shingleton and Mr P Adams.

RESOLVED: That the contents of the report by the Portfolio Holder for Highways and Transport be received.

29 PORTFOLIO HOLDER REPORT FOR REGULATORY SERVICES, HOUSING AND COMMISSIONING (CENTRAL)

Mr M Price presented his report, a copy of which is attached to the signed minutes, on undertaking his responsibilities as Portfolio Holder for Regulatory Services, Housing and Commissioning (Central). The report set out what had been achieved so far and the challenges for 2015/16.

Mr Price amplified his report and responded to questions, queries and concerns raised by Members, including Mrs C Motley, Mr A Bannerman, Mrs V Parry and Mr R Evans.

RESOLVED: That the contents of the report by the Portfolio Holder for Regulatory Services, Housing and Commissioning (Central) be received.

30 ANNUAL REPORT OF THE ENVIRONMENT AND SERVICES SCRUTINY COMMITTEE 2014/15

Mr V Hunt presented a report, a copy of which is attached to the signed minutes, which gave an overview of the work of the Environment and Services Scrutiny Committee during 2014-15, its plans for the forthcoming year and its achievements in providing positive outcomes for local people.

RESOLVED: That the contents of the Annual Report of the Environment and Services Scrutiny Committee be received.

31 REPORT OF THE PORTFOLIO HOLDER FOR THE UNIVERSITY CENTRE AND SHREWSBURY BID

Mrs C Wild presented a report, a copy of which is attached to the signed minutes, on undertaking her responsibilities as Portfolio Holder for The University Centre and Shrewsbury BID. The report detailed the work underway in preparation for the arrival of the first undergraduate students in September 2015, including accommodation, teaching and learning provision and planning policy in relation to the management of student housing.

Mrs Wild amplified her report and responded to questions, queries and concerns raised by Members, including Mr A Bannerman, Mr A Moseley and Mr M Kenny.

RESOLVED: That the contents of the report by the Portfolio Holder for The University Centre and Shrewsbury BID be received.

32 ANNUAL REPORT OF THE ENTERPRISE AND GROWTH SCRUTINY COMMITTEE 2014/15

Mr S Davenport presented a report, a copy of which is attached to the signed minutes, giving an overview of the work of the Enterprise and Growth Scrutiny Committee during 2014/15 and its plans for the forthcoming year.

RESOLVED: That the contents of the report of the Enterprise and Growth Scrutiny Committee be received.

33 REVENUE OUTTURN 2014/15

It was proposed by the Leader, Mr K R Barrow, and seconded by Mr B Williams 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 the Outturn for the Revenue Budget for 2014/15 was an underspend of £0.300m, this represented 0.05% of the original gross budget of £578m.
- b) That the level of general balance which stood at £15.206m, which was above the anticipated level included within the Financial Strategy be noted.
- c) That it be noted the Outturn for the Housing Revenue Account for 2014/15 was an underspend of £0.763m and the level of the Housing Revenue Account reserve stood at £3.076m (2013/14 £2.542m).
- d) That the increase in the level of Earmarked Reserves and Provisions (excluding delegated school balances) of £17.939m in 2014/15 be noted.
- e) That it be noted the level of school balances stood at £3.957m (2013/14 £5.523m).

34 CAPITAL OUTTURN 2014/15

It was proposed by the Leader, Mr K R Barrow, and seconded by Mr S Charmley 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 budget variations of £209,067 to the 2014/15 capital programme, detailed in Appendix 1/Table 1 and the re-profiled 2014/15 capital budget of £66.4m be approved.
- b) That the re-profiled capital budgets of £66.6m for 2015/16, including slippage of £12.1m from 2014/15, £34.6m for 2016/17 and £27.5m for 2017/18 as detailed in Appendix 1/Table 4 be approved.

- c) That the outturn expenditure set out in appendix 1 of £54.2m, representing 81.7% of the revised capital budget for 2014/15 be accepted.
- d) That retaining a balance of capital receipts set aside of £14.1m as at 31st March 2015 to generate a Minimum Revenue Provision saving of £564,000 in 2015/16 be approved.

35 ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE 2014/15

It was proposed by Mr B Williams 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: That the Annual Assurance Report for 2014/15 be approved.

36 WEST MERCIA YOUTH JUSTICE PLAN 2015/16

It was proposed by Mrs A Hartley, and seconded by Mr N Bardsley that the report, a copy of which is attached to the signed minutes, be received and agreed.

In response to a question from Mr M Kenny about why Shropshire's re-offending rate was higher than the rest of West Mercia and what was being done to address this, the Portfolio Holder confirmed that said she would circulate a written response to Mr Kenny after the meeting.

RESOLVED: That subject to the foregoing, the Youth Justice Plan, as attached at Appendix A, be approved.

37 APPOINTMENTS TO COMMITTEES

It was proposed by the Speaker, seconded by the Chairman and

RESOLVED: That the following appointments to committees be confirmed:

Strategic Licensing

The appointment of Mr D Carroll as a full Member to replace Mr S Jones.

Health & Adult Social Care Scrutiny Committee

The appointment of Mrs C Motley as a full Member to replace Mr S Jones.

Central Planning

The appointment of Mr R Evans as a full Member.

38 STATUTORY REQUIREMENT TO AMEND THE COUNCIL'S STANDING ORDERS

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

RESOLVED: That Council agree to amend the Council Standing Orders relating to the Dismissal of Statutory Officers as required by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 and as detailed in paragraph 6 of the report.

39 ATTENDANCE AT MEETINGS OF THE AUTHORITY

It was proposed by the Leader, Mr K Barrow, seconded by Mr A Mosely and duly

RESOLVED: That under Section 85 of the Local Government Act 1972, the reasons for the failure of Mr M Williams to attend meetings of the authority due to ill health, be approved, and that the matter be reviewed at the Council meeting to be held 17 December 2015.

40 MOTIONS

40.1 The following motion was proposed by Mr M Kenny and duly seconded by Dr J Jones:

“This Council believes that:

1. TTIP could have a detrimental impact on local services, employment, suppliers and decision-making.
2. A thorough impact assessment of TTIP on local authorities must be undertaken before the negotiations can be concluded.
3. The proposed Investor State Dispute Settlement (ISDS) mechanism has been used by corporations to overturn democratic decisions by all levels of governments at significant public cost. Local decision-making must be protected from ISDS.
4. The EU's food, environmental and labour standards are better than those in the US and TTIP negotiations must raise and not lower these standards across the EU and USA.
5. Sourcing supplies and employment locally is important to strengthening local economies and meeting local needs. TTIP must not impact on local authorities' ability to act in the best interests its communities.

This Council Resolves:

6. To write to the secretary of state for communities and local government, local MPs, and all West Midlands MEPs raising our serious

concerns about the impact of TTIP on local authorities and the secrecy of the negotiating process.

7. To write to the Local Government Association to raise our serious concerns about the impact of TTIP on local authorities and ask them to raise these with government on our behalf.

8. To call for an impact assessment on the impact of TTIP on local authorities.

9. To publicise the council's concerns about TTIP; join with other local authorities which are opposed to TTIP across Europe and work with local campaigners to raise awareness about the problems of TTIP. '

On being put to the vote this motion was lost with 11 members voting for it, 1 abstention and the majority of members voting against it.

40.2 The following amended motion was circulated at the meeting on the day and it was agreed to consider this version instead of the motion originally put forward in the Speaker's agenda. This amended motion was proposed by Mr R Evans and duly seconded by Mr M Price;

"RIGHT TO BUY FOR HOUSING ASSOCIATION TENANTS

This Council notes:

- the new Government's proposal to extend the Right to Buy to Housing Association tenants, to be paid for by selling off the most expensive Council Housing stock;
- **with alarm the shortage of affordable rented homes Shropshire with increasing numbers on our housing waiting list and is very concerned that the current government plans risk making matters far worse.**
- **For July 2015 we have 7,822 registered on our waiting list and are consequentially deemed to be in housing need. This is made up of 135 in the Priority, 1,147 in Gold, 2,573 in Silver and 3,967 in the Bronze Band.**
- **During 2014/15 just 1,184 properties were let, and within this number just 254 of those in Bronze Band were allocated a house.**
- This is similar throughout England. Our younger residents are increasingly finding it difficult to find a home. Recent publications for example have shown that more than 3.4 million adults between 20 and 34 live with their parents.
- That a recent opinion poll showed that just 16% of the public believed that extending Right to Buy to housing association tenants would be the most useful way of tackling the affordability crisis; the public's top

choice was to help housing associations or councils to build more affordable homes, selected by 46% of the public;

- The recent report from June 2015 which shows that there could be a funding gap of over £1 billion to pay for the scheme.

Council opposes the forced sell off of council housing to pay for this plan and is concerned that the Government also:

- Fails to address Shropshire's situation which no longer has any housing stock to sell.
- Fails to address the situation in rural areas where there are few suitable sites to build replacement social housing stock;
- Fails to recognise that this means housing associations will simply be trying to catch up with replacing homes rather than building affordable housing to give more people homes they need.

Council notes that many leading politicians have said they do not want to see councils "deprived at a rapid rate of their housing stock" if more homes were not being built to replace them.

Council recognises the desire by many to own their own homes, and suggests that proposals put forward involving a "Rent to Own" model and Shared Ownership housing would represent a better way of reaching this goal.

Council also notes that there are existing routes for housing association tenants to own their own properties – some Housing Association tenants already have the Right to Acquire.

Council Resolves:

- to work with other neighbouring authorities and housing associations to oppose the current government proposals;
- to request the Chief Executive and Leader to each write to our four MPs' who represent different parts of Shropshire asking them support the Council's position; to speak up in parliament for more social housing and not less and to push for a genuine "one for one" replacement but not at the cost of losing more council housing."

Both Mr N Hartin and Mrs M Shingleton declared an interest in this motion and duly left the room before any debate commenced.

On being put to the vote this motion was unanimously carried, with no abstentions and no votes against.

41 SHROPSHIRE AND WREKIN FIRE AND RESCUE AUTHORITY CHAIR'S REPORT

It was proposed by Mr S West and seconded by Mr J Hurst-Knight that the report of the Shropshire and Wrekin Fire and Rescue Authority, a copy of which is attached to the signed minutes, be received and noted.

RESOLVED: That subject to the foregoing the report of the Shropshire and Wrekin Fire and Rescue Authority be noted.

42 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That in accordance with the provisions of Schedule 12A of the 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 consideration of the following items:

43 CONTRACTUAL IMPLICATIONS ARISING FROM THE EXTENDED PLANNING PROCESS TO SECURE PERMISSION FOR THE BATTLEFIELD ENERGY RECOVERY FACILITY (ERF) (EXEMPTED BY CATEGORY 3)

The Council received an exempt report by the Head of Waste Management, a copy of which is attached to the signed minutes, seeking approval for an extension of the Contact Period under the Integrated Waste management PFI Contract between Shropshire Council and Veolia ES Shropshire Limited.

RESOLVED: That the exempt report and the recommendations contained therein be approved.

44 UNIVERSITY CENTRE SHREWSBURY - STUDENT ACCOMMODATION (EXEMPTED BY CATEGORY 3)

The Council received an exempt report by the Chief Executive, a copy of which is attached to the signed minutes, providing an update on the procurement process in relation to the provision of student accommodation for Year 2 of the university's undergraduate offer.

RESOLVED: That the exempt report and recommendation contained therein be approved.

Signed (Chairman)

Date:

MEMBERS' QUESTIONS

AGENDA ITEM 6

QUESTION 1

MRS VIVIENNE PARRY will ask the following question:

- a) You told the last council meeting that you had written to your Worcestershire counterpart to ask why a new contract had been offered to Diamond Bus Company to run the 2L service between Ludlow and Kidderminster. What was the result of that communication? Will we see any improvement in the quality of service on this route?
- b) Passenger groups have successfully worked with Herefordshire Council to increase the frequency of buses services on the 490 route between Ludlow and Leominster, where there are connections to Hereford. These extended services will end next April. Will Shropshire Council work with Herefordshire Council, including providing a subsidy if necessary, to ensure that the current level of bus service is maintained?

MR SIMON JONES, the Portfolio Holder for Highways and Transport will reply:

- a) To confirm that the Portfolio Holder in Worcestershire has responded to Councillor Jones sharing his concerns, and has given assurances that his Officers continue to work with the operator in order to continue to monitor service quality under their contract. Following discussions with Officers in Worcestershire regarding the performance of Diamond Bus on their contract, it has been agreed to let this contract initially for a further 12 months only, during which time Diamond Buses performance will be reviewed before any further decision is made regarding any further contract award.
- b) The aforementioned 490 service is not one to which Shropshire Council has contributed a subsidy and is wholly managed and subsidised by Herefordshire Council, it is unlikely that at a time of considerable budget pressures that funding for additional support of a service can be found from within the Public Transport budget.

QUESTION 2

MRS TRACEY HUFFER will ask the following question:

The Clinical Commissioning Group has announced that it no longer considers the option of building a green belt A&E unit between Shrewsbury and Telford viable. It also says that either the A&E at the Royal Shrewsbury Hospital or at the Princess Royal in Telford must close

Will Shropshire Council add its voice to the majority of residents of this county and to that of Daniel Kawczynski MP in calling for the single A&E unit to be located at the Royal Shrewsbury?

MRS KAREN CALDER, the Portfolio Holder for Health will reply:

In relation to the current consultation regarding the future configuration of Accident and Emergency (A&E) and Minor Injury treatment services, Shropshire Council's primary interest is ensuring that our communities receive clinical evidence based, and appropriate treatment and care for the wide range of health conditions that occur in our lives.

As we have town and villages spread across most of the county from Woore in the North East, Ellesmere in the North West, Clun in the South West and Alveley in the South East, the location of A&E and Minor Injury services is not a simple East - West question.

Shropshire Council will continue to assess the evidence that emerges from the Future Fit programme, the views expressed by our communities across the length and breadth of Shropshire and the evidence and views of other stakeholders such as our partners in Powys and the West Midlands Ambulance Service before expressing our considered position on the short listed options. Elected Members and Council Officers will continue to play an active role in the Future Fit consultation and working groups in order to influence positively the work being undertaken.

QUESTION 3

MR ROGER EVANS will ask the following question:

For some time there have been a number of delays in the Shropshire Council Planning Process. Many times in answer to questions raised the answer has been it is because of the increased number of applications being received. There not enough staff to do the work required. This even though the actual department income has far exceeded the original budgeted figure. Staff have now all ben transferred to ip&e and it appears to me that in recent months these delays have increased not reduced.

There are a number of examples of these delays. in my division I have several examples, applications taking 24 days from being received to being published. I am sure other councillors will also be able to quote delays. The timescale for Parish Councils to consider and reply is being reduced to the legal minimum of 21 days. Emergency, special meetings are having to be called to enable this short timescale to be met. Full consultations with local residents are having to be curtailed. Request for an extension in time are being turned down.

Delays in the publishing of Planning Appeals are also being incurred. Some published agendas of planning committees have contained wrong information within them and late alterations have had to be made.

Applicants have turned up at the Parish Council meetings to answer questions concerning their application. The Parish Council have had to apologise and inform them they could not discuss it as their applications had not yet been published by Shropshire Council.

Staff in the department are working as hard as they can, delays are due to not enough resources being put in place to meet the workload. This has been occurring for a number of years.

I requested an item concerning these delays to be included on an agenda of a recent Central Planning Committee meeting. That meeting was cancelled. It was missed off the agenda for the following meeting. I asked for an item concerning these delays to be placed on the agenda for the September Performance Scrutiny Meeting. That meeting has now been cancelled. I will be asking again for this item to be placed on the Performance Scrutiny Committee's next agenda meeting, whenever that is. Hopefully an in depth discussion can then take place.

I am being asked what is happening. Today at least, can a public interim answer be given as to why these delays have been occurring and what has been put in place to stop them continuing to happen? Have ip&e put in sufficient resources to meet expected workloads.

MR MALCOLM PRICE, the Portfolio Holder for Regulatory Services, Housing and Commissioning (Central) will reply:

The process of dealing with a planning application from receipt to decision can be complex and the time taken to deal with an application impacted by a number of factors. Some of these rest with the Council, its processes, resources and policies, other factors will be in the hands of the applicant. Consequently planning performance, and by this I mean the time taken to complete the process from initial concept to issuing a decision, is impacted by a number of variables some of which are not within the Councils control.

At the beginning of the planning process is the pre-application advice service. Shropshire provides an optional paid for service in addition to information freely available through the Council's web site. The applicant is advised through this process what information requirements are necessary to support their particular application. If an applicant chooses not to obtain pre-application advice there is a greater risk of the application being held up in either the validation or determination process until the required information is received.

When a planning application is submitted for consideration this is handled by the councils centralised validation team which ensures a consistent approach to validation is taken across the County. If the required information requirements are not included at the point of validation this can slow the process down for the applicant. In addition, over the past 12 months there has been some disruption to the validation team as a result of staff turnover, sickness absence and maternity leave reducing the capacity of the team to process applications within the target of between 3 and 5 working days. This

coupled with the increase in complex and major planning applications meant that validation times increased to 4 weeks at the peak. I am pleased to report the validation team resource is now more stable, validation is currently 15 working days and coming down and we aim to being back within target as soon as possible.

All consultees, including parish & town councils are given 21 days to respond and this is the time all consultees are legally given. In practice , where the planning officer is able to extend this they will if a consultee requires more time. Parish Councils have the option through their own constitutional arrangements to make arrangements to meet the timescales as set.

With reference to the point about planning appeals, if the member would like to provide examples where information is incorrect or not produced in a timely fashion officers will investigate this. It is our practice to include a section on each planning committee agenda to include a summary of appeal decisions received in the previous month. This is an important learning point for officers/members to see how the Council's policies and decisions. Shropshire Council is currently receiving a significant number of planning appeals which is an indication that inappropriate schemes are being refused. Planning appeals do however consume significant resources both in terms of staff time and cost and this can be another factor affecting planning performance.

After a particularly difficult and unprecedented period of additional planning applications, and a doubling of the number of complex or major planning applications additional resource is now being provided to the planning service with 4 full time equivalent experienced planning officers now working on a temporary basis to support the officer establishment. These officers are helping colleagues reduce what have become unsustainable caseloads and already we are seeing performance improving with the number of decisions issued being 16% up on the same month last year.

I would be pleased for there to be a broader discussion about planning performance – it is important to understand that there are many impacts on the time it takes to produce a planning decision, not all within the control of the local planning authority. The important point is that the Council continues to take robust and defensible decisions, which has been the case and is borne out by a high success rate at planning appeal.

QUESTION 4

MRS CHARLOTTE BARNES will ask the following question:

Can the portfolio holder agree to a revision in where it is eligible for travel assistance with their bus pass? I have a number of residents who live in the Bishops Castle Division who are only entitled to travel assistance if they attend Ludlow College. When in reality it is often easier to travel to Shrewsbury College. The distance is on average less than three miles. Whereas the

difference in price is more than £380. Many students have to rely on others even to get near the nearest bus stop which is often three miles away.

MR SIMON JONES, the Portfolio Holder for Highways and Transport will reply:

The Council has a statutory duty to provide free school transport to those pupils (aged 5-16) who are attending their nearest school & living over the statutory walking distance. Travel for Post 16 students is discretionary and supported by the Council through its Post/16 Contribution Scheme, which offers subsidised help with transport costs where entitled students are attending their designated college.

For those students from Bishops Castle who do not qualify for post 16 transport assistance to Shrewsbury, a bus pass is a more expensive option than travelling to their designated College in Ludlow. Unfortunately, as the Bishops Castle to Shrewsbury service is operated on a commercial basis the Council does not have any regulatory powers in how these fares are set.

Occasionally in a rural county such as Shropshire, there can be examples of where a student's designated college for the purposes of post 16 transport assistance is more distant than an alternative establishment. It is of course for students and parents to decide which establishment they wish to attend, but post 16 transport assistance may not necessarily follow.

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<u>Committee and Date</u>
COUNCIL
24 th September 2015
10.00 am

<u>Item</u>
7
<u>Public</u>

REPORT OF THE PORTFOLIO HOLDER FOR HEALTH

Portfolio Holder: Karen Calder

Contact details: Karen.calder@shropshire.gov.uk

1. Introduction

1.1 Overall, the health and wellbeing of people in Shropshire is good and life expectancy is higher than the national average. However, as more of us live longer, we want to ensure that we are able to maintain good health, and the quality of our lives, for longer – adding life to years as well as years to life. Currently men in Shropshire are expected to live healthily up to the age of 65, however life expectancy is 80 years old for men, leaving 15 years of ill health on average. The comparable figure for women is 18 years difference between healthy life expectancy and life expectancy.

1.2 Many people in Shropshire can expect to live a long life, have a good education, earn a decent wage and live in appropriate accommodation. However this is not the case for everyone, health inequalities do exist meaning that some of us do not have the same life chances due to where we live, the jobs and education we have, or other factors such as having a physical or learning disability. Other influences that can affect our health and wellbeing are the lifestyle choices we make such as smoking, drinking alcohol and levels of physical activity.

1.3 Our Joint Strategic Needs Assessment (JSNA) tells us that our key health issues in Shropshire include:

- Mental health, including dementia;
- Rising obesity;
- Child poverty;
- Ageing population.

1.4 In addition, the rural nature of our county requires us to think carefully about how we organise services, influence policy, and support communities to make certain that Shropshire people are able to access the right support at the right time. This issue of rurality poses particular difficulties due to Shropshire being one of the lowest funded Local Authorities in the country with a budget of £32 per head of population rather than the national target of £35 per head (equating to a shortfall of almost £1m).

2. In-year Public Health Budget Reduction

2.1 In August 2015, the Department of Health (DH) began a consultation following the Government's announcement of a £200m reduction to the Public Health grant. The

consultation document set out four different options and requested feedback from LA's outlining their preferred option:

- A. Devise a formula that claims a larger share of the saving from LAs that are significantly above their target allocation;
- B. Identify LAs that carried forward unspent reserves into 2015/16 and claim a correspondingly larger share of the savings from them;
- C. Reduce every LA's allocation by a standard, flat rate percentage i.e. 6.2 per cent of the total grant for 2015/16 (£702,000 for Shropshire);
- D. Reduce every LA's allocation by a standard percentage unless an authority can show that this would result in particular hardship, taking account of the following criteria:
 - inability to deliver savings legally due to binding financial commitments;
 - substantial, disproportionate and unavoidable adverse impact on people who share a protected characteristic within the meaning of section 149 of the Equality Act 2010;
 - high risk that, because of its impact, the decision would be incompatible with the Secretary of State's duties under the NHS Act 2006 (in particular the duty to have regard to the need to reduce inequalities between people with regard to the benefits they can receive from public health services);
 - the availability of funding from public health or general reserves; or
 - any other exceptional factors.

2.2 Shropshire Council submitted two responses, one on behalf of the Director of Public Health and one on behalf of the Health and Wellbeing Board. Both responses gave a preference for Option A. and highlighted Shropshire's current underfunding of just under £1m in relation to the target allocation as opposed to thirty five LA's who are overfunded by at least £1m each. Both responses can be seen in their entirety in the appendices of this report.

2.3 Our partners, Shropshire CCG and Healthwatch also submitted similar responses and we await the DH's response.

3. Health Profiles

3.1 The Local Authority Health Profiles are produced annually by Public Health England and bring together a number of outcome measures that highlight issues in the population's health. Overall, Shropshire is a healthy county and performs well on several health outcomes, some of the areas where Shropshire was better than the national average include:

- Premature mortality from CVD and cancer;
- Life expectancy at birth;
- Smoking related deaths;
- Acute sexually transmitted diseases.

3.2 There was only one indicator in the health profile where Shropshire performed worse than the national average, which was smoking in pregnancy. However, the smoking in pregnancy rate has reduced in recent years and it is expected that this figure will be even lower next year.

3.3 Although performance on the other indicators was either better or similar to the national average there is room for improvement on some of the indicators, for example:

- Obesity in adults;
- Excess weight in adults.

3.4 Although Shropshire has similar a profile compared to the national figures for these indicators they have a large impact on the population overall as they affect large numbers of people. They also contribute to future ill-health therefore to prevent people from being affected by long term conditions in the future it is important to tackle obesity and low levels of physical activity. The Health Profiles for Shropshire are included in the appendices of this report.

4. Update from the Health and Wellbeing Board

4.1 The Health and Wellbeing Board (HWBB) is now into its third year and is cementing its role as a strategic leader of the local health economy. Over the past year the HWBB has made strides in ensuring that health and wellbeing partners collaborate to understand the needs of Shropshire's local communities, that they agree priorities and work together to plan how best to deliver services. Key updates from the HWBB include the Local Government Association's 'Peer Challenge', development of the Shropshire Health and Wellbeing strategy, creation of the Health and Wellbeing Communication and Engagement strategy, the progressing refresh of the JSNA and the key role of the Board in supporting the development of the Future Fit programme and the Better Care Fund.

4.2 HWBB Peer Challenge

4.2.1 During January 2015, the HWBB underwent a peer challenge by a team of 'critical friends' from across the country. The team of peers was made up of professionals representing CCGs, Councils, Healthwatch and the Local Government Association. The peer challenge team spent four days working with professionals and the public, taking part in comprehensive discussions, observations, workshops and focus groups to understand health and wellbeing in Shropshire. They sought to learn more about leadership, effective relationships, evaluating the impact of the health and wellbeing strategy and Shropshire's approach to improving the health and wellbeing of local residents.

4.2.2 Overall, the team found a sense of passion, common purpose, strong leadership and commitment to health and wellbeing within the HWBB. They felt that members and officers were determined to use partnership working to improve outcomes for local people. The main findings from the Peer Challenge pertained to focusing upon systems leadership and working on relationship with health and wellbeing partners to better understand each other's cultures and further develop partnership working. The Peer Challenge team also suggested a review of the Health and Wellbeing Strategy, which is now underway.

4.3 Development of the Health and Wellbeing Strategy

4.3.1 Since the Peer Challenge, work has been underway to review the joint Health and Wellbeing Strategy. This has involved engaging partners from across the health economy and patient groups in the progression of the strategy. The HWBB was able to agree common priorities, the vision for Shropshire and key health issues to tackle. Shortly, the draft Health and Wellbeing Strategy is due to go to public consultation and feedback received will be considered and used to review the draft strategy.

4.3.2 Key themes for the development of health and wellbeing programmes are:

- Health promotion and resilience
The HWBB will focus on prevention and wellbeing. Prevention is about making good choices for our lives at every stage and when we need support, as everyone will from time to time, services are there not only to help us feel better, but to help to stop illness or physical difficulty from happening again.
- Promoting independence at home

The HWBB sees home and the community as the first place to look for enabling care and support. A key role of a community is to support itself and its members.

- Promoting easy to access and joined up care

The HWBB will support the development of better joined up services and better access to services and information.

4.3.3 The Board will drive forward transformation programmes that will demonstrate real differences to the delivery of health and care in Shropshire; these include but are not limited to:

- The Better Care Fund
- NHS Future Fit
- The Care Act
- The Special Educational Needs & Disability Reforms (SEND) and the Children's Trust

4.3.4 Exemplar projects for 2015 include:

- Mental Health
- Carers
- Weight Management and Diabetes Care

4.4 Health and Wellbeing Communication and Engagement Strategy

4.4.1 At the end of 2014, a Health and Wellbeing Task and Finish group was established to create a Communication and Engagement strategy for across the health and wellbeing economy. This document and its principles were created and agreed by partners and have allowed for closer and more joined-up working between organisations. A Communication and Engagement Operational Group now meets regularly.

4.5 Development of the JSNA

4.5.1 Currently work is underway to expand the remit of the JSNA. A workshop has been organised with various council officers to look at how we can incorporate more information on a wider range of topics. A locality based JSNA is being produced which will endeavour to make strategic level information available at a locality level. This is being developed to mirror the areas covered in the places plan and should provide a useful basis for identifying areas with particular health needs.

4.5.2 Other developments for the JSNA include new information profiles on various topics to support service planning and needs assessment. This includes information on children with special educational needs, child and adolescent mental health, substance and alcohol misuse and adults with learning disabilities. It is envisaged that further information profiles will be developed as new data and information become available.

4.6 Future Fit and Community Fit and the Better Care Fund

4.6.1 The HWBB has been involved in key decisions working to deliver the NHS Future Fit programme which is focusing upon improving services for urgent and emergency care, and planned care. As the work progresses, the Board will continue to contribute to the development of the work plans and aid in the redesign of community care and health services in the county as part of the Community Fit, primary care system.

4.6.2 Similarly, the HWBB has supported the implementation and development of the Better Care Fund (BCF) initiative. The BCF is working to make changes to care, focusing on keeping

people healthy, reducing time spent in ill health and reducing time spent in hospital. The focus for the BCF is upon four priority areas: prevention, early intervention, supporting people in crisis and supporting people to live independently for longer. The BCF reports regularly to the HWBB providing updates on its performance.

4.7 Health Inequalities

4.7.1 Shropshire Council has continued to lobby for fair reimbursement of costs relating to cross border health arrangements between Shropshire and neighbouring counties in Wales. This has included presenting evidence to the Welsh Affairs Committee Inquiry around these arrangements and lobbying Public Health England to make changes to national guidelines. In particular, emphasis has been paid to the topic of sexual health service provision.

4.7.2 Shropshire's Public Health team and partners from the health sector have collaborated with Children's Services to create a needs assessment for children and young people with autism aged 0-25. The document is currently out for final public consultation before key partners will agree how to progress in order to address issues raised in the report.

5. Help2Change

5.1 Help2Change established within ip&e

5.1.1 Shropshire Council aims to ensure that all residents have access to the support they need to live long, satisfying and productive lives. The promotion of health and wellbeing, and the prevention of avoidable disease, is central to this ambition.

5.1.2 Following approval by Cabinet, a new public health provider team called 'Help2Change' was established within ip&e on 1st May 2015. The Help2Change team brings together expertise in health intelligence, social marketing, behaviour change and clinical support from the Council and the NHS, to deliver an integrated prevention service to the public, and consultancy support to commissioners.

A full business plan has been developed for Help2Change and approved by the Board of ip&e and the Cabinet of the Council. The focus is on supporting individuals, communities and employers to improve health and wellbeing, while reducing the pressure on treatment services.

5.1.3 Help2Change has an initial 3-year contract with Shropshire Council, and is also acting as a provider to external organisations. It has been agreed between the Council and ip&e that all profits generated by the Help2Change service will be re-invested in delivering public health outcomes and to promote the health and wellbeing of Shropshire residents.

5.1.4 Help2Change is working in collaboration with public sector, community and voluntary sector, and 'best in class' business partners to develop an integrated service and to innovate. It has contracts with the local GP Federation, Shropdoc, the Community NHS Trust and hospital trusts and has developed a number of key business partnerships to position itself as a national provider.

5.2 Highlights from Help2Change (the first 3 months)

5.2.1 Service integration

A new integrated team has been established on the same business site as Shropdoc, providing access at low cost to the NHS secure N3 network and a highly resilient IT and telecommunications infrastructure. Help2Change advisor staff have been cross-skilled to deliver a range of preventive services, including NHS Health Checks, stop-smoking services,

weight management, physical activity programmes and alcohol brief advice. Software integration and data sharing allows Help2Change appointments to be booked directly into GP surgeries, and consultation details to be added to GP records (with patient consent). A single telephone number provides access to all services from 8am-8pm Monday to Saturday. Help2Change is also providing access to this helpline to organisations outside Shropshire on a chargeable basis and has secured its first contract with a neighbouring local authority.

5.2.2 Obesity prevention and weight management

Help2Change is supporting policy development on obesity prevention (e.g. through the Council's Young People's Scrutiny Committee and through the 'Eat Better Move More' programme with schools and families) and obesity management (e.g. in supporting the CCG to meet national recommendations for development of specialised obesity services for severe and complex obesity). Help2Change has launched a new weight management service for adults (Help2Slim), which is being provided within GP surgeries, community venues and workplaces. Help2Change has also signed a contract with the Shropshire Community Health NHS Trust to jointly develop a 'Fit Families' service for obese children and young people, to be launched later this year.

5.2.3 Physical activity

A launch event for Shropshire's 'Year of Physical Activity' has been held, with the support of the Health & Wellbeing Board and engagement from a wide range of local stakeholders. A number of physical activity programmes are underway including the Get Active Feel Good programme for cancer patients (with MacMillan Cancer Support), Work Out at Work (with RJAH physiotherapists), Everybody Active Everyday Community pilot (with Leisure Services), School Sports Premium (with Energize), and Get Britain Standing Day. Help2Change has entered into a distributor agreement with a leading provider of sit-stand desks to strengthen the support it can give to employers to reduce sedentary behaviour, enhance productivity and improve health.

5.2.4 Falls prevention

Help2Change has conducted a full system review of falls in Shropshire, in support of the Better Care Fund, working closely with Shropshire CCG and the Shropshire Community NHS Trust. This has led to a wide range of recommendations to reduce the impact of falls locally, and a business case is being developed for a fracture liaison service. Falls are a major cause of preventable morbidity and mortality, and have a significant impact on health and care budgets.

5.2.5 Pregnancy health

A new data-sharing agreement between Help2Change and maternity services allows for direct referral to Help2Change of pregnant women who smoke or who are obese. A Healthy Baby project group has been established, working closely with midwives and children's centre staff, to gather social marketing insights from pregnant women and further enhance the services offered. Smoking at time of delivery has now fallen to its lowest recorded figure in Shropshire, supported by a dedicated Help2Quit in pregnancy service, which includes visits to patients' homes.

6. Pharmaceutical Needs Assessment

6.1 In April 2015 Shropshire published a Pharmaceutical Needs Assessment (PNA). PNA is a key document used by NHS England local area teams to make decisions on new applications for pharmacies and change of services or relocations by current community pharmacies. It is also used by commissioners to help them to commission local services from community

pharmacies in areas of need. The PNA is a statutory requirement and has to be updated and refreshed by 2017.

7. Health Visiting Services

7.1 From 1st October 2015, the commissioning responsibility for Health Visiting services and Family Nurse Partnership will transfer from NHS England to Public Health Departments within Local Authorities. The budgets and allocations have now been agreed. Due to the delay in the final service specification and NHS contracts the decision to novate or move to a Local Authority contract will be decided in September 2015. Work has been on-going over the last 12-18 months with both NHS England and Shropshire Community Health Trust to ensure a smooth transfer. Work has particularly focused on embedding the mandated core contacts within the service. Further work has been undertaken to look at developing an integrated two year review with both health and early years. A multi-agency task and finish group have worked to develop this and pilot sites of early years settings, children's centres and childminders identified to commence in September 2015. The aim of the integrated two year review is to:

- To identify the child's progress, strengths and needs at this age, in order to promote positive outcomes in health and wellbeing, learning and behaviour.
- To facilitate appropriate intervention and support for children and their families, especially those for whom progress is less than expected utilising the information from both reviews;
- To generate information which can be used to plan services and contribute to the reduction of inequalities in children's outcomes Integrated Review Development Group, 2012;
- To increase the number of children receiving a two year review.

7.2 Family Nurse Partnership (FNP) commenced recruitment of pregnant women under the age of 20 in November 2015. The team, who are based at the Roman Way Children's Centre, provide an intensive visiting programme for these parents up until the child's second birthday. FNP are working closely with other agencies including midwifery, health visiting and children's centres.

7.3 The health visiting and children's centre services have been working collaboratively over the last few years to achieve Baby Friendly Initiative Accreditation. The UK Baby Friendly Initiative is based on a global accreditation programme of UNICEF and the World Health Organization. It is designed to support breastfeeding and parent infant relationships by working with public services to improve standards of care. In July 2015 the BFI designation committee awarded both services full accreditation.

8. Screening and Immunisation

8.1 Following the transfer of public health commissioning responsibilities to local authorities, screening and immunisation programmes are now commissioned by NHS England. Local authorities have a responsibility of supporting, reviewing and challenging delivery of these programmes. This responsibility is discharged through a health protection quality assurance group.

8.2 The uptake of childhood and seasonal flu immunisation programmes is higher than national and regional averages. Though the coverage is consistently high, the uptake rates vary among different areas. Public Health is working with NHS England to address this through working with local health economy partners. Over the last 12 months, the extension of seasonal flu vaccination programme to children aged 4 and changes in the HPV vaccination for girls in school year 8 (i.e. reduction of doses from three to two) have gone smoothly. Recent changes to immunisation programme include:

- Extension of seasonal flu immunisation programme to children of school years 1 and 2;
- Introduction of Meningitis B vaccination for children aged 2 months, 4 months and 12 months on 1st September 2015;
- Introduction of a temporary Meningitis ACWY vaccination for adolescents in response to increase in number of Meningitis Type W cases nationally. In the first phase the vaccination will be offered to children in school year 13 from 1st August 2015.

8.3 Shropshire Council is working with Public Health England and NHS England to reduce the health inequalities in screening and immunisation programme. In the first phase work will be undertaken to address the gaps for screening programmes.

9. Substance Misuse

9.1 Following a review of drugs and alcohol services, the Public Health Drug and Alcohol Action Team, working with colleagues from Shropshire CCG, National Probation Service and Shropshire Council, are in the final stages of the tender of drug and alcohol services across Shropshire.

9.2 The procurement will result in a recovery system that is reflective and responsive to the needs of service users, families and young people. Signifying a steep change in how drug and alcohol services have previously been commissioned, the new recovery system will positively impact on those whose lives are adversely affected by drug and alcohol misuse and dependence. It will create an environment where treatment is optimised through appropriate care planning and review, where recovery is focused on individual needs and is at the core of all contacts and interventions. The new system will seek to achieve, in line with the National Drug Strategy 2010, the following outcomes:

- Freedom of dependence on drugs and / or alcohol;
- Prevention of drug related deaths and blood borne viruses;
- A reduction in crime and re-offending
- Sustained employment and the ability to access and sustain suitable accommodation;
- Improvement in mental and physical health and wellbeing;
- Improved relationships with family members, partners and friends;
- The capacity to be an effective parent.

9.3 Service users and families will play an important role in developing and delivering these services. Through the lifetime of the contract their role will be developed from passive recipients of services to mutually equal partners in the recovery process.

9.4 Following the contract award announcement that is anticipated in late September, the new service will start on the 1st February 2016.

10. Sexual Health

10.1 In April 2013, Local Authorities became responsible for commissioning comprehensive, open-access, contraception and sexually transmitted infections (STIs) testing and treatment services, for the benefit of all persons present in the area. Shropshire Council's Public Health Team has completed a comprehensive needs assessment of sexual health to collate data on all aspects of sexual health and consult the public and professionals.

10.2 Shropshire has the lowest diagnosis rates for all STIs in the West Midlands. Teenage pregnancy rates continue to remain lower than national and regional rates. The needs assessment has provided recommendations for improvement of services including implementing interventions to reduce the late diagnosis of HIV, improving access to sexual health services, considering young people specific services and raising awareness of the different sexual health services.

10.3 This information, along with Shropshire Council's intention to secure better and more effective integrated sexual health services has led to the re-rendering of services. An integrated sexual health service model aims to improve sexual health by providing easy access to high quality services through open access 'one stop shops', where the majority of sexual health and contraceptive needs can be met at one site, usually by one health professional, in services with extended opening hours and accessible locations. The service will meet the following objectives:

- To build knowledge and resilience among young people
- To provide rapid access to high quality services
- To ensure people remain healthy as they age
- To prioritise prevention
- To reduce rates of STIs among people of all ages
- To reduce onward transmission of HIV and avoidable deaths from it
- To reduce unintended pregnancies among all women of fertile age
- To continue to reduce the rate of under 16 and under 18 conceptions

10.4 It is anticipated that the contract award announcement will be made early in the new year with a contract commencement date of 1st April 2016.

11. Public Health England Visit

11.1 Following the NHS Reforms of 2013, Public Health England (PHE) have conducted visits to each Local Authority across the country. In early 2015, Shropshire was visited by Duncan Selbie, Chief Executive of PHE, our Regional PHE Director and PHE West Midlands Centre Director. During the meeting, Shropshire's good practice and key highlights from the last two years were shared. Shropshire Public Health team colleagues also used this opportunity to highlight continuing issues around rural care and health inequalities which link to the current funding arrangements for Public Health budgets.

11.2 In Duncan's feedback following the visit, he praised Public Health's partnership working, its engagement with projects such as Future Fit and the Better Care Fund and our focus upon prevention as a key priority. In relation to health inequalities, he said: *'I have been to many places over the past two years but none more motivating nor where this is so obviously understood'*. Public Health continue to maintain strong links with Public Health England.

Appendices

1. Shropshire Health Profile



Appendix 1 - Health Profile 2015.pdf

2. Shropshire ChiMat Profile



Appendix 2 - Child Health Profile 2015.pdf

3. Public Health Annual Report



Appendix 3 - Public Health Annual Report

4. DPH/Shropshire Council DH Consultation Response



Appendix 4 - DPH Shropshire Consultation Response

5. HWBB DH Consultation Response



Appendix 5 - DH PH Allocations - Shropshire



Committee and Date
Council
24 September 2015
10.00am

Item
8
Public

PORTFOLIO HOLDER ANNUAL REPORT FOR BUSINESS, IP&E, CULTURE AND COMMISSIONING (NORTH)

Portfolio Holder: Steve Charmley

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1.

LEISURE SERVICES

The Leisure Services team had several areas to focus on during the past year. The monitoring of the management contracts with Shropshire Community Leisure Trust and Teme Leisure whilst working closely with them to improve services; the future of swimming provision in Shrewsbury; management transfer of joint-use facilities; directly managing facilities whilst discussing future management options; embedding the integration of Leisure Facilities and Leisure Development services, and continuing to support clubs, coaches, schools and individuals to maximise opportunities for increasing participation in a wide range of sports and physical activities.

1.1 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. 2014/15 was the second full year of contract operations and attendances across the 5 sites increased by 5.1% compared with the previous year (visits = 997,946). This increase contributed greatly to an overall attendance across all Shropshire leisure facilities of 2,113,238, the largest annual usage figure recorded.

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 rejuvenation of the all-weather turf pitch at Shrewsbury Sports Village and refurbishment of diving boards at The Quarry Swimming & Fitness Centre. Working in partnership with the Council, £245,000 of funding was acquired to refurbish the changing rooms at Market Drayton Swimming Centre, work was completed in March, and the Trust have introduced many improvements across the portfolio of facilities.

1.2 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 the need to reduce budgets.

Significant investment has been made by Teme at South Shropshire Leisure Centre (Ludlow) which has enabled them to maintain attendance levels across their portfolio.

1.3 Joint-Use Facilities

As a commissioning authority, the Council have continued a programme of facility management transfers of joint-use facilities. This has involved 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. However, the following facilities have been successfully transferred in the past year:

Whitchurch Leisure Centre	September 2014
London Road Sports Centre (Shrewsbury)	September 2014
Rhyn Park Sports Hall (St Martins)	April 2015
Bridgnorth Leisure Centre	August 2015

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, Shropshire 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.

1.4 Swimming Provision in Shrewsbury

In May of this year the Council launched a four-month consultation to seek people's views on the future of swimming in Shrewsbury. The condition of the Quarry Swimming and Fitness Centre and the user experience it offers has declined in recent years and the increase in running costs are a growing challenge.

Independent experts were commissioned to explore viable options which are the refurbishment, upgrade or new build on the existing Quarry site, or a new build on a different site.

The consultation period has been extended by one month (to 30th October) to allow respondents to consider recently updated information. At the time of this report over 1300 responses had been received to date.

1.5 Sports & Play Development

By working closely with operating partners, funding agencies and other Council departments, development officers have been fully involved in planning and implementing projects and initiatives.

Neighbourhood Life commenced in September 2014 and is aimed at promoting physical activity to sedentary members of the public. Initially this has commenced in Shrewsbury, Ludlow and Oswestry and highlights partnership working between Public Health, Sports Development and both facility operators, Shropshire Community Leisure Trust and Teme Leisure. The project has attracted over 300 people returning to exercise from a sedentary lifestyle.

Specific Play Development schemes have continued to flourish including the Community Play Store, Out 2 Play Project and Play Week. More than 1,200 people attended the Play Week sessions over 4 days in August 2015.

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.

1.6 Event Organisation & Management

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

Unfortunately Ellesmere Triathlon did not take place in 2015 following the withdrawal of qualifying status for the event. The team placed a bid for status for the triathlon in 2016 and have been awarded qualifying status for the European championships in 2017.

2. 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.

2.1 Collections

The collection service is in three parts, refuse, dry recycling (paper, glass, metals and plastics), and compostable waste (garden organics - with food in North and South Shropshire). 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 at around 0.016% or one missed collection in every 6,200 completed. The most recent customer satisfaction survey, carried out in November and December 2014, showed that 92% of residents were satisfied with their black bin collections and 88% with their recycling collections. This is also reflected in the Customer Service Centre which on average receives 3600 calls per month on waste management, with 0.3% constituting a complaint about the service.

Nevertheless, Veolia and Shropshire Council are continuing to work together to improve the service, including the use of small prototype collection systems in 2014 which tested alternative methods in preparation for potential changes when the next set of vehicles are purchased in 2016. This work will be the main focus of the Waste Management Unit for the next 12 months.

2.2 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 receive around 33,000 tonnes of waste each 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 52% recycling and composting rate for last financial year, excluding soil and rubble. The sites can also receive household hazardous materials such as chemicals and asbestos for safe disposal.

The Shrewsbury HRC, at Battlefield, is currently being extended as part of the Energy Recovery Facility development. This work will increase the overall size of the site by around 50% and will enable some material streams to be moved out of the existing area to a more appropriate position, including asbestos, plasterboard, soil and rubble. This in turn will free up more space in the existing site for other materials.

2.3 Battlefield Energy Recovery Facility

The most significant recent development for waste management services in Shropshire has been the successful commissioning of the Energy Recovery Facility (ERF) at Battlefield, Shrewsbury. The construction of the ERF is a landmark project for Shropshire Council and will be key to the treatment of Shropshire's household waste throughout the life of the council's waste PFI contract and beyond. The plant, which will process 95,000 tonnes of waste per year, became a PFI contract facility on 10th September 2015.

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. Preparation is being made by Veolia for the official opening of the ERF, the opening ceremony will be fitting to the significance of the facility and likely to be held in spring 2016.

3. LIBRARY SERVICES

There is a network of 22 community libraries, providing library access across the county.

- 4 mobile libraries cover the north, central, south east and south west of the county.
- The Library Services cover the following areas of work:
 - reading and learning;
 - digital and information;
 - health and well-being;
 - children and young people;

The library network reflects the needs and circumstances of communities, including the most isolated. Currently there are four levels of service for lending and reference provision via community libraries, complemented by the mobile library services and central support services. These are:

- Level 1- urban centres: Shrewsbury, Oswestry;
- Level 2 - larger market towns: Bridgnorth, Ludlow, Market Drayton and Whitchurch;
- Level 3 - smaller market towns and outlying rural areas: Albrighton, Bishop's Castle, Broseley, Church Stretton, Craven Arms, Ellesmere, Shifnal and Wem, Bayston Hill and The Library at the Lantern.
- Level 4 - rural areas: Cleobury Mortimer, Gobowen, Highley, Much Wenlock, Pontesbury and Shawbury.

3.1 Library Service Redesign

The Library redesign proposes to provide a library service that embraces different delivery models; through face to face, digital and virtually, through an outreach programme targeted to meet council outcomes for specific groups, and through a reconfigured network of libraries. We aim to deliver library services by working in partnership with communities so that tailored services can be developed to support the needs of people in their communities and also those who may have specific needs that may affect their access to library services.

We have piloted a redesigned library service in Highley which is managed by Halo Leisure alongside other leisure and community activities provided within the Severn Centre. In 2014 the library in Craven Arms moved to the Craven Arms Community Centre and is run by a local social enterprise organisation, the South Shropshire Furniture Scheme, with on- going support provided by Shropshire Council.

Progress is being made with developing proposals for new management arrangements for libraries across the county.

The approach is being undertaken by the library team who are aided by key community stakeholders, Local Joint Committees (LJCs) the Community Enablement Team (CET) and Locality Commissioners to facilitate the commissioning of library services and involves an assessment of potential providers and an evaluation of need. Communities are integral to these community conversations and will continue to be engaged and involved throughout the process.

Service level agreements and funding mechanisms for the redesign work to respond to specific areas of unmet need in LJC areas are being developed as each community conversation takes place.

This is part of a Shropshire wide strategy. Libraries will be strategically placed in towns in the different areas of the county. 6 strategic hubs in major libraries to improve accessibility and cater for larger populations in towns. A further 10 local hubs/libraries offering core community service provision and a varied range of opening hours but with participation from town or parish councils, voluntary and community groups the aim will be to increase these opening hours.

3.2 Digital Resources

E-books were introduced in March 2015 and continue to be a popular feature of the Library Service. E-magazines have also been introduced which complement the existing e-newspaper service. E-reference materials continue to be maintained, with new products added where possible e.g. Access to Research (Free access to over 1.5 million academic articles from over 8,000 journals).

3.3 Social Media

Social media accounts are used effectively to raise the profile of the library service and converse with the public. The press and radio pick up on campaigns, resulting in a much closer and immediate working relationship. 2014/5 we introduced the following accounts: Shropshire Libraries Flickr, Community Directory Twitter, Market Drayton Facebook and Twitter, Oswestry Library Facebook, Shropshire Children's Libraries Facebook.

From 2014/5 the number of followers to @shroplibraries Twitter account has increased from 400 to 2972.

3.4 Community Directory

The Community Directory, managed by the Library Service, continues to be a premier source of information for the people of Shropshire and beyond and attracts online visits on average of 7500 per month.

3.5 Future initiatives

E-audiobooks

In the next few months library customers will be able to download or stream audiobooks on their computer, smartphone or tablet. We've introduced technology that allows our members to listen in a whole new way.

Code Clubs

September 2015 heralds the launch of Shropshire Libraries' first Code Club in Shrewsbury, a free volunteer-led after school coding club for children aged 9-11. A second Code Club in Oswestry Library will follow. The Clubs introduce children to computer programming and aim to teach children how to program by showing them how to make computer games, animations and websites. We want to inspire children to build and share their ideas, having fun and learning along the way. 3-D Digital

Wi-Fi networks

We are striving to extend W-Fi networks to all branch libraries. As part of Arts Council England £7.5 million funding central government aims to enable a universal offer for free, public access to Wi-Fi in libraries in England. The first priority is to enable Wi-Fi access in libraries currently without provision and a second priority to enable libraries with current Wi-Fi provision below the recommended technical specification to upgrade.

3.6 Health and Well-being

Over the last twelve months, Shropshire Libraries has been working harder than ever to highlight how library membership can contribute to the health, wellbeing and resilience of people of all ages across the county including:

- 6 large libraries Shrewsbury; Oswestry; Ludlow; Bridgnorth; Market Drayton; Whitchurch; now have Health Zones bringing all health and wellbeing information together in one convenient place
- 5 branches offer small health zones and even the 4 mobile libraries each have a Health Shelf
- 780 issues of titles from the Books on Prescription collections for mental health
- 30 advice drop-in sessions for the public hosted by libraries during Mental Health Awareness Week in May
- 454 issues from the Books on Prescription for Dementia collections since January 2015
- 5 Dementia Friendly Teatime events held in libraries and 3 carers' groups visited
- 4 Dementia Friends training sessions hosted by libraries for their communities

- 3 mobile libraries welcomed Alzheimer’s Society David Latcham aboard to take his message of support to all corners of Shropshire
- 6 customised cancer information leaflet stands supplied free by Macmillan to the largest libraries
- 60 special information displays in branches raising awareness of issues such as alcohol consumption, stroke, bowel cancer, oral health and stroke
- 14 support groups and businesses attended the Big Oswestry Baby Shower at Oswestry Library in May to offer prenatal and new parents advice and information and 47 information bags were handed out
- 46 GP practices and health centres targeted with Books on Prescription for Dementia information
- 1 “Live Well With Your Library” information stand staffed at Drayton Medical Practice in August
- 199 Shropshire residents received a Home Library Service delivered by volunteers
- 4 mobile libraries hosted Shropshire Fire Service staff during August to deliver summer fire safety messages to all corners of the county
- 70 Time To Listen sessions delivered for adults, offering relaxation, gentle mental stimulation and companionship
- 121 Knit & Natter sessions delivered for adults, offering companionship and learning

4. ECONOMIC GROWTH AND PROSPERITY

4.1 Marches Local Economic Partnership (LEP)

The national role of LEP’s is growing with an increased lead in driving economic growth including a remit to co-ordinate housing, economic infrastructure, business support and skills. The Marches LEP has successfully secured £83M for infrastructure projects which includes money towards Broadband extension in Shropshire, Oxon Link Road to open up the Shrewsbury West Urban Extension and the Shrewsbury Integrated Transport Package to facilitate the housing and employment growth in Shrewsbury. These are covered in more detail later in the report.

In July 2015 the Government announced the expansion of the Enterprise Zone (EZ) initiative to include market towns and rural areas. LEP’s were encouraged to work within Council’s to bid for EZ status for these areas. It has been agreed with the LEP that Oswestry Innovation Park be supported by the LEP as its bid for further EZ status. Shropshire Council is now the accountable body for the LEP and the LEP has

been hugely strengthened with the recruitment of a Director to run it day to day alongside a four person support team.

4.2 Shropshire Economic Growth Strategy (SEGS) 2012 – 2026

Shropshire Council in partnership with Shropshire Business Board has co-produced the Shropshire Economic Growth Strategy 2012- 2026 which is aligned with the Shropshire Local Development Framework. It ensures that all parts of the Council are working in harmony to drive Economic Growth. The SEGS is then the Shropshire component of the Marches LEP Strategic Economic Plan (SEP). The delivery of this Strategy is private sector led; with Champions from the Business Board owning each action under the priorities below. The Portfolio Holder represents the Council on the Board. There are 4 priorities within the Growth Strategy and these are covered below.

Accelerating Business Growth

The procurement sub-group of the Business Board (COGS) has expanded to cover Telford and has simplified our procurement process to allow more local SMEs to benefit from contracts. Changes to contract rules approved by Council mean that all quotes must include a local company. Local economic leverage in contracts has been made a reality with scoring introduced on this basis. Even in a very difficult economic climate the Council has now achieved 65% of total spend is with local companies i.e. with a Shropshire post code. This is up from 62% last year. Nationally the Council was commended as the third best in the country for our percentage of spend with Small and Medium sized business. There is also a Local Procurement Charter with over 90 signatories ranging from the Council, Health Bodies and major private companies.

The outreach business support work provided to Shropshire Businesses has supported over 1700 businesses over the last 12 months. This free service provides hands on support to small and medium sized businesses across all our market towns and rural areas. This is accompanied by regular communications and information bulletins, signposting, grants, loans, training and growth opportunities delivered to businesses when and where they need it. For companies that have suffered large scale redundancies, there is a redundancy and recruitment action support scheme. One example is Depicton in Market Drayton where we have helped 49 staff find new employment locally.

One of the key actions in the SEGS was to pilot a new 'Business Hub' in Shrewsbury. This work has progressed at pace and working with Marches LEP and Shropshire Business Board; a new on line Marches wide Business Growth Hub will be launched in the autumn 2015. This will bring together all the national, regional and local business support offers into one place. It will be the one-stop web site for businesses. Further detailed research is underway to establish a Shrewsbury based physical growth hub which will complement the on line facility and enable outreach support and training to take place face to face. Businesses continue to receive a monthly e-newsletter and business support information is transmitted via social media channels and through Gov Delivery via our Shropshire Council website.

Promotion of Shropshire to inward investors and expanding companies via the 'Invest in Shropshire' branding continues. Examples of recent successes are: Bridgnorth Aluminium investment of £24M in 2014/15 with the creation of 20 jobs. SCR Engineering, who produce dairy monitoring equipment have created 20 jobs at their site in Ellesmere; Agilent in Church Stretton have expanded with the creation of 2 jobs.

Historic England is progressing the Flax Mill Maltings and following the successful novation of £1.2m ERDF funding from Shropshire Council to Historic England the first stage of works is underway for completion in the autumn. The total cost for this first stage is £2.4m with Historic England providing the additional match. The 2007-2013 EU programme closes in December 2015 and the ERDF projects funded through this programme (Business Enterprise Fund, Eureka, Marches Grads for Business, Metnet, Optimising Broadband, Technical Assistance) have or will finish. A significant amount of work has been undertaken to establish the priorities for the new 2014-2020 EU programme and to ensure Shropshire is in a position to respond to the various European funded calls. A Full application for Technical Assistance support is being developed for submission in September 2015.

The Annual Shropshire Business Summit was held on the 8th June 2015 with record business attendance of 140–companies with an evaluation showing that 96% of feedback forms rated the event as excellent or very good the highest ever rating.

Further financial assistance has been provided to companies unable to gain bank finance with Shropshire's Business Investment Fund with £3.1M of loans available from £5000 to £150,000. Already 47 loans have been given to local small and medium sized businesses generating 78 new jobs a total of £824,000 loaned.

Infrastructure for Growth

The Phase II Extension of Shrewsbury Business Park which links to Wenlock Road was completed in July 2014. The scheme I opened up over 6 acres with the capacity to accommodate 100,000 sq. ft. of office space together with a 10,000 sq. ft. local centre. Planning permission has been granted for 3,000 sq. ft. convenience store coffee shop and restaurant. It is estimated this next phase of development will create 600 jobs.

Work is also underway on the provision of small workshops as part of Phase II of Tern Valley Business Park at Market Drayton. 17 starter workshops have been completed by Redstart Construction as part of the first phase of a 42 unit scheme .In addition the developer has been granted permission for the construction of 7x1, 000 sq. ft. small office units.

Feasibility studies have been completed for the development of the Oswestry Innovation Park at Mile End. A master plan has been prepared based on a market assessment together with utilities appraisal and costings report together with consideration of the options for procurement and delivery of the business park. It is estimated that the site which is 22.7 ha (56 acres) has capacity to accommodate up to 47,000m² (over 0.5m sq. ft.) of development and generate between 1,300 -2000

jobs if funding is approved. The site recently benefitted from the Highways Agency 'Pinch Point' programme with improvements to the A5/A483 Roundabout at Mile End and the provision of an access into the site. A phased approach to the development of the site is proposed with provision of infrastructure for the Phase 1 which will open up 8ha (20acres)

West of the Innovation Park and the A5 is Oswestry Sustainable Urban Extension, a mixed use development comprising 900 dwellings and associated ancillary facilities. A Traffic Impact Assessment has been commissioned in conjunction with developers J Ross to consider the impact of the Innovation Park and the Oswestry SUE on the A5/A483 roundabout at Mile End. The Council is also considering early release of land in its ownership within the SUE following demand from local companies seeking to relocate following redevelopment schemes.

The Shrewsbury West Sustainable Urban Extension is a mixed use development comprising 750 dwellings and associated employment land including an extended Oxon Business Park, 'gateway' development at Churncote roundabout, health care business campus off Clayton Way and extended local centre at Bicton Heath. The Council is a major landowner and in conjunction with promoters Mosaic Estates, commissioned a master plan developers and David Wilson Homes have submitted a planning application for residential development.

A key element is the Oxon Link Rd (OLR) which will provide a new principal vehicular link between the A5 Shrewsbury Bypass and the B4380 Holyhead Rd facilitating the delivery of the SUE. Following the announcement of the LEP Growth Deals in July 2014, pump priming funding from the LEP was made available to work up the outline business case. In May 2015 the Cabinet agreed to submit the business case to the Marches LEP for part funding of the road from the Local Growth Fund. In addition, the Council has agreed in principle to forward fund the road construction costs with the proceeds of development. A detailed report outlining the financial proposals and recommendations for funding will be submitted on approval of Growth Fund monies.

The provision of additional electricity supply at Whitchurch has been an issue for number of years and Shropshire Council has been lobbying Scottish Power Energy Networks to invest in the network. This lobbying has proved to be successful as the company have agreed to make investment in additional capacity to cater for the proposed housing and employment development allocations. The company will also be upgrading the main 132kv network with a new overhead line and new substation to cater for Whitchurch

In Bridgnorth there has been concern at the loss of two companies due to lack of premises and serviced employment land. Work is ongoing to identify an economic 'health check' of the town in consultation with the local members on possible options for the future development of serviced employment land.

The Council provides a wide range of starter units and small offices and work-shops to address market failure in all our towns. The 209 units achieved the highest ever occupancy rate of 95% in April 2015; and support more than 150 companies and 400

jobs. The Shropshire Food Enterprise Centre is a good example of the provision of high quality incubator space for food and drink companies. Huge savings have been made by bringing the management of this facility back in house and in total well over 80 jobs have been created via this facility.

The £3.5M Market Towns Revitalisation Programme (MTRP) was due to complete on 31st March 2014 but has now been extended to allow £430,000 of critical economic projects to be completed including the refurbishment of Ludlow Buttercross and a range of projects in Bridgnorth.

Stimulating our Growth Sectors

Business growth and the increase in the number of high value jobs will occur in our opportunity sectors. The sectors that we focus on are Food and Drink, Agri-technology, Environmental and Low Carbon, Creative and Digital and the Visitor Economy. All of which have private sector champions on the Shropshire Business Board.

Food and Drink successes include the new facility for ABP at Hordley, the new cheese packing plant at Arla in Oswestry and many new food festivals across the County e.g. in Shrewsbury. We provide support for Environmental Technology businesses through the Marches Environmental Technologies Network which has now been extended to December 2015. A recent evaluation found that it had generated £1.4M of GVA in the last phase.

Key successes for Agri-technology include the funding and opening of the Agricultural Innovation Centre at Harper Adams using £750,000 of Marches LEP funding and the recent development and large overseas sales of the Merlin Robotic Milking Parlour by Fullwood in Ellesmere.

The Visitor Economy continues to be recognised as an important economic driver for Shropshire. Both the private and public sectors continue to invest at an impressive rate with over £40 million worth of projects identified within the last two years.

Our Skilled and Loyal Workforce

Employment and Skills has a champion on the Business Board and key achievements over the year have been a 'Real Apprenticeship' event held in February 2015 and targeted campaigns to boost apprentice numbers in small and medium sized businesses in our key growth sectors. In conjunction with training providers in Shropshire, Telford and Herefordshire, there is an ESF skills in the workforce project with a value of £400K. This is really up-skilling employees in the workforce and is a good example of collaborative working across all training providers. As regards the number of apprentice starts we still only have 13/14 numbers which were 770 apprentice starts compared to a target of 738 in 12/13. We are awaiting data on this for 14/15 from the National Apprenticeship Service.

Work on the new University Centre Shrewsbury is moving on a pace. The first undergraduates are due to arrive on the 27th September 2015; the first post graduate course has been completed; the refurbishment of the Guildhall as the main

University teaching centre is well under-way; the refurbishment of Mardol providing 86 bedrooms for the new students is almost finished.

5. Outdoor Partnerships

As part of Shropshire Council's Transformation and savings agenda the Outdoor Recreation Service was restructured as of 1st April 2014 to become Outdoor Partnerships. In addition since April 2014 the hosting arrangements for the Shropshire Hills AONB Partnership team has been transferred to Outdoor Partnerships.

Whilst statutory work remains unchanged the redesigned service provides an even stronger focus to meeting wider Public Health outcome's by encouraging more communities, groups and individuals to become more physically active by better utilising their outdoor recreational assets. This includes supporting people who have physical and mental health problems to become more active outdoors - Shropshire Wild Teams has been launched. Strategic partnership working (for example with Warwickshire & West Mercia Community Rehabilitation Company) has been at the heart of service delivery, alongside working with local communities in the management of local assets.

There has been a focus on increased income generation, with both Country Parks working towards a cost neutral position for the Council and the Rights of Way Team taking on more paid work.

In addition work is further focussed on proposals to transfer greenspace assets to town and parish councils, a review of grounds maintenance costs, and reviewing budgets of our two main Country parks at The Mere and Severn Valley.

The key achievements in 2014/15 include:

- The 'Ease of Use' of Public Rights of Way maintained at 73% of the network
- 62 active Parish Paths Partnership groups, including seven new groups
- 738 physical improvements were made to the ROW network, including the replacement of 111 stiles with gates to make routes accessible to more people
- 817 people volunteered with the service, dedicating 48,500 hours, with a value of £275,000
- There are 49 active Walking for Health groups throughout Shropshire with over 550 people per week walking with the scheme.
- 142 people have been trained as Walks Leaders this year.
- 40 volunteer groups working on parks and greenspaces with approximate 420 members - 244 recorded volunteers, putting in 16,297 of volunteer hours
- Green Flag Award status gained by The Mere and Severn Valley Country Park

- Probationers provided 9,364 hours of work, equivalent to £72,571, based on the volunteer rate of £7.75 p/h
- £130,000 of LSTF funding in 2014/15
- 49 children's events were held at Severn Valley Country Park with 2824 people attending - represents a 45% increase in the number of children taking part in events.

6. Development of Business Support and Regulatory Services

The process to develop and refine the new delivery model for Business Support and Regulatory Services (formerly known as FULCRUM) continued throughout 2014/15 with the transfer of the services into ip&e Ltd achieved on 1 June 2015. In April 2015, the responsibility for the specific services delivered through Business Support and Regulatory Services was assigned to the Portfolio Holder for Regulatory Services, Housing and Commissioning (Central). As a result, further particulars concerning the development and transfer of Business Support and Regulatory Services are covered in the Portfolio Holder Report for Regulatory Services, Housing and Commissioning (Central) that was presented to Council in July 2015.

7. Visitor Economy, Arts Development and Theatre Services

The Visitor Economy Team over the last 12 months have achieved many things, not least the launch of the new **Shrewsbury Museum & Art Gallery**, a £10.7M re-development of the former Music Hall and Vaughan's Mansion which has created a vibrant tourist hub in the town centre. Our valuable museum collections are displayed in a suitable environment and we are enticing visitors and local residents to get and explore the many cultural delights that Shropshire has to offer. The service was delighted to enter into an agreement with solicitors Lanyon Bowdler to become the first corporate sponsor of the Museum & Art Gallery.

The Team has devised an exceptional special exhibitions programme in the main gallery. 'Exposed-The Body in Art' brought top names from 500 years of painting and engraving. 'Secret Egypt' with its incredible artefacts from that ancient civilisation including a real mummy was a blockbuster event attracting more than 12,000 visitors in its three month run. This summer we have been invaded by dinosaurs as the National Museum of Wales brought its 'Archaeopteryx-The Missing Link between Dinosaurs and Birds' exhibition to Shrewsbury.

The autumn and winter period looks very promising with 'Brick City-The World's Most Iconic Buildings and Landmarks in LEGO®', 'The Magical World of Masks and Puppets' and 'Valhalla' a Viking exhibition from York to look forward to. We are working on plans with the Defence Photographic School for an exhibition of 100 years of defence photography and also marking the 50th anniversary of the School's move to RAF Cosford. We are very pleased to celebrate the close links between Shrewsbury and Zutphen with an exhibition by Dutch artist Jet Rotmans.

The contemporary art programme continues to attract new audiences and investment from the Arts Council England. Exhibitions such as the World War I artist in residence have had a particular resonance with visitors.

The Stop. Cafe has firmly established itself as a popular meeting place for Shrewsbury residents and visitors and also promotes its own events. Working with solicitors Lanyon Bowdler the Museum is launching its own business networking club with a breakfast for 40 members to hear from the new owner of the Dana prison. The regular Shrewsbury Tweet Up group brought over 100 members for a social evening in the café and courtyard earlier this year.

Shrewsbury Castle & Regimental Museum has been marking the 200th anniversary of the Battle of Waterloo with a series of events including a lecture and an outdoor concert. The venue remains very popular.

It's been a busy time at **Acton Scott Historic Working Farm** as it celebrates its 40th anniversary in 2015. TV crews have been to the farm on many occasions in the recent past helping to raise its profile.

Much Wenlock Museum continues to perform above pre-Olympic Games levels demonstrating that the tremendous amount of work done to celebrate the town's heritage in 2011-12 has paid dividends.

Work has continued on creating a new **Ludlow Museum** in the Buttercross, which is expected to open during autumn 2015. This will be managed by Ludlow Town Council with curatorial support from the Visitor Economy Team. **Ludlow Museum Resource Centre** has been re-structured as part of the wider service redesign work and continues to offer opportunities to volunteers in addition to housing a significant part of the Museum's significant collection. Also in Ludlow the **Visitor Information Centre** is now run by the Assembly Rooms in a temporary location awaiting the refurbishment of the ground floor. When this is complete the VIC will return to its former site and be run in conjunction with the Assembly Rooms Box Office.

In July 2015 **Shropshire Archives** celebrated 20 years at the Castle Gates building. The new Shropshire Records and Research Centre, as it was then called, was formally opened on 24 July 1995. During that time the service has been transformed. Computers were just being introduced to the workplace in 1995 and the centre was one of the first new Shropshire County Council buildings to have an integrated IT network, though customers only had access to one dumb terminal. Things are very different now with almost 400,000 records online, including 30,000 photographs, as well as images of Shropshire parish registers available through the subscription website Findmypast.

Throughout the 20 years, the service has relied on the support of volunteers and members of the Friends of Shropshire Archives. Following the completion of the successful 'Volunteering for Shropshire's Heritage' project, funded by the Heritage Lottery fund, volunteering has continued at Shropshire Archives with volunteers involved in all aspects of the service including helping customers, supporting events, and working on the cataloguing, digitisation and conservation of collections.

Volunteers can also contribute from home by using the Heritage Heroes website www.heritageheroes.org.uk.

As part of county wide activity to commemorate the 100th anniversary of the First World War, £190,000 of funding was secured from the Heritage Lottery Fund and Arts Council England to support nineteen arts and heritage projects across Shropshire from 2014-2016. These projects have included a dramatic presentation 'My Dearest Girls' developed with Pentabus and inspired by a book of women's letters held at Shropshire Archives which is now on tour across the county, a recreation of a First World War trench system at Park Hall, and a digital installation 'Fracture: World War One to 21st Century Healing', developed by the Qube, in Oswestry. Fracture celebrates the remarkable story of Sir Robert Jones and Dame Agnes Hunt, pioneers who revolutionised modern orthopaedics and nursing rehabilitation, and will on show at Qube from 10th September to 7th November 2015.

7.1 Tourism

During the past year we took the opportunity to review the level of support that the Council gives to the Tourism Sector. There have been a number of changes to working practices and, as a result, we have taken some key decisions.

The Council continues to recognise the importance of the tourism sector to the Shropshire economy, with 14,500 people employed in the industry and highlighted in the Shropshire LEP and ESIF strategies as an investment priority. While deciding the way forward we took account of the resilience of the tourism sector and the way in which the work already undertaken by the Council's tourism team to develop robust strategies and build strong partnerships would be able to continue without direct involvement from the Council.

The new Visitor Economy Development Officer post will concentrate on strategic aims rather than hands on involvement in the tourism sector, but will still have the capacity to deal with certain issues such as PR trips, requests for information and advice and more as it arises. In future the role be concentrating on developing the Council's own tourism assets, such as the museums. This would include marketing and sponsorship, providing strategic support to the sector, leading on commissioning for the visitor information service, acting as conduit for large organisations such as Visit England and Visit Britain, working with the LEP Tourism Group to shape tourism priorities around European funds and some day to day support with businesses.

7.2 Arts Service

WW1 Commemorative Activities: To mark one hundred years since the First World War, the Arts Service and Shropshire Archives have been working in partnership with communities from across Shropshire, to deliver an ambitious programme of arts and heritage events - 'The Pity of War'. Funded by Heritage Lottery and Arts Council England (£190,300), over 15,000 people have so far engaged with the programme.

Shropshire Boys Dancing: 2014 was the fourth year of Boys Dancing, a successful project between Shropshire Council and the West Midlands Boys Dance Alliance and funded by Arts Council England (£10,000). 90 boys from primary schools across

Shropshire, worked with professional male dance artist to create a unique performance, 'No Man's Land', responding to WW1. Performed at Theatre Severn to a sell-out audience.

Flax Mill Maltings Arts Strategy: Funded by Arts Council England (£10,500), Shropshire Council and Friends of Flax Mill Maltings appointed a consultant to develop an Arts Strategy. The resulting strategy and action plan, provides a strategic framework and overarching artistic vision for the Flax Mill, supporting the future sustainability of the site. It will be used by both the Friends and Shropshire Council to; develop an arts programme, inform a wider arts and interpretation programme and identify opportunities for commissioning local, national and international artists.

Arts Connect West Midlands: Arts Service have been working in partnership with Arts Connect on a number of projects and initiatives, to enhance and develop the arts and cultural offer, for children and young people within Shropshire. Arts Connect have so far invested over (£20,000) into the county and are supporting the Shropshire Children and Young People's Cultural Consortium (SCYPCC), a recently formed network of arts and cultural organisations.

Arts Revenue Clients: 32 Arts Organisations and Festivals have been commissioned for 2014/15, through the Revenue Client Grant Scheme. The organisations and venues, deliver a regular high quality arts programme, are county wide and represent a number of art forms. It's expected in 2014/15, that the investment from Shropshire Council, will support these organisations in leveraging in £100,000, from grants and earned income.

7.3 Theatre Services

The Old Market Hall

There were 1,123 film screenings this year and overall attendance was 61,666 (£221,602) 13.6% up on attendances for 2013/14. New digital projection equipment was installed during the course of the financial year without interruption to the film programme. Participating in the National live season of screenings has seen a continued increase in attendance and added a new dimension to the film programme. So much so, that this offering has been expanded and these screenings now also take place at Theatre Severn

Theatre Severn

There were almost 450 performances that took place in either the Walker Theatre or Auditorium during 2014/15. This resulted in an increase in average attendances to 159,936, up 10.4% on 2013/14. 31% of these tickets were sold to households outside of Shropshire.

The Pantomime contributed to this by having its most successful season ever, with almost 40,000 people attending a performance. The production sold out to 98% of capacity. At this stage of the year, sales for the forthcoming Pantomime season are currently 1% ahead of sales for the previous year.

Income from private hires, again showed an increase on last year. Outright purchase and installation of digital projection equipment for the Walker Theatre was possible, allowing expansion of the rapidly growing 'live screenings' market. Outsourcing of The Foundry Restaurant took place in January 2015 and early indications are that it looks to be a positive move.

8. Connecting Shropshire Broadband Programme

Phase 1

The Connecting Shropshire programme is now two thirds through its Phase 1 delivery and remains on schedule to complete to its contract commitments by winter 2016. Connecting Shropshire is projecting to connect up to 93% of premises to the fibre network by the end of Phase 1 with 87% of premises projected to get access to superfast broadband (sfb) speeds of at least 24Mbps. The projected figure remains dependent upon existing commercial providers delivering to their original pre-procurement engagement commitments.

As of August 2015 the programme has connected nearly 40,000 premises to the new fibre network.

A key element and focus for the Connecting Shropshire programme is generating demand for the new network from businesses and communities. The upgrade work does not increase speeds automatically and it is up to individuals and businesses to 'opt in' and 'take up' the new service with their chosen Internet Supplier Provider once new structures are enabled.

As part of our Phase 1, Connecting Shropshire committed to improve broadband to all programme premises that had a speed of less than 2Mbps, regardless of our plans to provide fibre broadband. BDUK have recently advised that the solutions to provide better broadband to those premises that cannot be connected to fibre broadband will be through Satellite technology. Connecting Shropshire are anticipating undertaking a trial of the technology later this year in a number of communities.

Phase 2

As part of the Government's continued commitment to improve sfb nationally, Shropshire Council received a notional sum of £11.38m as part of the Phase 2 national BDUK programme. This sum was based on delivering sfb to 90% of premises locally, and 95% nationally by 2017.

Full match funding (£ :£) was required as part of the initial BDUK £11.38m offer to Shropshire Council in March 2014. Following discussions with BDUK, Shropshire Council received approval to undertake a procurement process using £11.38m BDUK, and £5.02m match funding from the Marches Local Enterprise Partnership (LEP) Local Growth Fund (LGF). An invitation to tender was issued as part of the BDUK framework on 12 January 2015.

A formal bid was received from BT, the only framework supplier, on 24 April 2015. A contract was signed in June 2015 which commits to serve a further 3,735 premises with access to superfast broadband.

Phase 2 will see Shropshire Council meet the Government sfb local target by providing coverage to 91.7% of premises, against 87% in Phase 1. This projection is based upon existing providers meeting their commercial commitments as defined during the pre-procurement process.

Since contracting with BT for Phase 2 Shropshire has received written assurances from BDUK that the residual unused funds (£6.68m) are available to be used with the LEP LGF (£5.02m) to procure further coverage. The monies will be used to address the balance of premises unserved with sfb, which is projected as approximately 12k premises.

Connecting Shropshire has now commenced 'soft market' testing in order to assess further procurement opportunities within the 'open market' at the same time as assessing further partnership opportunities that will demonstrate value.

8.1 Business Connection Vouchers

BDUK extended the city voucher scheme from 22 cities to 50 in the spring 2015 budget.

As part of scheme's extension, a number of rural authorities were given an opportunity to apply for inclusion, provided they were able to partner with an existing city authority administrator. The scheme's extension was seen as a real opportunity to seek some further support to address superfast broadband gaps projected as part of the main Connecting Shropshire programme. Shropshire Council applied to Digital Birmingham as part of the process and was successfully accepted by BDUK into the scheme from April.

The voucher scheme provides Connecting Shropshire with a complimentary project that supports businesses that have an immediate requirement for a superfast connection, or are excluded from our main programme due to cost or engineering restrictions. It is therefore an invaluable option for Connecting Shropshire to be able to offer businesses.

As of August 2015 Shropshire businesses had successfully applied for over 50 vouchers for new connections. As a result these businesses will be able to exploit the commercial opportunities through digital connectivity that would not otherwise have been available.

In addition to supporting local businesses to get connected it has also opened up commercial opportunities for the local wireless suppliers who have been able to exploit the gaps in the market that we are currently unable to service as part of existing commercial relations.

It is understood that the current £40m allocation for vouchers, released in April 2015 by BDUK may be fully committed by as early as October 2015. In addition there

appears to be a strong indication that any extension of the scheme will be the subject of the autumn Spending Review being undertaken by HM Treasury.

8.2 Business Optimisation

The Optimising Business Broadband (OBB) Project finished delivery to qualifying SMEs across Shropshire Council and Staffordshire County Council areas in June 2015. The project had been supported by Connecting Shropshire and Superfast Staffordshire programmes and enabled SMEs to discover how fibre broadband technology could support digital economic growth. The project value was £216,467 and was supported by a grant sum of £108,233 from the European Regional Development Fund (ERDF)

The Project was commissioned by the two authorities through an 'open tendering' process. Winning Moves (WM) were contracted to deliver the activities with project co-ordination by Connecting Shropshire.

WM exceeded all ERDF contracted outputs which included engagement with 440 businesses. In total 75 SMEs received business assists which exceeded the original ERDF contracted output of 34.

In 2014 Shropshire Council was awarded a grant sum of £75k from the Department for Culture, Media & Sport (DCMS) and the Government Equalities Office (GEO) to encourage women to take on the new digital technologies which are possible with superfast broadband, and is linked to Shropshire Council's broadband delivery programme. Shropshire Council contracted with Women in Rural Enterprise (WiRE) to deliver the project, following a granted procurement exemption based on their ability to deliver a niche service delivery. The 2014 WAB (Woman and Broadband) project completed successful to time, cost and output and was subsequently held up as an exemplar by the GEO across the national programme of activity.

In 2015 the GEO made £1.1m available nationally for Broadband Projects to bid for a phase 2 project. Shropshire Council, together with Staffordshire, who also previously had contracted with WiRE, and Telford & Wrekin Council submitted a joint application for funding. The call was open to all 44 national broadband programmes. Shropshire's joint bid was one of only 16 that were successful in being awarded funding. The original bid was £150k with an offer received of £146k.

The Phase 2 WAB project will commence delivery of activities across the Shropshire region from September 2015.

9. BEREAVEMENT SERVICE

The council's bereavement service is provided via Co-Operative Funeral Care Ltd with whom in 2011 the council entered into a 30 year concession agreement. This agreement provides for a suite of bereavement services across the bereavement estate comprising of Emstrey crematorium and cemetery, Longden Road cemetery, 5 other rural cemeteries in villages in central Shropshire and in time will include a new cemetery being developed off Mytton Oak Road, Shrewsbury.

Funeral booking administration, arrangements for cremation and grave preparation, memorialisation, collection of fees and charges and some aspects of grounds maintenance are undertaken or arranged by Co Op. Around 1,500 cremations and 150 burials are provided for annually via the council owned crematorium and cemeteries.

The last 12 months has seen the bereavement service subjected to significant local and national media coverage and public scrutiny.

Following on from the BBC's 2014 enquiry into infant cremation practices at Emstrey the council commissioned an independent inquiry. The inquiry concluded in May 2015 with the publication of a report of findings and recommendations. Twelve recommendations were made, the first seven of these aimed towards national government calling for amongst other items; the establishment of a single authoritative code of practice, a national inspector of crematoria and, the establishment of minimum standards of training for crematorium staff.

Three recommendations were directed at the council, these focussed on:

- 1 - ensuring that its contractor arranges adequate maintenance provision of the cremation equipment and its timely updating/replacement.
- 2 - that the council participates in regular liaison with its contractor, funeral directors, officiants and hospitals so as to remain connected with the service to ensure its quality.
- 3 - that the council ensure its service management arrangement includes expertise and competencies normally associated with personal social care.

The remaining two recommendations were directed jointly at the council and its contractor and focussed on ensuring that there is a programme of continuing professional development for related staff. Also that a revised, plainly written ashes policy statement is jointly issued making it clear that whilst no absolute guarantee can be given, it is probable, given the use of new equipment and techniques that ashes from infant cremations are likely to be recovered.

The inquiry made clear that the matter of non-recovery of ashes from infant cremations was an historic rather than a current issue. New cremators were installed in 2013, since this time ashes from infant cremations have been recovered in each case. Following publication of the inquiry report a working group comprising of both council and contractor representatives has been formed. The working group met weekly initially and has made swift and proper progress on all recommendations

and particularly those recommendations with which the council has greater influence or is accountable for.

Shared communal infant graves also received media and public attention. A related charity group cleared such graves of personal tributes and the manner in which the clearance took place caused upset with bereaved families. The council was subsequently petitioned to install a definitive tribute policy. Consultation has taken place. In excess of 50 responses are received and evaluation of responses is in process with the aim to create, communicate and install a tribute policy for shared graves.

The major project over the next 12 months is the commissioning of the new cemetery off Mytton Oak Road. This is due for spring 2016 and dialogue is ongoing with the various stakeholders and contractors.

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 Steve Charmley

Local Member

All Members

Appendices



<u>Committee and Date</u>
Council
24 th September 2014
10.00am

<u>Item</u>
9
Public

REPORT OF THE PORTFOLIO HOLDER FOR CHILDREN'S SERVICE

Portfolio Holder: Ann Hartley

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1.0 Summary

This report provides information on the key achievements and developments of the past year, and strategic priorities for the forthcoming year.

The past year has been a challenging one, with the trend for an increased demand for children social care services continuing. Referrals to children's social care have continued to increase, however the number of children in care has remained stable over much of the period with approximately 307 children in care at any one point in time.

The education landscape continues to evolve as more schools become academies and the introduction of the Regional Schools Commissioner, who has oversight of Academies, has required the building of new relationships.

Shropshire now has 22 academy schools i.e. 12 Secondary schools, 9 primary schools, 1 Special school and 1 free school.

School Funding for Shropshire has remained a keen issue, and Schools Forum together with Council Members and officers have sought to raise the profile of sustainability across the sector.

The Children and Young People's Scrutiny Committee has played an active role in influencing the direction of Children's services, with demonstrable impact. Child Sexual Exploitation has rightly been prominent in Scrutiny's work over the last year, with amendments being made to the licensing of taxi drivers and the development programme for elected Members. I am most appreciative of those Members who have played such a valuable contribution to the work of Children and Young People's Services.

Transformation activities have continued through this year, notably Inspire to Learn provision has begun to transfer into ip&e and Havenbrook has changed its

status to a Short Break provision in order to increase the number of children who are able to remain with their family rather than come into care.

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).

Ofsted would normally expect to inspect Local Authorities every three years, so an inspection can be expected at any time.

In preparation for an impending inspection the opportunity was taken to undertake an LGA Children’s Safeguarding Peer Review in June 2015. The Peer Review is not an inspection, but does identify areas of good practise whilst offering support and guidance on areas for improvement. It focuses on five key themes:

- Effective practice, service delivery and the voice of the child
- Outcomes, impact and performance management
- Working together (including Health and Wellbeing Board)
- Capacity and managing resources
- Vision, strategy and leadership

It was pleasing to note that a number of Members of Council were involved in the review process.

The Peer Review process involved:-

- Looking at case records
- Document and data challenge
- Interview and visits
- Contact referral assessment audit.

In summary, 55 meetings were held and 60 cases reviewed.

The Peer Review noted the improvement journey that Shropshire Council and its partners have been on, and made particular mention of the passion and loyalty of staff and partners and of the commitment of agencies to work together to safeguard children.

Areas for further development included ensuring effective performance management and quality assurance processes are in place at all levels and routinely used to drive performance outcomes, as well as ensuring the quality of practice, making sure that interventions are timely and consistently outcome focussed, and that contacts and referrals and associated workflow from First Point of Contact (FPOC) through to the social care teams are easily navigated and operate to the standards that the Council sets.

As an outcome of the Peer Review an action plan is being developed in order to ensure that improvements identified are put into place, and an Internal Improvement Board has been established to oversee its implementation. I am grateful to those Members who have agreed to sit on the Board and look forward to its first meeting.

2.1.2 Children's Centres

Three Children's Centres have been inspected under the latest Ofsted inspection framework for Children's Centres. Two of these were judged as Good and one as Requires Improvement. Shropshire Children's Centres are now inspected in Groups as reflects the delivery model. The overall effectiveness of Children's Centres remains higher than the national average for Children's Centres inspected as Groups. (83% of CC Groups in Shropshire are judged as Good at the last inspection compared with a national average of 52%).

Outcomes identified during inspection include:

- Children are well prepared for school and achieving good levels of development,
- Health outcomes are positive and in recognition of effective partnership working,
- Users are very positive about the availability and range of services and
- Parents are more confident in parenting skills enabled by support such as Understanding Your Child courses.
- Plans to improve include:
- Improving the tracking of children's progress and development, particularly where children are in a target group
- Working more with adult learning and skills partners to track the progress of adult learners, workless and low income families to understanding achievement and sustained change to assist planning for the future.
- Improving the integration of data to evidence known, accessing and sustained engagement particularly from target groups.
- Refine action planning to target improvement in priority areas.

Shropshire Council Children's Centres have been assessed for Stage 2 and Stage 3 Unicef UK Baby Friendly Initiative (E7). This is a worldwide programme designed to implement practice standards that result in successful breastfeeding. Achievement of these standards include parent infant relationship building and very early child development, plus enhanced requirements in communication skills for staff. Shropshire Children's Centres met most of the standards. Staff including leaders were commended for their efforts, responsiveness and

effectiveness. Mothers reported being very positive about all the services they accessed. Partnership working was seen to be clearly evident with excellent communication. “Despite a significant reduction in staff there has been a drive to work smarter to provide consistent support and messages for parents irrespective of the provider”. This is evidence of strengthening the community in line with our Early Help vision.

2.1.3 Children’s Residential Homes

This year saw the full implementation of the redesign of our children’s homes.

Havenbrook was re-designated as a short breaks service for children on the edge of care. At its most recent interim inspection in February 2015 Ofsted judged the home to be making “improved effectiveness” with all eight requirements and four recommendations being addressed. They found that improvements have been made to young people’s short break plans to ensure their needs and circumstances are fully reflected in a way that shapes how they are looked after. Young people are positive about their short break experiences and say they feel very safe in the home and with the staff who look after them.

Our edge of care support services have shown successful outcomes in keeping children at home supported in family care where it is safe to do so. Havenbrook short breaks has increased its capacity to offer more children planned and emergency short breaks, and three full time outreach posts have been created to work in the community with young people and families preventing family breakdown. Of the 43 young people who were accommodated in the pilot phase, 13 (30%) were accommodated and 30 (70%) remained out of the looked after system. A new Support and Prevention Panel was established in March 2015 and this has evidence of high engagement with young people and their parents/carers in preventing family breakdown.

Chelmaren remains a high quality provision, having secured sustained effectiveness in its interim Ofsted inspection in March 2015 following its previous outstanding inspection.

2.2 TRANSFORMATION ACTIVITIES IN CHILDREN’S SOCIAL CARE

After a successful implementation the 2014/15 Early Help strategy is progressing now to evolve alongside the Troubled Families Phase 2 programme, which will be revised in September 2015 as “Strengthening Families through Early Help”. A review of all early help services is underway, with an analysis of data regarding needs and demands as well as performance to inform our future commissioning strategy. The combination of these will take us forward in our delivery of whole family focused early help delivered at a local level.

Compass (the front door to children social care services) has located to Mount McKinley co locating staff managing all concerns and referrals for children and families needing Targeted Early Help to those in need of protection. Compass brings together social workers, Targeted Youth Support workers and CAMHS workers. Work is underway to co-locate Police, Probation and Health

Visitor/School nurse representatives in order to build on our effective and timely information sharing.

To ensure we are meeting our placement sufficiency duties to have choice, quality and local care placements for children, a procurement process has been undertaken and we are in the final stages of agreeing two smaller block contracts with residential care providers. Our fostering training and support strategy has been revised and a new foster carer “payments for skill” introduced, which recognises foster carer exceptional skills and is focused on children’s outcomes.

In line with the Government’s clear agenda to regionalise adoption services, we are looking to the West Midlands region 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.

There has been a higher than usual turnover of the social care workforce with a high number of staff on maternity leave, staff successful in career progression moves and some leavers from the organisation. This has led to the need for higher than usual agency staff in posts and a large number of newly qualified social workers. Key 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.

3.0 EDUCATION IMPROVEMENT AND EFFICIENCY

3.1 Ofsted Inspections

A significant number of schools in Shropshire were inspected by Ofsted during 2014-2015 and outcomes have improved the profile of Shropshire schools across primary and secondary schools. In August 2013 Shropshire had 70% of primary schools judged good or outstanding (compared with 78% nationally) and 75% children attended good or outstanding primary schools (compared with 77 % nationally). 71% of secondary schools were judged good or outstanding (compared with 72% nationally) and 74% children attended good or outstanding secondary schools (compared with 75% nationally).

The Education Improvement Service’s sharp focus on primary and secondary schools judged to be satisfactory or to require improvement has been sustained, and by August 2015 Shropshire had 82% of primary schools judged good or outstanding (compared to a latest national figure of 80%, in March 2015) and 83% pupils in good and outstanding schools (compared to a latest national figure of 82%). Ofsted ratings for individual secondary schools have changed (including two mainstream schools and one special LA maintained school moving from requiring improvement to good) but the overall figures have not changed significantly, with 71% secondary schools judged to be good or outstanding

(compared to a latest national figure of 73%) and approximately 73% pupils in good and outstanding schools (compared to a latest national figure of 76%).

The number of schools in Shropshire now judged to be inadequate continues to reduce: there are two LA maintained primary schools and one secondary academy in this category.

A revised framework for the inspection of Local Authority arrangements for supporting school improvement to ensure high quality education provision and outcomes for children was introduced in November 2014. 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.

Regional HMI (including the Senior HMI) have continued to lead professional development sessions for Shropshire schools, throughout the last year.

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. Overall the number of pupils in Shropshire schools is declining, in contrast to the national trend in many other local authority areas. The reduction is not evenly spread and varies across the county. In the short-term, the current updated projections indicate an overall reduction in pupil numbers of 3.2% (1,122 pupils) between 2014 and 2018 (3.7% in primary and 2.6% in secondary). This equates to a potential loss in funding to schools through the Dedicated Schools Grant of around £5 million.

This reduction in pupil numbers will have an impact on the post-16 phase over time, and post-16 providers know that they need to plan for this potential reduction in student numbers and in funding for post-16 places.

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. In the majority of cases this increased demand is neither significant nor imminent and can be absorbed within the existing provision, particularly where there are places available within neighbouring schools.

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. Data, together with a modelling tool, has been made available to all schools to facilitate their planning.

Five federations involving eleven primary schools have been established and governors of a further six primary schools are exploring opportunities to establish new federations or join existing ones. A further twenty-eight primary and secondary schools are working under collaborative arrangements either as Multi-Academy Trusts (MATs) or learning trusts.

The number of young people who are Not in Education Employment or Training (NEET) remains below the national average. But we are not complacent, and continually look for new and innovative ways to engage with young people and remove barriers to learning and employment. The Stride Out Project which began in June is a partnership between Shropshire Council's Shropshire Youth, the Emerging Leaders charity and The Shrewsbury Club, and has provided 12 local teenagers who are NEET with the chance to learn leadership skills and improve employability skills and confidence.

3.4 Special Educational Needs & Disabilities (SEND)

The Children and Families Act came into force in September 2014, there is an ongoing focus on implementation particularly with reference to the Local Offer and the introduction of Personal Budgets.

Shropshire strengthened multi-agency links at both strategic and operational levels. The recent Health appointment of a Designated Medical Officer (DMO) will further support this work. Shropshire also continue to work with parent representatives and young people to ensure a person-centred approach to implementation of SEND reforms. Strengthening existing links and creating new opportunities to work with voluntary sector organisations remain a priority.

The 16 to 25 Pathway has been and is continuing to be developed to ensure improved outcomes for young people with SEND. In March 2015 a very successful and well attended post-16 conference was held, which centred on preparing for adulthood. This event provided the opportunity to disseminate information across a range of stakeholders and collect essential feedback to inform future strategic developments in this area.

A priority area for 2015/16 will be measuring the extent that Shropshire Council has achieved the key priorities of:

- establishing a family centred approach to the assessment process
- closer working across education, health and social care
- developing an effective and accessible local offer
- supporting children and young people with SEND to prepare for adulthood.
- closing the gaps in achievement.

There continues to be an emphasis for the Local Authority to develop appropriate specialist, local and cost effective provision for children/ young people with SEND with the aim of enabling them to remain within their communities as much as possible. These developments are being undertaken whilst continuing to expand the capacity of mainstream provisions to provide an inclusive education for children and young people with SEND.

The first specialist hub provision for children with difficulties associated with an Autistic Spectrum Condition (ASC) officially opened in June this year, although it has been fully operational since April. It currently has places for 16 pupils aged 11 to 16. This will rise to a maximum of 24. It is anticipated that a second specialist hub will open in early 2017, this will be at a location in the south of the

county.

A primary provision for children with needs associated with Social Emotional and Mental Health (SEMH) has been developed at Holy Trinity Primary School, Oswestry in partnership with Woodlands Special School. The Tuition Medical and Behaviour Support Service (TMBSS) has also increased local provision in the north with a hub provision at The Meadows Primary School, Oswestry.

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 achievement of Shropshire early years providers at their most recent Ofsted inspection.

This is based on data released by Ofsted in March 2015:

Area	% of providers rated Outstanding	% of providers rated Good	% of providers rated Requiring improvement	% of providers rated Inadequate
National	13%	72%	14%	1%
Shropshire	17%	72%	10%	1%

We intend to continue to focus efforts on those providers currently judged to be requiring improvement or inadequate. Working with Ofsted we will support the completion of action plans to focus on the area identified by Ofsted as needing improvement and offer support and guidance to the settings in those area.

Improved partnership working across the health, education and social care has increased the take up of early education places for disadvantaged 2 year olds in the last year from 55% to 71%. This is higher than the national average take up rate of 65%.

The implementation of the Integrated Review for 2 year olds will start in mid-September, involving Health Visiting, Early Education Providers and Children’s Centre’s working in partnership to identify and support development needs for young children.

3.6 Learning and Skills Restructure.

Learning and Skills have restructured so that it can meet the Council’s commissioning operating model in the future.

A small core team has been retained which will carry out quality assurance, strategy development and identification of schools requiring improvement, support and challenge.

Providers of services are now clearly identifiable, i.e. the traded and commissioned services.

Service provision has begun to transfer to ip&e as agreed by Cabinet on 20th May 2015.

Phases 1 and 2 of the transfer have now been completed with the following services transferring to ip&e via an enabling contract.

- Shropshire Music Service
- Schools Library Service
- Schools IT Service
- Schools Financial Services
- Information, Advice and Guidance
- Education Access and Equality
- Governor Support Services

3.7 The Learning, Employment & Training Services (LETS)

County Training/ACL has continued to provide a wide range of successful services to young people, unemployed adults, hard to reach groups and employers over the last year. In March 2015 an OFSTED inspection graded the provision as good in all areas and outstanding for Leadership and Management, Health and Social Care and Safeguarding.

Cabinet has agreed to the externalisation of County Training/ACL. A process is in place to support the merger of the elements of provision which are funded by the Skills Funding Agency/Education funding Agency with a local FE College. Discussions are taking place to arrange the transfer the work which is funded by the Department of Work and Pensions to external providers

4.0 SHROPSHIRE TROUBLED FAMILIES – STRENGTHENING FAMILIES

4.1 Phase 1 of the Troubled Families Programme came to an end this year. The last claims for phase 1 were completed in May 2015, 100% of engaged families were claimed for (turned around). Data for this was collected for entry onto the national cost saving calculator at the end of July.

By January 2015 398 families had achieved outcomes against the programme criteria:

- a) 396 families achieved the improvements required in youth crime, ASB or education outcomes
- b) 50 families gained employment and stopped claiming out of work benefits
- c) 9 families achieved successful 'progress to work' measures
- d) Of the above families, 38 also achieved employment or achieved the progress to work outcome.

A further 57 families outcomes were audited between January and May resulting in a 100% 'turn around' rate for phase 1.

4.2 Early Starter for Phase 2

Shropshire was part of the second wave of authorities that were offered the opportunity to participate as early starters in January 2015. 79 families have been identified as meeting at least 2 of the 6 criteria and are engaged in assessment, planning or targeted work through a range of agencies. These families were also entered on the national cost savings calculator.

4.3 Phase 2 (Strengthening Families)

While Phase 2 of the Troubled Families programme will retain a focus on those families with multiple problems and that are high cost, it will reach out to families with a broader range of problems. Shropshire is required to engage with 1570 families over the five years of Phase 2. The Troubled Families programme will be used to further develop the 'Think Family' approach, key for effective Early Help.

5.0 NATIONAL CITIZEN SERVICE (NCS)

58 School Leavers from across Shropshire participated in Shropshire Council's National Citizenship Service project which is a nationally funded scheme. This is a four week programme, designed to enable school leavers to take part in a range of team building challenges activities and to engage with their communities. Young people worked in small groups to plan and deliver a range of social action projects based on community needs. For example, young people organised a fun day in aid of Help the Heroes, two teams raised money for epilepsy charities, whilst another group focused on social action and leaving a legacy after visiting a voluntary run youth club. A graduation event was held so that the contribution of young people to their communities could be acknowledged.

6.0 TRANSFORMATION AND DEVELOPMENT PRIORITIES

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 during this period will be to ensure services achieve good outcomes for our children and young people in a more cost effective way.

Key priorities for 2015/16 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.
- 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 areas for development identified by the Peer Review will be a key area for attention.

- 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.
- The transfer of some services to Inspire 2 Learn (I2L), within ip&e has already been undertaken and the transition of further education support service teams will continue through 2015/16.
- Continued implementation of the SEND reforms including personalisation
- Despite positive performance headlines, review our fostering and adoption processes to improve the timeliness of recruitment of carers and to improve our aspirations for long term permanency outside of local authority care for what might be deemed hard to place children.

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)

Ann Hartley

Local Member

All

Appendices

None.

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Committee and date

Council

24 September 2015

10.00am

Item

10

Public

**Councillor Joyce Barrow
Young People's Scrutiny Committee Chairman**

ANNUAL REPORT 2014-15 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 2014-15 and its plans for the forthcoming year.

2.0 What has been done?

2.1 The Committee met formally on 8 occasions over the last year.

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

-

- Changes to the provision of Youth Services
- Scrutiny of the progress in delivering the Council's financial strategy
- Annual Report – Children's Safeguarding Board
- Child Sexual Exploitation
- Safeguarding & Taxi Licensing
- Annual Report - Looked After Children Education and Health
- Business Case – Redesign of Residential Provision
- Corporate Parenting
- Havenbrook Project – Short Breaks for Children on the edge of Care
- Independent Reviewing Officers Annual Report
- Pupil Premium for Looked After Children

- West Mercia Adoption Partnership
- Care Leavers Accommodation
- NEETS
- School Funding
- Schools Performance
- Special Education Needs, Reforms and Provision
- Children and Young Peoples Emotional Health and Wellbeing: the prevention agenda
- Health Update – Work being undertaken by Child Public Health Department
- Transfer of Commissioning Arrangements for 0-5's

2.4 The Committee also received and commented on regular updates on the performance of Children's Services including data on LAC, children on a child protection plan, children in need, referrals to safeguarding and educational outcomes.

2.5 The work of the Task and Finish Group on Childhood Obesity continued during the year and it will report its findings in Autumn 2015

2.7 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

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 Ann Hartley, Portfolio Holder for Children's Services

Councillor Nick Bardsley, Deputy Portfolio Holder for Children's Services

Councillor Karen Calder, Portfolio Holder for Health

Local Member/s

All

Appendices

None

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<u>Committee and Date</u>	<u>Item</u>
Council	11
24 th September 2015	
10.00am	
	<u>Public</u>

PORTFOLIO HOLDER REPORT FOR TRANSFORMATION & PERFORMANCE

Responsible Officer **Tim Barker Portfolio Holder for Transformation & Performance**

e-mail: Tim.barker@shropshire.gov.uk

1. Introduction

In writing this Report to Council I have taken the opportunity to include mention of some of the other areas in which I am involved as I believe Members will find it of interest.

Turning first to the matters outside my Portfolio, I believe that most Members will be aware that I Chair the Armed Forces Community Covenant Partnership and act as Lead Member for matters to do with our relationship with the Armed Forces. You will note from reading the paragraphs in this report dealing with this area that we can be justifiably proud of the work the Council does and the support it gives to serving and veteran members of the Armed Forces (and for clarity I hope that we are already aware that veterans of the Reserve Forces, such as myself and a number of other Members, are included within the scope of the Covenant). I am extremely grateful for the help and assistance given by the officer in the Community Enabling Team without whom much of what we have achieved would not have been possible.

The Shropshire Hills Area of Outstanding Natural Beauty (AONB) Partnership, which governs the operational team looking after the landscape and interests of a very large area of the South of the County, is the Body on which I have served as an appointee of this and its' predecessor Council since 2007. For the last few years I have taken the role of Local Authority nominated Vice-Chair and in that time, myself and the rest of the Management Board have enabled access to European Funding into the area via the first LEADER Programme. The second programme is in the course of being finalised and again we expect (our application having been approved) to enable some €2.4M of grant funding. For the second programme these grants will be targeted towards economic activity rather than social fabric as was the case in the first programme. I have recently asked to be taken off the AONB as I will then be better able to take a part in this scheme.

The Housing Governance Board which I Chair is the way in which Shropshire Council provides assurance to senior council officers and the Housing Portfolio Holder (effectively the Commissioners) that our Arms Length Management Organisation, Shropshire Towns & Rural Housing (ST&RH) delivers what we as a Council require of it under the Agreement under which it manages our remaining Council owned housing stock. I am helped in this by John Cadwallader who acts as Vice-Chair.

Turning now to specific Portfolio matters, Members will see that most of the areas of work are strongly connected to Commissioning and Transformation.

The Performance Team provides Business Intelligence, information, data and statistics to those who already commission services to quasi-commissioners and to our in-house service providers. Recently the Commissioning Support Team has been augmented by the transfer of procurement and contract management, both important parts of the Commissioning process.

Moving further on a similar theme Partnership Working is already an important part of how the Council functions and this will become more significant with moves towards increased work with the Voluntary Sector, Town and Parish Councils and the Clinical Commissioning Group and other Public Sector partners.

The Town and Parish Council network is the bedrock of our local democracy and as such a key partner for us. As Members are aware these Councils vary in size from the very large (Shrewsbury and the other major Town Councils) to the really quite small with electors numbering in the low 100's. The Shropshire Association of Local Councils works well to co-ordinate our relations and general communications but dealing directly with these Councils is important if we are to retain our current good relationships.

SHROPNET

For the most part, our support for Town and Parish Councils is for those on ShropNET, and mostly admin-related (creating new accounts/sites, resetting passwords, etc.), with the technical support coming from the suppliers (Cooperative Web).

With regard to the support Shropshire Council's Digital Services gives to parish and town councils and community groups via ShropNET, we create new sites upon request, give new user and refresher training and maintain existing sites in partnership with Cooperative Web, the supplier.

This partnership takes the form of giving day-to-day admin help, e.g.

- password changes
- help with uploading of attachments/images
- page creation
- page deletion

- site deletion
- advice on structure and content

and ShropNET resolving more technical issues, e.g. ensuring that the platform works with new versions of existing operating systems.

A review on SHROPNet is due to be discussed shortly and the outcomes of this will be communicated out widely to all current customers and stakeholders this coming autumn.

Our Community Enabling Team already provides support to these Partners and to local communities and Members. Their role in moving forward with what can be loosely described as “locality based commissioning” is crucial as well as in the evolution of Local Joint Committees and their role in providing a stronger local influence on Commissioning processes (an example being the recent Youth Services activities – some areas having had great success, others less so).

I hope that Members will find this Report useful and informative and I look forward to dealing with any matters arising out of it at Council on the 24th September.

I would also encourage any Member who has any specific or general enquiries to make on the matters I have covered to contact me directly.

REPORT

2. Armed Forces Community Covenant

Background

Shropshire Council signed the Covenant pledge at a meeting of Full Council on Thursday 3rd May 2012. Having signed this pledge to support our local armed forces the Covenant portfolio has grown significantly as central Government looks to implement more measures of support to our existing and ex-forces community. This support includes a new £10million annual grant fund set in perpetuity to help fund integration projects and wider support for other priorities.

The Shropshire Covenant partnership has now grown to include 18 separate organisations with the coordination happening centrally through Shropshire Council with myself acting as Chair of the partnership group. Priorities now need to be set for the group for the next five years up to 2020.

Shropshire Council continues to take its pledge to our armed forces seriously with a recent Ombudsman ruling about Devonshire Council ensuring local authorities remain vigilant against poor practice. As ever, the aim is to ensure no serving or ex-member of HM Armed Forces or their families faces disadvantage through accessing public service provision.

Housing

Shropshire Council are committed to ensuring up to 5% of properties for each Partner Social Landlord may be targeted by former members of the British Armed Forces as defined in S.364 Armed Forces Act 2006, where the application is made within 5 years of discharge, they have a local connection to Shropshire and have served a minimum of 4 years with the British Armed Forces. Those that have been dishonourably discharged will be considered individually based upon the circumstances and reasons for the discharge.

In terms of allocations for social housing - If you are a member of the Armed Forces and are going to be discharged within 6 months, and you have a local connection, Shropshire Council will award you 'gold banding' in recognition of your service to the country. This is still no guarantee of housing but you stand a better chance of getting a house.

Thus far additional preference has been awarded to:

Awarded Discharge from Armed Forces Banding	- 15 persons
Awarded Former Armed Forces Criteria	- 4 persons
Awarded Priority Band and Previously Served	- 3 persons

During 2014/15 31 current or previously served HM Armed Forces personnel have been rehoused by the local authority.

Changes to the online Housing Solutions Action Plans (HomePoint) will incorporate adding another housing option to the existing 16 options to provide advice specifically for former members of H.M. Armed Forces. We expect this to be available from October 2015 and will in the meantime be working with groups such as the Army Families Federation and other forces groups.

Education

Shropshire Council have encouraged the take up of Service Pupil Premium within Schools by promoting it on armed forces bases and through School networks. On top of this, we have also promoted best practice within Schools ensuring the Premium is spent correctly. Idsall School has recently been the recipient of a national award for their work with Service Pupil premium.

Benefit & Council Tax Support

At Shropshire Council we operate a local procedure whereby we disregard 100% of the income from the following pensions:

- War Disablement Pensions
- Service Attributable Pensions (but only if the reason for discharge from service specifically relates to the service)
- War Widows Pensions / War Widowers Pensions

We believe that this extra level of support ensures that Veterans receive a fair deal and that they are not disadvantaged by their Service.

Shropshire Council HR Policy

During 2015 and in partnership with the forces/employment organisation SaBRE, Shropshire Council updated its HR policy to support employees who choose to be Reservists within HM Armed Forces. The Policy ensures line managers are aware that their staff are Reservists and that two weeks extra leave are permitted for training linked to Armed Forces work. Equally, should the employee be asked to deploy, the Policy ensures that staff and management know what is expected both before and following deployment.

Customer Services

During April 2015 forces family charities and Royal British Legion volunteers came in to Shropshire Council Customer Services department to train staff about their services, what they offer and why veterans access their services. From this, Shropshire Council Customer Services have already correctly signposted 7 Veterans to those organisations who were in a better position to support the Veteran in need other than the local authority.

Covenant Fund

Since the Covenant's inception, Shropshire Council has acted as the responsible body for Ministry of Defence (MOD) funds distributed to Shropshire projects. £294,000 worth of external funding has been brought in to the County by the Shropshire partnership in respect of integration projects between our local armed forces and civilian communities.

From August 2015, Shropshire Council will no longer be required to distribute funds on behalf of the MOD. Instead, Shropshire Council will act as an enabler of partnership working and ensure data is captured to aid potential applicants for the £10 million Covenant fund recently designed by the MOD to support integration and a wide range of other priorities.

3. Voluntary & Community Sector

As Shropshire Council has made significant changes over the last year we have continued to work closely with Shropshire's voluntary sector through the Voluntary and Community Sector Assembly (VCSA). This ongoing partnership work has been valuable in providing external challenge and feedback and further developing commissioner/ provider relationships as new service delivery and commissioning models are introduced.

Volunteering has been an area of focus for many service areas over the last 12 months as work takes place to make the most effective use of available resources, to embed service delivery within community settings and to involve local people in service design and delivery in order to generate resilience and self reliance within communities. Shropshire VCS Assembly has worked to communicate how volunteering is changing in Shropshire. Research undertaken by Shropshire Infrastructure Partnership has been shared to highlight that whilst national support for volunteer brokerage has been lost, the profile of the volunteer population has changed. Increasing proportions of new volunteers are now benefit claimants required to take on voluntary work

by the Department for Work and Pensions (and in need of support themselves rather than ready to deliver support to others).

VCS engagement has focused on key policy changes including the Care Act, Children and Families Act, SEND Reforms and the implementation of the Better Care Fund. The VCSA Forums of Interest have worked to understand and communicate changes along with the VCSA Board. Events and workshops have been delivered to develop local understanding and ensure that public sector and voluntary sector service providers are able to work together to communicate to people using local services and make changes to the way services are provided.

Shropshire's VCS Assembly has also responded to changes in the delivery and management of EU funding by working closely with the Marches LEP in order to deliver robust voluntary sector engagement in the development and delivery of the European Structural Investment Fund (ESIF) strategy. The work has focused on the Social Inclusion priority and its resource allocation through the Big Lottery Building Better Opportunities Programme. The size of the opportunities in the new programme are considerable and early engagement has been necessary in order to allow smaller local providers the time to establish the consortia and delivery partnerships necessary to compete with larger out of area and private sector providers. Where VCS engagement has not taken place it is likely that the economic trickle down of resources and the generation of social value through local provision will not be achieved.

Recent changes in the commissioning of criminal justice services meant that a focus of work within 2014/15 was the provision of support for Shropshire's Criminal Justice Forum and the development of Employ with Conviction, a project designed to secure employment opportunities for ex-offenders and those with criminal convictions. The work resulted in improved cross sector working within the field of criminal justice, increased sharing of information and knowledge, joint project delivery and the establishment of more robust relationships with local employers.

Part of the cross sector working that takes place in Shropshire involves research to understand the challenges faced by VCS service providers and assess the impact of future change. This type of information is likely to remain a feature of future work to assess market resilience and provide market intelligence for commissioners. An annual State of the Sector survey provides a valuable insight into the resilience of the voluntary sector in the face of economic pressures.

- In the last year (2014/15) 25% of VCS organisations had made redundancies.
- 35% highlighted that they had posts at risk of redundancy.

- Respondents stated that expenditure and hours of work had increased due to the economic climate. Staffing levels and income had decreased.
- The reduction in sources of funding and other income (external and local funding and charitable donations) was considered a major barrier.

As the way Shropshire Council works with the voluntary sector evolves, different forms of data will need to be used to provide a more robust understanding of provider resilience and provision of services.

The last year has seen the delivery of a wide range of cross sector projects and initiatives. A few examples are used below to highlight the diversity of the engagement activity that has been in place and some of the results of that work.

- The VCSA has been working with Locality Commissioners and ALC (under the Community Hubs programme) to develop a package of support for town and parish Councils and VCS organisations interested in community asset and service transfer. To date the project has been successful in securing the local delivery of a national body specialising in asset and service transfer (Locality). Outputs will include a resource pack, training and specialist mentoring support.
- The VCSA has supported CCG leads in work to engage the wider voluntary sector in the development of a new CCG Grant Framework. The result of that work has been widespread understanding of the new system in place and a high volume of grant applications.
- Work has also continued over the last year to support the Shropshire Compact Group and to ensure the Compact is implemented as good practice in cross sector working. A local project was shortlisted for the National Compact Engagement Award 2015 (Shropshire won the category in 2014). See: <http://vcsvoice.org/the-compact/> It is anticipated that the way the Compact is delivered in Shropshire will change over the next 12 months but its value should not be underestimated as a way of establishing a shared understanding across sectors of commissioner and provider values, roles and responsibilities and how the recognition of good practice can prevent more time consuming processes such as disputes and formal complaints.

Shropshire VCS Assembly has continued to work with the two support bodies established in 2011: Shropshire Providers Consortium and ShropShare. Shropshire Providers Consortium is a Community Interest Company (CIC) that delivers the support needed to enable VCS providers of all shapes and

sizes to collaborate to win, manage and collectively deliver grants and contracts. See: <http://shropshireprovidersconsortium.co.uk/>

ShropShare offers a support and brokerage service to assist local businesses in their work to demonstrate Corporate Social Responsibility (CSR) and to build rewarding and mutually beneficial relationships with VCS groups and organisations. Examples of work include employee volunteering, dragons den (knowledge and skills transfer) and charity challenge (business advice). See: <http://shropshare.org/> The two bodies allow the voluntary and community sector in Shropshire the opportunity to work more collaboratively to access opportunities and share skills and resources.

In the last year a group known as the Change Group has been established to enable joint working between Shropshire Council and the VCSA at the strategic level, sharing skills, knowledge and resources to co-design change proposals and new ways of working. The group takes a lead on cross sector engagement with an emphasis on co-design. As the way Shropshire Council works continues to evolve, and as the new Commissioning Support Unit becomes more established, it is likely that future VCS engagement will be overseen by this group.

4. Performance

New performance dashboards and reporting were launched in 2014/15 following development work with Members to identify the outcomes and performance measures and preferred methods of presentation. For Cabinet we introduced a focused infographic to help communicate progress and key corporate performance messages in an accessible format, underpinned by the comprehensive dashboards for the Council's outcomes which are presented to Scrutiny each quarter. We have used the past 12 months as an opportunity to learn and refine how the information is presented, e.g. at Scrutiny Committees a smaller number of measures are presented together to help tell the story more clearly. This learning has also highlighted the potential to develop how information is shared and when it could be shared.

Through considering service transformation and development in Adult Social Care the Health and Adult Social Care Scrutiny Committee highlighted their interest in developing a set of measures that they could use to understand the impact of the Adult Social Care New Operating Model. In order to help facilitate this work was done with officers from Adult Social Care and a Member working group from the Committee to understand the new operating model and to identify the measures that they needed to have presented to them to fulfil their role. The first dashboard report to the Committee took place in June 2015 and resulted in a detailed consideration of the information and what this meant for people enquiring about and/or needing support from Adult Social Care. Regular reports will be made to the Committee on this specific set of measures, and will also take account of other relevant information as it is published such as the Adult Social Care Statutory Survey results which will

be published nationally later in the autumn.

In order to provide a more complete view of service areas and the delivery of the Council's outcomes, reporting on complaints has been developed this year and reports have been presented to both the Young People's Scrutiny Committee and to Adult Social Care Scrutiny alongside reports on the relevant outcome performance dashboards. This supports the opportunity for members to identify specific issues they might want to drill down into, and provides a different view to the performance data.

Proposals are being developed to sharpen the focus of Scrutiny Committees on the delivery of the Council's outcomes by looking at one outcome each quarter in detail, with exceptions from the other outcomes also being reported. With the Council now establishing itself as a commissioning organisation the impact of commissioning decisions on the delivery of the Council's outcomes will increasingly feature in the performance monitoring and constructive challenge role of Scrutiny. This will provide Scrutiny members with the opportunity to explore emerging issues in more detail and identify potential topics to be added to the work programme, as they are involved at all stages around the commissioning cycle.

A continuing focus has been to support the development of performance and management information within Council business areas. Some recent examples are described in the following paragraphs.

- Following the initial feedback from the Safeguarding Peer Review Team support to deliver the identified areas to develop has been taken up. Good progress is being made to define, provide and make accessible the data and information required to enable and evidence the day to day management of services. This is ongoing work and a good example of portfolio holders working together with their lead officers and Director to address shared responsibilities.
- Work has also been progressing with the team developing Strengthening Families; Shropshire's response to the Troubled Families Programme, and Early Help. This has involved providing technical and specialist support to analyse the information from different partners, present the information and understand the key messages, integrate processes, and identify and report measures that will meet the national requirements and also demonstrate the impact achieved.

The Council is continuing to transform into a commissioning organisation. Since the New Year significant thought and activity has gone into developing a commissioning support function for the Council. The new function is well progressed in its development drawing together staff from a range of Council areas to support, challenge and work with those involved in commissioning services.

An essential area that is being developed through this new structure is the strengthening of how the Council uses the feedback from partners and

providers, and people and communities who use or receive Council services. The complaints, compliments and comments that the Council receives are a key component, as are results from surveys and any engagement activity that takes place. This is important information to learn from and to develop insights to understand need and demand, how behaviours can be and need to be changed, and to help understand the quality and effectiveness of services that are provided by or on behalf of the Council.

The feedback and insights will be combined with data from across services to develop information and intelligence that will be used to challenge commissioning and contract management, and ensure that it is effective.

5. Housing

Housing Governance Board of STAR is an asset assurance mechanism and has the primary purpose of supporting the commissioning arrangements between the Council and STAR. It helps to guide and shape the evolving relationship between the two organisations and serves to protect the Council's best interests.

STAR is a key partner within the Social Housing Forum and with a revised Terms of Reference, this is set to be the vehicle for the development of the wider housing strategy for Shropshire. It will address the major priority issues, with a focus on matters of common concern to providers and the Council and with the overarching intention of developing wider collaborative solutions.

Members are probably aware that Shropshire Council's Housing Strategy is currently under review, as it becomes out of date at the end of this year. The Strategy impacts on multiple Council services, and in particular Social Care. As such, I will be involved, together with the relevant portfolio holders (particularly Cllr Price) to ensure that the Council uses its role to maximise performance across the sector.

6. Community Enablement Team and Locality Commissioning Managers LCMs)

Evolving the Local Joint Committees

The Community Enabling Team has continued to work with elected members to deliver the Local Joint Committees over a period that started with the LJsCs thinking about their purpose post-grant funding and ended with many of them working hard to commission youth activity as locality commissioners. LJsCs will need to evolve alongside the changing council, and a working group has created a proposal for a redesigned approach to local governance, which now needs to be considered more widely.

Resilient Communities – building community capacity

Officers from Shropshire Council, the CCG and VCS have been leading on the design and delivery of a Resilient Communities work stream within the Better Care Fund, which aims to build capacity within communities that will

increase self-reliance and the availability of community-based solutions. The Community Enablement Team are integral to the creation of Resilient Communities as they understand local needs and opportunities, are connected into local networks and are working closely with local members. An example is the piloting of the Community Connector role in Craven Arms, which is being co-ordinated by the local team member using her existing relationships to strengthen working relationships between local partners that will improve the provision of early help and prevention advice and support in the town, and the effectiveness of signposting to this.

Community safety

The team continues to co-ordinate Bronze Level Tasking at an area level with the Senior Community Enablement Officers working alongside the local police inspectors to hold monthly community safety partnership meetings and managing the delivery of local action plans.

As Shropshire Council continues its accelerated approach as a Commissioning Council there is a growing appetite to consider commissioning involvement at all levels and in particular on a locality based approach, as has been tested in the last 12 months around Youth Activities. This has enabled the team to further expand their skill sets in enabling such activity to take place, led at a local level by Elected Members.

As the Council continues to evolve, it is anticipated that more locality based commissioning will take place. Therefore the role of the Community Enabling Team will continue to expand beyond those activities in the Commissioning Directorate and start to support wider locality based commissioning across the whole of the Council, in particular Social Care.

In supporting this, a new set of outcomes is detailed below to support the move to outcomes based commissioning. To help describe what these outcomes translate into is also given:

- *To support the Council's move to become a Commissioning Council focused on the delivery of positive outcomes for communities and individuals*
An example of this is the work delivered in the last 12 months involving the Community Enabling Team and the Youth Commissioning as well as involvement in exploring alternative delivery options for Libraries
- *To take the lead in the co-production of local solutions with local communities, people and organisations to meet the Council's aims and objectives*
An example of this is working in Market Towns such as Shifnal alongside a range of partners to explore local solutions e.g. car parking, Libraries and public open spaces.

- To facilitate Shropshire’s communities to be resilient so that they can take ownership of the issues that are important to them, planning and innovating in response to local need and opportunity*
 An example of this is the evolution of Local Joint Committees into more flexible local partnerships that will not only raise and understand local issue, but will have more influence over how local needs are met – using all the assets available in a community, not just those of the council.
- To support transparent, evidence based, locally influenced decision making*
 An example of this is the work done around updating the Place Plans, and working with Town and Parish Councils on an annual basis
- To support Shropshire Council Members in their role at Community Leaders*
 Numerous examples across the county on specific Member Led initiatives

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <ul style="list-style-type: none"> <p>Cabinet Member (Portfolio Holder) Cllr Tim Barker</p> <p>Local Member All Members</p> <p>Appendices None</p>
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<u>Committee and Date</u>
COUNCIL
24 September 2015

<u>Item</u>
12
Public

Councillor David Minnery
Performance Management Scrutiny Committee Chairman

**ANNUAL REPORT OF THE PERFORMANCE MANAGEMENT
SCRUTINY COMMITTEE 2014 - 2015**

1.0 Summary

1.1 This is an overview of the work of the Performance Management Scrutiny Committee during the municipal year 2014 – 2015, plans for the forthcoming year and an insight into the new scrutiny process being developed in the light of the development of strategic commissioning bodies for the key public services in Shropshire.

2.0 What have we done?

2.1 The Committee has not been idle during the 2014 – 2015 year and has held six Committee meetings as well as sponsoring two successful Task and Finish Groups along the way.

2.2 The Committee's Work Programme has been heavily involved in the scrutiny of the progress being made in delivering the Council's Financial Strategy and, to facilitate this, the Committee held two meetings in November 2014. The two meetings allowed the Committee's own scrutiny of the process and also took into account the observations of the other Scrutiny Committees in order to provide a composite scrutiny comment to the December meeting of Cabinet.

2.3 The overarching scrutiny observations on the delivery of the Council's Business Plan and Financial Strategy and to be taken into account in future were:

- General satisfaction with the levels of savings identified as achieved and expected to be achieved, [based on the most recent reports and data available].
- Caution at the use of one-off savings to deliver the 2014/15 savings, recognising the implications for finding additional savings in future years to achieve on-going budgets.

- Recognition that ‘salami slicing’ from budgets was no longer possible and endorse the redesign of services. Specific mention was made about the need for a radical redesign of Transport.

Other areas of concern that were highlighted during this process included:

- a) Increasing demand on Children’s Social Care Services (especially Looked After Children) and Adult Social Care
- b) Implications for the Council arising from national legislative changes such as the Care Act.

2.4 The Committee considered this process to be valuable particularly the involvement of as many scrutiny Members as possible in the process. The involvement of Scrutiny Committees in this process exemplifies the merits in scrutiny being allowed sufficient time to enable it to have robust, meaningful input into the budget shaping process. The Committee intends to continue to play its role in the future budget shaping process, performance improvement and the assessment of changes to the Council’s service delivery.

2.5 In addition to the budget shaping process and continual monitoring of performance in the light of ongoing changes, the Committee’s future Work Programme is under rolling review but may also include consideration of the following issues:

- a) Mobile and Flexible working, to include the use of I.T. and telephony
- b) Use of the Council’s assets
- c) Commissioning – how to measure its impact and the delivery of outcomes
- d) Strategic commissioning

2.6 During the year the Committee established two successful Task and Finish Groups that reported their respective recommendations to Cabinet, namely:

- The Public Services Network Task and Finish Group
- The Discretionary Housing Payments Task and Finish Group.

3.0 What are our future plans?

3.1 Scrutiny recognises the need for robust and transparent scrutiny procedures to be incorporated into the overview and continued monitoring of ip&e, the services migrating to it and services being commissioned from other organisations.

3.2 The Committee understands that the ongoing Task and Finish Group to review the future role and remit of the Council’s scrutiny arrangements has yet to reach its final conclusions that could see many changes in the Council’s future scrutiny arrangements.

- 3.3 In the meantime the Committee will continue to monitor the Council's performance and appoint Task & Finish Groups as appropriate, although it recognises that change to a new structure is likely to occur before the end of 2015 and so has been reluctant to commission new Task & Finish Groups in order to avoid blocking new initiatives.
- 3.4 It is not appropriate in this report to go into detail about the possible shape of Scrutiny as we move forward, but I think that I can say that this intended change should not be seen as a criticism of the Scrutiny work done to date by this, or any other, Committee. However we do need to recognise that the move to a commissioning council will, of necessity, demand a new approach to service design that cuts across individual portfolio areas.
- 3.5 Members will know that most of the period covered by this report was under the leadership of a former Councillor. I assumed the Chair of the Committee just two months before the end of the year and I am concentrating my efforts on ensuring that the new structure adequately meets the demands of Scrutiny going forward. I look forward to presenting the proposals to Council in due course, and in the meantime welcome discussions with any Member on the way ahead.

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<u>Committee and Date</u>	<u>Item</u>
Council	13
24 September 2015	<u>Public</u>
10.00am	

FINANCIAL RULES UPDATE

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

Telephone: 01743 255011

1. Summary

This report proposes refinement of and revisions to the Council's Financial Rules located in Part 4 of the Constitution. The Rules require updating to reflect the requirements of the Accounts and Audit Regulations 2015, Internal Audit requirements in line with the Public Sector Internal Audit Standards (PSIAS), the introduction of a Pensions Board and minor changes around systems and roles.

2. Recommendations

Members are asked to consider and endorse, with appropriate comment, the proposed adjustments to the current Financial Rules as set out in **Appendix A** of this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 With the changes proposed by the Accounts and Audit Regulations and those introduced by the PSIAS it is important that the Financial Rules reflect current legislation providing clarity for their application for both member and officer interactions.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015. There are no direct environmental, equalities or climate change consequences of this proposal.

4. Financial Implications

- 4.1 There are no direct financial implications.

5. Background

- 5.1 The new Accounts and Audit Regulations 2015 for local authorities in England, came into effect on 1 April 2015 and apply from the financial year 2015/16. The regulations are a statutory instrument made by the Secretary of State for Communities and Local Government and are mandatory for the bodies affected.
- 5.2 From April 2015 the key changes include: the existing requirement to have internal audit has been amended to undertake an effective internal audit 'to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance': There are some changes to the access rights of internal audit requiring the organisation to supply internal audit with the documents, records and information and explanations as are considered necessary by the internal auditors: Organisations are no longer required to undertake an annual review of effectiveness, however audit committees should note the requirements of the Public Sector Internal Audit Standards (PSIAS) to have an ongoing programme of quality assessment and improvement: There is a new requirement for a narrative statement that includes 'comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year'. This applies to the 2015/16 accounts.
- 5.3 From April 2017 the key changes include: the responsible financial officer will need to sign off the accounts by 31 May in advance of the public inspection at the beginning of June: The annual governance statement and the accounts must be approved by the appropriate body or committee by 31 July at the latest, at which point they should be published: The external audit should also be complete and the audit opinion published by 31 July or 'as soon as reasonably practicable'.
- 5.4 Requirements of the Public Sector Internal Audit Standards (PSIAS) have also been considered and reflected in the rules, including: the Audit Service Manager's independence and access rights; the need for the team to comply with the PSIAS, the Definition of Internal Auditing, the Code of Ethics and other relevant guidance as set out in the Internal Audit Charter; and the planning and reporting responsibilities of the Audit Service Manager.
- 5.5 The Council, in compliance with requirements imposed in relation to the Local Government Pension Scheme by The Pensions Regulator, has established a Pension Board responsible for the oversight of the effective and efficient governance and administration of the Fund and this has been reflected in the rules.
- 5.6 Minor changes are identified in the attached rules to reflect adjustments to operational systems, practices, processes, some roles and responsibilities along with the occasional officer title. In addition, the original Appendix F has been removed, the Range of Council Services; since these are forever changing and will continue to.
- 5.7 These requirements, where applicable, have been used to update the Financial Rules and the proposed changes are reflected in **bold type and underlined** in **Appendix A**.

List of Background Papers (This MUST be completed for all reports, but does

not include items containing exempt or confidential information)

Accounts and Audit Regulations 2015
PSIAS

Cabinet Member (Portfolio Holder)
Keith Barrow, Leader of the Council

Local Member: All

Appendices: A – Financial Rules

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Part 4 – Financial Rules

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Appendix A to Council report: Part 4 - Financial Rules

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Appendix A to Council report: Part 4 - Financial Rules

ACKNOWLEDGEMENTS This document is based on the CIPFA document 'Financial Regulations. A Good Practice Guide for an English Modern Council.

1. INTRODUCTION Financial Rules

- 1.1 The Leader is elected by the Council to be Leader of Cabinet, and forms part of Cabinet with two or more other Councillors appointed to Cabinet by Cabinet Leader or by the authority. Cabinet may not total more than ten.
- 1.2 To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. This demonstrates to the public that proper safeguards and controls exist in relation to managing public money and assets. Part of this process is the establishment of Financial Rules which set out the financial policies of the authority.
- 1.3 These Financial Rules provide clarity about the accountabilities of individuals, Cabinet Members, the Head of the Paid Service, the Monitoring Officer (**Head of Legal, Strategy and Democracy**), the Section 151 Officer (**Head of Finance, Governance and Assurance**¹), directors, managers² and budget holders.
- 1.4 There are five areas covered by Financial Rules. These are:
 1. Financial management and control.
 2. Financial planning.
 3. Risk management and control of resource.
 4. Systems and procedures.
 5. External arrangements.

These Financial Rules link with other internal regulatory documents forming part of the Council's Constitution. Detailed financial procedures and processes are also contained in the Corporate Finance Manual which is an integral part of ensuring a high standard of financial management and control is maintained.

- 1.5 These Financial Rules will be subject to an annual review to ensure that they reflect current legislation, guidance and best practices.

2. FINANCIAL RULES FOR SHROPSHIRE COUNCIL: BACKGROUND

- 2.1 Shropshire Council has a population of 296,000 and an area of 319,000 hectares. It provides a diverse range of services to its residents. It works in partnership with parish/town councils and a number of other organisations and agencies to deliver the most appropriate quality services to the residents of Shropshire.
- 2.2 The Council provides the complete range of local authority services, **exampled at Appendix F**, managed through a **Director of Adult Services**, a **Director of**

¹ Please note that the Head of Finance Governance and Assurance, the Section 151 Officer and the Chief Finance Officer are the same role.

² Managers is the collective term used which incorporates heads of service and managers.

Children's Service, a **Director of Commissioning** and a **Director of Public Health**. Some of these services are delivered at a local level through **two Area Commissioners**. The Finances are organised into two main blocks: Revenue, for the day to day expenses (which is subdivided into the General Fund and the Housing Revenue Account), and Capital, for investment into assets with a life of over a year.

2.3 The Council's governance structure is laid down in its Constitution.

3. STATUS OF FINANCIAL RULES

3.1 Financial Rules provide the framework for managing the authority's financial affairs. They apply to every Member and officer of the Council and anyone acting on behalf of the Council. The rules apply equally where officers are undertaking work in partnership for external organisations.

3.2 The rules identify the financial responsibilities of the full Council, Cabinet and Overview and Scrutiny Members, directors, managers and the Head of Paid Service, the **Head of Legal, Strategy and Democracy** in their capacity as Monitoring Officer, and the Corporate Head of **Finance, Governance and Assurance** in their capacity as Section 151 Officer. A written record should be maintained where these responsibilities have been delegated to members of staff, including seconded staff. Where responsibilities have been delegated or devolved to other responsible officers, such as school governors, references to the Corporate Director in the rules should be read as referring to them. 'Directors' means:

- a) **Director of Adult Services; Director of Children's Services;**
- b) **Director of Commissioning**
- c) Director of Public Health
- d) Area **Commissioners**.

3.3 All Members and staff have a personal responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value. This should be done whilst acting in accordance with these rules.

3.4 The Section 151 Officer is responsible for maintaining a continuous review of the Financial Rules and advising the Council of any additions or changes necessary. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Financial Rules to the Council and/or to Cabinet Members.

3.5 The Council's detailed financial procedures setting out how the rules will be implemented are contained in the appendices to the Financial Rules, the Corporate Finance Manual and in other separate guidance issued to officers.

3.6 Directors and managers are responsible for ensuring that all staff in their service areas are aware of the Financial Rules, the Corporate Finance Manual and other internal regulatory documents and that they comply with them.

Appendix A to Council report: Part 4 - Financial Rules

- 3.7 The Section 151 Officer is responsible for issuing advice and guidance to underpin the Financial Rules which Members, officers and others acting on behalf of the Council are required to follow.

4 FINANCIAL RULE 1 – FINANCIAL MANAGEMENT AND CONTROL

The Full Council

- 4.1 The full Council is responsible for adopting the authority's Constitution and Members' Code of Conduct and for approving the budget and policy framework within which Cabinet operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control. The framework is set out in the Constitution. The full Council is also responsible for monitoring compliance with policies and related Cabinet decisions.

Cabinet

- 4.2 Cabinet is responsible for proposing the policy framework and budget to the full Council and for discharging Cabinet functions in accordance with the policy framework and budget.
- 4.3 Cabinet decisions can be delegated to a Committee of Cabinet, an individual Cabinet Member, a joint Committee or an officer within the rules set out in the Delegation to Officers.
- 4.4 Together with the Council, Cabinet is responsible for monitoring compliance with policies, Cabinet decisions and the framework of accountability and control.

Committees of Cabinet

Scrutiny Committees

- 4.5 The Council has Scrutiny Committees responsible for scrutinising Cabinet or individual decisions before or after they have been implemented and for holding Cabinet to account. These Committees are responsible for making recommendations on future policy options and reviewing the general policy and service delivery of the Council.

Performance Management Scrutiny Committee

- 4.6 The Performance Management Scrutiny Committee is an independent advisory body and reports to the full Council. It has right of access to all the information it considers necessary and can consult directly with internal and external auditors.

Audit Committee

- 4.7 **The Committee is responsible for providing those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. It will review and monitor the robustness**

of the treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Standards Committee

- 4.8 The Standards Committee is established by the full Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the full Council on the adoption and revision of the code of conduct and for monitoring the operation of the code.

Other Regulatory Committees

- 4.9 Planning, conservation and licensing are not Cabinet functions but are exercised through the multi-party Planning Committee which reports to the full Council.

The Statutory Officers

Head of Paid Service

- 4.10 The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. The Head of Paid Service must report to and provide information for Cabinet, the full Council, the Overview and Scrutiny Panels and other Committees. The Head of Paid Service is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to the full Council's decisions.

Monitoring Officer

- 4.11 The Monitoring Officer is the **Head of Legal, Strategy and Democracy** and is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to Cabinet and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- 4.12 The Monitoring Officer is responsible for:
- a) Ensuring that reports encompass the statutory obligations with regard to their legal and financial content;
 - b) Ensuring that Cabinet decisions and the reasons for them are made public. They must also ensure that Council members are aware of decisions made by Cabinet and of those made by officers who have delegated Cabinet responsibility.
 - c) Advising all Councillors and officers about who has authority to take a particular decision.
 - d) Advising Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
 - e) Maintaining an up to date Constitution.

Appendix A to Council report: Part 4 - Financial Rules

- 4.13 The Monitoring Officer together with the Section 151 Officer is responsible for advising Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- a) Initiating a new policy;
 - b) Committing expenditure 'in-year' above the revenue or capital budget level. Any proposal for expenditure in excess of the current year's budget requires the agreement of full Council;
 - c) Committing expenditure in future years to above the budget level;
 - d) Incurring interdepartmental transfers above the virement limits.

The Chief Finance Officer

- 4.14 The Chief Finance Officer is the Section 151 Officer. The Section 151 Officer³³ has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:
- a) Section 151 of the Local Government Act 1972.
 - b) Local Government Finance Act 1988.
 - c) The Local Government and Housing Act 1989.
 - d) The Local Government Act 2003.
 - e) **The Accounts and Audit Regulations 2015.**
- 4.15 There are five principles that are critical to the achievement of the Section 151 Officer' statutory responsibilities:
- a) Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
 - b) Is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy;
 - c) Leads the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively;
 - d) Must lead and direct a finance function that is resourced to be fit for purpose;
 - e) Must be professionally qualified and suitably experienced.

If different organisational arrangements are adopted, reasons should be explained publicly in the organisation's annual governance report, together with how these deliver the same impact ('comply or explain').

³³ See "Statement on the Role of the Director of Finance in Local Government " (CIPFA 2010) and Application Note to Delivering Good Governance in Local Government: a Framework (CIPFA/SOLACE 2010)

Appendix A to Council report: Part 4 - Financial Rules

- 4.16 Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the full Council and Cabinet and the external auditor of the council where the Council:
- a) Has made, or is about to make, a decision which involves incurring unlawful expenditure.
 - b) Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority.
 - c) Is about to make an unlawful entry in the Council's accounts. Section 114 of the 1988 Act also requires;
 - d) The Section 151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally.
 - e) The authority to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.
- 4.17 Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report to Members on the robustness of estimates and the adequacy of reserves.

Directors and managers

- 4.18 It is the responsibility of the above to:
- a) Ensure that all Cabinet Members are advised of the financial implications of all proposals and that they are agreed by the Section 151 Officer;
 - b) To authorise which staff can sign contracts on behalf of the Council up to a contract value of £140,000.
 - c) Consult with the Section 151 Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

Other Financial Accountabilities

Virement

- 4.19 The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- 4.20 Directors and managers are responsible for agreeing in-year virements within delegated limits. Any virement between budget heads should only be made in order to cover any unavoidable overspendings elsewhere and must be notified and agreed in advance with the Section 151 Officer. Full details are set out in Appendix A.

Treatment of Year-end Balances

- 4.21 The full Council is responsible for agreeing procedures for carrying forward under and overspendings on budget headings.

Accounting Policies

- 4.22 The Section 151 Officer is responsible for selecting accounting policies and ensuring that they are applied consistently. Directors and managers will adhere to the accounting policies and guidelines approved by the Section 151 Officer.

Accounting Records and Returns

- 4.23 The Section 151 Officer in consultation with directors and managers is responsible for determining the accounting procedures and records for the authority.

The Annual Statement of Accounts

- 4.24 The Section 151 Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is reviewed and updated annually'. The full Council is responsible for approving the annual Statement of Accounts.

5 FINANCIAL RULE 2 – FINANCIAL PLANNING

- 5.1 The full Council is responsible for agreeing the authority's policy framework and budget, which will be proposed by Cabinet. In terms of financial planning, the key elements are:
- a) The Council **Business** Plan;
 - b) The Revenue Budget, for both the General Fund and the Housing Revenue Account;
 - c) The robustness of estimates and the adequacy of reserves;
 - d) The Tax Base and Collection Fund;
 - e) The Capital Programme;
 - f) Prudential Indicators and Treasury Management strategy;
 - g) The Medium Term Financial Strategy.
- 5.2 In terms of the policy framework, it comprises of a number of statutory plans and strategies and each service area will also have their own.
- 5.3 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the full Council by the Monitoring Officer.
- 5.4 The full Council is responsible for setting the level at which Cabinet may reallocate budget funds from one service to another. Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of the Corporate Plan

- 5.5 The Head of Paid Service is responsible for proposing the Corporate Plan to Cabinet for consideration before its submission to the full Council for approval.

Budget Guidelines

- 5.6 Guidelines on budget preparation are issued to Members, directors, managers and budget holders by Cabinet following advice from the Section 151 Officer. The guidelines will take account of:
- a) Legal requirements.
 - b) Medium term planning prospects
 - c) Forecasts of available resources externally.
 - d) Forecasts of internal resources available.
 - e) Spending pressures.
 - f) Best value and other relevant Government guidelines.
 - g) Cross cutting issues (where relevant).
 - h) Impact assessments.
 - i) Risk factors.
 - j) Consultation with residents and businesses.

Budget Format

- 5.7 The general format of the budget will be approved by the full Council and proposed by Cabinet on the advice of the Section 151 Officer. The draft budget should include allocations to different services and projects, forecasts of funding from central government, proposed taxation levels and contingency funds and the robustness of estimates and the adequacy of levels of reserves.

Budget Preparation

- 5.8 The Section 151 Officer is responsible for ensuring that a robust revenue budget is prepared on an annual basis for consideration by Cabinet, before submission to the Council. The Council may amend the budget or ask Cabinet to reconsider it before approving it.
- 5.9 Cabinet is responsible for issuing guidance on cash limits and the general content of the budget on advice from the Section 151 Officer.
- 5.10 It is the responsibility of directors and managers to ensure that budget estimates reflecting agreed service plans and within the notified cash limits, are submitted to Cabinet.
- 5.11 The Section 151 Officer is responsible for ensuring that a capital programme and Treasury Management plan are prepared on an annual basis for consideration by Cabinet, before submission to the Council. The Section 151 Officer is responsible for establishing the tax base for the authority on an annual basis for the consideration by Cabinet and Council between 1 December and 31 January

Budget Monitoring and Control

- 5.12 The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The Section 151 Officer must monitor and control expenditure against budget allocations and report to

Appendix A to Council report: Part 4 - Financial Rules

Cabinet on the overall position on a regular basis, at least monthly from May to February **quarterly during the financial year**.

- 5.13 It is the responsibility of directors and managers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Section 151 Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any problems.

Medium term financial strategy (MTFS)

- 5.14 The Section 151 Officer shall ensure the MTFS is agreed annually at full Council, at the same time the budget is agreed. The MTFS should:
- a) Build on all the aspects of budget compilation, set out above in 5;
 - b) Be at least three years in duration;
 - c) Take account of the Government's Spending Review and settlement for local government;
 - d) Consider consultation with and take account of changes in the Shires demographics, underlying drivers and changes in policy;
 - e) Consider the impact of measures to improve efficiency and value for money;
 - f) Consider Government legislation plans;
 - g) Consider the Administration's long term goals, priorities and approved policies;
 - h) Consider the direction of the economy.

6 FINANCIAL RULE 3 – RISK MANAGEMENT AND CONTROL OF RESOURCES

- 6.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

- 6.2 Cabinet is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. This includes the adequacy of provisions, reserves and balances. Cabinet is responsible for ensuring that proper insurance exists where appropriate on the advice of the **Head of Finance, Governance and Assurance**.
- 6.3 The Council Management Team is responsible for preparing the Council's risk management policy statement and for promoting it throughout the authority and for advising Cabinet on proper insurance cover where appropriate.

Internal Control

- 6.4 Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes

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economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.

- 6.5 The Section 151 Officer, in conjunction with the **Audit Service Manager**, is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- 6.6 It is the responsibility of directors and managers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Audit Requirements

- 6.7 The **Accounts and Audit Regulations 2015** require every local authority to **undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.**
- 6.8 The **Local Government Association (Public Sector Appointments Ltd)** is currently responsible for appointing external auditors to each Local Authority. The basic duties of the external auditor are governed by the **Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.**
- 6.9 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs who have statutory rights of access.

Preventing Fraud and Corruption

- 6.10 The Section 151 Officer is responsible for the development and maintenance of a counter-fraud and anti-corruption policy.

Assets

- 6.11 Directors and managers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Treasury Management and the Pension Fund

- 6.12 This Council will create and maintain,
a) A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

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- b) Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 6.13 The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.
- 6.14 Full Council will receive reports on treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.
- 6.15 The Full Council is responsible for the implementation and regular monitoring of the treasury management policies and practices. The execution and administration of treasury management decisions is delegated to Section 151 Officer.
- 6.16 All money in the hands of the authority is controlled by the officer designated for the purposes of Section 151 of the Local Government Act 1972 (the Section 151 Officer).
- 6.17 The Section 151 Officer is responsible for reporting to Cabinet a proposed treasury management strategy for the coming financial year at or before the start of each financial year, mid-year review and an annual review by 30th September of the succeeding financial year.
- 6.18 The Section 151 Officer is responsible for reporting to Cabinet not less than four times in each financial year on the performance of the treasury management operation.
- 6.19 The Council acts as Administering Authority for the Shropshire County Pension Fund. The Section 151 Officer is the designated Scheme Administrator for the Fund.
- 6.20 The Section 151 Officer (Scheme Administrator) is responsible for administering the Shropshire County Pension Fund in accordance with overriding pensions regulations and:
- a) Local Government Pension Scheme (Benefits, membership and contributions) Regulations 2007 (as amended).
 - b) Local Government Pension Scheme (Transitional provisions) Regulations 2008 (as amended).
 - c) Local Government Pension Scheme (Administration) Regulations 2008 (as amended).
 - d) Local Government Pension Scheme Regulations 1997.
 - e) Local Government Pension Scheme (Transitional provision) Regulations 1997 (as amended).
 - f) Local Government Pension Scheme Regulations 1995 (as amended).

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- g) Local Government Pension Scheme (Management and Investment of funds) Regulations 2009 (as amended).
- h) **Local Government Pension Scheme Regulations 2013 (as amended).**
- i) **Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.**
- j) **Public Service Pensions Act 2014.**
- k) **Disclosure Regulations 2013.**
- l) **The Pension Regulator Code of Practice 2015.**
- m) **Any other overriding Pensions Legislation.**

- 6.21 The Section 151 Officer (Scheme Administrator) is responsible for producing and maintaining a Governance Compliance Statement, Funding Strategy Statement, Statement of Investment Principles, Communications Policy **and Administration Strategy** for the Fund.
- 6.22 The Pensions Committee is responsible for approving matters relating to the Shropshire County Pension Fund and reports into Full Council via the Chair / Vice Chair of the Pensions Committee. **The Pension Board is responsible for the oversight of these matters and assisting the Administering Authority (Shropshire Council) to secure compliance with requirements imposed in relation to the Local Government Pension Scheme by The Pensions Regulator and to ensure the effective and efficient governance and administration of the Fund.**
- 6.23 The Section 151 Officer is responsible for ensuring employers within the Fund are aware of their responsibility in respect of the local government pension scheme regulations.

Staffing

- 6.24 The Council is responsible for determining how officer support for non-Cabinet roles within the Council will be organised.
- 6.25 The Head of Paid Service is responsible for providing overall management to staff. He/she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- 6.26 Directors and managers are responsible for controlling total staff numbers by:
- a) Ensuring that an approved post exists and that budget provision has been made to cover the cost of filling the post for the period contemplated before commencing the recruitment process.
 - b) Advising Cabinet on the budget necessary in any given year to cover estimated staffing levels.
 - c) Adjusting the staffing numbers to that which can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs.
 - d) The proper use of appointment procedures.

7 FINANCIAL RULE 4 – SYSTEMS AND PROCEDURES

7.1 Sound systems and procedures are essential to an effective framework of accountability and control.

General

7.2 The Section 151 Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by directors and managers to the existing financial systems or the establishment of new systems must be approved by the Section 151 Officer. However, directors and managers are responsible for the proper operation of financial processes in their own directorates.

7.3 Any changes to agreed procedures by directors and managers to meet their own specific service needs should be agreed with the Section 151 Officer.

7.4 Directors and managers should ensure that their staff receive relevant financial training.

7.5 Directors and managers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Directors must ensure that staff are aware of their responsibilities under freedom of information and data protection legislation and that the information held within the systems must be adequately protected and secured.

Income and Expenditure

7.6 It is the responsibility of the directors and managers to ensure that a proper scheme of delegation has been established and is operating effectively. It should identify staff authorised to act on behalf of directors and managers or that of Cabinet, in respect of

- a) Placing orders together with the limits of their authority, within the precepts of good procurement practices and budgetary provision;
- b) Payments for goods received;
- c) The raising of income;
- d) The collection of income and the annual writing off of bad debts.

7.7 The Council is responsible for approving procedures for the writing off debts as part of its overall control framework of accountability and control.

Taxation

7.8 The Section 151 Officer is responsible for advising on all taxation issues that affect the authority maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date.

8 Financial Rule 5 – External Arrangements

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- 8.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.
- 8.2 Cabinet is responsible for approving delegations, including frameworks for partnerships. Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs. It is responsible for approving the contractual arrangements for any work for third parties or external bodies.
- 8.3 The Section 151 Officer is responsible for ensuring that all funding notified by external bodies is accepted (or refused), received and properly recorded in the authority's accounts.
- 8.4 Cabinet can delegate functions, including those relating to partnerships to officers. They are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated, Cabinet remains accountable for them to the full Council.
- 8.5 The Head of Paid Service or an officer nominated by him represents the authority on partnership and external bodies in accordance with the Scheme of Delegation.
- 8.6 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial affairs in partnerships that apply throughout the authority.
- 8.7 The Section 151 Officer must ensure that the accounting and auditing arrangements to be adopted relating to partnerships, joint ventures and accountable bodies are satisfactory. They must also consider the overall corporate governance arrangements when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 8.8 Directors and managers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

9 APPENDIX A: FINANCIAL MANAGEMENT

A1 Financial Management Standards.

A2 Managing and Controlling Spending.

- a) Revenue budget.
- b) Scheme of virement.
- c) Treatment of year end balances.

A3 Accounting Policies.

A4 Accounting Records and Returns.

A5 Format of the Accounts.

A1 FINANCIAL MANAGEMENT STANDARDS

Why is this important?

A1.1 All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved in part by ensuring that everyone is clear about the standards to which they are working, and the controls which are in place to ensure that these standards are met.

Key controls

A1.2 The key controls for financial management standards are:

- (a) Their promotion throughout the Council.
- (b) Having in place a monitoring system to review compliance with financial standards, and that regular comparison of performance indicators and benchmark standards are reported to Cabinet and full Council.
- (c) A comprehensive Corporate Finance Manual

Responsibilities of Section 151 Officer

- A1.3 To ensure the proper administration of the financial affairs of the Council.
- A1.4 To set the financial management standards, and to monitor compliance with them.
- A1.5 To ensure proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Authority.
- A1.6 To advise on the key strategic controls necessary to secure sound financial management.

A1.7 To ensure that financial information is available to enable accurate and timely reporting of comparisons of financial performance indicators.

Responsibilities of directors and managers

A1.8 To promote the financial management standards set by the Section 151 Officer in their service areas and to monitor adherence to those standards and practices.

A1.9 To promote sound financial practices in relation to the standards performance and development of staff in their service areas.

A2 MANAGING AND CONTROLLING SPENDING AND INCOME

Revenue Budget

Why is this important?

A2.1 Budget management ensures that resources allocated by Members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continual process enabling the Authority to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget.

A2.2 By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash limited budget allocated to it.

A2.3 For the purposes of budgetary control by managers, a budget head will normally be a cost centre. However, it may be at a more detailed level in the standard coding structure if this is required by the directors or managers scheme of delegation.

Key controls

A2.4 The key controls for managing and controlling the revenue budget are:

- (a) Budget holders should be responsible only for expenditure and income which they can influence.
- (b) Each "£" of budgeted expenditure is allocated to a named budget manager.
- (c) Budget managers accept accountability for their budgets and the level of service to be delivered.
- (d) Budget managers follow an approved certification process for all expenditure.
- (e) Income and expenditure is properly recorded and accounted for.
- (f) Performance levels/levels of service are monitored in conjunction with the budget and necessary action taken to align service outputs and budget.

Responsibilities of Section 151 Officer

- A2.5 These responsibilities are carried out through the Finance Officers reporting to the Section 151 Officer. To establish an appropriate framework of budgetary management and control this ensures that:
- (a) Budget management is exercised within the annual cash limits agreed by Council.
 - (b) Each director and manager has available timely information on income and expenditure on each budget heading, to enable budget managers to fulfil their budgetary responsibilities.
 - (c) Expenditure is committed only against an approved budget.
 - (d) All officers responsible for committing expenditure comply with relevant guidance, including Financial Rules.
 - (e) Each budget has a single named manager, determined by the director and managers. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making which commits expenditure.
 - (f) Significant variances from approved budgets are investigated and reported by managers regularly.
 - (g) Procedures are in place for corrective action to be taken to manage significant variances.
- A2.6 To administer the Council's scheme of virement.
- A2.7 To submit regular reports to Cabinet and to Council, in consultation with the directors or managers, where a director or manager is unable to balance expenditure and resources within existing approved budgets under his or her control.
- A2.8 To prepare and submit regular budget monitoring reports on the Council's projected expenditure compared with the budget.

Responsibilities of directors and managers

- A2.9 To maintain budgetary control within the Service, in adherence to the principles in A2.5 and to ensure that all income and expenditure is properly recorded and accounted for.
- A2.10 To ensure that a single accountable budget officer is identified for each item of expenditure under the control of the director or managers. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making which commits expenditure.
- A2.11 To ensure that spending remains within the service's overall cash limit, and that individual budgets are not overspent, by monitoring the budget and, where it appears that areas of the budget are likely to be over or underspent, taking appropriate corrective action.
- A2.12 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and that any necessary action is taken.
- A2.13 To prepare and submit to Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer.

A2.14 To advise the Section 151 Officer immediately where it is clear that they are unable to balance expenditure or income (when a loss of income arises) within existing approved budgets under their control.

A2.15 To ensure prior approval by the Council for new proposals⁴, of whatever amount, which:

- (a) Creates financial commitments in future years.
- (b) Initiates new policy or ceases existing policies.
- (c) Materially extends or reduces the Council's services.

A2.16 To ensure compliance with the Council's scheme of virement.

A2.17 To consult with the relevant director or managers and Section 151 Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service, directors or managers level of service activity.

Scheme of virement

Why is this important?

A2.18 The scheme of virement is intended to enable directors, managers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, whilst maintaining a corporate system of overview to ensure best use of resources.

A2.19 Key Controls

Key controls for the scheme of virement are:

- (a) That it is administered by the Section 151 Officer within guidelines set by Council. Any variation from this scheme requires the approval of Council.
- (b) That the overall budget is agreed by Cabinet and approved by Council. Directors, managers and budget holders are therefore authorised to incur expenditure in accordance with those estimates. The rules below cover virement that is switching resources between budget heads. For the purposes of these Rules a budget head is considered to be a line in the Council's budget book which, as a minimum, is at an equivalent level to the standard service sub-division as defined by CIPFA. The scheme applies equally to a reduction in income as to an increase in expenditure.

A2.20 Directors and managers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Directors and managers must plan to fund such commitments from within their own budgets.

⁴ A report on new proposals should explain the full financial implications, after consultation with the **Head of Finance, Governance and Assurance**. Unless the Council has agreed otherwise, directors and senior managers must plan to contain the financial implications of such proposals within their cash limit.

Responsibilities of Section 151 Officer

- A2.21 To prepare jointly with the appropriate manager and/or director a report to the Council where virements in excess of £1,000,000 are proposed. To report to Cabinet where virements:
- (a) In excess of £500,000 and below £1,000,000 are proposed.
 - (b) From salaries budgets are proposed.

A2.22 To maintain a register of all virements.

A2.23 To report all virements over £140,000 and below £500,000 to Cabinet for information.

Responsibilities of directors and all managers

A2.24 A manager or director, with the approval of the Section 151 Officer, may exercise virements on budgets within or outside of their own area for amounts below £500,000. There shall be full agreement between the manager(s) and, or Director(s) with responsibility for the policy area.

A2.25 No virement relating to a specific financial year should be made after 31 March in that year.

A2.26 Any virements undertaken in housing must not have any overall effect on the HRA.

A2.27 No virement should occur from salaries budgets to non-salary budgets without prior approval of the Section 151 Officer and Cabinet.

A2.28 A school's governing body may transfer budget provision between heads of expenditure within the delegated schools' budgets.

A2.29 Where an approved budget heading is a contingent sum intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- a) The amount is used in accordance with the purposes for which it has been established.
- b) Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to Cabinet.

Treatment of year end balances

Why is this important?

A2.30 The rules below cover arrangements for the transfer of resources between accounting years i.e. a 'carry forward'. For the purposes of this scheme a budget heading is a line in the Council's budget book.

Key controls

A2.31 Appropriate accounting procedures are in operation to ensure that carried forward totals are correct.

Responsibilities of Section 151 Officer

A2.32 To approve 'carry forward' schemes and administer the scheme of 'carry forward' within the guidelines set by Council.

A2.33 To report the extent of overspendings and underspendings on service estimates carried forward to Cabinet and to Council.

Responsibilities of directors and managers

A2.34 Any overspending on service estimates in total on budgets under the control of the director or managers must be carried forward to the following year, unless it falls into an exception category as defined by the Section 151 Officer and will constitute the first call on service estimates in the following year. The extent of overspendings carried forward will be reported by the Section 151 Officer to Cabinet and to the Council.

A2.35 Net underspendings on service estimates, under the control of the director or managers, may be carried forward, subject to the annual report to Cabinet on the source of underspending or additional income and the proposed application of those resources. For example, if the underspend is a result of a project slipping the funds may be carried forward any general underspend which have no future commitment will be transferred into balances.

A2.36 All internal business unit surpluses shall be retained for the benefit of the Council and their application shall require the approval of Cabinet (or other locally determined rules).

A2.37 Schools' balances shall be available for carry forward to support the expenditure of the school concerned. Any school wishing to operate a licensed deficit shall notify the Authority of its intent by 1st February preceding the start of the first financial year to which the deficit would apply. The **Director of Children's Services**, the **Head of Finance, Governance and Assurance** or their representative will meet with the finance committee of the governing body, to agree the basis of the licensed deficit.

A2.38 The maximum length over which schools may repay the deficit shall be five years. A school operating a licensed deficit will be required to report to the **Head of Finance, Governance and Assurance** on an annual basis as to the position in relation to the agreed staging for repaying the deficit. Failure to keep to the agreed plan, or negotiate variations to it with the Authority, may lead to the withdrawal of delegation.

A3 ACCOUNTING POLICIES

Why is this important?

A3.1 The Section 151 Officer is responsible for the preparation of the Council's statement of accounts in the format required by the CIPFA Code of Practice on Local Authority Accounting in United Kingdom (a statement of recommended practice), for the financial year ending 31 March.

Key controls

A3.2 The key controls for accounting policies are:

- (a) Suitable accounting policies are selected and applied consistently.
- (b) Judgements are made and estimates prepared which are reasonable and prudent.
- (c) Statutory and other professional requirements are observed to maintain proper accounting records.
- (d) All reasonable steps have been taken for the prevention and detection of fraud and other irregularities.

Responsibilities of Section 151 Officer

A3.3 To adopt suitable accounting policies and to ensure that they are applied consistently. The accounting policies will be set out in the statement of accounts which is prepared at 31 March each year, and will cover such items as:

- (a) Basis of accounting for Items of Expenditure and Income.
- (b) **Cash and Cash Equivalents**
- (c) Reserves.
- (d) Provisions, **Contingent Liabilities and Contingent Assets**.
- (e) Fixed **Non-Current** Assets.
- (f) Depreciation.
- (g) Investment **Properties**.
- (h) Charges to Revenue in Respect of Fixed **Non-Current** Assets.
- (i) ~~Deferred charges~~ **Heritage Assets**.
- (j) Government Grants and Contributions.
- (k) Capital Receipts.
- (l) The Redemption of Debt.
- (m) Leases.
- (n) Debtors and Creditors.
- (o) Stock **Inventories**.
- (p) Costs of Support Services.
- (q) Group Accounts.
- (r) Value Added Tax (VAT).
- (s) ~~Pensions~~ **Employee Benefits**.
- (t) Foreign Currency Transactions.
- (u) ~~PFI~~ ~~Statement of Accounting Policy~~ Private Finance Initiative (PFI) Schemes.
- (v) **Accounting for Council Tax and Non Domestic Rates**.
- (w) **Accounting for Local Authority Maintained Schools**.

Responsibilities of directors and managers

A3.4 To adhere to the accounting policies approved by the Section 151 Officer.

A4 ACCOUNTING RECORDS AND RETURNS

Why is this important?

A4.1 Proper accounting records are one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present ~~fairly~~ **a true and fair view of the financial position and the Council's** its operations during the year. These are subject to external audit. This provides assurance that the accounts are properly prepared and proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resource.

Key controls

A4.2 The key controls for accounting records and returns are:

- (a) All Cabinet Members, finance staff and budget managers operate within the required accounting standards of the Council.
- (b) All the authority's transactions, material commitments and contracts and other essential accounting information have been recorded completely, accurately and on a timely basis.
- (c) Procedures are in place to enable accounting records to be reconstituted in the event of failure.
- (d) Balances and reconciliation procedures are carried out to ensure transactions are correctly recorded.

Responsibilities of Section 151 Officer

A4.3 To determine the accounting procedures and records for the Council. Where these are maintained in a Directorate other than that of the Section 151 Officer, shall, before making any determination, consult the Director of **Adult Services, Children's Services, Commissioning and, or Public Health**.

A4.4 To compile all accounts and accounting records or ensure they are compiled under **their** direction.

A4.5 To comply with the following principles when allocating accounting duties:

- (a) Separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums, from the duty of collecting or disbursing them.
- (b) Employees with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in these transactions.

A4.6 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations.

- A4.7 To prepare and publish the audited accounts of the Council, with no qualifications, for each financial year, and with the requirement for the Council to approve the draft Statement of Accounts and to publish the audited statement of accounts **in accordance with the statutory timetable**.
- A4.8 To administer the Council's arrangements for under and overspendings to be carried forward to the following financial year.
- A4.9 To ensure the proper retention of financial documents. The periods for which documents are to be retained will be specified separately to these financial procedures in the Corporate Retention Schedule.
- A4.10 To complete all statutory financial returns to government departments.

Responsibilities of directors and managers

- A4.11 To consult and obtain the approval of the Section 151 Officer before making any changes to accounting records and procedures.
- A4.12 To comply with the principles outlined in paragraph A4.5 when allocating accounting duties.
- A4.13 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.
- A4.14 To supply information required to enable the Statement of Accounts to be completed, in accordance with guidelines issued by the Section 151 Officer.
- A4.15 To observe such accounting instructions as may be made from time to time.
- A4.16 To maintain the corporate register of specific grants supported by detailed records to support claims submitted.
- A4.17 To supply information required to enable all statutory financial returns to be submitted within timescales.

A5 FORMAT OF THE ACCOUNTS

Why is this important?

- A5.1 The format of the budget will determine the level of detail on which financial control and management will be exercised. The format will shape how the rules around virement will operate, the operation of cash limits and set the level at which funds may be re-allocated within budgets.

Key controls

- A.5.2 The key controls for the budget format are:
- (a) The format complies with all legal requirements.
 - (b) The format complies with CIPFA Code of Practice on Local

Authority Accounting in the United Kingdom (a statement of recommended practice).

- (c) The format meets the requirements of Best Value. Accounting Code of Practice issued by CIPFA.

Responsibilities of Section 151 Officer

A5.3 To advise Council on the format of the budget.

Responsibilities of directors and managers

A5.4 To comply with accounting guidance provided by the Section 151 Officer.

APPENDIX B: FINANCIAL PLANNING

B1 Strategic Plans

B2 Budgeting

- a) Format of the budget.
- b) Resource allocation.
- c) Capital programmes.
- d) Preparing revenue budgets and medium term planning.

B3 Use of Reserves

B1 STRATEGIC PLANS

Why is this important?

B1.1 Each local authority has a statutory responsibility to publish various strategic plans.

Key controls

B1.2 The key controls for strategic plans are:

- (a) To ensure that all relevant plans are produced and that they are consistent with each other;
- (b) To produce plans in accordance with statutory requirements;
- (c) To meet the timetables set.

Responsibilities of the Section 151 Officer

- (a) To advise the Council and supply the financial information that needs to be included in strategic plans in accordance with statutory requirements and agreed timetables;
- (b) To contribute to the development of corporate and service targets and objectives and performance information.

Responsibilities of the directors and managers

- (a) To contribute to the development of strategic plans in line with statutory requirements;
- (b) To contribute to the development of corporate and service targets and objectives and performance information.

B2 BUDGETING

Why is this important?

Format of the Budget

- B2.1 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

Key controls

- B2.2 The key controls for the budget format are:
- (a) The format complies with all legal requirements;
 - (b) The format complies with CIPFA's "Reporting Code of Practice";
 - (c) The format reflects the accountabilities of service delivery.

Responsibilities of Section 151 Officer

- B2.3 To advise Cabinet on the format of the budget that is approved by the full Council.

Responsibilities of directors and managers

- B2.4 To comply with accounting guidance provided by the Section 151 Officer.

Revenue Budget Preparation, Monitoring and Control

Why is this important

- B2.5 Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- B2.6 By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- B2.7 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required.

Key controls

- B2.8 The key controls for managing and controlling the revenue budget are:
- (a) Budget Managers should be responsible only for income and expenditure that they can influence.

- (b) There is a nominated Budget Manager for each cost centre heading.
- (c) Budget Managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- (d) Budget Managers shall order in accordance with these Financial Rules and Contract Procedure Rules.
- (e) Budget Managers follow an approved certification process for all expenditure.
- (f) Income and expenditure are properly recorded and accounted for.
- (g) Performance levels and levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

Responsibilities of Section 151 Officer

B2.9 To establish an appropriate framework of budgetary management and control to ensure that:

- (a) Budget management is exercised within annual cash limits unless the full Council agrees otherwise.
- (b) Each director or manager has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
- (c) Expenditure is committed only against an approved budget head.
- (d) All officers responsible for committing expenditure comply with relevant guidance, and the Financial Rules.
- (e) Each cost centre has a single named manager, determined by the relevant director or manager. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
- (f) Significant variances from approved budgets are investigated and reported by Budget Managers regularly.

B2.10 To administer the authority's scheme of virement.

B2.11 To submit reports to Cabinet and to the full Council, in consultation with the relevant director or managers, where a director or manager is unable to balance expenditure and resources within existing approved budgets under his or her control.

B2.12 To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a quarterly basis to Cabinet.

Responsibilities of directors and managers

B2.13 To maintain budgetary control within their Service Area in adherence to the principles in B2.9 and to ensure that all income and expenditure are properly recorded and accounted for.

B2.14 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the director or managers (grouped together in a series of cost centres). As a general principle, budget responsibilities

should be aligned as closely as possible to the decision-making that commits expenditure.

- B2.15 To use accredited suppliers in the purchase of goods, supplies and services.
- B2.16 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- B2.17 To ensure that a monitoring process is in place to review performance levels and levels of service in conjunction with the budget and is operating effectively.
- B2.18 To prepare and submit to Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Section 151 Officer.
- B2.19 To ensure prior approval by the full Council or Cabinet (as appropriate) for new proposals of whatever amount, that:
- (a) Create financial commitments in future years.
 - (b) Change existing policies, initiate new policies or cease existing policies.
 - (c) Materially extend or reduce the authority's services.
- B2.20 To ensure compliance with the scheme of virement.
- B2.21 To agree with the relevant director or manager where it appears that a budget proposal, including a virement proposal, may impact materially on another service area.

Resource Allocation

Why is this important?

- B2.22 A report on new proposals should explain the full financial implications, following consultation with the Section 151 Officer. Unless the full Council or Cabinet has agreed otherwise, director and managers must plan to contain the financial implications of such proposals within their cash limit.
- B2.23 A mismatch often exists between available resources and required resources.

A common scenario is that available resources are not adequate to fulfil need and desire. It is therefore imperative that resource allocation is carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key controls

- B2.24 The key controls for resource allocation are:
- (a) Budget Managers obtain appropriate resources for the specified level of service delivery.

- (b) Resources are acquired using an approved authorisation process.
- (c) Resources are only used for the purpose intended by the Council, to achieve the approved policies and objectives, and are properly accounted for.
- (d) Resources are secured for use when required.
- (e) Resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of Section 151 Officer

- B2.25 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- B2.26 To prepare a Medium Term Financial Strategy which is reviewed annually to identify new service pressures, developments and likely levels of resource available. To assist in the allocation of resources to managers.

Responsibilities of directors and managers

- B2.27 To work within budget limits and to utilise resources allocated and further allocate resources in the most efficient, effective and economic way.
- B2.28 To identify opportunities to minimise or eliminate resource requirement or consumption without a detrimental effect on service delivery.

Capital Programmes

Why is this important?

- B2.29 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings and major items of plant and equipment or vehicles. Capital assets shape the way services are delivered for the long-term and create financial commitments for the future in the form of financing costs and revenue running costs. They may also generate income.
- B2.30 The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.
- B2.31 The Council wishes to minimise prudential borrowing unless it is self-funding and maximise its capital receipts.

Key controls

- B2.32 The key controls for capital programmes are:
- (a) Specific approval by the full Council for the programme of capital expenditure and its funding streams.
 - (b) Expenditure on capital schemes is subject to the approval of the Section 151 Officer.

- (c) A scheme appraisal, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by Cabinet.
- (d) Proposals for improvements and alterations to buildings must be approved by the appropriate director or managers
- (e) Schedules for individual schemes within the overall budget approved by the full Council must be submitted to Cabinet for approval (for example, minor works), or under other arrangements approved by the full Council.
- (f) The development and implementation of asset management plans.
- (g) Accountability for each proposal is accepted by a named manager.
- (h) Monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of Section 151 Officer

- B2.33 To prepare capital estimates jointly with directors and managers and to report them to Cabinet for approval at the same time as the revenue budget is agreed and approved. Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council. Cabinet Member approval is required where a director or manager proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
- B2.34 To prepare and submit reports to the Council on the projected expenditure and resources compared with the approved estimates.
- B2.35 To issue guidance concerning capital schemes and controls for example on project appraisal techniques. The definition of 'capital' will be determined by the Section 151 Officer, having regard to Government rules and accounting requirements.
- B2.36 To obtain authorisation by Cabinet for individual schemes where the proposed expenditure exceeds the capital programme provision by more than 5% of the scheme budget or £5,000 whichever is the greater.
- B2.37 To prepare and submit monthly monitoring reports to Cabinet comparing expenditure to estimates, clearly identifying variances plus or minus, with explanations for the variances and recommendations for any actions to be taken.
- B2.38 To report to Cabinet on capital expenditure compared to estimates, including all contracts where the final expenditure exceeds the approved estimate by more than the prescribed amount of 5% of the scheme budget or £5,000 whichever is the greater.
- B2.39 The Chief Officers' Capital Steering Group has overall responsibility for monitoring the capital programme in conjunction with Council Management Team. The Section 151 Officer is responsible for agreeing and approving variations up to £500,000 and jointly with the appropriate director or manager reporting; variations in excess of £500,000 and below £1,000,000 to Cabinet for approval; variations in excess of £1,000,000 to full Council for approval.

B2.40 To maintain a register of all virements and report all those over £140,000 and below £500,000 to Cabinet for information.

Responsibilities of directors and managers

B2.41 To comply with guidance concerning capital schemes and controls issued by the Section 151 Officer.

B2.42 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Section 151 Officer.

B2.43 To prepare regular reports reviewing the capital programme provisions for their services and to prepare a monthly return of estimated final cost of schemes in the approved capital programme for submission to the Section 151 Officer.

B2.44 To ensure that adequate records are maintained in respect of all capital contracts.

B2.45 To proceed with projects only when there is adequate provision in the capital programme, and with the agreement of the Section 151 Officer where required.

B2.46 To ensure that any variation that results in a revenue increase has a funding source identified and is approved by the Section 151 Officer and Cabinet.

B2.47 A manager or director, with the approval of the Section 151 Officer, may approve variations on the capital programme within or outside of their own area for amounts up to and including £500,000 on any one project area during the year where they have agreed the variation with the other manager(s) or director(s) with responsibility for the area to be impacted upon.

B2.48 To prepare and submit monthly monitoring reports, jointly with the Section 151 Officer, to Cabinet and of any variation in contract costs greater than the approved limits. Cabinet will consider all variations in excess of 5% of the current scheme budget or £5,000, whichever is greater.

B2.49 To prepare and submit reports, jointly with the Section 151 Officer, to Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than 5% of the current scheme budget of £5,000, whichever is the greater.

B2.50 To ensure that they do not enter into credit arrangements, such as leasing agreements, without the prior approval of the Section 151 Officer and, if applicable, approval of the scheme through the capital programme.

B2.51 To consult with the Section 151 Officer and to seek Cabinet approval where the director or managers proposes to bid for additional borrowing approvals to be issued by Government departments to support expenditure which has not been included in the current year's capital programme.

Preparing revenue budgets and medium term planning

Why is this important?

B2.52 The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.

B2.53 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the spending plans and priorities of the Council. Budgets (spending plans), are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent.

B2.54 Medium term planning (or a three to five year planning system) involves a planning cycle in which each manager develops their own plans. As each year passes, another future year will be added to the medium term plan. Medium term planning ensures that the Council is always preparing for events in advance.

Key controls

B2.55 The key controls for budget preparation are:

- (a) Specific budget approval for all expenditure.
- (b) Budget Managers accept accountability within delegations set by Cabinet for their budgets and the level of service to be delivered.
- (c) A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and that any corrective action is taken.
- (d) Proper accounting practices and policies are adhered to.

Responsibilities of Section 151 Officer

B2.56 To prepare and submit reports and provide advice on budget strategy for Cabinet, including base budget build up and resource constraints set by the Government. Reports should take account of medium term prospects, where appropriate.

B2.57 To determine the detailed form of revenue estimates, consistent with the general directions of the Council, and after consultation with Cabinet and directors and managers.

B2.58 To prepare and submit reports to Cabinet on the aggregate spending plans of Directorates and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.

B2.59 To advise on the medium term implications of Government statements on public spending and distribution of central government resources.

B2.60 To encourage best use of resources and value for money by working with directors and managers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

B2.61 To advise Council on Cabinet proposals in accordance with his or her responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of directors and managers

B2.62 To prepare estimates of income and expenditure, in consultation with the Section 151 Officer, to be submitted to Cabinet.

B2.63 To prepare budgets which are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by Cabinet. The format should be prescribed by the Section 151 Officer in accordance with the Council's general directions.

B2.64 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

B2.65 To consult with Cabinet Members and relevant directors and managers, where it appears that a budget proposal is likely to impact on another service or level of service activity.

B2.66 In consultation with the Section 151 Officer and in accordance with the laid down guidance and timetable to prepare detailed draft revenue and capital budgets for consideration by Cabinet and full Council.

B2.67 To have regard to:

- a) Spending patterns and pressures revealed through the budget monitoring process.
- b) Legal requirements.
- c) Policy requirements as defined by the Council.
- d) Initiatives already underway when drawing up draft budget requirements.

B3 USE OF RESERVES

Why is this important?

B3.1 Reserves are maintained as a matter of prudence.

Key controls

B3.2 To maintain reserves on a risk basis over a three year period and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies.

Responsibilities of Section 151 Officer

B3.3 To advise on prudent levels of reserves for the Council, and to act on the advice of external audit in this matter.

APPENDIX C: RISK MANAGEMENT AND CONTROL OF RESOURCES

- C1 Internal Controls.
- C2 Audit Requirements.
 - a) Internal audit.
 - b) External audit.
 - c) Preventing financial irregularities.
- C3 Resources: Land, Buildings, Fixed Plant and Machinery
 - a) Security.
 - b) Inventories.
 - c) Stocks and stores.
 - d) Intellectual property.
- C4 Asset Disposal.
- C5 Risk Management and Banking.
- C6 Treasury Management and Banking.
- C7 Investments and Borrowing.
- C8 Staffing, including Gifts and Hospitality.

C1 INTERNAL CONTROLS

Why is this important?

- C1.1 The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to;
 - a) **facilitate the effective exercise of its functions and the achievement of its aims and objectives;**
 - b) **ensure that the financial and operational management of the authority is effective; and**
 - c) **include effective arrangements for the management of risk.**
- C1.2 The Council has statutory obligations to meet and requires internal controls to identify, meet and monitor compliance with these obligations.
- C1.3 The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of their objectives. Internal controls are necessary to identify, evaluate and control these risks.
- C1.4 The system of internal controls is established in order to provide measurable occurrence of:

- a) Efficient and effective operations.
- b) Reliable financial information and reporting.
- c) Compliance with laws and rules.

Key controls

- C1.5 Effective review on a regular basis **and at least annually**.
- C1.6 Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance, and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- C1.7 Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- C1.8 An effective internal audit function which operates in accordance with the **Public Sector Internal Audit Standards**, and with any other statutory obligations and rules.

Responsibilities of S151 Officer

- C1.9 Assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, internal financial controls and compliance with laws and rules.
- C1.10 Ensure that the Council puts in place effective internal financial controls covering codified guidance, budgetary systems, supervisions, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.

Responsibilities of directors, managers and budget holders

- C1.11 To ensure they have adequate internal control systems in place covering all aspects of their operations, both financial and non-financial
- C1.12 To manage processes to check that established controls are being adhered to, and to evaluate their effectiveness, in order to be confident in the proper use of resources.
- C1.13 To provide an annual assurance statement to the Section 151 Officer in respect of the adequacy and effectiveness of the internal control environment within their areas of operations, and to identify any material weaknesses and how these are being addressed. This annual assurance statement will form part of the evidence to support the Annual Governance Statement.
- C1.14 To up-date existing controls and establish and implement new ones and keep the Section 151 Officer informed of all changes.

C1.15 To ensure staff have a clear understanding of the consequences of a lack of control in the areas within which they work and the consequences of these not being followed.

C2 AUDIT REQUIREMENTS

Internal Audit

Why is this important?

C2.1 The Section 151 Officer has a statutory responsibility for the overall financial administration of the Council's affairs and is responsible for maintaining an adequate and effective continuous internal audit.

C2.2 Internal audit is an **independent objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards (PSIAS) 2013).**

C2.3 **Internal Audit has a key role to play in independently reviewing the effectiveness of the Council's entire internal control environment in respect to the processes for governance, risk management and control. It contributes an objective opinion to the Council's Annual Governance Statement.**

Key controls

C2.4 The key controls for internal audit are:

- (a) **The Audit Service Manager is the Council's Chief Audit Executive as defined under the Standards and is the Chief Internal Auditor as defined in CIPFA's Statement on the Role of the Chief Internal Auditor who reports to the Section 151 Officer and ensures that Internal Audit remains independent in its planning and operation.**
- (b) **The Audit Service Manager has direct access to the Head of Paid Service, all levels of management and to elected members including the Council's Audit Committee.**
- (c) **Internal auditors comply with the Public Sector Internal Audit Standards (PSIAS) including the Definition of Internal Auditing and the Code of Ethics, and other relevant guidance as set out in the Internal Audit Charter.**
- (d) **The Audit Service Manager is responsible for maintaining periodic audit plans which have due regard to the key priorities and associated risks of the authority, the objectives and risks for each service area in delivering their services and the requirements of the external auditor.**

(e) The Audit Service Manager must report to the s151 Officer or the Audit Committee if there are insufficient resources or limitations in the scope of their work to provide reasonable assurance or a service consistent with the definition of Internal Audit

Responsibilities of Section 151 Officer

- C2.5 The Section 151 Officer has been delegated with maintaining an adequate and effective system of internal audit. He or she must ensure that internal auditors have the authority to:
- (a) Access at reasonable times, premises or land used by the Council.
 - (b) Access all **Council and partner** assets, records, documents, correspondence and control systems except for those from which they are statutorily prevented.
 - (c) Require and receive any information and explanation considered necessary concerning any matter under consideration **from any employee, member, partner or third party.**
 - (d) Require any employee **or member** of the Council **or any partner/ third party** to account for cash, stores or any other Council property under their control and produce for inspection if required.
 - (e) Access records belonging to third parties, such as contractors, when required.
 - (f) Report directly to the Head of Paid Service, all levels of management and to elected members including the Council's Audit Committee.
 - (g) Evaluate the adequacy effectiveness of internal controls **in responding to risks within the organisation's governance operations and information systems** designed to secure assets and data to assist management in preventing and deferring fraud.
- C2.6 **The Audit Service Manager should maintain an Internal Audit Charter and annual risk based audit plan in consultation with the Section 151 Officer which takes account of the characteristics and relative risks of the activities involved. She should liaise with the Head of the Paid Service and Managers on the audit plans and cover required. In addition to the statutory requirement, this takes account of the need to seek added value, effective use of resources, improved performance and cost effective controls.**
- C2.7 Where an appropriate response to audit recommendations has not been made within a reasonable period, the S151 Officer and, or the **Audit Service Manager** may refer the matter to the Head of Paid Service and, or the Audit Committee.
- C2.8 **Internal Audit has specific fraud related responsibilities which are set out in the Corporate Anti-Fraud, Bribery and Anti- Corruption Strategy. To investigate promptly any fraud or irregularity of which they become aware of and to report to the Head of Paid Service who will consider any legal proceedings and disciplinary action in consultation with the appropriate director or manager.**
- C2.9 To report annually to the Head of Paid Service and to the Audit Committee on the main issues raised by Internal Audit during the year.

C2.10 **Internal Audit will define and manage consultancy assignments as set out in the PSIAS**

Responsibilities of directors and managers

- C2.11 To ensure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets which the auditors consider necessary for the purposes of their work.
- C2.12 To ensure that auditors are provided promptly with any information and explanations which they seek in the course of their work.
- C2.13 To consider and respond promptly to recommendations in audit reports.
- C2.14 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- C2.15 To notify the Section 151 Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the Director or Managers should take all necessary steps to prevent further loss and to secure records and documentation against removal, destruction or alteration.
- C2.16 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the **Audit Service Manager** prior to implementation.
- C2.17 To ensure that all employees within their services are aware of the Council's 'Speaking up about Wrongdoing Policy' and the Counter Fraud and Anti-Corruption Policy.

External Audit

Why is this important?

- C2.18 **The Local Government Association (Public Sector Appointments Ltd)** is responsible for appointing external auditors to each local authority. The Section 151 Officer is responsible for working with the external auditor and for advising the Council, Cabinet, directors and managers on their responsibilities in relation to external audit. The external auditor has the same rights of access as the internal auditor to all documents which are necessary for audit purposes.
- C2.19 The basic duties of the external auditor are governed by **the Local Audit and Accountability Act 2014**, under which auditors need to satisfy themselves that:
- a) The accounts are prepared in accordance with rules made under Section 23 of the 1982 Act and comply with the requirements of all statutory provisions applicable to the accounts.
 - b) Proper practice has been observed in compilation of accounts.

- c) The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

C2.20 The Council's accounts are scrutinised by external auditors, appointed by the **Local Government Association (Public Sector Appointments Ltd)**, who must be satisfied that the statement of accounts present '**a true and fair view**' of the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

C2.21 External auditors are appointed by the **Local Government Association (Public Sector appointments Ltd)** normally for a minimum period of five years. The **National Audit Office** prepares guidelines which the external auditors follow when auditing the Authority's statement of accounts. Under ISA (UK and I 265 (Communicating Deficiencies in Internal Control to those charged with Governance and Management). External Audit can identify and report significant deficiencies in any internal controls directly to the Audit Committee and those charged with governance.

Responsibilities of Section 151 Officer

C2.22 To draw up the timetable and issue guidance for final accounts purposes and to advise staff and external auditors accordingly.

C2.23 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

C2.24 To ensure there is effective liaison between internal and external audit services.

Responsibilities of directors and managers

C2.25 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purpose of their work.

C2.26 To ensure that all paperwork and systems are up-to-date and available for inspection.

Preventing Financial Irregularities

Why is this important?

C2.27 The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside the Council.

C2.28 The Council's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

C2.29 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) that it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud and corruption.

Key controls

C2.30 The key controls regarding the prevention of financial irregularities are:

- (a) The Council's Counter Fraud and Anti-Corruption Strategy.
- (b) The culture and tone of the council is one of honesty and opposition to fraud and corruption.
- (c) That all members and staff act with integrity, and lead by example
- (d) That all individuals and organisations associated in any way with the Council will act with integrity.
- (e) That managers are required to deal swiftly and firmly with those who defraud the Council or who are corrupt.

Responsibilities of Section 151 Officer

C2.31 To maintain adequate and effective internal and external audit arrangements for the Council.

C2.32 To ensure that financial irregularities are reported to the Head of Paid Service, Cabinet and the Council's Audit Committee.

C2.33 To determine, in conjunction with the **Audit Service Manager** the scope of any internal enquiries or investigations, subject to consultation with the appropriate director or managers.

C2.34 To decide, in consultation with the appropriate director or manager, whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.

C2.35 To keep the Head of Paid Service informed if a suspected irregularity occurs involving staff who are the responsibility of the Section 151 Officer.

C2.36 To ensure, in conjunction with the appropriate director or managers, that the Council's disciplinary procedures are followed where the outcome of an audit or other investigation indicates fraud or irregularity.

Responsibilities of directors and managers

C2.37 To ensure that all suspected irregularities are reported to the Section 151 Officer and **Audit Service Manager**.

C2.38 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

C3 RESOURCES: LAND, BUILDINGS, ICT, FIXED PLANT AND MACHINERY

Security

Why is this important?

- C3.1 The Council holds assets in the form of property, vehicles, equipment, and other items worth many millions of pounds. It is important that assets should be safeguarded and used efficiently in the delivery of services and that there should be arrangements for the security of both assets and service operations.

Key controls

- C3.2 The key controls for the security of resources, such as land, buildings, fixed plant, ICT and machinery are:
- (a) Budget managers obtain appropriate resources for the specified level of service delivery.
 - (b) Resources are acquired using an approved procurement process.
 - (c) Resources are used only for the purposes of the Council and properly accounted for.
 - (d) Resources are secured to be available for use when required.
 - (e) Resources no longer required are disposed of in accordance with the law and the rules of the Council so as to maximise benefits.

Responsibilities of Section 151 Officer

- C3.3 To ensure that an asset register is maintained in accordance with good practice.
- C3.4 To receive information from each budget manager required for accounting, costing and financial records.
- C3.5 To assist and advise, in consultation with the appropriate budget holder, the records to be maintained to ensure proper security and control of premises, stocks, stores, equipment, cash and other items of significant value.

Responsibilities of directors and managers

- C3.6 The Section 151 Officer shall maintain a property database for all properties. Any use of property by a budget manager other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of the use.
- C3.7 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Head of **Commercial Services**, in consultation with the Section 151 Officer and **Head of Legal, Strategy and Democracy**, has been established as appropriate.
- C3.8 To ensure the proper security of all buildings and other assets under their control.
- C3.9 To periodically review land and buildings in order to identify any that may be surplus to business requirements.

- C3.10 Where land or buildings are identified as surplus to requirements, a recommendation for the sale of land should be the subject of a joint report by the appropriate Director and the Section 151 Officer.
- C3.11 Where the use of buildings or land is subject to appropriation between services, to refer the appropriation for approval by Cabinet, taking into account the alternative possible uses of the land.
- C3.12 To pass title deeds to the **Head of Legal, Strategy and Democracy**, who is responsible for custody of all title deeds.
- C3.13 To ensure that no Council asset is subject to third party or personal use by an employee without proper authority.
- C3.14 To ensure the safe custody of vehicles, equipment, stock, stores and other property belonging to the Council.
- C3.15 To ensure that the Directorate maintains a register of moveable assets in accordance with arrangements defined by the Section 151 Officer.
- C3.16 To ensure assets are identified, their location recorded and that they are appropriately security marked and insured.
- C3.17 To consult the Section 151 Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- C3.18 To ensure cash holdings on premises are kept to a minimum and do not exceed insurance limits, and to advise the Section 151 Officer where there may be an exception to this case.
- C3.19 The disposal of all surplus equipment, stocks or stores expected to realise in excess of £5,000 should normally be by competitive tender or public auction unless, following consultation with the Section 151 Officer, Cabinet agrees otherwise. A record of all such disposals should be maintained.
- C3.20 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Section 151 Officer.
- C3.21 To ensure that all their employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

Inventories

Responsibilities of Section 151 Officer

C3.22 To advise on the form, layout and content of inventory records to be maintained by the Council.

Responsibilities of budget holders

C3.23 To maintain inventories in a form approved by the Section 151 Officer to adequately record and describe fittings and equipment, plant and machinery under their control.

C3.24 To carry out an annual check of all items on the inventory in order to take action in relation to surpluses or deficiencies, annotating the inventory accordingly and reporting any material discrepancies to the Section 151 Officer.

C3.25 Attractive and portable items, such as computers, cameras and video recorders, should be identified with security markings as belonging to the Council and appropriately controlled and secured.

C3.26 To make sure that property is only used in the course of the Council's business unless the director or manager concerned has given permission otherwise.

C3.27 To seek Cabinet approval to the write-off of redundant equipment where individual items are valued in excess of £100,000.

Stocks and Stores

Responsibilities of Section 151 Officer

C3.28 To advise on the arrangements for the care and custody of stocks and stores.

Responsibilities of budget managers

C3.29 To make arrangements for the care and custody of stocks and stores in their areas.

C3.30 To ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.

C3.31 To write-off discrepancies of up to £5,000.

C3.32 To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and stores should be by competitive quotations or auction unless, following consultation with the Section 151 Officer, Cabinet decides otherwise in a particular case.

C3.33 To seek advice from Internal Audit on discrepancies above £5,000.

C3.34 A manager or director, with the agreement of the Section 151 Officer, can write off redundant stocks and stores between £5,001 and £100,000. Write off's over £100,000 require approval by Cabinet.

Intellectual Property

Why is this important?

- C3.35 Intellectual property is a generic term that includes inventions and writings. If these are created by the employee during the course of employment, then as a general rule they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.
- C3.36 Certain activities undertaken within the Council may give rise to items which may be patentable. These are collectively known as intellectual property.

Key controls

- C3.37 In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's intellectual property procedures.

Responsibilities of Section 151 Officer

- C3.38 To develop and disseminate good practice through the Council's intellectual property procedures.

Responsibilities of all managers

- C3.39 To ensure that there are no conflicts concerning staff conducting private work in Council time.

C4 ASSET DISPOSAL

Why is this important?

- C4.1 It would be unsatisfactory and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and rules of the Council.

Key controls

- C4.2 Assets are disposed of at the most appropriate time, and only when it is in the best interests of the Council, and that the best price is obtained. For items of significant value, disposal should be by competitive tender or public auction and any funds realised should be corporately retained.

Responsibilities of Section 151 Officer

- C4.3 To advise on best practice for disposal of assets.
- C4.4 To ensure appropriate accounting entries are made.

Responsibilities of directors, and managers

- C4.5 To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.
- C4.6 To ensure that income received for disposal of an asset is properly collected, banked and accounted for.

C5 RISK MANAGEMENT AND INSURANCE

Why is this important?

- C5.1 All organisations, whether they are in the private or public sectors, face risks to people, property and continued operations. Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk.
- C5.2 Insurance has been the traditional means of **risk transfer and** protecting against loss, but this cannot be seen as the complete answer. By reducing or even preventing the incidence of losses (whether they result from crime or accident), the Council will benefit from reduced costs of providing insurance cover and will also avoid the disruption and wasted time caused by losses and insurance claims.
- C5.3 It is the overall responsibility of Cabinet, jointly with the Council, to approve the Authority's **Opportunity** Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council. Monitoring of, and reporting on, the effectiveness of the Strategy is an essential part of the process.

Key controls

C5.4 The key controls for risk management and insurance are:

- (a) Robust systems are in place to identify, assess, prevent or contain significant operational risks on an integrated basis, and these systems are promoted throughout the Council.
- (b) Acceptable levels of retained risk are identified and evaluated and arrangements are in place for their funding, either by internal provision or external insurance as appropriate.
- (c) Managers know that they are responsible for managing relevant risks and are provided with appropriate and timely information on claims experience and risk management initiatives relating to their areas of responsibility.
- (d) Procedures are in place to investigate and process claims within required timescales.
- (e) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- (f) All reports shall contain reference to any major risks which the item reported may have for the Council.

Responsibilities of Section 151 Officer

- C5.5 To prepare and promote the Council's Risk Management Policy Statement and to advise Cabinet, directors and managers on risk management matters.
- C5.6 Subject to any legal advice of the Monitoring Officer, to determine and effect appropriate corporate insurance cover, through external insurance and, or internal funding, and to negotiate all claims, in conjunction with other officers as necessary.
- C5.7 To provide advice to the Council and Council Management Team on insurance matters.
- C5.8 To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- C5.9 To offer insurance cover to schools in accordance with Fair Funding arrangements.
- C5.10 To develop and implement risk management controls, monitoring and reporting arrangements in conjunction with other directors and managers.
- C5.11 To oversee and ensure the preparation of the Council's **Opportunity** Risk Management Strategy in agreement with the Section 151 Officer and promote the Strategy throughout the Authority.
- C5.12 To review and report to Cabinet, directors and managers on the robustness of the financial arrangements of risk management and insurance.

Responsibilities of directors and managers

- C5.13 To notify the **Section 151 Officer** promptly of all new or increased risks, activities, properties or vehicles which require insurance and of any alterations affecting existing insurances.
- C5.14 To notify the **Section 151 Officer** and the Monitoring Officer immediately, in writing, of any loss, liability or damage, or of any event, likely to lead to a claim against the Council, together with any information or explanation required by the **Section 151 Officer** or the Council's insurers.
- C5.15 To consult the **Section 151 Officer** and Monitoring Officer in respect of the terms of any indemnity which the Council is requested to give.
- C5.16 To ensure that Council employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation which may prejudice the assessment of liability in respect of any claim against the council.
- C5.17 To take responsibility for, and promote risk management, having regard to advice from the Section 151 Officer and other specialist officers (e.g. **Risk and Insurance Manager**, Risk Management Officer, Crime Prevention, Fire Prevention, Health and Safety).
- C5.18 To ensure that there are regular reviews of risk within their Directorates / Services and to report at regular intervals (at least twice per year) to Cabinet, in conjunction

with the **Section 151 Officer**, on the implementation and effectiveness of the **Opportunity Risk Management Strategy**.

C6 TREASURY MANAGEMENT AND BANKING

Why is this important?

- C6.1 Many millions of pounds pass through the Council's books each year. A few Councils have suffered high profile losses through inappropriate treasury management procedures. This led to the establishment of Codes of Practice. These aim to provide assurances that the Council's money is properly managed in a way which balances risk with return, but with the overriding consideration being given to the security of the Council's capital sum.
- C6.2 The Council has adopted a Treasury Policy Statement based on the CIPFA Code of Practice for Treasury Management. All treasury operations are carried out in accordance with this Statement and the Code.

Responsibilities of Section 151 Officer

- C6.3 To arrange the borrowing and investment activities of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Authority's Treasury Policy Statement.
- C6.4 To prepare an Annual Treasury Strategy, for the forthcoming financial year, for approval by Council prior to the start of that financial year, including the determination of prudential indicators in accordance with the Prudential Code for Capital Finance 2003 (**as amended**). To report a Mid-Year Treasury Strategy and Annual Treasury Report to Council outlining the implementation and effectiveness of the Treasury Strategy. Subject to the foregoing, the Section 151 Officer is responsible for the management of the Council's loan debt and for the investment of surplus funds.
- C6.5 To manage, control and monitor the councils banking arrangements, including the opening and closing of such bank accounts as are considered necessary within the terms of the overall banking arrangement. Opening or closing any bank account shall only be undertaken by, or with the approval of, the Section 151 Officer. The title of any such bank accounts shall include the words "Shropshire Council".
- C6.6 Cheques, including cheques drawn on authorised imprest accounts, shall be ordered only on the authority of the Section 151 Officer, who shall make proper arrangements for their safe custody.
- C6.7 Cheques drawn on official bank accounts, excluding authorised imprest accounts, shall bear the facsimile signature of the Section 151 Officer, or other officer agreed by him/her, or be signed only by the Section 151 Officer or other officer agreed by him/her.

Responsibilities of directors and managers

- C6.8 To comply with financial rules relating to banking arrangements and to follow the guidance on banking issued from time to time by the Section 151 Officer. To advise the Section 151 Officer of material amounts due to be credited or debited to the Council's bank accounts in order to enable efficient cash flow management.

C7 INVESTMENTS AND BORROWING

Responsibilities of the Section 151 Officer

- C7.1 To ensure that all borrowings and investments are made in the name of the Council.
- C7.2 To ensure that all securities in support of investments which are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in accordance with arrangements approved by the Section 151 Officer.
- C7.3 To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council. They may also authorise the premature repayment of individual bonds and mortgages.
- C7.4 All money in the hands of the Council shall be aggregated for the purpose of treasury management and shall be under the control of the Section 151 Officer as the officer designated for the purposes of Section 151 of the Local Government Act 1972.

Responsibilities of directors and managers

- C7.5 To ensure that no loans are made to third parties and no interests are acquired in companies, joint ventures, or other enterprises without the approval of Council, following consultation with the Section 151 Officer.

Unofficial and Voluntary Funds and Funds held for Third Parties

- C7.6 An unofficial or voluntary fund is defined, for the purpose of this rule, as any fund, other than an official fund of the Council, which is controlled, wholly or in part, by an officer by reason of their employment by the Council, or by the managers or governors of a school maintained by the Council.

Responsibilities of Section 151 Officer

- C7.7 To arrange that all such funds are, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities or similar documents relating to the trust with the Section 151 Officer unless the deed otherwise provides. And to ensure that the Council has the right to inspect and audit such funds and the administrative systems underlying them and report on them as it sees fit.
- C7.8 To arrange where funds are held on behalf of third parties, for their secure administration and maintain written records of all transactions. To ensure that the

Council has the right to inspect and audit such funds and the administrative systems underlying them and report on them as it sees fit.

- C7.9 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- C7.10 Private fund monies should be kept separate from Council money. A separate bank account should be set up for each in the name of the fund, not that of an individual or the Council.
- C7.11 To maintain an up to date record of all voluntary funds administered by officers of the Council excluding school funds.

Responsibilities of directors and managers

- C7.12 To ensure that all such funds are declared to them by the controlling officer(s) and that annual accounts, audited by suitably qualified auditors, are submitted within a reasonable time after the end of each accounting period, to the body responsible for the management or control of each fund.
- C7.13 To ensure that all officers acting as trustees by virtue of their official position shall deposit securities or similar documents relating to the trust with the **Head of Legal, Strategy and Democracy** unless the deed otherwise provides.
- C7.14 To inform the Section 151 Officer of the names of all such funds and of their controlling officer(s) and managing body. Where the director or managers so requests, the Section 151 Officer shall advise on the suitability of the form of accounts and of the audit arrangements.

Court of Protection and Guardian ad Litem Administration

Responsibilities of Section 151 Officer

- C7.15 To ensure there are appropriately documented processes and procedures in place to securely administer clients Count of Protection, Appointeeship or Guardian ad Litem accounts.
- C7.16 To arrange for the system of administration and operation of these funds to be inspected and reported upon by Internal Audit.

Responsibilities of Director of Corporate Director of People

- C7.17 To ensure a nominated chief officer has been identified to act as the Deputy to the Office of the Public Guardian.
- C7.18 To ensure appropriate accounts are set up and managed in the name of the individual clients and that an annual statement of account is provided to the Court of Protection, Office of the Public Guardian where required and independently verified.

C7.19 To ensure that all accounts are administered in the most economical way for the benefit of the clients, this to include dealing with all income tax matters and other related issues such as welfare benefits.

C7.20 To deal with all property related matters for the absolute benefit of the client and to ensure that appropriate systems and procedures are in place to ensure client welfare.

Imprest Accounts

Responsibilities of Section 151 Officer

C7.21 Following consultations with directors and managers as appropriate, to provide officers of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. These accounts must be operated in accordance with instructions issued by the Section 151 Officer. Minor items of expenditure should not exceed the prescribed amount.

C7.22 To maintain a record of all petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances. Requests to vary the advance must be put in writing by the director or manager to the Section 151 Officer.

C7.23 To reimburse imprest holders as often as necessary to restore the imprest balance but normally not more than monthly.

Responsibilities of directors and managers

C7.24 To ensure that all officers operating an imprest account:

- (a) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate an official receipted VAT invoice must be obtained.
- (b) Make adequate arrangements in their office for the safe custody of the supporting records and cash.
- (c) Produce upon demand by the Section 151 Officer and **Audit Service Manager**, cash and all vouchers to the total value of the imprest account
- (d) Record transactions promptly.
- (e) Reconcile and balance the account at least monthly, reconciliation sheets to be signed and retained by the imprest holder.
- (f) Provide the Section 151 Officer with a certificate of the value of the account held at 31 March each year.
- (g) Ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the imprest and change relating to purchases where an advance has been made.
- (h) Ensure income due to the Council is banked or paid to the Council as provided elsewhere in these rules and not into the imprest account.

- (i) On leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, account to the Section 151 Officer for the amount advanced to them.
- (j) Do not allow any bank imprest account to become overdrawn.

C8 STAFFING, INCLUDING GIFTS AND HOSPITALITY

Why is this important?

C8.1 In order to provide the highest level of service, it is crucial that the council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. An appropriate staffing strategy and policy should exist, in which staffing requirements and budget allocation should be matched.

Key controls

C8.2 The key controls for staffing are that:

- (a) Procedures are in place for forecasting staffing requirements and cost.
- (b) Procedures are in place for monitoring staffing expenditure against budget.
- (c) Controls are implemented that ensure that staff time is used efficiently and benefit the Council.
- (d) Every employee has a personal responsibility to be aware of and comply with the council's Official Gifts and Hospitality Policy set out in the Employees' Handbook.

Responsibilities of Section 151 Officer

- C8.3 To ensure that budget provision exists for all existing and new employees.
- C8.4 To act as an advisor to directors and managers on areas such as National Insurance, pension contributions as appropriate.

Responsibilities of directors and managers

- C8.5 To produce an annual staffing budget.
- C8.6 To ensure that the staffing budget is an accurate forecast of their staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- C8.7 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- C8.8 To ensure that the staffing budget is not exceeded and that it is managed to enable the agreed level of service to be provided within the directorate's services cash limit.
- C8.9 To ensure that the Section 151 Officer is immediately informed if the staffing budget is likely to be materially over (or under) spent and costs cannot be controlled within cash limits.

C8.10 To ensure that they and their officers complete the register of interests maintained by the Monitoring Officer.

C8.11 To follow the Council's recruitment procedures.

C8.12 To apply the Council's Capability procedures as appropriate.

APPENDIX D: SYSTEMS AND PROCEDURES

- D1 General.
- D2 Income.
- D3 Payments to Employees, former Employees and Members.
- D4 Ordering and Paying for Work, Goods and Services.
- D5 Taxation.
- D6 Trading Accounts and Business Units.

SYSTEMS AND PROCEDURES: GENERAL

Why is this important?

- D1.1 The Council has many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Directors, managers and budget holders are reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions and data are properly processed and errors detected promptly.
- D1.2 The Section 151 Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be consulted in advance of any new developments or changes to systems and procedures.

Key controls

- a) Basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated.
- b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis.
- c) Early warning is provided of deviations from target, plans and budgets that require management attention.
- d) Operating systems and procedures are secure.

Responsibilities of Section 151 Officer

- D1.3 To make arrangements for the proper administration of the Council's financial affairs, including to:
 - (a) Issue advice, guidance and procedures for the Council's officers and others acting on its behalf.
 - (b) Determine the accounting systems, form of accounts and supporting financial records.
 - (c) Establish arrangements for audit of the Council's financial affairs.

- (d) Approve any changes to be made to existing financial systems or new systems introduced.

Responsibilities of directors and managers

- D1.4 To ensure that accounting records are properly maintained and held securely.
- D1.5 To ensure that vouchers and documents with financial implications are not destroyed except in accordance with the Corporate Retention Policy
- D1.6 To ensure that a complete management trail, allowing financial transactions to be traced from the original document to the accounting records, and vice versa, is maintained.
- D1.7 To incorporate appropriate controls to ensure that, where relevant:
 - (a) All input is genuine, complete, accurate, timely and not previously processed.
 - (b) All processing is carried out in an accurate, complete and timely manner.
 - (c) Output from the system is complete, accurate and timely.
- D1.8 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.
- D1.9 To ensure that there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- D1.10 To ensure that systems are documented and staff trained in operations.
- D1.11 To consult with the Section 151 Officer and **Audit Service Manager** before changing any existing system or introducing new systems.
- D1.12 To consult with the Section 151 Officer to seek a departure from Financial Rules. This should be reported to the next meeting of Cabinet.
- D1.13 To establish a scheme of delegation identifying officers authorised to act upon the directors' or managers behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- D1.14 To supply lists of authorised officers, with specimen signatures and delegated limits to the Section 151 Officer, together with any subsequent variations.
- D1.15 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off-site, or in an alternative location within the building.
- D1.16 To ensure that, where appropriate, computer systems are registered in accordance with the Data Protection legislation and that staff are aware of their responsibilities under the legislation.

- D1.17 To ensure that relevant standards and guidelines for computer systems issued by the appropriate director and managers are observed.
- D1.18 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism etc.
- D1.19 To comply with the copyright, designs and patents legislation and, in particular, ensure that:
- (a) Only software legally acquired and installed by the Council is used on its computers.
 - (b) Staff are aware of legislative provisions.
 - (c) In developing systems, due regard is given to the issue of intellectual property rights.

D2 INCOME

Why is this important?

- D2.1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all of the income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost of administering debts.

Key controls

- D2.2 The key controls for income are:
- (a) All income due to the Council is identified and charged correctly in accordance with the approved scale of fees and charges.
 - (b) All income is collected in advance or at the point of service, unless the approval of the Section 151 Officer is given.
 - (c) All income is collected from the correct person, at the right time using the correct procedures and the appropriate stationery.
 - (d) All money received by an employee on behalf of the Council is paid intact and without delay to the Section 151 Officer or as he/she directs, to the Council's bank account, and is properly recorded.
 - (e) Effective action is taken to pursue non-payment within defined timescales
 - (f) Formal approval for write-off is obtained.
 - (g) Appropriate write-off action is taken within defined timescales.
 - (h) Appropriate accounting adjustments are made following write-off action.
 - (i) All appropriate income documents are retained and stored for the defined period in accordance with the "Corporate Retention Schedule"

Responsibilities of Section 151 Officer

- D2.3 To agree arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection.

- D2.4 To order and supply to departments all receipt forms, books or tickets and similar items and satisfy themselves regarding the arrangements for their control.
- D2.5 To ensure that appropriate arrangements and guidance is in place to ensure the security and confidential destruction of all income collection records via credit, debit cards and purchase cards and to ensure the Council is complying with the latest Payment Card Industry Security Standards.
- D2.6 To agree the write-off of bad debts up to £100,000 in each case and to refer larger sums to the appropriate Council bodies.
- D2.7 To approve all debts to be written off and keep a record of all sums written off up to the approved limit.
- D2.8 To obtain the approval of the Council body in consultation with the relevant Director or **Head of Legal, Strategy and Democracy**, for writing off debts in excess of the approved limit.

Responsibilities of directors and managers

- D2.9 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and review it regularly, within corporate policies.
- D2.10 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable. This also to include ensuring the security and confidentiality of income received via credit and debit cards. Collection of income via credit and debit cards shall be in line with guidance issued by the **Head of Finance, Governance and Assurance** and in compliance with the Payment Card Industry Security Standards.
- D2.11 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts which are not paid promptly.
- D2.12 To issue official receipts or maintain other documentation for income collection.
- D2.13 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- D2.14 To hold securely receipts, tickets and other records of income, for the appropriate period.
- D2.15 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- D2.16 To ensure that income is paid fully and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on to paying in slips to provide an audit trail.
- D2.17 To ensure income is not used to cash personal cheques or make other payments.

- D2.18 To supply the Section 151 Officer with details relating to work done, goods supplied or services rendered or other amounts due, to enable the Section 151 Officer to record correctly the sums due to the Council and to ensure accounts are sent out promptly. Directors and managers have a responsibility to assist the Section 151 Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- D2.19 To keep a record of every transfer of official money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- D2.20 To recommend to the Section 151 Officer all debts to be written off and keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and, or billing of the original debt.
- D2.21 To include in the regular Revenue Budget Monitoring report a schedule showing all the amounts written off.
- D.2.22 To write off and keep a record of all sums written off up to £5,000.
- D2.23 In agreement with the Section 151 Officer, to approve the write off of individual amounts between £5,001 and £100,000, and amounts for an individual debtor that in total fit within this sum.
- D2.24 To ensure that appropriate accounting adjustments are made following write-off action.
- D2.25 To notify the Section 151 Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer and not later than 30 April.
- D2.26 Schools have full powers of virement within the budgets delegated to them in accordance with the Council's Fair Funding Scheme.

D3 PAYMENTS TO EMPLOYEES, FORMER EMPLOYEES AND MEMBERS

Why is this important?

- D3.1 Employee costs are the largest item of expenditure for most Council services. It is therefore important that there should be controls in place to ensure that payments are made only where they are due for services to the Council and that payments accord with individual's contracts of employment and conditions of service.

Key controls

- D3.2 The key controls for payments to existing and former employees and Members are:
- (a) Proper authorisation procedures and adherence to corporate timetables for:

- Starters.
 - Leavers.
 - Variations.
 - Enhancements.
- (b) Frequent reconciliation of payroll expenditure against approved budget.
- (c) All appropriate payroll documents are retained and stored for the defined period in accordance with the “Corporate Retention Schedule”.

Responsibilities of Section 151 Officer

- D3.3 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to eligible existing and former employees in accordance with procedures prescribed by him/her on the due date.
- D3.4 To record and control tax and other statutory and voluntary deductions.
- D3.5 To make arrangements for payment of all travel and subsistence claims or financial loss allowance
- D3.6 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form duly completed and authorised.
- D3.7 To provide advice and encouragement to secure payment of salaries and wages by most economical means.

Responsibilities of directors and managers

- D3.8 To ensure appointments are made in accordance with the rules of the Council and approved establishments, grades, scales of pay and that adequate budget provision is available for the current financial year and subsequent years.
- D3.9 To notify the Section 151 Officer of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Section 151 Officer.
- D3.10 To ensure that adequate and effective systems and procedures are operated for personnel and payroll aspects, so that:
- (a) Payments are only authorised to bona fide employees.
 - (b) Payments are only made where there is a valid entitlement.
 - (c) Conditions, service and contracts of employment are correctly applied.
 - (d) Employees’ details listed on the payroll are checked at regular intervals to verify accuracy and completeness.
 - (e) There is an effective system of checking and certifying payroll forms.
 - (f) Payroll forms are submitted in advance of payroll deadlines.
- D3.11 To send an up-to-date list of the names of officers authorised to sign records to the Section 151 Officer, together with specimen signatories.

- D3.12 To ensure that payroll transactions are processed only through the payroll system. Directors and managers should give careful consideration to the employment status of individuals employed on a “self-employed consultant or sub-contract” basis. The HM Revenue and Customs applies clear guidelines for employee status and in cases of doubt, advice should be sought from the Section 151 Officer.
- D3.13 To certify travel and subsistence claims and other allowances on a monthly basis. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Section 151 Officer is informed where appropriate.
- D3.14 To ensure that the details of any employee benefits in kind are notified to the Section 151 Officer to enable full and complete reporting within the Income Tax Self-Assessment system.
- D3.15 To ensure that all appropriate payroll documents are retained and stored securely for the defined period in accordance with the “Corporate Retention Schedule”.

Responsibilities of Members

- D3.16 To submit claims for Members’ travel and subsistence allowances on a monthly basis.

Responsibilities of Officers

- D.3.17 To submit claims for Officers’ travel and subsistence allowances on a monthly basis.

D4 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Why is this important?

- D4.1 Public money should be spent with demonstrable probity and in accordance with the Council’s policies. The Council’s procedures should help to ensure that services can receive value for money in their purchasing arrangements. These procedures should be read in conjunction with the Council’s Procurement Strategy and the Contract **Procedure Rules**.

General

- D4.2 Every officer and Member of the Council has a responsibility to declare any links or personal interests which they may have with purchasers or suppliers and, or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council. The Monitoring Officer maintains a Register of Members’ Interests for this purpose and further advice is given in the Council’s Constitution (Part 5).
- D4.3 Official orders must be in a form approved by the Section 151 Officer. Official orders must be issued for all work, goods or services to be supplied to the Council

except for supplies of utilities, periodic payments such as rent or rates and petty cash purchases.

- D4.4 Each order must conform with the directions of the Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior written approval of the Section 151 Officer and **Head of Legal, Strategy and Democracy**.
- D4.5 Apart from petty cash and schools' own bank accounts, the normal method of payment of money due from the Council shall be by BACS or other instrument drawn on the Council's bank account by the Section 151 Officer. The use of direct debit shall require the prior agreement of the Section 151 Officer.
- D4.6 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Council contracts.
- D4.7 The use of credit, debit and purchase cards is only permitted through the Council's Procurement Card Scheme. No other form of debit, credit or purchase card is permitted.

Key controls

- D4.8 The key controls for ordering and paying for work, goods and services are:
- (a) All goods and services are ordered only by appropriate persons and recorded.
 - (b) All goods and services shall be ordered in accordance with the Council's Procurement Strategy and Contract **Procedures Rules** unless they are purchased from internal sources within the Council.
 - (c) Goods and services received are checked to ensure they are in accordance with the order.
 - (d) Payments are authorised by officers who can certify that goods have been received to price, quantity and quality.
 - (e) All payments are made to the correct person or entity, for the correct amount and are properly recorded.
 - (f) All appropriate payment documents are retained and stored for the defined period in accordance with the Council's 'Corporate Retention Schedule'.
 - (g) All expenditure including VAT, is accurately recorded against the right budget and any exceptions corrected.
 - (h) In addition, the effect of e-business, e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

Responsibilities of Section 151 Officer

- D4.9 To ensure that all of the Council's financial systems and procedures are sound and well administered.
- D4.10 To approve any changes to existing financial systems and to approve any new systems before they are introduced.

- D4.11 To approve the form of official orders, and associated terms and conditions.
- D4.12 To make payments from the Council's funds on the directors or managers authorisation that the expenditure has been duly certified in accordance with Financial Rules.
- D4.13 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- D4.14 To make payments to contractors on the certificate of the appropriate Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- D4.15 To provide advice and encouragement on making payments by the most economic means.

Responsibilities of directors and managers

- D4.16 To ensure that written and uniquely numbered orders are used for all goods and services other than the exceptions specified in D4.3 or where the Council's procurement card is used.
- ~~**D4.17 To ensure that only official pre-numbered order forms are used. These are controlled stationery and should be retained securely when not in use.**~~
- D4.18 To ensure that orders are only used for goods and services provided to the Council. Individuals must not use official orders to obtain goods or services for their private use.
- D4.19 To ensure that only those staff authorised by them sign authorise orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The signatory authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained in accordance with Contract **Procedure** Rules. Value for money should always be taken into consideration in accordance with the Council's Procurement Strategy.
- D4.20 To ensure that the budgetary control system (SAMIS) is maintained and enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports. Where Services maintain details of commitments on other systems, those systems must be reconciled with SAMIS on a monthly basis so as to protect the integrity of the Council's financial records.
- D4.21 To ensure that goods and services are checked on receipt to ensure they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who signed the order. Appropriate entries should then be made in inventories or stores records.

D4.22 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment confirming:

- a) Receipt of goods or services (any evidence of receipt should be retained for 12 months).
- b) That the invoice is addressed to Shropshire Council or the appropriate establishment such as a school.
- c) That the invoice has not previously been paid, that expenditure has been properly incurred and is within budget provision.
- d) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices.
- e) Correct accounting treatment of tax.
- f) The invoice is correctly coded.
- g) Discounts have been taken where available.
- h) That appropriate entries will be made in accounting records.

D4.23 To ensure that an authorised member of staff, if possible a different officer from the person who **signed authorised** the order and in every case a different officer from the person certifying the invoice, authorises invoices.

D4.24 To ensure that the directors and managers maintain and review periodically a list of staff approved to certify and authorise invoices. Names of authorising officers together with **specimen signatures and** details of the limits of their authority shall be forwarded to the Section 151 Officer.

D4.25 Payment should not be made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the **Audit Service Manager**.

D4.26 Invoices shall not be made out by employees of the Council except where the payment to be made is in respect of a recurring payment or when the supplier will not issue an invoice. In all such cases, the invoice made out shall be in a form approved by the Section 151 Officer.

D4.27 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. Payments should, however, not be made by direct debit unless essential and with the prior approval of the Section 151 Officer.

D4.28 To ensure that the Council obtain best value for money from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the guidelines and best practices set out in the Council's Procurement Strategy and Contract **Procedure** Rules issued by the Head of **Finance, Governance and Assurance**. These documents cover:

- a) Authorised officers and the extent of their authority.
- b) Advertisement for tenders.
- c) Procedure for creating, maintaining and revising a standard list of contractors.
- d) Selection of tenderers.
- e) Compliance with UK and EC legislation and rules.
- f) Procedures for the submission, receipt, opening and recording of tenders.

- g) The circumstances where financial or technical evaluation was necessary.
- h) Procedures for negotiation.
- i) Acceptance of tenders.
- j) The form of contract documentation.
- k) Cancellation clauses in the event of corruption or bribery.
- l) Contract records.

D4.29 To ensure that employees are aware of the national code of conduct for local government employees and any locally adopted codes or rules relevant to employees' conduct.

D4.30 To ensure that no loans, leasing or rental arrangements are entered into without prior agreement from the Section 151 Officer. This is because of the potential impact on the Council's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure value for money is being obtained.

D4.31 To notify the Section 151 Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Section 151 Officer and, in any case, not later than 30 April.

D4.32 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Section 151 Officer and the appropriate director or manager, the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub-contractors' tax status.

D4.33 To notify the Section 151 Officer immediately of any expenditure to be incurred as a result of statute or court order where there is no budgetary provision.

D4.34 To ensure that all appropriate payment records are retained and stored for the defined period in accordance with the "Corporate Retention Schedule".

D5 TAXATION

Why is this important?

D5.1 Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

Key controls

D5.2 The key controls on taxation are:

- (a) Budget holders are provided with relevant information and kept up-to-date on tax issues.

- (b) Budget holders are instructed on required record keeping.
- (c) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- (d) Records are maintained in accordance with instructions.
- (e) Returns are made to the appropriate authorities within the stipulated timescale.

Responsibilities of Section 151 Officer

- D5.3 To complete all HM Revenue and Customs returns regarding PAYE.
- D5.4 To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- D5.5 To provide details to the HM Revenue and Customs regarding the Construction Industry Tax Deduction Scheme. To maintain up-to-date guidance for Council employees on taxation issues in the 'Accounting Manual' and the 'Tax Manual'.
Responsibilities of directors and managers

Responsibilities of directors and managers

- D5.6 To ensure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue and Customs and Regulations.
- D5.7 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry requirements.
- D5.8 To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- D5.9 To follow the guidance on taxation issued by the Section 151 Officer in the 'Corporate Finance Manual'.

D6 TRADING ACCOUNTS/BUSINESS UNITS

Business Units

Why is this important?

- D6.1 Compulsory competitive tendering led to the establishment of business units who operate on a fully commercial basis in accordance with statutory requirements. The Council has also established business units to enable staff to prepare for future competition and to demonstrate explicitly that services are valued and provide value for money. Financial Rules apply equally to the Council's Business Units.

Responsibilities of directors and managers

- D6.2 To consult with the Section 151 Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life

of their main contract with the Council. In general, such contracts should not be entered into unless they are capable of being terminated within the main contract period without penalty.

- D6.3 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and an annual report in support of the final accounts.
- D6.4 To ensure that similar accounting principles are applied in relation to trading accounts of other services or Business Units.
- D6.5 To ensure that each Business Unit prepares an annual business plan.

APPENDIX E: EXTERNAL ARRANGEMENTS

- E1 Partnerships.
- E2 External Funding.
- E3 Work for Third Parties.
- E4 Accountable Bodies.

E1 PARTNERSHIPS

Why is this important?

- E1.1 The days of the all-purpose authority that plans and delivers everything are over. It is in partnership with others - public agencies, private companies, community groups and voluntary organisations - that the future of local government lies. Local authorities will deliver some services, but their distinctive leadership role will be to bring together the contributions of the various stakeholders. They will need to deliver a shared vision of services by bringing cohesion and co-ordination to the fragmentation of local interests.
- E1.2 Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what, in partnership with others, they achieve.

PARTNERSHIPS - GENERAL

- E1.3 The main reasons for entering into a partnership are:
 - (a) The desire to find new ways to share risk.
 - (b) The ability to access new resources.
 - (c) To forge new relationships.
- E1.4 A partner is defined as either:
 - (a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project
Or
 - (b) A body whose nature or status gives it a right or obligation to support the project.
- E1.5 Partnerships can exist in varying forms:
 - (a) Formal Partnerships.
 - (b) Non-Formal Partnerships.
 - (c) Statutory or Obligatory Partnerships.
 - (d) Joint Commissioning.
- E1.6 Partners participate in projects by:
 - (a) Acting as a project deliverer or sponsor, solely or in concert with others.

- (b) Acting as a project funder or part funder.
- (c) Being the beneficiary group of the activity undertaken in a project.

E1.7 Partners have common responsibilities:

- (a) To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation.
- (b) To act in good faith at all times and in the best interests of the partnership's aims and objectives.
- (c) Be open about any conflict of interests which might arise.
- (d) To encourage joint working between themselves, promote the sharing of information, resources and skills between public, private and community sectors.
- (e) To hold confidentially any information received, as a result of partnership activities or duties, that is of a confidential or commercially sensitive nature.
- (f) To act wherever possible as ambassadors for the project.

Key controls

E1.8 The key controls for Council Partners are:

- (a) To be aware of their responsibilities under the Council's Financial Rules, Contract Rules and Working in Partnership Guidance.
- (b) To ensure risk management processes are in place to identify and assess all known risks.
- (c) To ensure project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- (d) To agree the roles, responsibilities and accountabilities of each of the partners involved in the project before the project commences.
- (e) To communicate regularly with other partners throughout the project so that problems can be identified and resolved.
- (f) A statement of the Aims and Objectives of the partnership.
- (g) A shared ownership of strategy.
- (h) Sound financial management, with clear procedures for determining the financial liabilities of each partner.
- (i) Performance management arrangements between individual organisations and the partnership.
- (j) A clear operational timescale with a clear exit strategy that allows the partnership to be discontinued or, if exit is not appropriate, a continuation strategy.

Responsibilities of Section 151 Officer

E1.9 To advise on effective controls which will ensure that resources are not wasted.

E1.10 To advise on the key elements of funding a project:

- (a) Scheme appraisal for financial viability.
- (b) Resourcing, including taxation issues.
- (c) Carry forward arrangements.
- (d) Risk appraisal.
- (e) Audit requirements.

- E1.11 To maintain guidance on partnership working and the responsibilities of directors and managers
- E1.12 To comply with the “Working in Partnership” guidance set out in the Corporate Finance Manual
- E1.13 To ensure that the approval of Cabinet is obtained before any negotiations are concluded on partnership arrangements.
- E1.14 To maintain a register of all partnership arrangements entered into in accordance with procedures specified by the Section 151 Officer.
- E1.15 To provide appropriate information to the Section 151 Officer to enable a note to be entered into the statement of accounts.

E2 EXTERNAL FUNDING

Why is this important?

- E2.1 As local authorities are encouraged to provide ‘seamless’ service delivery through working closely with other agencies and private service providers, the scope for external funding has increased.

Key controls

- E2.2 To ensure that key conditions of funding and that any statutory requirements are complied with. To ensure that external funding is only accepted where the financial implications of the agreement are clear and where the agreement provides value for money for the authority.

Responsibilities of Section 151 Officer

- E2.3 To sign off any external funding agreements with the funding body, with due regard to key controls. To ensure that all funding notified by external bodies is received and properly recorded in the Council’s accounts.

Responsibilities of directors and managers

- E2.4 To ensure that all claims for funds meet key conditions and are made by the due date.

E3 WORK FOR THIRD PARTIES

Why is this important

- E3.1 Current legislation enables the Council to provide a range of services to other bodies. Such work may enable the unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risk associated with this work is minimised.

Key controls

- E3.2 To ensure that proposals are properly costed in accordance with guidance provided by the Section 151 Officer.
- E3.3 To ensure that contracts are drawn up using guidance provided by the Section 151 Officer and that the formal approvals process is adhered to.

Responsibilities of directors and managers

- E3.4 To ensure that the approval of Cabinet is obtained before any negotiations are concluded to work for third parties.
- E3.5 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Section 151 Officer.
- E3.6 To ensure that appropriate insurance arrangements are made.
- E3.7 To ensure that the Council is not put at risk from any bad debts.
- E3.8 To ensure that no contract is subsidised by the Council.
- E3.9 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- E3.10 To ensure that the Directorate has the appropriate expertise to undertake the contract.
- E3.11 To ensure that such contracts do not impact adversely upon the services provided for the Council.
- E3.12 To ensure that all contracts are properly documented.
- E3.13 To provide appropriate information to the Section 151 Officer to enable a note to be entered into the statement of accounts.

E4 ACCOUNTABLE BODIES

Why is this important

- E4.1 Where the Council is involved in delivering services jointly with other groups or partnerships, either the Council or one of the partner members (if it is a legal entity) can act on behalf of the partnership as the accountable body. The Council is currently the accountable body for a number of partnerships including the **Marches Local Area Agreement and European Agricultural Fund for Rural Development Enterprise Partnership**. Where the Council is the accountable body proper systems of financial administration and control should be put in place for administering and accounting for any funds received and distributed.

Key Controls

- E.4.2. To ensure that the Section 151 Officer approves all instances where the Council is to become the accountable body, that full details are provided of what this work actually involves and that Cabinet grants approval to become the accountable body.
- E.4.3. That a record is maintained of all activities where the Council is acting as the accountable body.

Responsibilities of the Section 151 Officer

- E.4.4 To provide guidance and advice on the setting up and accounting arrangements to be put in place for all activities where the Council has taken on responsibility of acting as the accountable body.

Responsibilities of directors and managers

- E.4.5 To advise and seek the approval of the Section 151 Officer where the Council commits or agrees to be the accountable body and ensure that a Cabinet report is produced for Cabinets approval.
- E.4.6 To ensure that any funding received and expenditure made is administered and accounted for in line with the financial and contract rules.
- E.4.7 To ensure that the Council does not enter into any commitments or contracts until all funding for the project/activity is fully received.
- E.4.8 To establish and maintain effective systems for auditing and monitoring expenditure.
- E.4.9. To ensure that in the cases where an independent audit certificate is required that the funds made available to the accountable body have been spent in accordance with the terms of the grant agreement and that a proper audit trail is maintained with appropriate records and copy invoices to support the grant claim.
- E.4.10 To ensure all supporting records are maintained in line with the guidance issued in the Corporate Retention Schedule.

Appendix F: Table of Financial Limits

Financial Rules

This table shows at a glance the amounts presently approved in Financial Rules. Application of these amounts shall be made in compliance with the Financial Rules.

Ref.	Rule	Present Amount
4.18	The value up to which nominated staff are authorised to sign contracts on behalf of the Council	£140,000
A2.21	Where proposed virements are expected to exceed this figure, to prepare jointly with the Section 151 Officer a report to Council	£1,000,000
A2.21	Where proposed virements are expected to be between these figures, the director or manager must prepare jointly with the Section 151 Officer a report to Cabinet	Over £500,000 to £1m
A2.21	Where proposed virements are expected to be from salaries budgets, the director or manager must prepare jointly with the Section 151 Officer a report to Cabinet	All
A2.23 B2.41	To formally report all virements to the Section 151 Officer for inclusion on a register and for their reporting to Cabinet for information	£140,000 to £500,000
A2.24 B2.48	The amount up to which a director or manager with the approval of the Section 151 Officer, may exercise virements on budgets within or outside of their control within a policy area, on any one budget head during the year subject to conditions set out in Financial Rules.	£500,000
B2.49	The amount above which the director or manager, shall prepare and submit monthly joint reports with the Section 151 Officer for Cabinet's approval of variations in capital project contract costs	In excess of 5% of the current scheme budget or £5,000, whichever is greater.

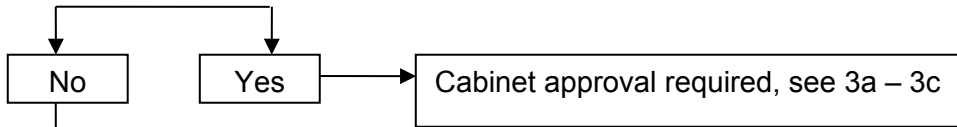
Ref.	Rule	Present Amount
B2.50	The amount above which the director or manager, shall prepare and submit joint reports with the Section 151 Officer for Cabinet's approval of capital projects , where the final expenditure exceeds the approved contract sum.	In excess of 5% of the current scheme budget or £5,000, whichever is greater.
C3.19	Level above which disposal of surplus equipment, stocks or stores should be by competitive tender or public auction and records maintained.	£5,000
C3.27 C3.34	Level above which the individual disposal of redundant surplus equipment should be approved by Cabinet.	£100,000
C3.31	Level below which discrepancies can be written off .	£5,000
C3.33	Level above which Internal Audit advice shall be sought on discrepancies.	£5,000
C3.34	Levels between which approval is sought to write off redundant stocks and stores with the agreement of the Section 151 Officer.	£5,000 to £100,000
D2.6	Level up to which the write off of bad debts is agreed by the Section 151 Officer.	£100,000
D2.6	Level above which the write off of bad debts is referred to the appropriate Council body by the Section 151 Officer.	£100,000
D2.22	Level below which write offs can be undertaken.	£5,000
D2.23	Levels between which approval of the Section 151 Officer is required to write off individual amounts, or totalled amounts of an individual debtor.	£5,000 to £100,000

Appendix G: Scheme of Virement flowcharts Revenue and Capital

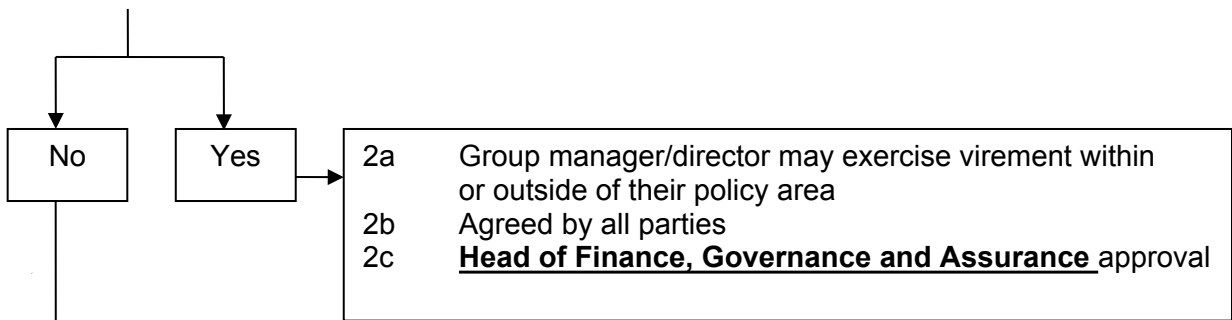
SCHEME OF VIREMENT (REVENUE)

Proposed Virement

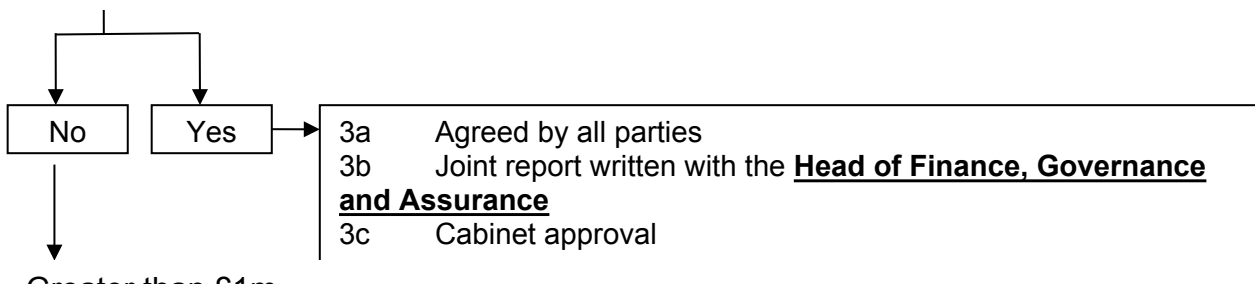
1. Is it from a salaries budget?



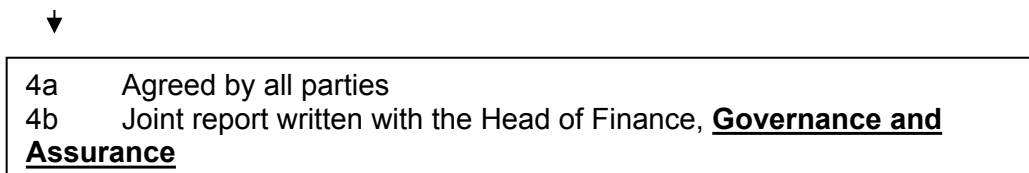
2. Is it less than £500,000?



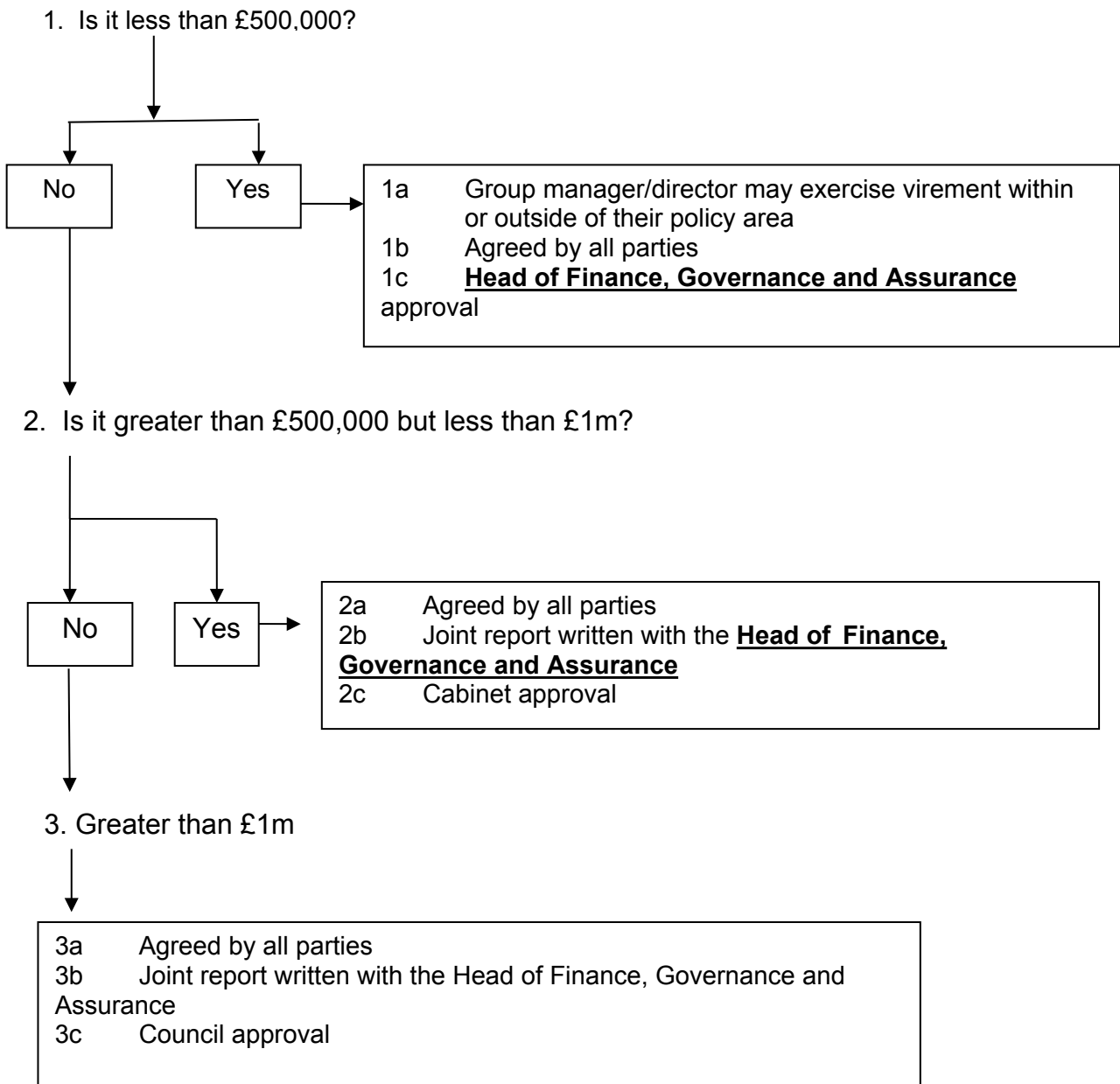
3. Is it greater than £500,000 but less than £1m?



Greater than £1m



Proposed Virement





Committee and date

Council
24 September 2015

Item

14

Public

AUDITED ANNUAL STATEMENT OF ACCOUNTS 2014/15

Responsible Officer James Walton

Email: james.walton@shropshire.gov.uk

Tel: (01743) 255011

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 2014/15.

2. Recommendations

2.1 Members are asked to:

- A. Consider and approve the 2014/15 Statement of Accounts and that the Chairman of the Council signs them (in accordance with the requirements of the Accounts and Audit Regulations 2011).
- 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 2015.
- 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 2011 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 2014/15 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 2011 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 25 June 2015 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 2015 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 2015 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 2014/15 and applicable law.

7. Changes from the Draft Statement of Accounts Certified by the Head of Finance, Governance & Assurance on 30 June 2015

- 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:

- a) Movement of the balance held in relation to the Foundation School brought on balance sheet from the revaluation reserve to the capital adjustment account. As these are both included in Unusable Reserves, this has no impact on the balance sheet or other primary statements.
- b) Additional cross references or minor typographical amendments have been included across the Statement of Accounts.
- c) Audit amendments made within the Pension Fund Accounts have now been reflected within the Pension Fund section of the Statement of Accounts. These were minor changes to disclosures and presentational adjustments with no amendments required to the prime financial statements.

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 2015.

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 2014/15. Audit Committee 25 June 2015

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

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2014/15

Cabinet Member (Portfolio Holder)

All

Local Member

All

Appendices

- 1. Audited Statement of Accounts 2014/15
- 2. Annual Governance Statement

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Statement of Accounts

2014-2015



ANNUAL STATEMENT OF ACCOUNTS 2014/15

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

The statement includes:

1. An Explanatory Foreword (pages 1 to 11)
2. The Statement of Responsibilities (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 85)
6. Group Accounts:
 - Introduction (pages 86 to 87)
 - The Group Movement in Reserves Statement (page 88 to 90)
 - The Group Comprehensive Income and Expenditure Statement (page 91)
 - The Group Balance Sheet (page 92)
 - The Group Cash Flow Statement (page 93)
 - The Group Account Notes (page 94)
7. The Pension Fund Accounts (pages 95 to 126)
8. The Housing Revenue Account (pages 127 to 131)
9. The Collection Fund (pages 132 to 133)
10. Glossary (pages 134 to 147)

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

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

James Walton
Head of Finance, Governance & Assurance

Section 1

Explanatory Foreword

The Statement of Accounts

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

- All Statement of Accounts to reflect a common pattern of presentation, although 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.

For 2014/15 the following changes have been made within the Code to reflect changes in accounting practices and accounting standards. The key changes affecting the Council's statement of accounts are detailed below:

- Group accounts – new accounting standards have been released in relation to the basis of consolidation entities within a Council's group accounts. This has led to a re-evaluation of the definitions of control and classification of entities to be consolidated within the group boundary.
- Accounting for local authority maintained schools – new guidance has been released from CIPFA on the accounting treatment of local authority maintained schools, and consideration of the categories of schools assets in terms of whether the assets should be held on or off the Council's balance sheet.

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

- **An Explanatory Foreword** – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2014/15.
- **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:

EXPLANATORY FOREWORD

- **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 2015. 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 2014/15 and assets and liabilities as at 31 March 2015.
- **The Housing Revenue Account** – There is a statutory duty to account separately for local authority housing provision.
- **The Collection Fund** – This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

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

EXPLANATORY FOREWORD

Financial Report

This section of the Statement of Accounts for 2014/15 sets out:

- The revenue outturn for 2014/15
- The capital programme for 2014/15 – 2017/18
- The capital outturn for 2014/15
- A note on the Council’s Borrowing Position
- A note on the Investment Strategy of the Council
- A note on the Pensions Liability within the Statement of Accounts
- Current and future prospects

Revenue Outturn for 2014/15

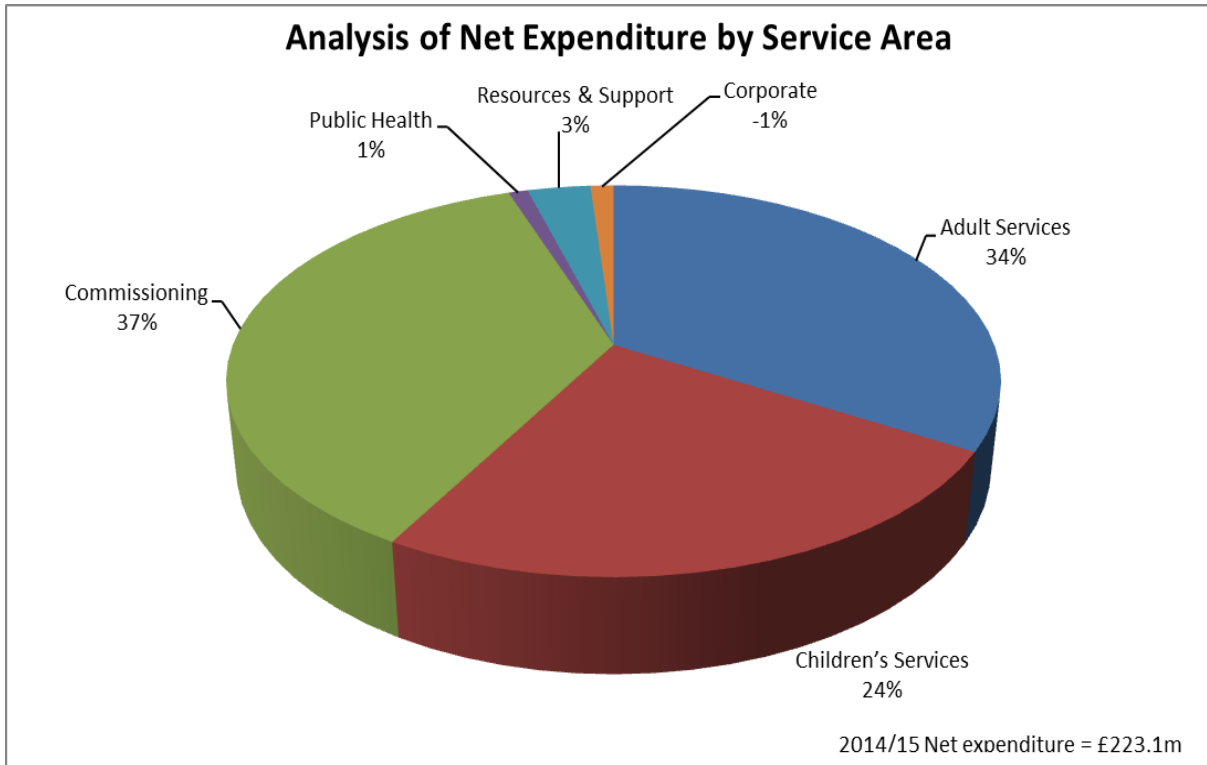
Revenue budgets are monitored and reported regularly in order that service areas can identify any problem areas and take the necessary action to deal with the issues arising. Budget monitoring reports during the course of the year have shown the following position:

Over/(Under)spend Projected	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Adult Services	1,836	2,055	4,940	4,791
Children’s Services	1,006	993	755	566
Commissioning	2,019	535	(615)	(376)
Public Health	17	(24)	0	(85)
Resources & Support	848	731	557	(772)
Corporate	(2,501)	(2,687)	(5,266)	(4,424)
TOTAL	3,225	1,603	371	(300)

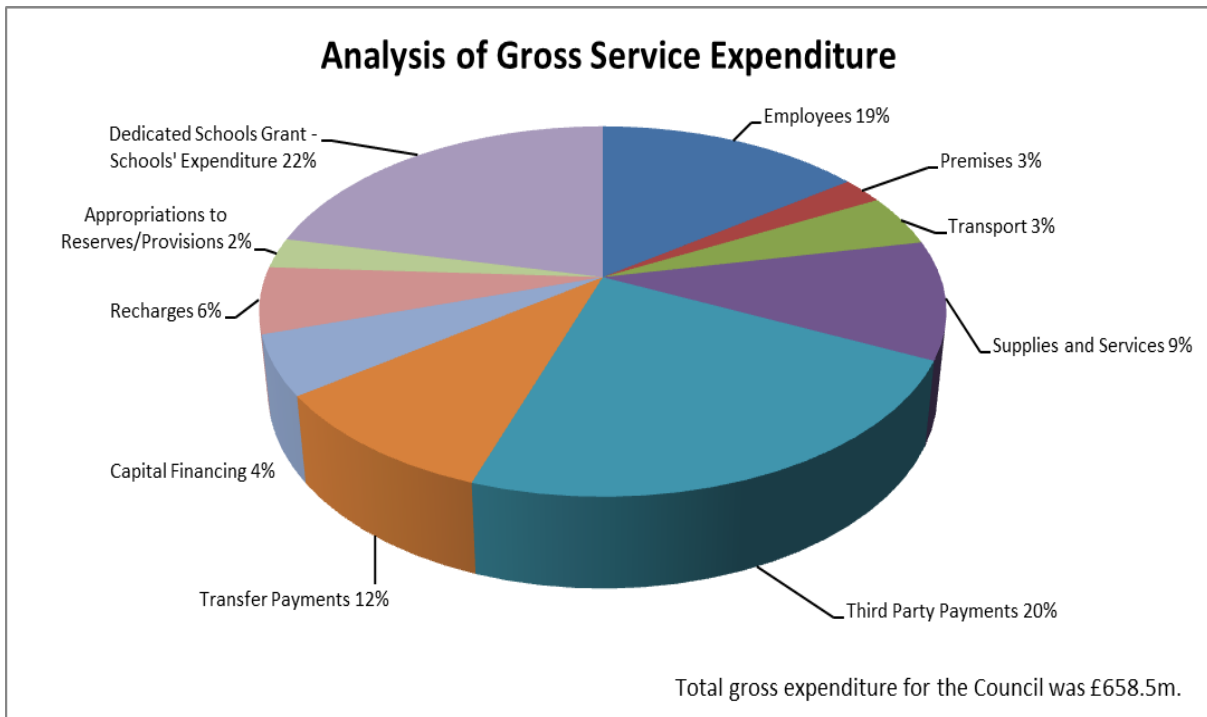
The final outturn position for each Service Area is shown in the table below which compares actual net expenditure with the approved budget. Further details of the outturn position for each directorate is shown in the Revenue Outturn report which is presented to Cabinet and Full Council.

	Final Budget £000	Actual Outturn £000	Over/ (Under) £000
Adult Services	71,896	76,687	4,791
Children’s Services	55,464	56,030	566
Commissioning	84,085	83,709	(376)
Public Health	2,273	2,188	(85)
Resources & Support	7,950	7,178	(772)
Corporate	1,777	(2,647)	(4,424)
TOTAL	223,445	223,145	(300)

EXPLANATORY FOREWORD

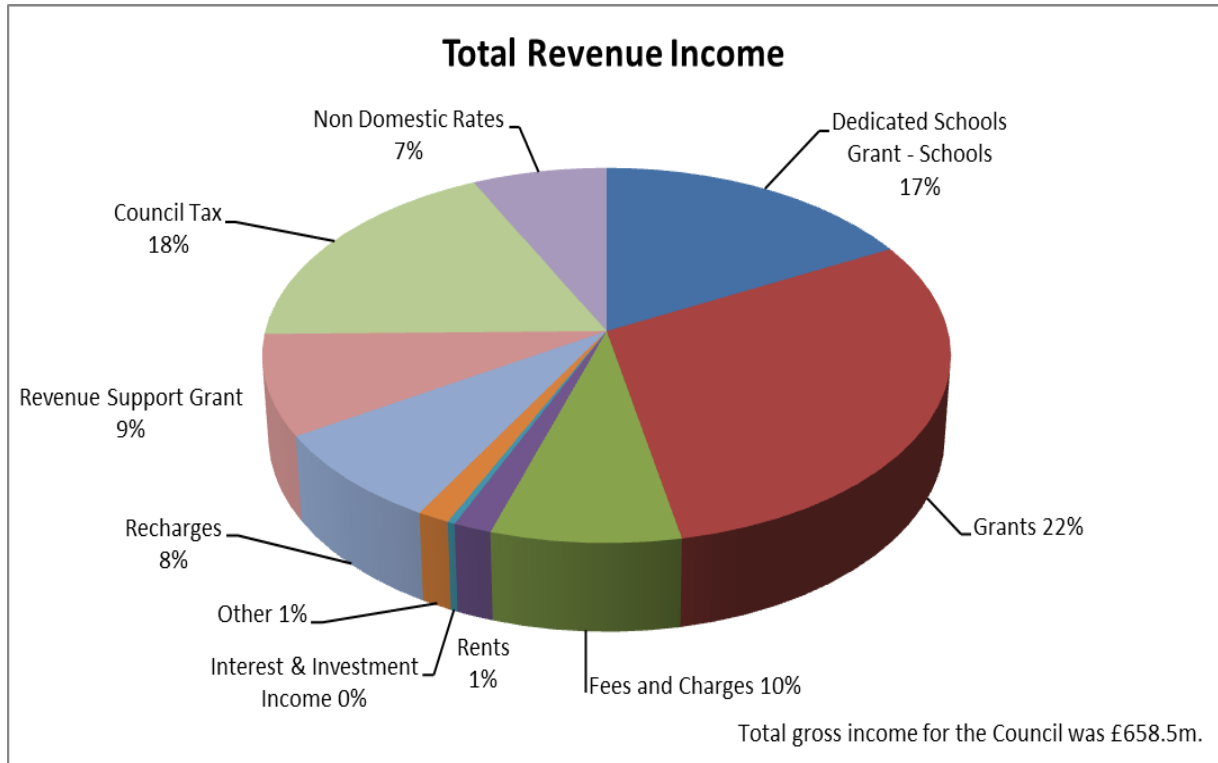


The gross expenditure for the Council was £658.5m, which was spent on the following types of expenditure:



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

EXPLANATORY FOREWORD



The overall underspend of £0.300m against service area's budgets represents 0.05% of the original gross budget of £578m.

In addition, School balances, including invested sums, have decreased by £1.565m 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.

The Capital Programme 2014/15 to 2016/17

The Capital Strategy for the four years 2014/15 to 2016/17 details the capital schemes that the Council plans to deliver in that period.

The table below provides a summary of the capital budget for 2014/15 to 2016/17 as included in the 2014/15 Budget Book.

EXPLANATORY FOREWORD

Service Area	2014/15 £000	2015/16 £000	2016/17 £000
General Fund			
Commissioning	33,395	8,152	3,500
Adult Services	1,420	315	0
Children's Services	13,173	1,710	1,795
Resources & Support	268	50	50
Total General Fund	48,256	10,227	5,345
Housing Revenue Account	10,091	3,287	0
Total Capital Programme	58,347	13,514	5,345

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

The table below provides a summary of the capital financing for the capital budget as per the 2014/15 Budget Book.

Financing	2014/15 £000	2015/16 £000	2016/17 £000
Self Financed Prudential Borrowing	261	0	0
Capital Grants & Contributions	35,233	1,710	1,795
Revenue Contributions	2,805	311	0
Major Repairs Allowance	6,294	3,200	0
Corporate Resources (Capital Receipts/ Prudential Borrowing)	13,754	8,293	3,550
	58,347	13,514	5,345

Capital Outturn for 2014/15

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 2014/15 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.

EXPLANATORY FOREWORD

Service Area	Revised Budget 2014/15 £000	Actual Spend 2014/15 £000	Variance 2014/15 £000
General Fund			
Commissioning	33,553	27,225	(6,328)
Adult Services	4,303	3,292	(1,011)
Children's Services	10,949	8,562	(2,387)
Resources & Support	7,186	6,062	(1,124)
Total General Fund	55,991	45,141	10,850
Housing Revenue Account	10,442	9,112	(1,330)
Total Capital Programme	66,433	54,253	(12,180)

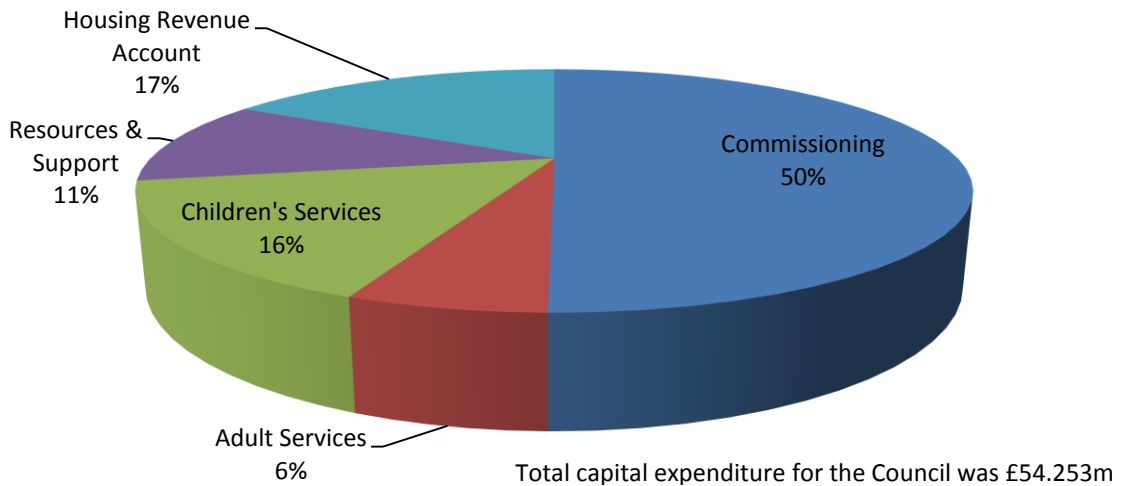
The table below provides a summary of the capital financing for the actual capital expenditure for 2014/15.

Financing	2014/15 £000
Self Financing Prudential Borrowing	4,328
Capital Grants & Contributions	36,487
Revenue Contributions	3,536
Major Repairs Allowance	6,392
Corporate Resources (Prudential Borrowing/Capital Receipts)	3,510
	54,253

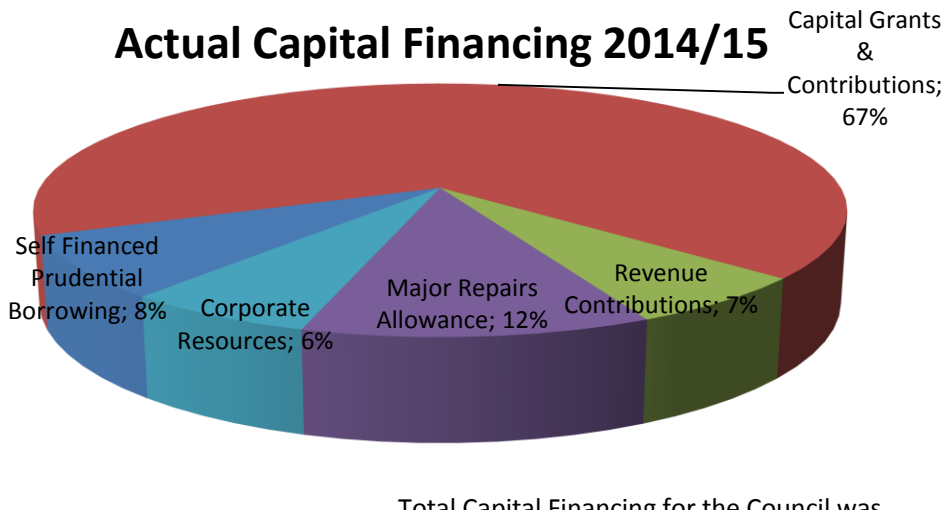
The areas of most significant expenditure for schemes undertaken in 2014/15 are as follows:

	Expenditure 2014/15 £000	Scheme Total Budget £000
Commissioning		
Highways, Bridges & Street Lighting Infrastructure	14,962	Ongoing
Integrated Transport Plan	2,471	Ongoing
Highway Depots redevelopment	737	3,322
Shrewsbury Business Park Phase 2 Extension	500	1,797
Affordable Housing Schemes	780	Ongoing
Broadband	4,950	17,494
Adult Services		
Raven Site Development, Market Drayton	1,626	2,172
Disabled Facilities Grants	1,305	Ongoing
Children's Services		
Primary School Schemes	1,133	Ongoing
Basic Need Schemes	431	Ongoing
Primary School Amalgamation Programme	807	Ongoing
Secondary School Schemes	453	Ongoing
School Condition Schemes	2,944	Ongoing
Kettlemere Centre	820	1,015
Devolved Formula Capital & UIFSM - Allocated by schools	1,582	Ongoing
Resources & Support		
Mardol House Acquisition & Refit	4,328	7,800
Gypsy Sites	1,264	2,600
Housing Revenue Account		
Housing Major Repairs Programme	3,486	Ongoing
New Build Programme – Phase 1	5,565	7,395

Actual Capital Expenditure 2014/15



Actual Capital Financing 2014/15



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.

Investments

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

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

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

Further details of investment activities are provided within Note 17, which commences on page 63.

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 2014, the Council's net pensions liability amounted to £297m. In comparison, the deficit amounts to £408m at 31 March 2015 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.

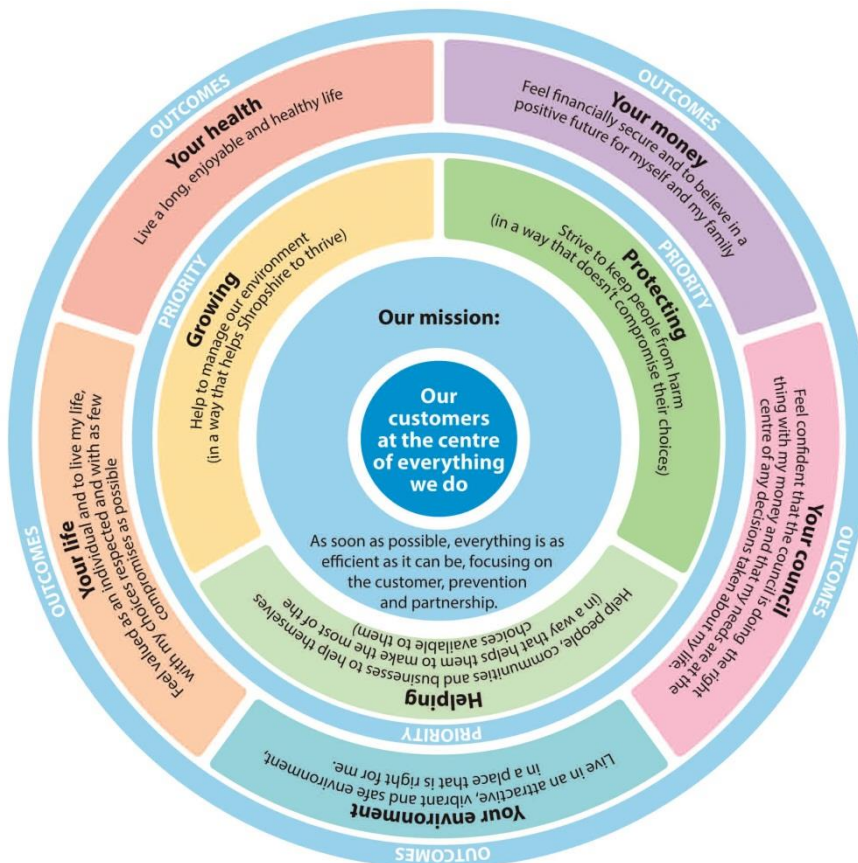
Further details on the basis on which the Council accounts for retirement benefits are provided within the Accounting Policies in note 1 on page 21, and the change to the pension liability in 2014/15 is analysed in note 35 to the accounts.

Current and Future Prospects

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

EXPLANATORY FOREWORD

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



The business plan and financial strategy agreed by members in February 2015 identified savings of £37.082m to be implemented in 2015/16, and a further £16.868m for 2016/17.

Budget pressures will continue to be identified and refined over the medium term. A full review of the medium term financial plan will be performed in 2015/16 and the current three year plan will be extended to cover the period 2016/17 – 2018/19. The following areas require further refinement (over the next twelve months) before consideration for inclusion in the 2016/17 budget:

- Impact of the new Government and the Comprehensive Spending Review expected to be announced towards the end of 2015.
- Consider how the Council could operate if no Revenue Support Grant was received.
- Impact of the introduction of the Care Bill and the Dilnot review for reforming social care funding and the effect of these changes on the Council's income and expenditure.
- Demographic Growth, particularly in services provided by Adult Services, post transformation of the service.
- The movement of schools to Academy status is expected to impact on Council funding and resources.
- The basis for recharging back-office costs to frontline services is currently being reviewed.

EXPLANATORY FOREWORD

- 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.

The Council wholly owns a company (ip&e (Group) Ltd), as a vehicle for delivering a range of public services in Shropshire. Media Services transferred to ip&e (Group) Ltd in 2013/14 and the Programme Management Office and the Business Design Team transferred to the company on 1 April 2014. Help 2 Change and Fulcrum are transferring to ip&e (Group) Ltd in 2015/16 with the phased transfer of Inspire 2 Learn having been approved for 2015/16. Further work will also be carried out around potential other transfers of services to ip&e (Group) Ltd which include, for example, the Customer Service Centre. This work will consider the impact that any transfer has on the Council's financial position and will be determined over the course of this financial year.

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 2015/16 – 2016/17 is £29.5m and the council is continuing with its asset management strategy to identify whether these potential receipts can be generated.

Section 2

Statement of Responsibilities

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, 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 2014/15 was formally approved at a meeting of the Council on 24 September 2015.

Malcolm Pate
Chairman of the Council
24 September 2015

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 2015

James Walton
Head of Finance, Governance & Assurance
24 September 2015

Section 3

Audit Opinion & Certificate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL - DRAFT

Opinion on the financial statements

We have audited the financial statements of Shropshire Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Shropshire Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's 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 Explanatory Foreword and Group Accounts Introduction 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:

- give a true and fair view of the financial position of Shropshire Council as at 31 March 2015 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 2015 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 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword and Group Accounts Introduction for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with '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 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

AUDIT OPINION AND CERTIFICATE

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Shropshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Shropshire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jon Roberts

Partner

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

Colmore Plaza,
20 Colmore Circus,
Birmingham
B4 6AT

30 September 2015

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 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

For 2014/15, School Balances have been included within Earmarked General Fund Reserves.

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

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

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.

2013/14			2014/15			
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
Expenditure on Continuing Services (Note 27)						
106,718	(30,535)	76,183	Adult Social Care	102,718	(30,552)	72,166
10,687	(4,595)	6,092	Central Services	8,348	(2,999)	5,349
240,391	(184,852)	55,539	Children's and Education Services	228,346	(174,065)	54,281
30,049	(9,063)	20,986	Cultural and Related Services	22,640	(8,335)	14,305
32,811	(5,500)	27,311	Environmental and Regulatory Services	37,321	(5,691)	31,630
41,760	(11,608)	30,152	Highways and Transport Services	38,301	(10,201)	28,100
15,642	(17,237)	(1,595)	Local Authority Housing (HRA)	5,012	(17,709)	(12,697)
81,701	(75,728)	5,973	Other Housing Services	82,589	(77,981)	4,608
16,037	(8,453)	7,584	Planning Services	20,657	(15,253)	5,404
10,409	(10,316)	93	Public Health	10,488	(11,103)	(615)
5,078	0	5,078	Corporate and Democratic Core	4,575	0	4,575
(1,608)	0	(1,608)	Non Distributed Costs	(485)	0	(485)
589,675	(357,887)	231,788	Net Cost of Services	560,510	(353,889)	206,621
		106,374	Other Operating Expenditure (Note 8)			70,519
		33,024	Financing and Investment Income and Expenditure (Note 9)			23,699
		(272,174)	Taxation and Non Specific Grant Income (Note 10)			(267,672)
		99,012	(Surplus) or Deficit on the Provision of Services			33,167
		2,093	(Surplus) or Deficit on Revaluation of Non Current Assets			(9,354)
		3,999	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve			3,223
		(59,672)	Remeasurement of the Net Defined Benefit Liability			101,795
		(53,580)	Other Comprehensive Income and Expenditure			95,664
		45,432	Total Comprehensive Income and Expenditure			128,831

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 2014	31 March 2015
£000	£000
Non Current Assets	
1,062,212 Property, Plant & Equipment (Note 11)	995,904
2,475 Heritage Assets	2,592
28,878 Investment Property (Note 12)	47,673
776 Intangible Assets	432
1,519 Assets Held for Sale	599
1,095,860 Total Non Current Assets	1,047,200
400 Long Term Investment (Note 16)	400
3,139 Long Term Debtors (Note 16)	7,240
1,099,399 Total Long Term Assets	1,054,840
Current Assets	
0 Current Held for Sale Investment Properties (Note 12)	125
0 Assets Held for Sale	3,635
39,100 Short Term Investments (Note 16)	41,730
966 Inventories	994
68,715 Short Term Debtors (Note 18)	72,260
70,785 Cash & Cash Equivalents (Notes 16 & 19)	68,343
179,566 Total Current Assets	187,087
1,278,965 Total Assets	1,241,927
Current Liabilities	
(17,586) Bank Overdraft (Notes 16 & 19)	(10,131)
(7,397) Short Term Borrowing (Note 16)	(11,117)
(54,465) Short Term Creditors (Note 20)	(51,883)
(4,492) Provisions	(3,585)
(10,628) Grants Receipts in Advance - Revenue (Note 33)	(6,042)
(1,040) Grants Receipts in Advance - Capital (Note 33)	(70)
(95,608) Total Current Liabilities	(82,828)
1,183,357 Total Assets Less Current Liabilities	1,159,099
Long Term Liabilities	
(719) Long Term Creditors (Note 16)	(707)
(337,768) Long Term Borrowing (Note 16)	(328,968)
(22,685) Other Long Term Liabilities (Note 15)	(22,676)
(297,394) Pensions Liability (Note 35)	(407,792)
(4,901) Provisions	(7,897)
(663,467) Total Long Term Liabilities	(768,040)
519,890 Net Assets	391,059
Financed by:	
64,191 Usable Reserves (Note 21)	78,898
455,699 Unusable Reserves (Note 22)	312,161
519,890 Total Reserves	391,059

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.

2013/14 £000	Revenue Activities	2014/15	
		£000	£000
99,012	Net (surplus) or deficit on the provision of services	33,167	
(144,532)	Adjust net surplus or deficit on the provision of services for non cash movements	(95,024)	
67,684	Adjust for items in the net surplus or deficit on the provision of services that are investing and financing activities	45,258	
22,164	Net cash flows from Operating Activities (Notes 23 & 24)		(16,599)
(8,821)	Investing Activities (Note 25)	6,298	
11,338	Financing Activities (Note 26)	5,288	
24,681	Net (increase) or decrease in cash and cash equivalents		(5,013)
77,880	Cash and cash equivalents at the beginning of the reporting period		53,199
53,199	Cash and cash equivalents at the end of the reporting period (Note 19)		58,212

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 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, 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 fair value on the basis recommended by the Code of Practice on Local Authority Accounting and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation Standards. Property, plant and equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

Category	Valuation Method (Fair Value definition)
<u>Operational</u>	
Council Dwellings	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 fair 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	Existing Use Value (EUV) or Depreciated Replacement Cost (DRC) applying the same assumptions relating to the level of usage, etc. as those of the most recent valuation as an operational asset
Assets Under Construction	Historic Cost (HC)

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum 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 review of value in line with regional data provided by the Office for National Statistics (ONS).

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

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

Componentisation

Where components of an asset are significant in value in relation to the total value of the asset 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. 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 2014/15. 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.

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 2015/16 Code:

- IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).
- IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy.
- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification.

It is anticipated that the introduction of these standards will not have a material impact on the financial statements. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

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.

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 2015:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	outstanding appeals as per the Valuation Office and then the percentage rateable value change of successful appeals is applied.	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 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.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £19.601m.
Accruals	Estimates of known future expenses or income where amounts are not yet certain are accrued in the year that they relate to. The proportion of estimates within the accruals processed for debtors and creditors are: <ul style="list-style-type: none"> • Debtors 16% • Creditors 4% 	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 £0.104m. A 10% increase from the estimate for creditors would result in an additional creditor of £0.095m.

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

5. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Head of Finance, Governance & Assurance on 30 June 2015. 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 four schools to convert to Academy School status in the 2015/16 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i>						
Charges for depreciation and impairment of non current assets	34,741	334	4,305	0	0	(39,380)
Revaluation losses on Property Plant and Equipment	10,082	(7,717)	0	0	0	(2,365)
Movement in the market value of Investment Properties	(17,734)	0	0	0	0	17,734
Amortisation of intangible assets	365	0	0	0	0	(365)
Capital grants and contributions applied	(34,861)	(922)	0	0	0	35,783
Revenue expenditure funded from capital under statute	12,351	0	0	0	0	(12,351)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	66,932	1,595	0	0	0	(68,527)
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(15,055)	0	0	0	0	15,055
Capital expenditure charged against the General Fund and HRA balances	(1,886)	(1,650)	0	0	0	3,536
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(1,872)	0	0	0	1,872	0
Application of grants to capital financing transferred to CAA	0	0	0	0	(704)	704
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,180)	(1,712)	0	4,978	0	(86)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(4,435)	0	4,435
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	36	0	(36)	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	539	0	0	(539)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	32	0	(32)

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15

	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
Adjustment primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	(6,392)	0	0	6,392
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(297)	0	0	0	0	297
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 35)	28,732	0	0	0	0	(28,732)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,129)	0	0	0	0	20,129
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	106	0	0	0	0	(106)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)	0	0	0	0	6
Total Adjustments	58,828	(10,036)	(2,087)	0	1,168	(47,873)

NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 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 primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i>						
Charges for depreciation and impairment of non current assets	29,985	170	4,215	0	0	(34,370)
Revaluation losses on Property Plant and Equipment	5,945	3,219	0	0	0	(9,164)
Movement in the market value of Investment Properties	(1,163)	(73)	0	0	0	1,236
Amortisation of intangible assets	420	0	0	0	0	(420)
Capital grants and contributions applied	(28,628)	(850)	0	0	0	29,478
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	6,996	0	0	0	0	(6,996)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	105,844	2,038	0	0	0	(107,882)
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	(17,681)	0	0	0	0	17,681
Capital expenditure charged against the General Fund and HRA balances	(2,061)	(379)	0	0	0	2,440
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(533)	0	0	0	533	0
Application of grants to capital financing transferred to CAA	0	0	0	0	(1,656)	1,656
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,135)	(1,805)	0	8,029	0	(89)
Use of the Capital Receipts Reserve towards new expenditure	0	0	0	(7,567)	0	7,567
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	34	0	(34)	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 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
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	458	0	0	(458)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	30	0	(30)
Adjustment primarily involving the Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	(1,895)	0	0	1,895
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(301)	(1)	0	0	0	302
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 35)	32,223	0	0	0	0	(32,223)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,674)	0	0	0	0	24,674
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(661)	0	0	0	0	661
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,241)	(9)	0	0	0	1,250
Total Adjustments	98,793	2,344	2,320	0	(1,123)	(102,334)

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 2014/15.

	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	4,543	(13,155)	25,673	17,061	(3,135)	5,567	19,493
Insurance Reserves	2,584	(1)	95	2,678	0	324	3,002
Reserves of trading and business units	143	(12)	0	131	0	169	300
Reserves retained for service departmental use	33,646	(26,176)	6,160	13,630	(5,474)	18,183	26,339
School Balances	2,073	(802)	348	1,619	(5,512)	9,786	5,893
Total	42,989	(40,146)	32,276	35,119	(14,121)	34,029	55,027

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 2014/15 Revenue Outturn report.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. OTHER OPERATING EXPENDITURE

	2014/15 £000	2013/14 £000
Parish Council Precepts	5,908	5,567
Levies	118	120
Payments to the Government Housing Capital Receipts Pool	539	458
(Gains)/losses on the disposal of non current assets*	63,670	99,976
(Gains)/losses on change in valuation of non-current assets	284	253
	70,519	106,374

* 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

	2014/15 £000	2013/14 £000
Interest payable and similar charges	19,734	19,355
Net interest on the net defined benefit liability	12,439	13,919
Interest receivable and similar income	(1,815)	(1,829)
(Income) and expenditure in relation to investment properties and changes in their fair value	(18,559)	(2,332)
(Surpluses)/deficits on Trading Activities	11,899	3,911
	23,699	33,024

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	2014/15 £000	2013/14 £000
Council tax income	(126,097)	(123,791)
Non domestic rates	(45,018)	(45,655)
Non ringfenced government grants	(67,734)	(77,356)
Capital grants and contributions	(28,823)	(25,372)
	(267,672)	(272,174)

11. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non current assets held by the Council during 2014/15.

	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)

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
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
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

NOTES TO THE CORE FINANCIAL STATEMENTS

The comparative movements in 2013/14 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 2013	176,371	733,112	29,539	404,760	5,090	432	7,881	1,357,185	44,948
Additions	2,163	8,269	1,056	15,320	152	0	6,426	33,386	32
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(342)	(9,203)	0	0	0	(18)	0	(9,563)	(2)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(17,340)	(6,028)	0	0	0	(124)	0	(23,492)	0
Derecognition - disposals	(1,144)	(98,931)	(2,078)	0	0	0	0	(102,153)	0
Derecognition - other	(883)	(4,176)	(5,826)	(92)	(886)	(141)	(53)	(12,057)	(2,574)
Assets reclassified (to)/from Held for Sale	0	(285)	0	0	0	0	830	545	0
Other movements in cost or valuation	(3,326)	(4,750)	0	0	0	1,984	(6,874)	(12,966)	156
At 31 March 2014	155,499	618,008	22,691	419,988	4,356	2,133	8,210	1,230,885	42,560
Depreciation and Impairments									
At 1 April 2013	(17,532)	(45,694)	(16,837)	(97,460)	(929)	(57)	0	(178,509)	(8,217)
Depreciation charge for 2013/14	(4,205)	(13,545)	(4,023)	(10,629)	(239)	(45)	0	(32,686)	(2,153)
Depreciation written out to the Revaluation Reserve	186	7,285	0	0	0	0	0	7,471	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,121	450	0	0	0	10	0	14,581	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(3,594)	0	0	0	(405)	0	(3,999)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(170)	(1,111)	0	0	0	(348)	0	(1,629)	0
Derecognition - disposals	0	5,525	1,215	0	0	0	0	6,740	0
Derecognition - other	0	421	5,827	7	522	17	0	6,794	2,574
Other movements in depreciation and impairment	3,225	8,688	0	0	0	668	(17)	12,564	(156)
At 31 March 2014	(4,375)	(41,575)	(13,818)	(108,082)	(646)	(160)	(17)	(168,673)	(7,952)
NBV at 31 March 2014	151,124	576,433	8,873	311,906	3,710	1,973	8,193	1,062,212	34,608
NBV at 31 March 2013	158,839	687,418	12,702	307,300	4,161	375	7,881	1,178,676	36,731

Local Authority Maintained Schools

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

Work commenced on the first transfers in 2008/09, and further schools were identified in 2011/12, mainly as a result of Primary School Amalgamations, which resulted in the change of the category of a number of schools. These schools will be removed from the Council's balance sheet on completion of the legal transfer. The total net book value for these schools as at the balance sheet date is £20.2m.

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 £21.2m.

Academy Schools

In 2014/15 seven further schools became Academies. The School land and premises are now leased by the Council to the Academy school on a 125 year peppercorn rent. On this basis the school is now listed in the Council's fixed asset register at nil value. The value written out of the Council balance sheet in 2014/15 for these schools was £51.1m.

At balance sheet date, Department of Education approval had been granted to three schools to convert to Academy status, but their conversion dates are not until later in 2015/16.

Assets Transferred to Other Bodies

In 2014/15 the Council transferred The Shropshire Hills Discovery Centre to South Shropshire Housing Association and SCAT Leisure facilities to SCAT. As the functions of these assets have transferred, the Council gains no value from these on an existing use basis and the assets have been written out of the balance sheet in 2014/15 with a net book value of £6.33m.

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 2015, 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 2015/16 and future years budgeted to cost £25.528m. Similar commitments at 31 March 2014 were £35.242m. The major commitments were:

- Rural Broadband - £12.435m.
- Highways & Transport schemes - £5.354m.
- Gypsy Sites - £0.595m.
- HRA Major Repairs Programme - £4.688m.
- HRA New Build Programme - £0.330m.

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:

- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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	702	6,436	0	7,138
Valued at Fair Value as at:					
01 Apr 14	1,900	158,070	0	954	160,924
01-Apr-13	159,630	94,652	0	1,253	255,535
01-Apr-12	0	82,286	0	173	82,459
01-Apr-11	0	59,887	0	202	60,089
01-Apr-10	0	101,026	0	0	101,026
Total Cost or Valuation	161,530	496,623	6,436	2,582	667,171

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:

	2014/15 £000	2013/14 £000
Schools, Children's Services and other Education Facilities	245,548	289,507
Culture & Heritage Buildings	61,100	59,983
Leisure & Recreation	50,184	61,656
Highways & Car Parks	44,877	47,410
Social Services	28,898	35,831
Administrative Offices	22,818	35,904
Waste Management Site	14,378	14,759
Business / Commercial Sites (including Markets)	14,370	15,173
Housing Services (including Gypsy Sites)	6,463	6,137
Small Holdings	6,165	6,254
Other	1,822	3,819
Total	496,623	576,433

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £000	2013/14 £000
Rental income & service charges from investment property	(964)	(1,263)
Direct operating expenses arising from investment property	139	168
Net (gain)/loss	(825)	(1,095)

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	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Balance at start of the year	28,878	31,695	0	0
Additions:				
- Purchases	4,500	0	0	0
Disposals:	(2,022)	(4,290)	0	0
Net gains/losses from fair value adjustments	17,759	1,236	(25)	0
Transfers:				
- To/from Property, Plant and Equipment	(1,292)	237	0	0
- To/from Current/Long term	(150)	0	150	0
Balance at end of the year	47,673	28,878	125	0

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.

	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	338,035	356,449
Adjustment for loans for capital purposes not previously included in CFR	0	1,565
Adjusted Opening Capital Financing Requirement (including PFI & Finance Lease)	338,035	358,014
Capital investment		
Property, Plant and Equipment	37,357	33,406
Investment Properties	4,500	0
Intangible Assets	16	211
Revenue Expenditure Funded from Capital under Statute	12,351	6,996
Capital Loans	4,255	125

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £000	2013/14 £000
Sources of finance		
Capital receipts	(4,435)	(7,567)
Capital grants and other contributions	(36,487)	(31,134)
Direct Revenue Financing (Including MRA)	(9,928)	(4,334)
Minimum Revenue Provision	(15,055)	(17,682)
Closing Capital Financing Requirement (including PFI & Finance Lease)	330,609	338,035
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	246,044	250,139
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	84,595	84,594
Closing Capital Financing Requirement – PFI & Finance Lease	(30)	3,302
	330,609	338,035
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	(9,951)	(10,453)
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	5,856	(4,316)
Assets acquired under finance leases	(23)	(37)
Assets acquired under PFI contracts	(3,308)	(5,173)
Increase/(decrease) in Capital Financing Requirement	(7,426)	(19,979)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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
	31/03/15	31/03/14	31/03/15	31/03/14
	£000	£000	£000	£000
Non Current Assets – Land & Buildings				
Balance Brought Forward	20,373	20,765	11,448	11,786
- Depreciation in Period	(269)	(392)	(339)	(338)
- Additions	0	0	66	2
- Revaluation	(6,407)	0	0	(2)
- Derecognition	0	0	(41)	0
Balance Carried Forward	13,697	20,373	11,134	11,448
Non Current Assets - Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	2,786	4,179
- Depreciation in Period	0	0	(1,014)	(1,423)
- Additions	0	0	129	30
Balance Carried Forward	0	0	1,901	2,786
Prepayments				
Balance Brought Forward	0	0	19,383	14,268
- Planned Capital Expenditure	0	0	3,323	5,115
Balance Carried Forward	0	0	22,706	19,383
Finance Lease Liability				
Balance Brought Forward	(13,279)	(13,512)	(9,383)	(9,207)
- Additions	0	0	(195)	(32)
- Repayment of Principal	241	233	(60)	(144)
Balance Carried Forward	(13,038)	(13,279)	(9,638)	(9,383)

NOTES TO THE CORE FINANCIAL STATEMENTS

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	22,874	5,247	11,117	39,238
Amounts Falling Due Within 2 - 5 Years	85,048	15,441	47,146	147,635
Amounts Falling Due Within 6 - 10 Years	121,890	13,827	53,919	189,636
Amounts Falling Due Within 11 - 15 Years	136,812	26,212	49,452	212,476
Amounts Falling Due Within 16 - 20 Years	144,478	40,417	30,700	215,595
Amounts Falling Due Within 21 - 24 Years	4,108	2,097	406	6,611

* comprised of operating costs and lifecycle costs

comprised of finance lease interest and contingent rental

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 Council previously held a lease for salt domes however the lease has now come to an end and so is no longer included in the finance lease figures for 2014/15.

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 2015 £000	31 March 2014 £000
Buildings	24,831	31,821
Vehicles, Plant and Equipment (salt domes)	0	22
Vehicles, Plant and Equipment (PFI)	1,902	2,787
Total	26,733	34,630

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2015 £000	31 March 2014 £000
Finance lease liabilities (NPV of minimum lease payments)	103,241	85,394
Finance costs payable in future years	192,740	199,852
Minimum lease payments	295,981	285,246

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Not later than one year	16,364	3,022	5,247	725
Later than one year and not later than five years	62,588	48,323	15,441	357
Later than five years	217,030	233,901	82,553	84,313
	295,981	285,246	103,241	85,395

The finance lease liabilities recognised on the balance sheet as “Deferred Liabilities” totals £22.676m. 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.

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	(216)	(5,031)	(5,247)
Lease liability (due after 1 year)	(12,822)	(4,607)	(17,429)
	(13,038)	(9,638)	(22,676)

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 2015 £000	31 March 2014 £000
Expiring not later than one year	102	591
Expiring later than one year and not later than five years	671	370
Expiring later than five years	624	882
	1,397	1,843

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2015 £000	31 March 2014 £000
Lease payments	2,077	2,092
Sub Lease receivable	0	(47)
	2,077	2,045

Authority as Lessor

Operating Leases

The Council leases out property under operating leases for a variety of purposes, including:

- For the provision of community services.
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- For income generation as Investment Properties.

The minimum lease payments due under non-cancellable leases committed at 31 March under operating leases years are:

	31 March 2015 £000	31 March 2014 £000
Expiring not later than one year	139	189
Expiring later than one year and not later than five years	708	537
Expiring later than five years	1,288	1,297
	2,136	2,023

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Investments:				
Loans and receivables	400	400	110,073	109,885
Total investments	400	400	110,073	109,885
Debtors:				
Loans and receivables	7,240	3,139	0	0
Financial assets carried at contract amounts	0	0	46,049	40,002
Total Debtors	7,240	3,139	46,049	40,002
Borrowing:				
Financial liabilities at amortised cost	(328,968)	(337,768)	(11,117)	(7,397)
Total Borrowings	(328,968)	(337,768)	(11,117)	(7,397)

NOTES TO THE CORE FINANCIAL STATEMENTS

	Long term		Current	
	31 March	31 March	31 March	31 March
	2015	2014	2015	2014
	£000	£000	£000	£000
Other Long Term Liabilities:				
PFI and finance lease liabilities	(22,676)	(22,685)	0	0
Total Other Long Term Liabilities	(22,676)	(22,685)	0	0
Creditors:				
Financial liabilities carried at contract amount	(707)	(719)	(45,218)	(50,113)
Cash overdrawn	0	0	(10,131)	(17,586)
Total Creditors	(707)	(719)	(55,349)	(67,699)

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:

	31 March	31 March
	2015	2014
	£000	£000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	46,049	40,002
Payments In Advance	26,211	28,713
Total Debtors as per Balance Sheet	72,260	68,715
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(45,218)	(50,113)
Receipts In Advance	(6,665)	(4,352)
Total Creditors as per Balance Sheet	(51,883)	(54,465)

Soft Loans

Small Business Loans

Shropshire Council has entered into two legal contracts with MRRT Ltd to provide funding to MRRT to be used to provide small business loans. As at the balance sheet date a total of £0.550m has been loaned to MRRT.

Valuation Assumptions

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

Other Soft Loans

Following a review in this area it has been identified that interest free loans with a nominal value of £1.892m 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 £0.335m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

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

Income, Expense, Gains and Losses

	2014/15			2013/14		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	19,734	0	19,734	19,355	0	19,355
Total expense in Surplus or Deficit on the Provision of Services	19,734	0	19,734	19,355	0	19,355
Interest income	0	(1,815)	(1,815)	0	(856)	(856)
Interest income accrued on impaired financial assets	0	0	0	0	2	2
Total income in Surplus or Deficit on the Provision of Services	0	(1,815)	(1,815)	0	(854)	(854)
Net (gain)/loss for the year	19,734	(1,815)	17,919	19,355	(854)	18,501

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2015 of 1.11% to 3.13% for loans from the PWLB, 3.19% to 3.33% for Market Loans and 0.25% to 0.84% for loans and receivables, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair values calculated are as follows:

	31 March 2015		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	49,200	60,055	49,200	45,582
Long term creditors	288,568	354,998	293,568	309,758
PFI liabilities	22,676	40,358	22,661	53,906

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 2015) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2015		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables:				
Cash	35,900	35,900	73,070	73,070
Fixed Term Deposits	74,000	74,208	36,650	36,850
Long term debtors	7,240	7,240	3,139	3,139
Long term investments	400	400	400	400

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 2015) 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

These procedures are based on the concept that firstly security of principal is paramount, secondly that there is a need to maintain liquidity and finally earning a rate of return commensurate with the first two concepts.

Credit Risk Exposure

Credit and counterparty risk is the failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness.

As a holder of public funds, Shropshire Council regards it a prime objective of its treasury management activities to be the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction or minimisation of risk. Accordingly, the Council ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Council's creditworthiness policy which is approved as part of the Annual Investment Strategy. The Council's lending list is reviewed continuously in conjunction with its treasury advisor and formally updated monthly. Additions to, and deletions from, the list are approved by the Section 151 Officer.

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating the maximum amount is currently limited to £30.000m.

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience of default, adjusted to reflect current market conditions.

	Amount deposited at 31 March 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectability at 31 March 2015	Estimated maximum exposure at 31 March 2014
	£000	%	%	%	£000
	A	B	C	(AxC)	
Loans and receivables held with counterparties having a default rating of:					
AA	29,900	0.02	0.02	0.00	0.00
A	51,000	0.09	0.09	0.00	0.00
Other Local Authorities	29,000	0.00	0.00	0.00	0.00
Debtors (Customers)	26,658	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 £26.658m outstanding from customers £11.561m is past its due date for payment. This amount past due date is analysed by age as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

Age of Debt	2014/15 £000	2013/14 £000
Less than 3 months overdue	2,236	4,490
3 to 6 months overdue	2,546	1,522
6 months to 1 year overdue	2,715	1,262
More than 1 year overdue	4,064	3,603
	11,561	10,877

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council therefore has sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected circumstances.

As the Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board and money markets for access to longer term funds, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the 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	2014/15 £000	2013/14 £000
Less than 1 year	8,861	5,061
Between 1 and 2 years	5,000	8,859
Between 2 and 5 years	16,400	17,400
Between 5 and 10 years	22,100	25,500
More than ten years	285,468	286,068
	337,829	342,888

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015 the Council's total outstanding debt (excluding accrued interest) amounted to £337.829m of which none of these loans were at stepped interest rates. Out of this balance £288.568m relates to fixed rate Public Works Loan Board (PWLB) loans, £49.200m relates to Lenders Option Borrower Option (LOBO) market loans, £0.061m relates to temporary loans for voluntary groups. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2015, £35.900m 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 2015.

	31 March 2015 £000	31 March 2014 £000
Central Government Bodies	7,358	5,636
Other Local Authorities	1,782	633
NHS Bodies	11,869	4,446
Public Corporations and Trading Funds	2	1
Other Entities and Individuals	28,543	38,616
Waste PFI Prepayments	22,706	19,383
	72,260	68,715

NOTES TO THE CORE FINANCIAL STATEMENTS

19. CASH AND CASH EQUIVALENTS

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

	31 March 2015 £000	31 March 2014 £000
Bank current accounts	30,900	53,070
Short term deposits with building societies	37,443	17,715
Total Cash and Cash Equivalents	68,343	70,785
Bank Overdraft	(10,131)	(17,586)
Cash Overdrawn	(10,131)	(17,586)

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 2015.

	31 March 2015 £000	31 March 2014 £000
Central Government Bodies	(5,695)	(5,999)
Other Local Authorities	(3,625)	(2,761)
NHS Bodies	(3,240)	(1,671)
Public Corporations and Trading Funds	(5)	0
Other Entities and Individuals	(39,318)	(44,034)
	(51,883)	(54,465)

21. USABLE RESERVES

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

	31 March 2015 £000	31 March 2014 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	1,635	3,722
Reserves	55,027	35,119
Capital Grants Unapplied Account	3,954	2,786
HRA Balance	3,076	2,545
General Fund Balance	15,206	20,019
Total Usable Reserves	78,898	64,191

NOTES TO THE CORE FINANCIAL STATEMENTS

22. UNUSABLE RESERVES

	31 March 2015 £000	31 March 2014 £000
Revaluation Reserve	121,439	137,177
Capital Adjustment Account	605,297	622,864
Financial Instruments Adjustment Account	(5,603)	(5,900)
Deferred Capital Receipts Reserve	772	804
Pensions Reserve	(407,792)	(297,394)
Collection Fund Adjustment Account	1,259	1,365
Accumulated Absences Account	(3,211)	(3,217)
Total Unusable Reserves	312,161	455,699

Revaluation Reserve

	2014/15 £000	2013/14 £000
Balance at 1 April	137,177	165,661
Upward revaluation of assets	14,544	7,736
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(8,414)	(13,828)
Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services	6,130	(6,092)
Difference between fair value depreciation and historical depreciation	(3,254)	(3,833)
Accumulated gains on assets sold or scrapped	(15,814)	(18,508)
Other transfers to the Capital Adjustment Account	(2,800)	(51)
Amount written off to the Capital Adjustment Account	(21,868)	(22,392)
Balance at 31 March	121,439	137,177

Capital Adjustment Account

	2014/15 £000	2013/14 £000
Balance at 1 April	622,864	697,440
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	(39,380)	(34,370)
- Revaluation losses on Property, Plant and Equipment	(2,366)	(9,164)
- Amortisation of intangible assets	(365)	(420)
- Revenue expenditure funded from capital under statute	(12,351)	(6,996)
- 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	(68,612)	(107,971)
	(123,074)	(158,921)
Adjusting amounts written out of the Revaluation Reserve	21,868	22,392
Net written out amount of the cost of non current assets consumed in the year	(101,206)	(136,529)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	4,435	7,567
- Use of the Major Repairs Reserve to finance new capital expenditure	6,392	1,894

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £000	2013/14 £000
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	35,783	29,478
- Application of grants to capital financing from the Capital Grants Unapplied Account	704	1,656
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	15,055	17,682
- Capital expenditure charged against the General Fund and HRA balances	3,536	2,440
	65,905	60,717
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	17,734	1,236
Balance at 31 March	605,297	622,864

Financial Instruments Adjustment Account

	2014/15 £000	2013/14 £000
Balance at 1 April	(5,900)	(6,202)
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	(18)	(13)
Balance at 31 March	(5,603)	(5,900)

Pensions Reserve

	2014/15 £000	2013/14 £000
Balance at 1 April	(297,394)	(349,517)
Actuarial gains or (losses) on pensions assets and liabilities	(101,795)	59,672
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(28,732)	(32,223)
Employer's pension contributions and direct payments to pensioners payable in the year	20,129	24,674
Balance at 31 March	(407,792)	(297,394)

Deferred Capital Receipts Reserve

	2014/15 £000	2013/14 £000
Balance at 1 April	804	834
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)	(30)
Write off of Deferred Capital Receipt Debt	0	0
Balance at 31 March	772	804

NOTES TO THE CORE FINANCIAL STATEMENTS

Collection Fund Adjustment Account

	2014/15 £000	2013/14 £000
Balance at 1 April	1,365	704
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	(106)	661
Balance at 31 March	1,259	1,365

Accumulated Absences Account

	2014/15 £000	2013/14 £000
Balance at 1 April	(3,217)	(4,467)
Settlement or cancellation of accrual made at the end of the preceding year	3,217	4,467
Amounts accrued at the end of the current year	(3,211)	(3,217)
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	6	1,250
Balance at 31 March	(3,211)	(3,217)

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

	2014/15 £000	2013/14 £000
Surplus/(Deficit) for year per Comprehensive Income & Expenditure Statement	(33,167)	(99,012)
Adjust net surplus or deficit on the provision of services for non cash movements:		
Depreciation	39,379	34,370
Impairment and downward valuations	2,365	9,164
Amortisation	365	420
Impairment losses on loans & advances debited to surplus or deficit on the provision of services in year	23	0
Reductions in fair value of non PWLB Loans	0	12
Soft Loans – Interest adjustment	0	5
Adjustments for effective interest rates	2	0
Increase/(Decrease) in Interest Creditors	(27)	(31)
Increase/(Decrease) in Creditors	(5,315)	1,458
(Increase)/Decrease in Interest and Dividend Debtors	1	295
(Increase)/Decrease in Debtors	(3,226)	(13,980)
(Increase)/Decrease in Inventories	(28)	(256)
Pension Liability	8,603	7,549
Contributions to/(from) Provisions	2,089	(1,119)
Carrying amount of non current assets sold	68,527	107,881
Movement in Investment Property Values	(17,734)	(1,236)
	95,024	144,532
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	(2,625)	(29,645)

NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £000	2013/14 £000
Capital Grants credited to surplus or deficit on the provision of services	(37,655)	(30,010)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4,978)	(8,029)
	(45,258)	(67,684)
Net Cash Flows from Operating Activities	16,599	(22,164)

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2014/15 £000	2013/14 £000
Interest received	(1,816)	(1,149)
Interest paid	19,736	19,381

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2014/15 £000	2013/14 £000
Purchase of property, plant and equipment, investment property and intangible assets	43,828	30,900
Other payments for investing activities	4,361	184
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(32)	(787)
Other receipts from investing activities*	(41,859)	(39,118)
Net cash flows from investing activities	6,298	(8,821)

* This includes capital grants received in year.

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2014/15 £000	2013/14 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	204	126
Repayments of short and long term borrowing	5,071	10,029
Other payments for financing activities*	13	1,183
Net cash flows from financing activities	5,288	11,338

* 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

NOTES TO THE CORE FINANCIAL STATEMENTS

and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

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

Service Area Income and Expenditure 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

Service Area Income and Expenditure 2013/14	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(30,872)	(29,148)	(47,121)	(2,284)	(65,628)	(175,053)
Government grants	(114)	(161,775)	(3,906)	(9,098)	(87,141)	(262,034)
Total Income	(30,986)	(190,923)	(51,027)	(11,382)	(152,769)	(437,087)
Employee expenses	19,146	30,456	30,433	1,924	39,459	121,418
Other service expenses	80,278	213,536	108,550	9,826	99,126	511,316
Support service recharges	3,752	6,424	8,186	846	16,287	35,495
Total Expenditure	103,176	250,416	147,169	12,596	154,872	668,229
Net Expenditure	72,190	59,493	96,142	1,214	2,103	231,142

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.

	2014/15 £000	2013/14 £000
Net expenditure in the Service Area Analysis	223,145	231,142
Net expenditure of services and support services not included in the Analysis	(186,679)	(156,573)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(10,567)	843
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	7,268	23,599
Cost of Services in Comprehensive Income and Expenditure Statement	33,167	99,011

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

2014/15					
	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	98,175	0	(6)	0	98,169
Other service expenses	487,852	8,104	(6,190)	(919)	488,847
Support Service recharges	38,084	185	0	0	38,269
Depreciation, amortisation and impairment	0	(3,092)	30,703	0	27,611
Interest Payments	34,257	2,995	(17,518)	0	19,734
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

2013/14 comparative figures					
	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	(172,800)	(17,250)	6,978	0	(183,072)
Interest and investment income	(2,253)	(30)	1,429	0	(854)
Income from council tax	0	0	0	(123,791)	(123,791)
Government grants and contributions	(262,034)	(850)	(6,978)	(137,630)	(407,492)
Total Income	(437,087)	(18,130)	1,429	(261,421)	(715,209)
Employee expenses	121,418	2,834	(1,241)	0	123,011

NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 comparative figures

	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
Other service expenses	473,177	5,130	7,496	(886)	484,917
Support Service recharges	35,495	174	0	0	35,669
Depreciation, amortisation and impairment	0	7,605	37,545	0	45,150
Interest Payments	38,019	2,964	(21,629)	0	19,354
Precepts & Levies	120	0	0	5,567	5,687
Payments to Housing Capital Receipts Pool	0	0	0	458	458
Gain or Loss on Disposal of Non Current Assets	0	266	0	99,709	99,975
Total expenditure	668,229	18,973	22,171	104,848	814,221
(Surplus) or deficit on the provision of services	231,142	843	23,600	(156,573)	99,012

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 2014/15 are as follows:

		2014/15 £000		2013/14 £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	(15,134)		(14,563)	
	Expenditure	15,437		15,123	
	(Surplus)/ Deficit		303		560
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	(6,998)		(7,739)	
	Expenditure	7,412		8,236	
	(Surplus)/ Deficit		414		497
The consolidated results of the other 17 of the Council's 19 trading units are	Turnover	(37,650)		(41,218)	
	Expenditure	48,832		44,072	
	(Surplus)/ Deficit		11,182		2,854
Net Surplus on Trading Activities			11,899		3,911

NOTES TO THE CORE FINANCIAL STATEMENTS

29. MEMBERS' ALLOWANCES

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

	2014/15 £000	2013/14 £000
Basic Allowances	851	850
Special Responsibility Allowances	286	287
Expenses	68	77
Total	1,205	1,214

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	2014/15	£99,981	£0	£99,981	£13,497	£113,478
	2013/14	£99,486	£0	£99,486	£11,640	£111,126
Director of Adult Services	2014/15	£97,485	£0	£97,485	£13,160	£110,645
	2013/14	£97,000	£0	£97,000	£11,349	£108,349
Director of Children's Services	2014/15	£97,485	£0	£97,485	£13,160	£110,645
	2013/14	£97,000	£0	£97,000	£11,349	£108,349
Director of Commissioning	2014/15	£97,485	£0	£97,485	£13,160	£110,645
	2013/14	£97,000	£0	£97,000	£11,349	£108,349
Director of Public Health	2014/15	£98,453	£0	£98,453	£13,783	£112,236
	2013/14	£98,453	£0	£98,453	£13,783	£112,236
Director of Resources and Support *	2014/15	£97,485	£0	£97,485	£13,160	£110,645
	2013/14	£97,000	£0	£97,000	£11,349	£108,349
Director of People (left May 2013)	2014/15	£0	£0	£0	£0	£0
	2013/14	£18,711	£0	£18,711	£2,189	£20,900
Head of Legal and Democratic Services, Monitoring Officer	2014/15	£96,620	£0	£96,620	£13,044	£109,664
	2013/14	£96,214	£0	£96,214	£11,257	£107,471
Head of Finance, Governance & Assurance, S151 Officer	2014/15	£95,400	£0	£95,400	£12,879	£108,279
	2013/14	£95,000	£0	£95,000	£11,115	£106,115

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 Resources & Support was recharged to ip&e Ltd (£27,524) to reflect the secondment arrangement during 2014/15.

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

Salaried Remuneration Band £000	2014/15 No. of Employees	2013/14 No. of Employees
50,000 - 54,999	86	111
55,000 - 59,999	34	41
60,000 - 64,999	26	22
65,000 - 69,999	11	5

NOTES TO THE CORE FINANCIAL STATEMENTS

Salaried Remuneration Band £000	2014/15 No. of Employees	2013/14 No. of Employees
70,000 - 74,999	2	2
75,000 - 79,999	5	7
80,000 - 84,999	12	11
85,000 - 89,999	4	4
90,000 - 94,999	1	0
95,000 - 99,999	7	8
100,000 - 104,999	1	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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000	27	141	90	433	117	574	924	4,539
£20,001 - £40,000	2	8	23	99	25	107	701	2,970
£40,001 - £60,000	0	0	11	34	11	34	531	1,678
£60,001 - £80,000	0	1	10	13	10	14	701	976
£80,001 - £100,000	0	0	4	9	4	9	372	804
£100,001 - £200,000	0	1	4	6	4	7	453	784
	29	151	142	594	171	745	3,682	11,751

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:

	2014/15 £000	2013/14 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	179	177
Fees payable to external audit for the certification of grant claims and returns	15	21
Fees payable in respect of other services provided by the external audit during the year	13	10
Total	207	208

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.

Details of the deployment of DSG for 2014/15 are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2014/15 before Academy recoupment	22,147	151,617	173,764
Academy figure recouped for 2014/15	0	(38,224)	(38,224)
Total DSG after Academy recoupment for 2014/15	22,147	113,393	135,540
Plus: Brought forward from 2013/14	1,480	183	1,663
Less: Carry forward to 2015/16 agreed in advance	(1,000)	0	(1,000)
Agreed budgeted distribution in 2014/15	22,627	113,576	136,203
In year adjustments	(767)	(235)	(1,002)
Final budgeted distribution in 2014/15	21,860	113,341	135,201
Less: Actual central expenditure	(27,579)	0	(27,579)
Less: Actual ISB deployed to schools	617	(617)	0
Early Years PVI included in ISB on S251	6,731	(6,731)	0
Plus: Local authority contribution for 2014/15	0	(106,412)	(106,412)
Carry forward to 2015/16	1,629	(419)	1,210

33. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

	2014/15 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(57,058)	(67,074)
Local Services Support Grant	(305)	(411)
New Homes Bonus	(5,913)	(4,581)
Council Tax Freeze Grant	(1,307)	(1,312)
Business Rates Relief Grant	(2,988)	(1,829)
LACSEG Repayment	0	(1,157)
Efficiency Support for Sparse Areas	(163)	(638)
Capitalisation Redistribution Provision Grant	0	(354)
Capital Grants & contributions	(28,823)	(25,372)
Total	(96,557)	(102,728)
Credited to Services		
DWP Housing Benefit	(69,060)	(69,062)
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	(1,208)	(1,739)
CLG Waste PFI	(3,186)	(3,186)
CLG Social Services PFI	(1,523)	(1,523)
EFA Dedicated Schools Grant	(133,991)	(146,162)
EFA/DE Sixth Form funding	(3,080)	(4,552)
EFA Pupil Premium Grant	(7,191)	(5,307)
EFA Education Services Grant	(3,765)	(4,216)
EFA UFSM	(1,847)	0
EFA PE & Sports	(1,069)	(482)
DoH Public Health Grant	(9,843)	(8,948)
DfT Local Sustainable Transport	(977)	(968)
DfT Severe Weather	0	(1,129)
Other Grants	(8,158)	(7,197)
Capital Grants & contributions	(8,832)	(4,638)
Total	(253,730)	(259,109)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015 £000	31 March 2014 £000
Grants Receipts in Advance (Capital Grants)		
Other Grants & Contributions	(70)	(1,040)
Total	(70)	(1,040)
Grants Receipts in Advance (Revenue Grants)		
EFA Dedicated Schools Grant	(2,210)	(1,776)
CLG Tackling Troubled Families	(593)	(377)
SEN Reform	(549)	0
Homelessness	(528)	(708)
Standards Fund	(290)	0
CLG Social Services PFI	(210)	(210)
Small Business Rate Relief Grant	(195)	0
Arts Council	(190)	(350)
EFA Pupil Premium Grant	(180)	(253)
DWP Housing Benefit Subsidy	0	(4,462)
Other Grants	(1,097)	(2,492)
Total	(6,042)	(10,628)

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 2014/15, the Council paid £7.946m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £8.820m 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 2014/15, the Council paid £0.106m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.0% of pensionable pay. The figures for 2013/14 were £0.090m 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	
	2014/15 £000	2013/14 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(18,016)	(21,069)
- past service gain/(cost)	(360)	(751)
- curtailment gain/(cost)	2,083	3,516
	(16,293)	(18,304)
Financing and Investment Income and Expenditure:		
- net interest expense	(12,439)	(13,919)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(28,732)	(32,223)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	46,518	16,755
- experience (gain)/loss	0	12,018
- actuarial gains and (losses) arising on changes in demographic assumptions	(148,313)	(21,259)
- actuarial gains and (losses) arising on changes in financial assumptions	0	52,158
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(130,527)	27,449
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	28,732	32,223
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(20,129)	(24,674)

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets and Liabilities Recognised in the Balance Sheet

	2014/15 £000	2013/14 £000
Present value of the defined benefit obligation	(1,114,833)	(943,710)
Fair value of plan assets	707,041	646,316
Net liability arising from defined benefit obligation	(407,792)	(297,394)

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2014/15 £000	2013/14 £000
Opening fair value of scheme assets at 1 April	646,316	610,131
Interest income	28,255	25,496
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	46,518	16,755
Contributions from employer	20,129	24,674
Contributions from employees into the scheme	5,300	5,708
Benefits paid	(37,083)	(34,400)
Other	(2,394)	(2,048)
Closing fair value of scheme assets at 31 March	707,041	646,316

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2014/15 £000	2013/14 £000
Opening balance at 1 April	(943,710)	(959,648)
Current Service Cost	(17,595)	(20,621)
Interest Cost	(40,694)	(39,415)
Contributions from scheme participants	(5,300)	(5,708)
Remeasurement gain/(loss):		
Actuarial gains/(losses) arising from changes in demographic assumptions	(148,313)	(21,259)
Actuarial gains/(losses) arising from changes in financial assumptions	0	52,158
Other	0	12,018
Past service costs	(360)	(751)
Losses/(gains) on curtailment	(1,484)	(5,187)
Liabilities assumed on entity combinations	0	0
Benefits paid	37,083	34,400
Liabilities extinguished on settlements	5,540	10,303
Closing balance at 31 March	(1,114,833)	(943,710)

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2014/15 £000	2013/14 £000
Cash and cash equivalents	21,989	15,834
Equity investments:		
UK quoted	58,260	52,998
Global quoted	309,471	300,020
Sub-total equity	367,731	353,018
Bonds:		
UK Government fixed	0	517
UK Government indexed	78,482	64,244
Government	0	90,290
PIMCO (Global Investment grade credit)	51,685	0
PIMCO (Global Absolute return bond fund)	50,271	0
Sub-total bonds	180,438	155,051
Property:		
Property funds	28,989	25,659
Sub-total property	28,989	25,659
Alternatives:		
Private Equity	29,484	27,210
Infrastructure	4,525	5,106
Hedge Funds	73,885	64,438
Sub-total alternatives	107,894	96,754
Total assets	707,041	646,316

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rate, salary levels and other variables.

The Council element of the Fund liabilities has been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2014/15	2013/14
Long term expected rate of return on assets in the scheme:		
Equity investments	6.5%	7.0%
Government Bonds	2.2%	3.4%
Other Bonds	2.9%	4.3%
Property	5.9%	6.2%
Cash/Liquidity	0.5%	0.5%

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2014/15	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.8 yrs	22.4 yrs
Women	26.1 yrs	25.1 yrs
Longevity at 65 for future pensioners:		
Men	26.0 yrs	24.2 yrs
Women	29.0 yrs	27.1 yrs
Rate of inflation	2.0%	2.4%
Rate of increase in salaries	3.5%	3.9%
Rate of increase in pensions	2.0%	2.4%
Rate for discounting scheme liabilities	3.2%	4.4%

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)	1,136,302	1,093,364
Rate of inflation (increase or decrease by 0.1%)	1,134,784	1,094,882
Rate of increase in salaries (increase or decrease by 0.1%)	1,118,429	1,111,237
Rate of increase in pensions (increase or decrease by 0.1%)	1,134,784	1,094,882
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,095,232	1,134,434

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 18 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 £18.969m expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 18 years for 2014/15 (18 years 2013/14).

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 2014/15 was £31.773m compared with £20.474m for 2013/14.

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

£4.790m to organisations where members are employed and £0.472m 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 £0.539m 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 £0.906m from the pension fund for the costs of administration it provided in 2014/15 compared with £1.112m for 2013/14.

The Council also has group relationships with West Mercia Energy, Shropshire Towns & Rural Housing and IP&E Limited. Further detail on the type of relationship held with each company is considered in more detail under the Group Accounts section which begins on page 86.

37. CONTINGENT LIABILITIES

At 31 March 2015, the Council had the identified the following contingent liabilities:

There are a number of legal and insurance cases outstanding that may result in future costs for the Council. These include:

- A legal claim regarding a breach of contract on a land sale.
- A judicial review regarding a planning application.
- A claim around costs relating to a village green.
- Claims surrounding chancel repair liabilities.
- A judicial review relating to ShropshireLink.

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). MENCAP no longer has active members, on closure they cleared their outstanding liabilities, they now have 6 pensioners and 2 deferred members. Age Concern has 9 active members, 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 20 active members, 120 pensioners, 40 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 37 active members, 7 deferred members and 4 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 29 active members, 15 pensioners, 24 deferred members and 2 dependant. HMM Arts has 1 active member, 3 deferred members and 1 pensioner. The guarantee for Energize Shropshire Telford & Wrekin covers staff Tupe'd to them on 1 January 2013, they have 2 active members. These do not

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

The Council has entered into four “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 £1.027m 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 also applied funding to a further site under construction at Market Drayton. Total funding anticipated for this scheme is £1.470m and the costs incurred to date of £1.116m have been included as a capital debtor in the balance sheet.

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.

38. 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 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.

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:

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.	(24,143)	10,604	235,419	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)	1,160	147,630	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(9,892)	4,250	281,696	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,073)	1,550	49,761	0
Lyneal Trust	A charity that offers canal and canal	(44,047)	44,741	461,893	(6,489)

NOTES TO THE CORE FINANCIAL STATEMENTS

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Sight Loss Shropshire	side holidays for people with disabilities, their family and friends. A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	(49,261)	44,809	505,745	(3,725)

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.

Section 6

Group Accounts

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2014 to 31 March 2015. 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 2015, with comparative figures for the previous financial year.

IP&E LIMITED

IP&E Limited is a trading company wholly owned by Shropshire Council. It has been established to provide public services on the council's behalf and will also be able to trade with other organisations. The company was incorporated on 30 May 2012.

IP&E Limited has been included within the accounts as a subsidiary under the requirements of 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 2015. For 2014/15 IP&E Limited had total income of £1.162m, total expenditure of £1.134m, assets of £0.415m and liabilities of £1.035m.

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 2014/15 Shropshire Towns and Rural Housing Limited had total income of £17.294, total expenditure of £16.751m, assets of £3.397m and liabilities of £4.126m.

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's share of West Mercia Energy's balances is 26.0%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on audited statement of accounts for 31st March 2015. For 2014/15 West Mercia Energy had total income of £71.006m, total expenditure of £70.920m, assets of £16.323m and liabilities of £18.986m.

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 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

(Restated)	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2013	11,528	42,989	1,041	1,402	3,909	60,869	504,453	565,322	(759)	564,563
Movement in reserves during 2013/14										
Opening Transactions with owner	(793)	0	0	0	0	(793)	0	(793)	0	(793)
Surplus or (deficit) on the provision of services	(88,043)	0	(844)	0	0	(88,887)	0	(88,887)	(9,956)	(98,843)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	53,580	53,580	781	54,361
Total Comprehensive Income and Expenditure	(88,836)	0	(844)	0	0	(89,680)	53,580	(36,100)	(9,175)	(45,275)
Adjustments between Group Accounts and authority accounts	(9,332)	0	0	0	0	(9,332)	0	(9,332)	9,366	34
Net Increase/Decrease before Transfers	(98,168)	0	(844)	0	0	(99,012)	53,580	(45,432)	191	(45,241)
Adjustments between accounting basis and funding basis under regulations	98,793	0	2,344	2,320	(1,123)	102,334	(102,334)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	625	0	1,500	2,320	(1,123)	3,322	(48,754)	(45,432)	191	(45,241)
Transfers to/from Earmarked Reserves	7,866	(7,870)	4	0	0	0	0	0	0	0
Increase/Decrease in 2013/14	8,491	(7,870)	1,504	2,320	(1,123)	3,322	(48,754)	(45,432)	191	(45,241)
Balance at 31 March 2014	20,019	35,119	2,545	3,722	2,786	64,191	455,699	519,890	(568)	519,322

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	16,508	0	0	0	16,508	0	16,508	(16,529)	(21)
Total adjustments between Group Accounts and authority accounts	16,508	0	0	0	16,508	0	16,508	(16,529)	(21)

GROUP ACCOUNTS

The Group Comprehensive Income & Expenditure Statement

2013/14 (Restated) Group Expenditure £000		SC Net Expenditure £000	2014/15 Adjustments £000	Group Expenditure £000
	Expenditure on Continuing Services			
76,183	Adult Social Care	72,166	0	72,166
6,606	Central Services to the public	5,349	475	5,824
55,539	Children's and Education Services	54,281	0	54,281
20,986	Cultural and Related Services	14,305	0	14,305
27,311	Environmental and Regulatory Services	31,630	0	31,630
30,152	Highways and Transport Services	28,100	0	28,100
(1,831)	Local Authority Housing (HRA)	(12,697)	(553)	(13,250)
5,973	Other Housing Services	4,608	0	4,608
7,584	Planning Services	5,404	0	5,404
93	Public Health	(615)	0	(615)
5,078	Corporate and Democratic Core	4,575	0	4,575
(1,608)	Non Distributed Costs	(485)	0	(485)
232,066	Net Cost of Services	206,621	(78)	206,543
106,374	Other Operating Expenditure	70,519	0	70,519
33,098	Financing and Investment Income and Expenditure	23,699	18	23,717
(272,174)	Taxation and Non Specific Grant Income	(267,672)	0	(267,672)
99,364	(Surplus)/Deficit on the provision of services	33,167	(60)	33,107
(521)	Associates & Joint Ventures Accounted for on an equity basis	0	(534)	(534)
98,843	Group (Surplus)/Deficit	33,167	(594)	32,573
2,093	(Surplus) or deficit on revaluation of non-current assets	(9,354)	0	(9,354)
3,999	Impairment losses on Non Current Assets Charged to the Revaluation Reserve	3,223	0	3,223
(60,453)	Remeasurement of pension assets and liabilities	101,795	2,090	103,885
(54,361)	Other Comprehensive Income and Expenditure	95,664	2,090	97,754
44,482	Total Comprehensive Income and Expenditure	128,831	1,496	130,327

GROUP ACCOUNTS

Group Balance Sheet at 31 March 2015

31 March 2014 (Restated) £000		SC £000	31 March 2015 Adjustments £000	Group £000
1,062,227	Property, Plant & Equipment	995,904	8	995,912
2,475	Heritage Assets	2,592	0	2,592
28,878	Investment Property	47,673	0	47,673
807	Intangible Assets	432	15	447
1,519	Assets Held for Sale	599	0	599
1,095,906	Total Non Current Assets	1,047,200	23	1,047,223
400	Long Term Investment	400	0	400
(385)	Investments in Associates and Joint Ventures	0	(693)	(693)
3,048	Long Term Debtors	7,240	(92)	7,147
1,098,969	Total Long Term Assets	1,054,840	(762)	1,054,078
	Current Assets			
0	Current Held for Sale Investment Properties	125	0	125
0	Assets Held for Sale	3,635	0	3,635
39,100	Short Term Investments	41,730	0	41,730
981	Inventories	994	22	1,016
68,158	Short Term Debtors	72,260	(723)	71,537
72,405	Cash & Cash Equivalents	68,343	2,734	71,077
180,644	Total Current Assets	187,087	2,033	189,120
1,279,613	Total Assets	1,241,927	1,271	1,243,198
	Current Liabilities			
(17,586)	Bank Overdraft	(10,131)	0	(10,131)
(7,397)	Short Term Borrowing	(11,117)	0	(11,117)
(55,186)	Short Term Creditors	(51,883)	(796)	(52,679)
(4,492)	Provisions	(3,585)	0	(3,585)
(10,628)	Grants Receipts in Advance - Revenue	(6,042)	0	(6,042)
(1,040)	Grants Receipts in Advance - Capital	(70)	0	(70)
(96,329)	Total Current Liabilities	(82,828)	(796)	(83,624)
1,183,284	Total Assets Less Current Liabilities	1,159,099	475	1,159,574
	Long Term Liabilities			
(719)	Long Term Creditors	(707)	0	(707)
(337,768)	Long Term Borrowing	(328,968)	0	(328,968)
(22,685)	Other Long Term Liabilities	(22,676)	0	(22,676)
(297,889)	Pensions Liability	(407,792)	(2,518)	(410,310)
(4,901)	Provisions	(7,897)	0	(7,897)
(663,962)	Total Long Term Liabilities	(768,040)	(2,518)	(770,558)
519,322	Total Assets Less Liabilities	391,059	(2,043)	389,016
	Financed by:			
65,112	Usable Reserves	78,898	1,210	80,108
454,210	Unusable Reserves	312,161	(3,253)	308,908
519,322	Total Reserves	391,059	(2,043)	389,016

GROUP ACCOUNTS

Group Cash Flow Statement

2013/14 (Restated) Group £000	Revenue Activities	2014/15		
		SC £000	Adjustments £000	Group £000
98,843	Net (surplus) or deficit on the provision of services	33,167	(594)	32,573
(144,690)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(95,024)	(176)	(95,200)
66,744	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	45,258	131	45,389
20,897	Net cash flows from operating activities	(16,599)	(639)	(17,238)
(8,756)	Investing activities	6,298	0	6,298
10,920	Financing activities	5,288	(475)	4,813
23,061	Net (increase) or decrease in cash and cash equivalents	(5,013)	(1,114)	(6,127)
77,880	Cash and cash equivalents at the beginning of the reporting period	53,199	1,620	54,819
54,819	Cash and cash equivalents at the end of the reporting period	58,212	2,734	60,946

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 (26.0%) £000
Turnover	(71,006)	(18,472)
Cost of Goods Sold and Operating Expenses	68,952	17,938
Interest and Investment Income	144	37
Net Operating Surplus	(1,910)	(497)
Distribution of Surplus to Member Authorities	1,824	475
NET SURPLUS FOR THE YEAR	(86)	(22)

G2. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£17.294m) and expenditure (£16.741m) of Shropshire Towns & Rural Housing Limited, giving a net income of £0.553m 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 £16.731m).

G3. Consolidation of IP&E Ltd

The operating income (£1.162m) and expenditure (£1.124m) of IP&E Limited, giving a net income of £0.038m 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 £0.875m).

G4. Investment included in Group Balance Sheet

	WME £000	SC Share (26.0%) £000
Assets		
Plant & Equipment	25	7
Short term debtors	10,714	2,787
Cash and cash equivalents	5,584	1,452
Total Assets	16,323	4,246
Liabilities		
Short term creditors	(13,625)	(3,544)
Other long term liabilities	(5,361)	(1,395)
Total Liabilities	(18,986)	(4,939)
Net Investments in Associates and Joint Ventures	(2,663)	(693)

Section 7

**Pension Fund
Accounts**

ANNUAL REPORT AND ACCOUNT OF THE SHROPSHIRE COUNTY PENSION FUND

SHROPSHIRE FUND INFORMATION:



Fund value increase
over the year



Is the Fund value as
at 31 March 2015



Outperforming
benchmark by 1.4%

The Shropshire Fund benefited from positive investment returns in a number of asset classes. The strongest returns were experienced in Infrastructure where the Fund's investments increased in value by a notable 40% in the year. The Fund has also achieved strong returns in Global Equities managed by Investec and MFS which delivered an investment return of 21.2% and 19.6% respectively. Returns in Private Equity were also positive earning 18.6%. The Fund's allocation to Index Linked Bonds increased by 21.1%. Hedge Funds delivered a return of 5.9% and Property 5.5%. None of the Fund's managers delivered negative returns over the last 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. In April 2014 the Fund reduced its allocation in global government bonds by 5% by terminating the contract with Strategic and increasing the allocation to absolute return bonds (2.5%) and investment grade credit corporate bonds (2.5%) managed by PIMCO due to the excess yields available compared to Government Bonds. There were no other Fund manager changes during the financial year.

During 2014/15, 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.

In March 2015, the 7.5% allocation to Investment Grade Bonds managed by PIMCO was reviewed. Strong returns have been 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 is due to be replaced by more Unconstrained Bond Funds during 2015/16 which will provide further diversification within the Fund and improve 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 in March 2015 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 would enable 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. 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.

Since the LGPS changed to a Career Average Revalued Earnings Scheme (CARE) on the 1 April 2014, the Pension Administration Team have been working hard to ensure successful implementation of the new regulations for its members and employers. The introduction of the CARE scheme has brought with it additional data that employers must hold for its employees in the LGPS and significant work has been undertaken by the Pension Administration Team to communicate and support employers in the changes.

A series of training sessions were held throughout 2014/15 including an employers meeting in January 2015 covering in detail the data requirements in the LGPS since the introduction of CARE. To help employers meet their responsibilities the Fund has invested in middleware to improve the flow of data between employers and the Fund.

Work has also been undertaken to ensure Scheme members have been kept up to date with the latest LGPS news including how benefit accrual works in the CARE scheme and the changes in the Governance Regulations with the introduction of the Pensions Board.

PENSION FUND ACCOUNTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

2013/14 £000		2014/15 £000
	Income	
	Contributions	
(45,077)	Employers (Note 7)	(44,657)
(13,660)	Employees (Note 7)	(14,134)
(3,213)	Transfers In from other pension funds (Notes 3, 7)	(4,339)
(61,950)	Total Income	(63,130)
	Expenditure	
	Benefits Payable	
47,094	Pensions (Note 7)	51,090
10,528	Commutation of pensions and lump sum retirement benefits (Note 7)	10,842
1,365	Lump Sums (Note 7)	1,202
	Payment to & Account of Leavers	
8	Refund of contributions (Note 7)	81
3,299	Transfers to other funds (Notes 3, 7)	4,312
62,294	Total Expenditure	67,527
344	Net additions from dealings with scheme members	4,397
11,688	Management Expenses (Notes 8,11,12)	13,764
	Returns on Investments	
(19,823)	Investment Income (Note 3, 9, 16)	(19,248)
(26,860)	(Gain)/loss on cash and currency hedging (Note 14, 15)	(16,767)
195	Taxes on Income (Note 10)	20
(70,022)	Profits and losses on disposal of investments and changes in value of investments (Note 13)	(155,698)
(116,510)	Net (increase) / decrease in the net assets available for benefits during the year	(191,693)
(104,478)	(Surplus) / deficit on the pension fund for the year	(173,532)
1,234,725	Opening net assets of the scheme	1,339,203
1,339,203	Closing net assets of the scheme	1,512,735

PENSION FUND ACCOUNTS

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2015

31 March 2014		31 March 2015	
£000		£000	%
	Investment Assets		
	Fixed Interest Securities		
61,798	Public Sector Bonds	0	0.00
207,853	Equities	228,604	15.11
	Pooled Investment Vehicles		
131,773	Unitised Investment Vehicles (Note 13a)	159,821	10.56
912,315	Other Managed Funds (Note 13a)	1,082,132	71.53
	Derivative Contracts		
16	Futures (Note 15)	0	0.00
637	Forward Foreign Exchange (Note 14)	0	0.00
	Cash Deposits		
4,916	Margin Balances	0	0.00
22,241	Deposits	39,915	2.64
2,650	Temporary Investments (Note 29)	3,380	0.22
1,344,199		1,513,852	100.06
	Investment Liabilities		
	Derivatives		
(10)	Futures (Note 15)	0	0.00
(5)	Forward Foreign Exchange (Note 14)	0	0.00
	Other Financial Liabilities		
(4,959)	Margin Balances	0	0.00
1,339,225	Net Investment Assets		
	Current Assets		
2,722	Contributions due from Employers (Note 20)	2,044	0.14
2,156	Other Current Assets (Note 20)	1,288	0.09
38	Cash Balances (Note 29)	20	0.00
	Current Liabilities		
(1,800)	Unpaid Benefits (Note 21)	(505)	(0.03)
(3,138)	Other Current Liabilities (Note 21)	(3,964)	(0.26)
1,339,203	Net Assets of the Scheme - Available to Fund Benefits as at 31 March	1,512,735	100.00

PENSION FUND ACCOUNTS

NOTES TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

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

It is a contributory defined 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 138 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2015	31 March 2014
Number of employers with active members	99	126
Number of employees in the scheme		
Shropshire Council	7,166	7,376
Other employers	8,980	8,041
Total	16,146	15,417
Number of pensioners in the scheme		
Shropshire Council	4,686	4,476
Other employers	4,723	4,494
Total	9,409	8,970

PENSION FUND ACCOUNTS

Shropshire County Pension Fund	31 March 2015	31 March 2014
Number of deferred pensioners in the scheme		
Shropshire Council	7,265	6,857
Other employers	2,461	6,812
Total	14,449	13,669

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 2015. 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 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 out 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 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 8). Individual transfers in/out are accounted 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 8). 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 2014/15 this figure is £20,274.

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 administration 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 several managers that an element of their fee will be performance related. Performance related fees were £3.928m in 2014/15 (2013/14 £3.639m). The cost of obtaining investment advice from consultants is also included in investment managers expenses.

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 2014/15, £0.013m of fees is based on such estimates (2013/14 £0.006m).

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 asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined as follows:

- 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 guidelines set out by the British Venture Capital Association.

- 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 22 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 set out by the British Venture Capital Association.

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 19. 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. 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

PENSION FUND ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. 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 £64.3 million. There is a risk that this investment may be under or overstated in the accounts.
Hedge Funds	The fund of funds is 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 £154.4 million. There is a risk that these investments may be under or overstated 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 2015 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).

2014/15	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	(1,143)	(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	3,404	10,843
Death Benefits	454	129	618	1,201
Refunds	44	3	33	80
Transfers Out	1,730	762	1,821	4,313
Total Expenditure	39,596	8,496	19,435	67,527

PENSION FUND ACCOUNTS

2013/14 comparative figures	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
<u>Contribution Received</u>				
Employees	(5,652)	(2,021)	(5,987)	(13,660)
Employers	(22,600)	(6,030)	(16,447)	(45,077)
Transfers In	(716)	(1,027)	(1,470)	(3,213)
Total Income	(28,968)	(9,078)	(23,904)	(61,950)
<u>Payments Made</u>				
Pensions	29,362	5,367	12,365	47,094
Lump Sums	6,032	1,607	2,889	10,528
Death Benefits	683	68	614	1,365
Refunds	8	0	0	8
Transfers Out	1,794	378	1,127	3,299
Total Expenditure	37,879	7,420	16,995	62,294

This table breaks down the employers contributions amount of £44.657m from the above table.

	2014/15 £000	2013/14 £000
Employers normal contributions	30,860	28,583
Employers deficit contributions	10,639	10,088
Employers augmentation contributions	3,158	6,407
	44,657	45,078

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.

The investment management expenses above includes £3.928m (2013/14 £3.639m) in respect of performance related fees paid to Fund investment managers. It also includes £1.245m in respect of transaction costs (2013/14 £1.0m). The £1.0m of transaction costs in 2013/14 was identified during a separate exercise, however, the 2013/14 accounts have not been restated.

	2014/15 £000	2013/14 £000
Administrative costs	785	949
Investment management expenses	12,451	9,720
Oversight and governance costs	528	1,019
	13,764	11,688

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. There has, again, been a reduction in equity dividends due to the restructure of the Fund in September 2013 when several equity manager contracts were terminated. This year is the first full year of this effect.

	2014/15 £000	2013/14 £000
Interest from Fixed Interest Securities	(422)	(1,029)
Dividends from equities	(6,229)	(10,797)
Income from pooled investment vehicles	(934)	(1,474)
Interest on cash deposits	(25)	(17)
Other	(8,233)	(6,506)
	(15,843)	(19,823)

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2014/15 £000	2013/14 £000
Withholding tax – Fixed interest securities	0	1
Withholding tax - equities	8	170
Withholding tax - pooled	12	24
	20	195

11. INVESTMENT EXPENSES

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.

	2014/15 £000	2013/14 £000
Management Fees	12,359	10,344
Custody Fees	92	232
	12,451	10,576

12. ADMINISTRATION EXPENSES

The costs incurred by the Council in administering the Fund totalled £0.784 million for the year ended 31 March 2015 (2013/14 £0.938m). Due to the issue of the CIPFA guidance on management costs this table has been updated to show the costs included within administration which excludes some costs now categorised within oversight and governance.

PENSION FUND ACCOUNTS

	2014/15 £000	2013/14 £000
Employee costs	525	478
IT	129	316
Printing & Postage	60	60
Office Accommodation	22	6
Subscriptions	22	28
Other Costs	26	38
	784	949

13a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

Investment type	Value as at 1 April		Purchases at cost & derivative payments		Sale proceeds & derivative receipts		Transition		Other cash transactions		Change in market value		Value as at 31 March	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2014/15														
Fixed Interest Securities – Public Sector	61,798		3,643		(65,380)		0		0		(61)		0	
Equities	207,853		89,382		(88,852)		0		0		20,221		228,604	
Pooled Investment Vehicles – Unitised Investment Vehicles	131,773		0		0		0		0		28,048		159,821	
Pooled Investment Vehicles – Other Managed Funds	912,315		116,035		(54,321)		0		0		108,102		1,082,132*	
Derivative contracts	638		0		(21)		0		0		(617)		0	
Sub total	1,314,377		209,060		(208,574)		0		0		155,693		1,470,557	
Cash deposits – with Managers	22,241		0		0		0		17,669		5		39,915	
Cash deposits – margin balances	(43)		0		0		0		43		0		0	
Temporary Investments	2,650		0		0		0		730		0		3,380	
Total	1,339,225		209,060		(208,574)		0		18,442		155,698**		1,513,852	

Investment type	Value as at 1 April		Purchases at cost & derivative payments		Sale proceeds & derivative receipts		Transition		Other cash transactions		Change in market value		Value as at 31 March	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2013/14 comparative figures														
Fixed Interest Securities – Public Sector	47,748		134,695		(116,470)		0		0		(4,175)		61,798	
Equities	555,562		221,313		(255,412)		(345,709)		0		32,099		207,853	
Pooled Investment Vehicles – Unitised Investment Vehicles	116,634		19,795		0		0		0		(4,656)		131,773	

PENSION FUND ACCOUNTS

Investment type	Value as at 1 April		Purchases at cost & derivative payments		Sale proceeds & derivative receipts		Transition		Other cash transactions		Change in market value		Value as at 31 March	
2013/14 comparative figures	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pooled Investment Vehicles – Other Managed Funds	457,168		478,434		(416,515)		345,709		0		47,519		912,315	
Derivative contracts	1,424		0		13		0		0		(773)		638	
Sub total	1,178,536		854,237		(788,410)		0		0		70,014		1,314,377	
Cash deposits – with Managers	46,513		0		0		0		(24,280)		8		22,241	
Cash deposits – margin balances	3,884		0		0		0		(3,927)		0		(43)	
Temporary Investments	2,860		0		0		0		(210)		0		2,650	
Total	1,231,793		854,237		(788,410)		0		(28,417)		70,022		1,339,225	

*Within the Pooled Investment Vehicles - other managed funds total of £1082.132m are £218.741m of level 3 investments as at 31 March 2015. The value of the level 3 investments were £187.625m as at 1st April 2014 which increased to £218.741m as at 31 March 2015.

The increase in value is due to purchases of £32.662m, sales of £10.876m and change in market value of £9.330m.

** The total change in market value for 2014/15 as per the table above is £155.698m. This figure is made of up of profit on sales of £35.511m and also the difference between book cost and market value for the whole Fund which for 2014/15 was £120.187m

13b. ANALYSIS OF INVESTMENTS (EXCLUDING DERIVATIVE CONTRACTS)

	2014/15 £000	2013/14 (restated) £000
Fixed Interest Securities		
Overseas		
Public sector quoted	0	61,798
Total Fixed Interest Securities	0	61,798
Equities		
UK		
Quoted	103,656	97,993
Overseas		
Quoted	124,948	109,860
Total Equities	228,604	207,853
Pooled Funds – additional analysis		
UK		
Index Linked Bonds	159,821	131,773
Unit Trusts	10,410	11,680
Overseas		
Unit Trusts	780,065	650,265
Hedge Funds	154,404	130,277

PENSION FUND ACCOUNTS

	2014/15 £000	2013/14 (restated) £000
Pooled property investments	62,970	51,999
Private Equity	64,337	57,348
Infrastructure	9,946	10,746
Total Pooled Funds	1,241,953	1,044,088
Total	1,470,557	1,313,739

14. 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.

15. 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.

16. SECURITIES 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 £0.050m in 2014/15 and this is included within investment income in the Pension Fund Account. At 31 March 2015 £8.240m worth of stock (approx 0.5% of the Fund) was on loan, for which the Fund was in receipt of £8.865m worth of collateral.

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.

There are no liabilities associated with the loaned assets.

17a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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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 2015			31 March 2014		
	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						
Fixed Interest Securities – Public Sector	0			61,798		
Equities	228,593			207,853		
Pooled Investment Vehicles – Unitised Investment Vehicles	159,821			131,773		
Pooled Investment Vehicles – Other Managed Funds	1,082,132			912,315		
Derivative contracts	0			653		
Cash		43,325			24,849	
Debtors		3,332			4,916	
Total Assets	1,470,546	46,657	0	1,314,392	29,765	0
Financial Liabilities						
Derivative contracts	0			(15)		
Creditors			(4,468)			(4,939)
Total Liabilities	0	0	(4,468)	(15)	0	(4,939)
Total	1,470,546	46,657	(4,468)	1,314,377	29,765	(4,939)

17b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2014/15 £000	2013/14 £000
Financial Assets		
Fair value through profit and loss	155,698	70,787
Loans and receivables	0	7
Financial Liabilities		
Fair value through profit and loss	0	(772)
	155,698	70,022

17c. 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

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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 quarter behind so the valuation in the accounts is as at 31st December 2014. 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
2014/15			£000	£000	£000	£000
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		

PENSION FUND ACCOUNTS

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						
	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 Derivative Assets			0			
Net Current Assets (incl cash)			42,189	42,189		
Total			1,512,735	1,221,077	72,917	218,741

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
2013/14						
Fixed Interest Securities	Strategic Fixed Income	Global Government Bonds	61,798	61,798		
Equities	Majedie Asset Management	UK Equities	110,258	110,258		
Pooled Investment Vehicles	Harris Associates	Global Equities	97,584	97,584		
	Legal & General	UK Index Linked Bonds	131,773	131,773		
	Majedie Asset Management	UK Pooled Fund	11,680	11,680		
	Pimco Europe Ltd	Global Aggregate Bonds	131,170	131,170		
	MFS	Global Equities	123,238	123,238		
	HarbourVest Partners Ltd	Private Equity	57,348			57,348
	Aberdeen	Property Unit	51,999		51,999	
	Property Investors	Trusts				
	Blackrock	Hedge Fund	67,802			67,802
Global Infrastructure Partners	Infrastructure	10,746		10,746		
	Legal & General	Global Equities	289,037	289,037		
	Investec	Global Equities	106,818	106,818		
	Brevan Howard	Hedge Fund	62,475			62,475
Net Derivative Assets			639	639		
Net Current Assets (incl cash)			24,838	24,838		
Total			1,339,203	1,088,833	62,745	187,625

18. 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:

PENSION FUND ACCOUNTS

Asset Type	Potential market movements (+/-)
UK Equities	10.3%
Global Equities	9.0%
Property	3.6%
Private Equity	4.9%
Hedge Funds	4.6%
Global Aggregate Bonds	2.6%
UK ILG over 5 years	9.6%
Infrastructure	4.4%

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 £000	Percentage change %	Value on increase £000	Value on decrease £000
2014/15				
Net Assets including Cash	42,189	0.00	42,189	42,189
Investment Portfolio Assets				
UK Equities	114,066	10.30	125,815	102,317
Global Equities	691,124	8.96	753,049	629,199
Corporate Bonds	213,878	2.57	219,375	208,381
Property	62,970	3.63	65,256	60,684
Private Equity	64,337	4.85	67,457	61,217
Hedge Funds	154,404	4.57	161,460	147,348
UK Index linked Gilts over 5 years	159,821	9.59	175,148	144,494
Infrastructure	9,946	4.35	10,379	9,513
Total assets available to pay benefits	1,512,735		1,620,128	1,405,342

Asset type	Value as at 31 March £000	Percentage change %	Value on increase £000	Value on decrease £000
2013/14				
Net Assets including Cash	24,825	0.0	24,825	24,825
Investment Portfolio Assets				
UK Equities	232,911	12.3	261,559	204,263
Global Equities	505,716	11.2	562,356	449,076
Corporate Bonds	131,170	2.5	134,449	127,891
Property	51,999	2.7	53,403	50,595
Private Equity	57,348	5.3	60,388	54,309
Hedge Funds	130,277	4.5	136,140	124,415
Global Government Bonds	61,798	2.7	63,467	60,129
UK Index linked Gilts over 5 years	131,773	8.8	143,369	120,177
Infrastructure	10,747	4.0	11,176	10,317
Net derivative assets	638	0.0	638	638
Total assets available to pay benefits	1,339,202		1,451,770	1,226,634

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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 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	As at 31 March 2015 £000	As at 31 March 2014 £000
Cash and cash equivalents	39,915	22,441
Cash balances	20	38
Index Linked Bonds	159,821	131,773
Corporate Bonds	213,878	131,170
Fixed Interest securities (10 years)	0	61,798
Total change in assets available	413,635	347,020

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	
		+100BPS £000	-100BPS £000
As at 31 March 2015			
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

Asset type	Carrying amount £000	Effect on asset values	
		+100BPS £000	+100BPS £000
As at 31 March 2014			
Cash and cash equivalents	22,241	0	0
Cash balances	38	0	0
Index Linked Bonds (24 years)	131,773	(31,626)	31,626
Absolute Return Strategy IV Fund (2.05 years)	66,155	(1,356)	1,356
Global Investment Grade Credit Fund (5.24 years)	65,015	(3,407)	3,407
Fixed Interest securities (10 years)	61,798	(6,180)	6,180
Total change in assets available	347,020	(42,568)	42,568

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In terms of interest received, if the interest rate increases by 1% this 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.

As at 31 March 2015 the Fund also had £3.380m of Pension Fund revenue cash invested. All of this was invested in two call accounts and is classified as a variable rate investment. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.034m. Similarly, the impact of a 1% fall in interest rates would be a £0.034m reduction in interest received. The Fund had nothing invested in fixed term deposits as at 31 March 2015.

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 2015 and as at the previous year end:

Currency exposure – asset type	Asset value as at 31 March 2015 £000	Asset value as at 31 March 2014 £000
Overseas Equities	368,515	614,250
Overseas Private Equity	67,925	61,807
Overseas Pooled Property	15,043	18,871
Overseas Government Bonds	0	64,302
Overseas Infrastructure	16,067	11,471
Total change in assets available	467,550	770,701

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 5% (as measured by one standard deviation). A 5% 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 5% 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	Carrying amount	Change in year in the net assets available to pay benefits	
As at 31 March 2015	£000	+5% £000	-5% £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

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 2014	£000	£000	£000
Overseas Equities	614,250	644,963	583,538
Overseas Private Equity	61,807	64,897	58,717
Overseas Pooled Property	18,871	19,815	17,927
Overseas Government Bonds	64,302	67,517	61,087
Overseas Infrastructure	11,471	12,045	10,897
Total change in assets available	770,701	809,237	732,166

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	Balances as at 31 March 2015	Balances as at 31 March 2014
		£000	£000
Natwest Instant Access Account	A	1,380,000	650,000
Handelsbanken Instant Access Account	AA-	2,000,000	2,000,000
Total		3,380,000	2,650,000

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 2015 was £23.135m.

The Fund does not have access to an overdraft facility. All financial liabilities at 31 March 2015 are due within one year.

19. 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 will be 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

20. ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2015. An analysis of debtors is shown below:

	2014/15 £000	2013/14 £000
Central Government bodies	9	4
Other Local Authorities	1,679	3,406
NHS Bodies	1	0
Other entities and individuals	1,643	1,468
Total	3,332	4,878

21. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2015. An analysis of creditors is shown below:

	2014/15 £000	2013/14 £000
Other Local Authorities	1,239	3,960
Other entities and individuals	3,229	978
Total	4,468	4,938

22. 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 No3093).

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 534 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2014/15 contributions to the schemes amounted to £0.530m. The combined value of the AVC funds as at 31 March 2015 was £4.228m.

23. 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 £0.906m (2013/14 £1.112m) 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 £18.686m (2013/14 £17.627m). 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 is also a member of the Fund.

Legislation coming 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 joined 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.

24. CONTRACTUAL COMMITMENTS

The Fund has a 5% (£76 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 2015 £123m 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 2015 the funds Private Equity investments totalled £64.337m.

25. CONTINGENT ASSETS

11 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.

26. VALUE ADDED TAX

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

27. 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.

28. 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.

29. 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 2015 £3.380 million was invested. The cash balance in the Pension Fund account as at the same date was £0.020 million. All expenditure is still being paid by Shropshire Council on behalf of the Fund and this is reimbursed to Shropshire Council on a monthly basis.

30. FUND STRUCTURE UPDATE

At the March 2014 Pensions Committee a decision was taken to disinvest funds with Strategic Fixed Income and invest additional assets with Pimco. This process took place in May 2014.

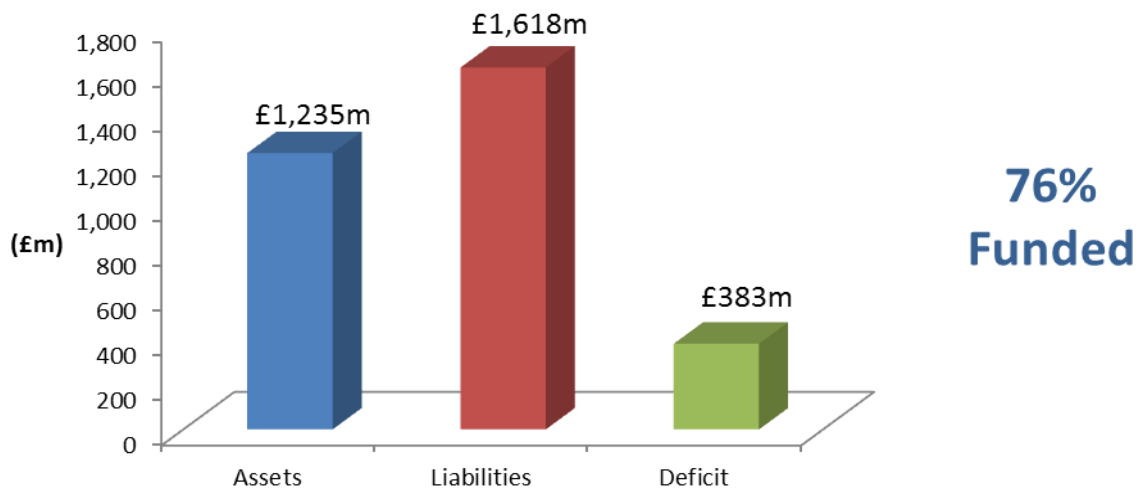
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2015 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.

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

PENSION FUND ACCOUNTS

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 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% 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 fell significantly, resulting in a lower discount rate

PENSION FUND ACCOUNTS

being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £1,807 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£295 million. Adding interest over the year increases the liabilities by a further c£81 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£2 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 2015 is therefore £2,181 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Shropshire Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Shropshire Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 & Assurance's Responsibilities, the Head of Finance, Governance & Assurance is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund 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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance, Governance & Assurance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the pension fund financial statements.

John Gregory,

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

Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands B4 6AT

25 September 2015

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

2013/14		2014/15	
£		£	£
	Expenditure		
4,900,807	Repairs & Maintenance	4,743,484	
2,935,528	Supervision and Management	3,266,387	
126,756	Rents, rates taxes and other charges	117,734	
4,171,900	Depreciation - Dwellings	4,262,170	
43,030	- Other	43,030	
3,389,719	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	(7,397,450)	
4,740	Debt Management Costs	6,540	
70,000	Provision for Bad or Doubtful Debts	(23,620)	
15,642,480	Total Expenditure		5,018,275
	Income		
(16,653,589)	Dwelling Rents	(17,197,625)	
(186,251)	Non Dwelling Rents	(175,657)	
(179,007)	Other Income	(27,200)	
(217,942)	Charges for Services and Facilities	(308,431)	
(849,704)	Contributions towards expenditure	(921,849)	
(18,086,492)	Total Income		(18,630,761)
(2,444,012)	Net Cost of HRA Services included in the Comprehensive I&E Statement		(13,612,487)
173,510	HRA Share of Corporate & Democratic Core		178,275
(2,270,502)	Net Cost of HRA Services		(13,434,212)
266,337	(Gain) or loss on sale of HRA Assets		(67,493)
2,964,328	Interest payable and similar charges		2,994,856
(29,678)	Interest and Investment Income		(39,267)
(86,943)	Income & Expenditure in relation to investment properties & change in fair values		(20,561)
843,542	(Surplus) or deficit for the year on HRA Services		(10,566,676)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2013/14		2014/15
£		£
(1,041,350)	Balance on the HRA at the end of the previous year	(2,546,067)
843,542	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(10,566,676)
8,982	Difference between any other item of income and expenditure determined in accordance with the Code and those determined in accordance with statute.	0
538	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute.	0
(266,337)	(Gain) or Loss on sale of HRA non-current assets	67,493
(2,087,235)	Transfer to/(from) the Capital Adjustment Account	9,969,299
(2,344,052)	Adjustments between accounting basis and funding basis under statute	10,036,792
(4,207)	Transfer to/(from) Capital Reserve	0
(4,207)	Transfers to or (from) Reserves	0
(1,504,717)	(Increase) or Decrease in year on the HRA	(529,884)
(2,546,067)	Balance on the HRA at the end of the current year	(3,075,951)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2014/15	2013/14
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,257	3,234
Flats	878	881
	4,135	4,115
Change in Stock		
Stock at 1 April	4,115	4,189
Less: Sales – Right to Buy	(28)	(26)
Sales – Other	0	(2)
Disposal/restructuring	(1)	(48)
Acquisition – full ownership	38	2
Acquisition – shared ownership	11	0
	4,135	4,115

HOUSING REVENUE ACCOUNT

2. RENT ARREARS

	2014/15 £	2013/14 £
Due from Current Tenants	88,137	149,507
Due from Former Tenants	83,388	178,852
Total Rent Arrears as at 31 March	171,525	328,360
Pre-Payments	(321,652)	(499,183)
Net Arrears	(150,127)	(170,823)

As at 31 March 2015, the total provision set aside for housing rent bad debts is £317,241.

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 2014	155,499,330	767,000	1,309,777	157,576,107	1,049,924	0	158,626,031
Additions	8,187,237	0	924,297	9,111,534	0	0	9,111,534
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,730,304	0	0	7,730,304	0	(13,599)	7,716,705
Derecognition - disposals	(1,198,380)	0	0	(1,198,380)	(24,710)	(80,703)	(1,303,793)
Derecognition - other	0	0	0	0	(323,365)	0	(323,365)
Assets reclassified (to)/from Held for Sale	(829,080)	0	0	(829,080)	0	829,080	0
Other movements in cost or valuation	1,111,173	0	(719,323)	391,850	(391,850)	0	0
As at 31 March 2015	170,500,585	767,000	1,514,751	172,782,336	309,999	734,777	173,827,112
Accumulated Depreciation and Impairment							
At 1 April 2014	(4,374,926)	(10,360)	0	(4,385,286)	0	0	(4,385,286)
Depreciation Charge	(4,294,840)	(10,360)	0	(4,305,200)	0	0	(4,305,200)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(332,854)	0	0	(332,854)	0	0	(332,854)
Derecognition - disposals	32,400	0	0	32,400	0	0	32,400
As at 31 March 2015	(8,970,220)	(20,720)	0	(8,990,940)	0	0	(8,990,940)
Net Book Value							
As at 31 March 2015	161,530,364	746,280	1,514,751	163,791,395	309,999	734,777	164,836,172
As at 31 March 2014	151,124,404	756,640	1,309,777	153,190,821	1,049,924	0	154,240,745

There is a difference of £293.359m between the tenanted valuation and the District Valuer's Vacant Possession Value of £444.484m at 1 April 2014.

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

HOUSING REVENUE ACCOUNT

would be obtainable on the open market.

The difference represents the economic cost of the Government of providing council housing at less than market rents.

4. MAJOR REPAIRS RESERVE

	2014/15 £	2013/14 £
Balance Brought Forward	3,722,229	1,401,750
Amount Transferred to the MRR during the Year	4,305,200	4,214,930
Capital Expenditure Financing	(6,391,905)	(1,894,451)
Balance Carried Forward	1,635,524	3,722,229

5. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on the Council Housing Stock during the year was financed as follows.

	2014/15 £	2013/14 £
Usable Capital Receipts	147,780	152,075
Revenue Contributions utilised in year	1,650,000	379,437
Major Repairs Allowance	6,391,905	1,894,451
Government Grants and Contributions	921,849	849,703
Total Capital Expenditure on Housing Stock	9,111,534	3,275,666

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.

	2014/15 £	2013/14 £
Sale of Council Houses under Right to Buy (RTB)	1,614,500	1,565,110
Other Land & Buildings	103,750	240,186
Total Capital Receipts from HRA Asset Disposals	1,718,250	1,805,296
Less Capital Receipts subject to Pooling requirement	(538,587)	(458,204)
Net Capital Receipts from HRA Asset Disposals	1,179,663	1,347,092

HOUSING REVENUE ACCOUNT

7. HOUSING REPAIRS ACCOUNT

	2014/15	2013/14
	£	£
Balance Brought Forward 1 April	25,000	29,207
Expenditure on Capital	0	(4,207)
Balance Carried Forward 31 March	25,000	25,000

8. CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

	2014/15	2013/14
	£	£
Interest paid on mid-year HRA Capital Financing Requirement	67,604	69,125
Less Impairment	(332,854)	(170,336)
Capital Asset Charges Accounting Adjustment	(265,250)	(101,211)

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.

2013/14 Total £000		Council Tax £000	2014/15 NDR £000	Total £000
	Income:			
(151,347)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(154,576)	0	(154,576)
5	Transfers from General Fund - Transitional relief	3	0	3
(75,997)	Income collectable from business ratepayers	0	(76,294)	(76,294)
48	Transitional Protection Payments	0	257	257
(227,291)	TOTAL INCOME	(154,573)	(76,037)	(230,610)
	Expenditure:			
	Precepts			
158,684	- Shropshire Council and Parish and Town Councils	122,933	37,406	160,339
17,743	- West Mercia Police & Crime Commissioner	18,314	0	18,314
9,567	- Shropshire & Wrekin Fire Authority	9,085	763	9,848
38,248	- Central Government	0	38,170	38,170
464	Charges to Collection Fund - costs of collection	0	464	464
(252)	Bad and doubtful debts - write offs	(277)	(760)	(1,037)
1,157	- provisions	650	703	1,353
(1,302)	Appeals rates - write offs	0	(1,993)	(1,993)
2,908	- provisions	0	8,122	8,122
506	Contributions - Towards previous year's estimated Collection Fund surplus	2,461	(2,011)	450
227,723	TOTAL EXPENDITURE	153,166	80,865	234,031
430	Deficit/(Surplus) for the Year	(1,407)	4,828	3,421
(857)	Balance brought forward	(3,514)	3,089	(425)
(425)	Balance carried forward	(4,920)	7,916	2,996

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 2014/15 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	31.73	5/9	17.63
A	15,270.79	6/9	10,180.53
B	25,907.02	7/9	20,149.90
C	23,432.32	8/9	20,828.73
D	17,278.85	9/9	17,278.85
E	13,306.99	11/9	16,264.10
F	7,224.17	13/9	10,434.91
G	4,018.67	15/9	6,697.78
H	259.75	18/9	519.50
			102,371.93
Adjustment for MoD Properties (687.83 Band D Equivalents) and Collection Rate (97.5%)			(1,896.75)
			100,475.18

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 2015, the total non-domestic rateable value for all business premises in Shropshire was £204,119,919. The multiplier set by Government to calculate rate bills in 2014/15 was 47.1p for small businesses and 48.2p 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 can not 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.

Draft Statement of Accounts (Unaudited)

2014 – 2015

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SHROPSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT

2014/15

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, having regard to a combination of economy, efficiency and effectiveness.
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 the Council's functions, which 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://shropshire.gov.uk/committee-services/ecSDDisplay.aspx?NAME=SD203&ID=203&RPID=500657316&sch=doc&cat=13331&path=13331> This statement explains how the Council has complied with the Code and also meets the requirements of Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

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 2015 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 from the Council 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 ensures that all decisions made are legal and supports the Standards Committee in promoting high standards of conduct amongst members. **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. Key decisions are published in the Executives' Forward Plan and are discussed with Council officers at a meeting of the Cabinet, normally 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. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
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 the Monitoring Officer (Head of Legal, Strategy and Democratic Services) the roles of which 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 confirm 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 (Section 151 Officer), Head of Finance Governance and Assurance, 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 (for the last three months of the year and previously to that he attended senior management meetings to ensure financial support at the highest levels). He formally devolves 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 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 as necessary and appropriate induction sessions are arranged for all new staff and members.
16. The Head of Legal, Strategy and Democratic Services is 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 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 (Head of Finance, Governance and Assurance) and the Monitoring Officer (Head of Legal, Strategy and Democratic Services).
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 regularly visits places of work 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 2015/6 onwards. 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 continues to develop its Inspiring Partnerships and Enterprise initiative (ip&e), comprising two companies: ip&e Limited and ip&e Trading. The Chair of ip&e Ltd is the elected Leader of the Council, the Chair of ip&e Trading is Cllr Michael Wood. Both chairs are supported by boards of directors, appointed by the Council Cabinet. There is also an Officer Director appointed to each company to ensure the companies work within the overall aims and objectives of the Council. The Cabinet acts as shareholder on behalf of the people of Shropshire. A Cabinet member has Portfolio Holder responsibility for ip&e.
21. The Cabinet appoints the Chief Operations Officer of ip&e Ltd, who manages resources. This post is held currently by the Director of Resources and Support on secondment from the Council. There are also partial secondments in place to cover the roles of Finance and Commercial Director and Director of HR.

22. ip&e Limited is a Teckal company and has a strategic contract with the Council to enable it to provide services on its behalf. Delivery against the strategic contract is reviewed regularly, in routine meetings that are conducted between Shropshire Council and ip&e. There are individual contracts in place for each of the services that ip&e Ltd deliver on behalf of the Council. The contracts set out what is expected of each party, and specifies the funds the Council will provide to ip&e Limited to deliver services, and the outcomes and/or outputs that are required. Each contract has a commissioning lead who measures the performance of the individual contracts on a routine, agreed basis, as per the contract.
23. Prior to service areas being considered for transfer, a robust process is followed to ensure a financially viable business case is developed that has considered all aspects in relation to human resources, legal, ICT, finance and risk. Once these elements have been satisfied, the business case is then put forwards to Cabinet for consideration.



24. ip&e Limited and the Council agree a business plan each year to set out its proposals and intentions for the forthcoming year. The business plan is approved by both Cabinet and the Board of ip&e. To date, two business units have been established within ip&e Limited: ip&e Communications and ip&e Business Design (a programme management and business design service). Ip&e Trading to date is not operational as all business has been conducted through the Ltd company.
25. A high level Directors' Commissioning Group has been established to monitor the overall progress of ip&e Ltd and other new delivery models. Individual directors and portfolio holders are responsible for the effective management of change and transformation in their areas but will also report through to this Group, where relevant.
26. 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.
27. The savings target and proposals for the period 2014 to 2017 were agreed by Council in February 2013 as £80m and £83m respectively. The target for 2015/16 was set at £20m, the proposal £26m.
28. Progress against achievement of the 2014/15 savings proposals of £39m has been monitored throughout 2014/15 and as part of this budget monitoring process, service pressures in year and ongoing have been identified. 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 2014/15 budget, the details of which appear in the quarterly revenue monitoring reports to Cabinet.
29. For 2015/16, the Financial Strategy to Council on 26 February 2015 recognises that of the initial savings proposals of £66m (2014/15 and 2015/16), £59m is expected to be delivered leaving a shortfall against the total proposals. It also highlights service pressures of £7.6m in 2015/16. The report identifies how the total 2015/16 potential budget shortfall of £15m can be found to provide a balanced budget for 2015/16.
30. There is an established Opportunity Risk Management Strategy in place supported by a Risk Management Governance Structure of officers and members with key responsibilities for maintaining the profile of risk management across all areas of service. The Strategy is signed and endorsed by the Chief Executive.
31. The strategic risks for the Council have been identified. High level risks are aligned to the action plans resulting from this Annual Governance review, and actions have been put in place where possible to ensure minimal disruptive impact on the delivery of the Council's outcomes. The strategic risks are updated monthly and reported to the informal Directors and Cabinet monthly meetings. All committee reports include a section on risk assessment and opportunities appraisal and all risks have owners.
32. The Council recognises the importance of communicating its vision and uses a number of channels to this effect. As well as intensive re-design work with specific communities:

- People can email, call, write or visit customer service points. They can visit the Council website and complete an online report form or join in an online conversation;
 - They can use one of the many social media channels – to ask a question on Twitter or Facebook , or comment on one of the Council’s You Tube channels;
 - The Council holds a wide range of public meetings at which people can find out more and have their say;
 - People can call or email their local councillor or the appropriate Cabinet member, to ask a question or pass on a comment;
 - The latest news from the Council can be found on the online Newsroom, Twitter feed and in local and regional media.
33. The Council regularly consults with the public on strategic decisions and service developments. For example, a group of people, including previous members of the People’s Panel, have signed up to provide feedback to the Council, via email. These consultees have been used to seek views on annual budget proposals; taxi licensing fees; the Shropshire Local Offer; and drug and alcohol treatment systems in Shropshire. The people on the consultation list also provide a quarterly view of the public’s perception of how the Council is changing. This is a feature of the Council’s Performance Management Framework
34. The Council also undertakes locality commissioning. This work starts with initial subject specific data and requires consultation and engagement with the local community to provide intelligence to compliment detailed reviews of systems and customer experiences. The findings are used to challenge service providers and commissioners, and enable informed decision making about the need to and the permission required for change. Full locality commissioning activity has taken place in four market towns so far and has involved the use of Local Joint Committees.
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 both the senior managers 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 management development toolkit. Staff can discuss development needs with their manager and identify relevant training from a core skills programme.
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 of 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 commitments and guidelines for effective partnership working between Shropshire's public sector bodies and the Voluntary and Community Sector (VCS). A Compact Group leads this work for the county, details of which appear on the Council's web site. The Shropshire VCS Assembly also ensures the Compact is integrated into cross-sector policy and projects. The Assembly has around 300 members with a Board and 16 forums of interest. Forums of interest are groups of voluntary and community sector organisations with a common interest (for example heritage, arts, disability, etc.). The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities, it works to develop new policy and guidance designed to establish a common vision and set out new partnership approaches and expectations. Public sector representatives join the VCS Assembly Board regularly in addition to joint working through task groups.
42. 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.
43. 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' between the two organisations. It includes arrangements for checking how ST&RH performs to make sure high standards are maintained.

Review of effectiveness – how do we know our arrangements are working?

44. 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.
45. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:
46. 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 and/or steps are being taken to address known areas of weakness.

47. 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 are 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.
48. The Council has implemented the actions agreed in the 2013/14 Annual Governance Statement. A summary of which appear below:

Deliver value for money through commissioning

The first year of our business plan/financial strategy has been successfully implemented. Savings of circa £40m are expected to be fully delivered. A refresh of this plan and strategy has been produced and was approved by Council in March 2015 as part of our budget setting process.

The Director team are now looking at a financial plan for the next five years to 2020. We expect to engage Cabinet, Council, staff and the public with shaping this over the 2015/16 financial year.

Work has been completed to develop the Council for commissioning. A commissioning strategy has been completed. The Cabinet has agreed to further transforming the Council to commission everything that we do. Further progress on this will be made during 2015/16.

Review the Council's financial reserves to ensure the level is appropriate to risk

A risk assessment was undertaken and reported to Cabinet 11 February 2015. The General Fund Balance risk assessed level for 2015/16 is £15.86m. The estimated level reported to Cabinet is currently £14.535m, based on £0.371m overspend. A variance of £1.325m is acceptable, given the Council's recent history of delivering a balanced budget and compliance with financial plans.

This is no longer a significant risk for inclusion as an action in this statement.

Staffing resources skills and abilities match business needs

Although there has been significant reductions in staff, services have adapted and outcomes for citizens have been maintained. Notably, our Adult Social Care, which is a high cost one, has been recognised as being the lowest cost per capita nationally whilst also being noted as the highest quality by the Care Quality Commission.

As the Council develops into commissioning, new skills will be required. The Director team have undertaken initial work with the University of Chester to explore collaboration in developing a competence based training and accreditation programme leading to post graduate qualifications in public sector commissioning.

Improved IT infrastructure to manage business continuity risks

The Council has undertaken work to ensure that its ICT infrastructure conformed to the recommendations set-out in the Public Services Network (PSN) guidance for 2014/15. A designated project manager has been identified to manage future changes to the PSN standards and future work will be treated as a project. Regular progress reports will be provided to Directors, the ICT Portfolio Holder and members as appropriate.

An ICT programme of work is being developed to provide Shropshire Council with a level of control around its key projects. This will identify those projects which ensure that robust ICT solutions and resilience are implemented in a timely manner and, as a priority, that Disaster Recovery and Business Continuity is in place to ensure the ongoing management of material systems and service delivery is maintained to the highest standard. This programme of work will be aligned to the Council's priorities and will be included in the future ICT roadmap as part of the wider ICT Strategy.

The Council has identified the key systems in operation and has started to work with suppliers to implement alternative hosting solutions to mitigate business continuity and disaster recovery issues.

The ICT Strategy is currently being developed and will be published later this year.

Robust business cases to deliver services

During autumn 2014 Directors established a commissioning and service transition process that included a common approach to business cases and redesign work associated with new delivery models. This includes a robust set of guidance notes, fact sheets, templates and checklists. This information is available to staff via the Council's intranet.

Improved monitoring of contracts

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

Phase 1 – Review of existing approaches

Officers undertook a series of meetings with both individual internal contract managers and external Contractors to ascertain where the Council is now in terms of the effectiveness of

the management of its major contracts. The meetings used set questions to allow us to undertake a consistent overall assessment.

Information was also sought on areas of best practice for contract management, from a range of sources including Improvement and Efficiency West Midlands (IEWM) and other West Midlands Authorities and Procurement Groups. The Council's management team also received a presentation from a specialist Contract Management consultancy, Newcomen who provided details of the important elements of Contract Management and its current relevance.

Through the above work the following have been identified as the key elements to successful contract management:-

- Negotiation;
- Market/Contractor Engagement;
- Contract Initiation;
- Contract Administration;
- Performance Monitoring;
- Supplier Viewpoint;
- Relationship Management;
- Contract development and improvement.

These elements form the basis of the Contract Management module within the Commissioning Training Programme.

In addition, best practice indicates that the Council needs a clearly documented framework and guidance available to all officers with a reporting and review mechanism.

Phase 2 – Creating the new Approach to Contract Management

A new Council Commissioning Support Unit is being established by summer 2015, pulling together into a single team all of the key functions that support commissioning currently. This will enable all team members to have a greater understanding in all areas as opposed to being purely focussed on a specialist area of commissioning.

Initially, a key area of work for the team will be to establish a consistent approach to contract management that ensures key principles are followed that builds in sufficient flexibility, depending on the size and nature of the contract. Development of this approach will draw on learning from the Phase 1 review. This will include as a specific Contract Management module, the documented framework and guidance for officers as part of the overall Commissioning Training programme aimed at developing a range of skills within the new Commissioning Support Unit.

Progress reports on this activity was reported to Audit Committee in 2014 and further updates are planned for 2015.

49. 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.

50. 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 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. The issues identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their plans to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Council's accounts and reliance can still be placed upon them for that purpose.

51. Members and officers have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee which supports the Audit Service Manager, and that these issues are sufficient to warrant qualifying the annual audit opinion to the extent that management must prioritise implementing their plans to address the issues identified. Audit Committee continue to monitor planned improvements.
52. In their Audit Findings for the year ended 31 March 2014, the External Auditor provided an unqualified opinion on the financial statements and an unqualified VFM conclusion, "Overall we are satisfied that in the short-term the Council is in a sound financial position. It is taking actions to identify medium-term requirements and options. There remains significant uncertainty and it will be important for the Council to ensure that future financial plans are fully developed, agreed and delivered. On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014". A single recommendation was made to ensure that the Council complies with the requirements of IFRS 10,11 and 12 and IAS 27 and 28 in the 2014/15 financial statements following changes to the accounting standards and Code of Practice and discuss any specific issues with the auditors; managers were fully signed up to this.
53. The External Auditor also issued an unqualified opinion on the Pension Fund.
54. Cabinet monitors the effectiveness of the internal control system via consideration of regular performance and financial information reports from the senior management. Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Each portfolio holder produces an annual report to Council on performance in their area and areas which require improvement.
55. 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.
56. During 2014/15 all Shropshire Council's adult services, registered by the Care Quality Commission (CQC), maintained their compliance status with CQC. No inspections were undertaken by CQC during the year as previous inspections in 2013/14 had deemed them to be meeting each of the standards assessed (the highest possible outcome). During the year 2014/15 two registered services, Shared lives and Community Living, were transferred to an external provider. Both services have maintained their registration and compliance status following transfer.

57. Adult Social Care services in Shropshire have been subject to peer reviews as part of the ADASS1 West Midlands sector led improvement programme. The service was assessed by “Peers” from Hereford, Sandwell and Wolverhampton. The feedback was positive and our transformation described as innovative. As a result a number of other local authorities, either regionally and nationally have either visited Shropshire or requested information.
58. Adult Social care participated fully in regional work on prevention, again as part of the sector led improvement programme. The resulting published report cites Shropshire extensively as demonstrating good and innovative practice in this area.
59. The Better Care Fund (BCF) is a pooled budget under a section75 agreement for the delivery of integrated health and social care services. Performance by the partners on delivery of the BCF is measured through metrics which are nationally determined by NHS England. Additional funding is dependent on achieving the metrics.
60. Financial Risks are mitigated by Shropshire Council hosting s75 pooled budget, a s75 agreement, monitoring of fund and activity by the Health and Wellbeing Board (HWB), and a conflict of interest policy. The performance is monitored at both a delivery/operational model by the BCF Transformation Group and the Contracts and Finance group and strategically by the HWB.
61. The Funding reforms of the Care Act legislation to be implemented in April 2016 are a financial risk to the authority as more people will be eligible for Local Authority (LA) funded support as a result of the change in the financial threshold from £23,500 to £118k. The LA does not as yet have a clear picture on the number of people eligible within this threshold.
62. To inform how the risks are mitigated the Council is undertaking financial and demand modelling based on national models developed as part of the Care Act Implementation work, and local surveys with care providers to determine the number of residents and users who fund their own care.
63. The Council’s Scrutiny Committees have continued to maintain an overview of the Council, but have also taken a clear view of the changes that have been made to services provided or commissioned by the Council. The Enterprise and Growth Scrutiny Committee have had a Task and Finish Group which has worked closely with the development of a different way for the Council to support and enable Economic Growth in Shropshire, making recommendations that support the structural changes, identify the need to improve access to information and advice and communicate opportunities, and identifying strategic decisions that the Council should take about its purpose and role in promoting and enabling Economic Growth in Shropshire. The Health and Adult Social Care Scrutiny Committee have had a member working group focusing on what measures and information will be required to understand and evidence the impact of the Council’s new Adult Social Care Operating Model. These measures are being used to form a new revised dashboard for regular reporting and consideration by Members and officers.
64. In December 2014 schools’ performance, as measured by Ofsted inspection judgements, demonstrated improvement: 69 per cent of Shropshire secondary schools were judged by Ofsted to be good or outstanding; 75 per cent of pupils attended good and outstanding secondary schools; 82 per cent of Shropshire primary schools were judged to be good or outstanding and 84 per cent of Shropshire pupils attended primary schools judged to be good or outstanding. In December 2014 there was one secondary school and two primary schools

¹ Directors of Adult Social Services

in a category of special measures and in these circumstances 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.

65. Ofsted undertook an unannounced safeguarding inspection in Shropshire on the 19th to the 28th November 2012. The overall judgment was 'Adequate', meaning that Shropshire meets the requirements in terms of quality of practice, leadership and governance and effectiveness of help and protection. The strong or good elements related to timeliness of assessments, the direction of travel and the good potential for Early Help arrangements. The areas for development were largely focussed on referral and decision-making processes. All recommendations have been addressed and reported to the Safeguarding Board and have continued to be improved. Shropshire's Children's Services are currently preparing for the new unannounced inspection of their services, under the new Ofsted framework which commenced nationally in 2013. Preparation continues through 2014/15. June 2015 a Peer Review will take place conducted by the LGA, this is an extensive review and will support the service to identify area of best practice to be enhanced and area of weakness to be addressed as part of the preparation for Ofsted.
66. Shropshire's children's homes: during 2014/15 review and development of the Shropshire residential care provision was undertaken. The homes work in partnership to provide the best outcomes possible for Shropshire's 'Looked After Children'. The homes incorporate the Council's objectives into team action plans and development plans; along with legislation and national guidance these form the basis of the service delivery. The Rowans, Chelmaren and Havenbrook have all been inspected in 2014/15 and judged by Ofsted for overall effectiveness. Chelmaren was rated as outstanding, Havenbrook and Rowans judged as 'Good'.
67. Direct quotations from the Ofsted inspections include: 'Staff have an excellent understanding of young people's needs and safe working practices'. 'Young People develop very positive relationships with staff which underpins the outstanding levels of care and support they receive' and 'internal and external monitoring of the home takes place regularly...Reports appropriately review performance and identify areas for improvement'.
68. As part of the development of services to children in care and to support children on the edge of care, Havenbrook was launched as a residential short breaks service in June 2014. Following the outcomes for children being positively identified in the evaluation as well as a saving to the Council through prevention of care, Havenbrook was confirmed as a permanent short breaks service in January 2015.
69. The redesign was completed in April 2015 with the closure of the Rowans and investment in new outreach worker posts providing support to young people and families in the community, supporting sustained rehabilitation plans and prevention of care. Chelmaren continues as a medium to long term residential unit and is undergoing building work to increase capacity to care for up to six children.
70. During 2014/15 two inspections took place, out of a total of 39 Children's Centres. Both received a judgement of 'Good,' for both overall effectiveness and capacity to improve.

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 2015/16

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:

	Action	Strategic Risk	Lead Officer	Completion date
1.	Identify a clear ICT Strategy for future delivery and as part of this, improve the ICT infrastructure to ensure it is fit for purpose, robust, PSN compliant and provides cover for business continuity. The ICT Strategy should be fully aligned to the Council's Asset Strategy, Digital Strategy and Customer Involvement Strategy and the Council's Business Plan and Financial Strategy.	Non implementation of robust ICT solutions and resilience to support the direction of travel results in significant impact on access to, and management of, material systems and ultimately service delivery.	Rod Thomson	March 2016
2.	Regularly monitor and review delivery against the second year of the Council's Business Plan and Financial Strategy and adjust plans as required at Director and Cabinet levels to achieve a balanced budget. Ensuring that supporting strategies, i.e. ICT and Workforce development align closely.	Failure to meet savings and income targets resulting in an illegal budget, leading to an inability to deliver vital services.	James Walton (all Directors input)	March 2016
3.	Regularly monitor and review delivery of the Council's Business Plan and Financial Strategy to deliver outcomes whilst managing demand and delivering value for money through commissioning.	Failure to clearly articulate the strategic vision of the Council results in loss of momentum to deliver the redesign outcomes from the business planning process and associated workforce transformation. Failure to re-design of the Council impacts on delivery of services to citizens of Shropshire.	Clive Wright (all Directors input and Head of Human Resources)	March 2016
4.	Ensure that the staffing	Insufficient capacity,	Clive Wright	March 2016

	Action	Strategic Risk	Lead Officer	Completion date
	<p>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.</p> <p>Implement a workforce plan aligned to business plans and supported by our staff development processes.</p>	<p>experienced and qualified staff to sustain services during re-design</p>		
5.	<p>Continue to build appropriate governance arrangements into the commissioning Council to maximise value for money and ensure the best return for the local tax payer. Including:</p> <ul style="list-style-type: none"> • Developing a more cohesive and robust way of monitoring contracts as part of the re-design of Council functions. • Further clarifying commissioning intentions (stop/do/buy). • Coordinating operationalisation of locality working. • Improving transfer arrangements to ADMs. 	<p>Inadequate governance arrangements in place to manage the transforming Council (and business as usual governance to support the re-design process) resulting in poor quality service, longer delivery times or higher cost of transformation. Insufficient standardisation and consistency within contract management and monitoring results in failure to support our outcomes and achieve value for money, efficiencies and innovation as we move towards becoming a commissioning council.</p>	<p>George Candler (all Directors input)</p>	<p>March 2016</p>
6.	<p>Ensure robust business cases for any project involving redesign and new delivery models are properly constructed, appropriately consulted upon and scrutinised to ensure they meet the requirements of the Business Plan and Financial Strategy and are financially viable before any</p>	<p>Implementation and impact of alternative service delivery vehicles (e.g. ip&e ltd) resulting in de-stabilised remaining services.</p> <p>Loss of reputation and public confidence in the Council by failing to meet public expectations and identified need.</p>	<p>Clive Wright (all Directors input)</p>	<p>March 2016</p>

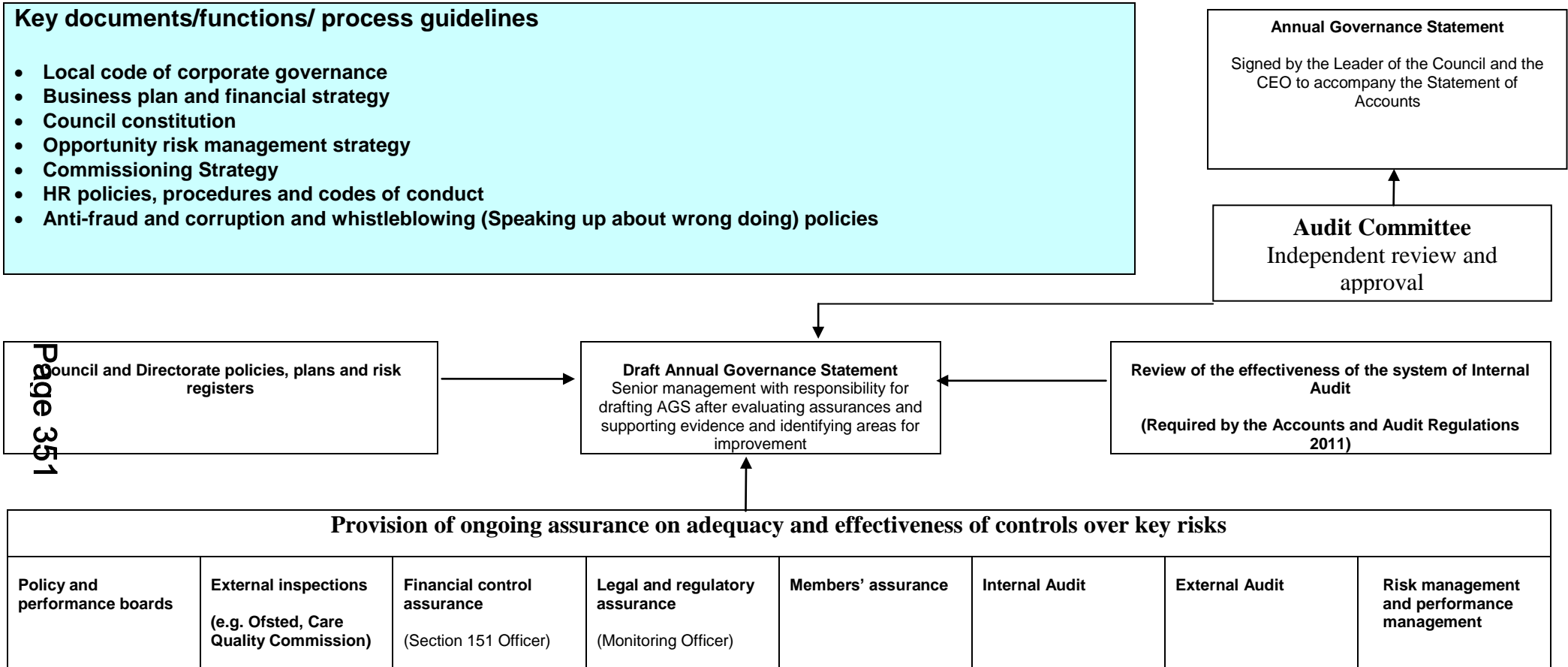
	Action	Strategic Risk	Lead Officer	Completion date
	implementation decision. Business cases should follow the guidance available on the Intranet.			
7.	Review safeguarding governance arrangements and processes in consultation with key stakeholders	Failure to safeguard vulnerable adults and children	Stephen Chandler and Karen Bradshaw	March 2016

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, we propose to take steps to address the above matters to further enhance the Council's governance arrangements. We are 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 our next annual review.

Leader

CEO/ Head of the Paid Service

ANNUAL GOVERNANCE STATEMENT (AGS) ASSURANCE FRAMEWORK 2014/15



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<u>Committee and Date</u>	<u>Item</u>
Cabinet 29 July 2015	15
Audit Committee 17 September 2015	
Council 24 September 2015	
	<u>Public</u>

ANNUAL TREASURY REPORT 2014/15

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 2014/15, including the investment performance of the internal treasury team to 31 March 2015. The internal treasury team outperformed their investment benchmark by 0.26% in 2014/15 and performance for the last three years is 0.38% 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 2014/15 the performance of the Treasury Team delivered an under spend of £0.673 million compared to budget as highlighted in paragraph 10.5 of this report. This under spend helped the Council to achieve an overall under spend 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 result in increased or reduced income for the Council.
- 4.2. The 2014/15 performance is above benchmark for the reasons outlined in paragraph 10.5 of this report and has delivered additional income of £0.673 million which has been reflected in the final Revenue Monitor report for 2014/15.

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 2014/15. 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.

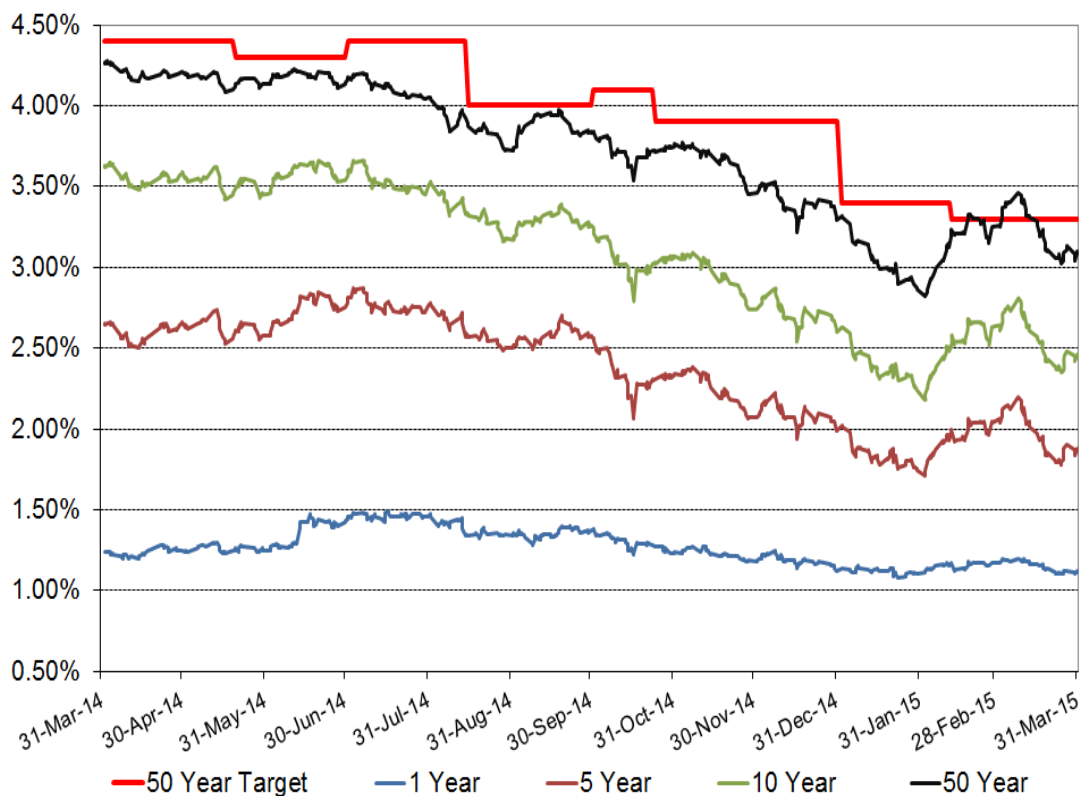
- 5.5. In addition to the minimum reporting requirements, the Director's and Cabinet also receive quarterly treasury management update reports for information.
- 5.6. The Treasury Strategy for 2014/15 was approved by Council in February 2014, the mid-year treasury update report was approved by Council in December 2014. 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 2014/15

- 6.1. The Council did not have a borrowing requirement for 2014/15 to 2016/17 but based on the prospects for interest rates outlined in the Treasury Strategy if circumstances changed the Council would adopt a pragmatic approach 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 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 2014/15

- 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 2014/15 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
01/04/2014	2.65%	3.63%	4.29%	4.27%
31/03/2015	1.86%	2.45%	3.11%	3.08%
High	2.87%	3.66%	4.30%	4.28%
Low	1.71%	2.18%	2.85%	2.82%
Average	2.36%	3.08%	3.74%	3.72%
High date	03/07/2014	20/06/2014	03/04/2014	02/04/2014
Low date	02/02/2015	02/02/2015	02/02/2015	02/02/2015

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 2014/15.

7.5. The Council's total debt portfolio at 31 March 2015 is set out below:-

Type of Debt	Balance £m	Average Borrowing Rate 2014/2015
General Fund Fixed rate – PWLB	205.22	5.55%
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 19 years, market loans have an average debt period of 56 years. The total debt portfolio has a maturity range from 1 year to 63 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 2014/15. The introduction of a differential in PWLB rates on the 1 November 2007, which was compounded further since 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 2014/15

9.1. Our treasury advisor originally felt when the strategy was approved by Council in February 2014 that the bank rate would remain at its historically low level of 0.50% throughout the year with the first rise to 0.75% not expected until June 2016. During the year their interest rate forecast was reviewed and their updated forecast was approved by Council in December 2014 as part of the mid-year report. Their revised forecast was that the bank rate would remain at 0.50% until June 2015.

9.2. In 2014/15 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, one Building Society, 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.

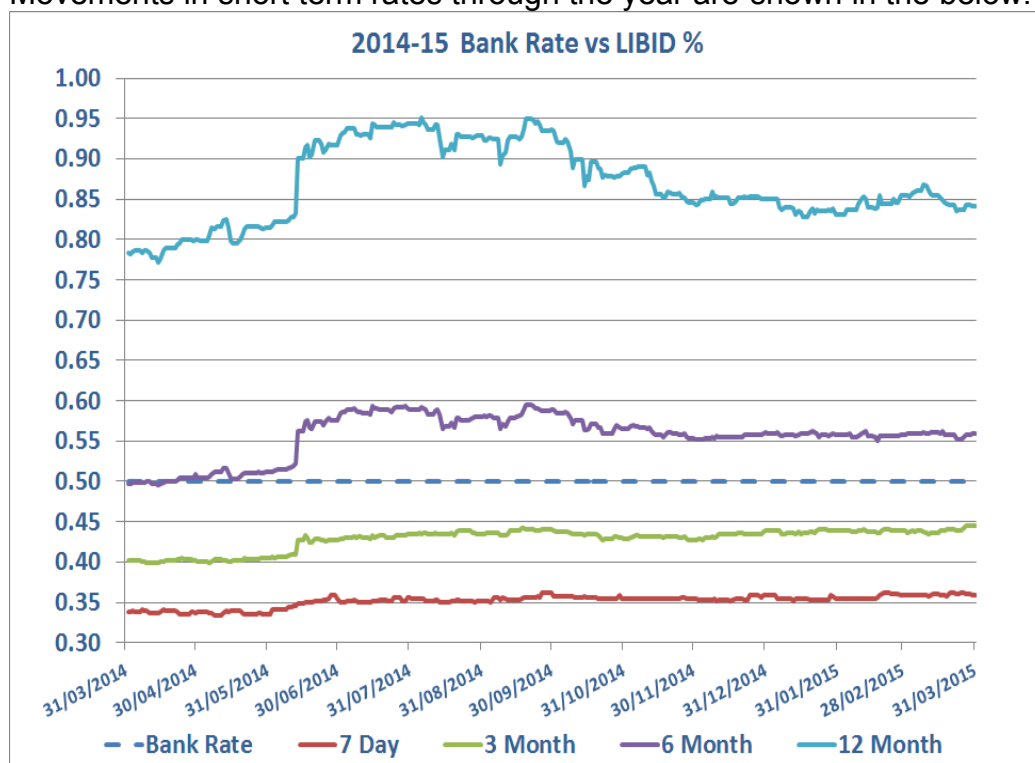
10. Investment outturn 2014/15

10.1 Bank rate remained at its historic low of 0.5% throughout the year, it has now remained unchanged for six years. Deposit rates remained depressed during the whole year, primarily due to the effects of the Funding for Lending Scheme.

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 2014/15.

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. Continued use of instant access accounts with Natwest, HSBC and Svenska Handelsbanken was also used 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 under-spend on debt charges due to no long term general fund borrowing being undertaken in 2014/15. The total £0.673 million under spend helped the Council to achieve an overall under spend at the end of the financial year.

10.6 At 31 March 2015 the allocation of the cash portfolio was as follows:

	£m
• In-house short dated deposits for cash flow management	54.7
• In-house long dated deposits (up to 1 year)	26.2
• Other Local Authorities	29.0
Total	109.9

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 2015. Recognising the need to manage short term cash flow requirements, the target for the internal team is the Local Authority 7 day deposit rate.

	Return 2014/15	Return 3 years to 31 March 2015
	%	% p.a
Internal Treasury Team	0.58	0.68
Benchmark (Local Authority 7 Day LIBID rate)	0.32	0.30

10.8 The conclusions to be drawn from the table are:

- During 2014/15 the internal treasury team outperformed their benchmark by 0.26%.
- Over the 3 year period the internal team's performance has been 0.38% 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 2014/15 and 2015/16 (revised estimate) Treasury Strategies compared with the actual figures for 2014/15. In summary, during 2014/15 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 2014, Treasury Strategy 2014/15.

Council, December 2014, Treasury Strategy 2014/15 Mid-Year Review.

Council, February 2015, Treasury Strategy 2015/16.

Cabinet, July 2014, Treasury Management Update Quarter 1 2014/15.

Cabinet, December 2014, Treasury Management Update Quarter 2 2014/15.

Cabinet, February 2015, Treasury Management Update Quarter 3 2014/15.

Cabinet, June 2015, Treasury Management Update Quarter 4 2014/15.

Cabinet Member:

Mike Owen, Portfolio Holder

Local Member

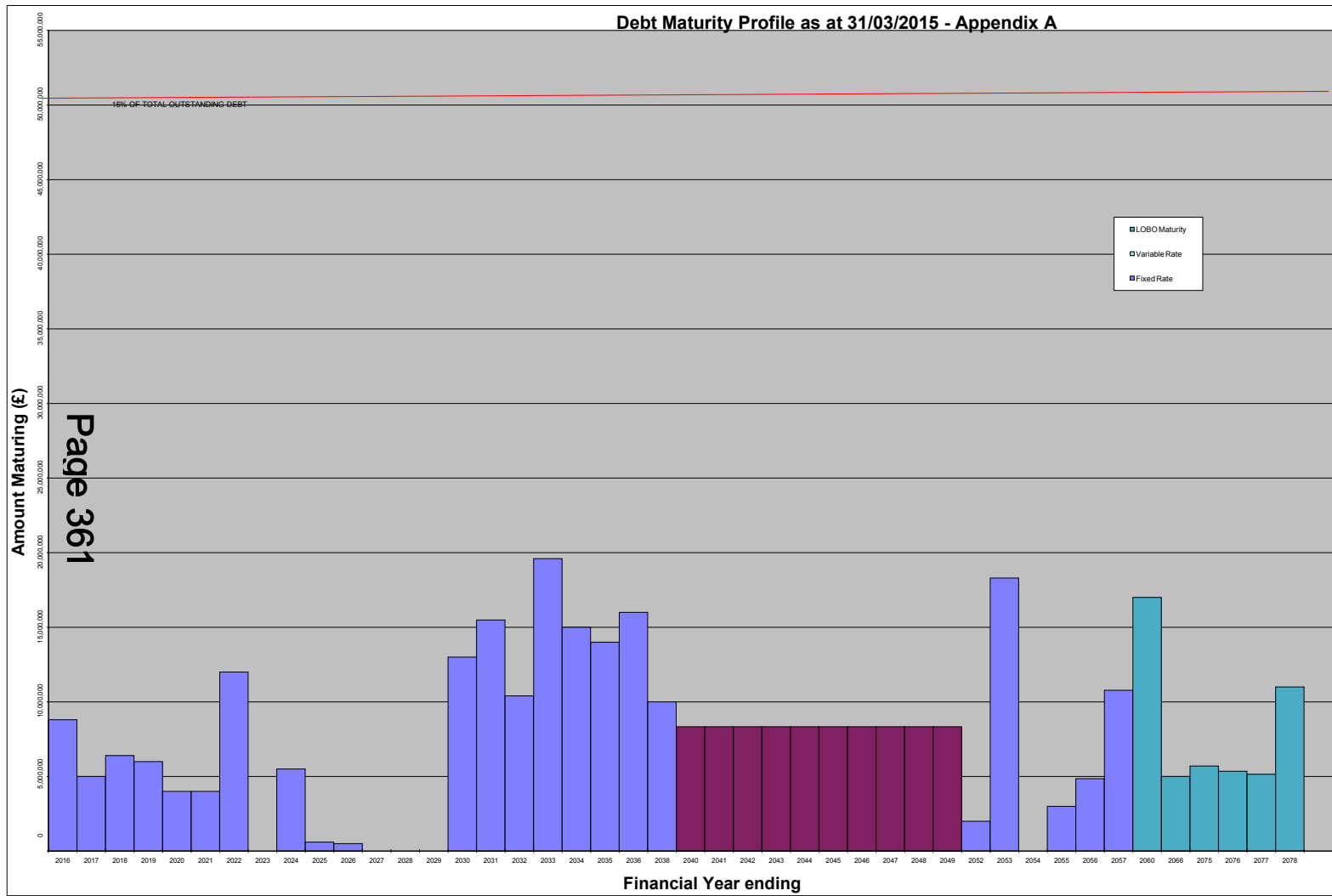
N/A

Appendices

A. Debt Maturity Profile as at 31 March 2015

B. Prudential Indicators 2014/15

Fixed Rate 8,000,000 2017 1,400,000 2018 1,400,000 2019 1,400,000 2020 1,400,000 2021 1,400,000 2022 1,400,000 2023 1,400,000 2024 1,400,000 2025 1,400,000 2026 1,400,000 2027 1,400,000 2028 1,400,000 2029 1,400,000 2030 1,400,000 2031 1,400,000 2032 1,400,000 2033 1,400,000 2034 1,400,000 2035 1,400,000 2036 1,400,000 2037 1,400,000 2038 1,400,000 2039 1,400,000 2040 1,400,000 2041 1,400,000 2042 1,400,000 2043 1,400,000 2044 1,400,000 2045 1,400,000 2046 1,400,000 2047 1,400,000 2048 1,400,000 2049 1,400,000 2050 1,400,000 2051 1,400,000 2052 1,400,000 2053 1,400,000 2054 1,400,000 2055 1,400,000 2056 1,400,000 2057 1,400,000 2058 1,400,000 2059 1,400,000 2060 1,400,000 2061 1,400,000 2062 1,400,000 2063 1,400,000 2064 1,400,000 2065 1,400,000 2066 1,400,000 2067 1,400,000 2068 1,400,000 2069 1,400,000 2070 1,400,000 2071 1,400,000 2072 1,400,000 2073 1,400,000 2074 1,400,000 2075 1,400,000 2076 1,400,000 2077 1,400,000 2078 1,400,000



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APPENDIX B

SHROPSHIRE COUNCIL PRUDENTIAL INDICATORS 2014/15

- 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 2014/15 due to no general fund borrowing being undertaken during the year.

Prudential Indicator	2014/15 Revised Estimate	2014/15 Actual
	%	%
Non HRA Ratio of financing costs to net revenue stream	10.6	9.3

Prudential Indicator	2014/15 Revised Estimate	2014/15 Actual
	%	%
Non HRA Ratio of financing costs (net of investment income) to net revenue stream	10.3	9.0
HRA Ratio of financing costs to HRA net revenue stream	41.9	40.9

- C3. The cost of capital investment decisions funded from a re-direction of existing resources was lower than anticipated due to a revised 2014/15 capital programme and the active programme to generate additional capital receipts to reduce the requirement for prudential borrowing to finance the capital programme as reported in the monthly capital monitoring reports.

Prudential Indicator	2014/15 Estimate	2014/15 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)	25.81	17.69
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	25.81	17.69

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 2014/15.

Prudential Indicator	2014/15 Estimate	2014/15 Actual
External Debt	£ m	£ m
Authorised Limit:		
Borrowing	454	338
Other long term liabilities	20	23
Total	474	361

Prudential Indicator	2014/15 Estimate	2014/15 Actual
External Debt	£ m	£ m
Operational Boundary:		
Borrowing	408	338
Other long term liabilities	20	23
Total	428	361

C5. Gross borrowing was as anticipated due to no general fund borrowing being undertaken in 2014/15. 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	2014/15 Revised Estimate	2014/15 Actual
Net Borrowing & Capital Financing Requirement:	£ m	£ m
Gross Borrowing (inc HRA)	338	338
Investments	90	110
Net Borrowing	248	228
Non HRA Capital Financing Requirement	256	241
HRA Capital Financing Requirement	85	85
Total CFR	341	326

C6. Total capital expenditure during the year was lower than anticipated. Explanations for these under-spends were included in the 2014/2015 final capital outturn report.

Prudential Indicator	2014/15 Revised Estimate	2014/15 Actual
	£ m	£ m
Non HRA Capital expenditure	56	45
HRA Capital expenditure	10	9

C7. The level of fixed rate and variable rate borrowing were within the approved limits for the year.

Prudential Indicator	2014/15 Estimate	2014/15 Actual
	£ m	£ m
Upper Limit For Fixed/Variable Rate Borrowing		
Fixed Rate (GF)	408	253
Fixed Rate (HRA)	96	85
Variable Rate	204	0

C8. The level of fixed rate and variable rate investments were within the approved limits during 2014/15.

Prudential Indicator	2014/15 Estimate	2014/15 Actual
	£ m	£ m
Upper Limit For Fixed/Variable Rate Investments		
Fixed Rate	200	79
Variable Rate	200	31

C9. No investments over 364 days were held by the internal treasury team.

Prudential Indicator	2014/15 Estimate	2014/15 Actual
	£m	£m
Upper Limit For Sums Invested over 364 days		
Internal Team	40	0
External Manager	30	0

C10. The maturity profile was within the limits set in the Treasury Strategy.

Prudential Indicator	2014/15 Upper Limit	2014/15 Actual
	%	%
Maturity Structure of External Borrowing		
Under 12 months	15	3
12 months to 2 years	15	1
2 years to 5 years	45	5
5 years to 10 years	75	7
10 years to 20 years	100	26
20 years to 30 years	100	22
30 years top 40 years	100	17
40 years to 50 years	100	10
50 years and above	100	9

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Committee and Date

Council

24th September 2015

10.00 am

Item

16

Public

CORPORATE LANDLORD – BUDGET IMPLICATIONS

Responsible Officer James Walton - Head of Finance, Governance & Assurance
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Steph Jackson – Head of Commercial Services
e-mail: steph.jackson@shropshire.gov.uk Tel: (01743) 253861

1. Summary

- 1.1 Cabinet Members approved the Shropshire Council's Asset Management Strategy on 11th February 2015, the Strategy includes the implementation of a Corporate Landlord Model, and this paper provides details of the budget virements that will be required to consolidate the budget within the Commercial Services Group of the Resources and Support Team. The report also recaps the benefits that can be achieved from implementing a Corporate Landlord Model.

2. Recommendations

- 2.1 That Full Council approve a budget virement of £20.130m (Directorate analysis shown at 7.3) in order to consolidate the Council's asset and facilities management budgets in Commercial Services within the Resources & Support Directorate.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The risk of not having a consolidated budget are that savings will not be delivered across the property portfolio.
- 3.2 With the continual reduction in Council resources that elements of Health and Safety within the workplace are not given sufficient priority for a public sector organisation.
- 3.3 Impact on Children and Vulnerable Adults, Risk Management, Human Rights, Equalities, Community and other Consultation will be inherent in the property review and asset planning which will be instigated and driven by the overarching strategy.

4. Targeted Outcome

4.1 The overall purpose of the Asset Management Strategy is to:

1. Reduce net revenue cost to Shropshire Council of assets and land to less than £1m per annum by March 2017.
2. To raise net revenue income to Shropshire Council derived from assets and land to £10m by March 2020.

5. Financial Implications

5.1 There are no financial implications on the Council's net budget. The budget virement will allow the budgets for property assets to be managed corporately.

The Council continues to seek to reduce service costs, bringing the Asset related costs together provides an opportunity to make gains through economies of scale.

5.2 If assets are not managed and maintained in an appropriate way they become liabilities on the Council's revenue account.

5.3 A clear strategy assessing return on investment of the Estate will assist in providing revenue for the Council to invest in Services in the future.

6. Background

6.1 The Corporate Landlord approach is designed to enable a local authority landowner to utilise its assets to deliver better, more efficient services to communities:

- To unlock the value of assets, seek efficiencies through joint arrangements with public sector partners and maximise private sector investment.
- To support the delivery of the Council's Corporate Plan.
- To integrate thinking about property with financial, regeneration and other considerations.

6.2 Under a Corporate Landlord approach the ownership of an asset and the responsibility for its management; maintenance and funding are transferred from service departments to the Corporate Landlord, which is a centralised corporate body. The service department has to make a case for the property that they wish to deliver a service from, which allows for the Corporate Landlord to offer sufficient space - and no more space than is required - for Council activities, thereby reducing accommodation requirements. The service departments therefore become corporate tenants and make use of property or land in delivering a service.

6.3 There are specific responsibilities that fall to the tenant and the landlord depending on the nature of the asset and the service. The service department's priority is therefore to plan and deliver the service. The landlord's function is to ensure that the service is adequately accommodated and to maintain and manage the asset. The landlord's responsibility also extends to the acquisition, development and disposal of land and property. This means the landlord would be responsible for

asset review, feasibility and options appraisals across all service departments. The roles and responsibilities can be outlined and clarified under a Service Level Agreement (LA) and this approach has been adopted by other local authorities too.

- 6.4 The Corporate Landlord is the predominant asset management model in larger private sector organisations and is increasingly popular within local government. This is due to the potential scope for efficiencies and the effective delivery of corporate outcomes including regeneration objectives. The Corporate Landlord approach can deliver economies of scale in terms of capacity, procurement and opportunities for co-location across an organisation and with other external organisations. This can ultimately lead to rationalisation. Where it is most effective is ensuring that an organisation's property portfolio drives, supports and delivers corporate change and regeneration. This is the preferred delivery model that many public and private sector organisations have adopted to provide effective strategic estate management.
- 6.5 What it could potentially achieve is a change in the way property decision making, financial planning and property management is undertaken within the Council. Demonstrated benefits have been:
- Clear focus on using all land and buildings to deliver an organisation's priorities
 - Enables a single conversation
 - Improved customer focus
 - Improved value for money
 - Improved risk management
 - Improved focused investment
 - Increased opportunities for disinvestment
 - Increased investor confidence in the Council

7. Budget Virement Requirements

- 7.1 Currently the Council's asset and facilities management budgets are distributed across all of the Council's service areas and the Corporate Landlord model seeks to consolidate these budgets. The relevant budgets need to be moved from service areas and transferred to Commercial Services within the Resources & Support Directorate in order to facilitate efficient delivery of the Council's Asset Management Strategy.
- 7.3 The movement of these budgets will not impact on the Council's overall net budget, and although internal recharges and charges can result in a doubling up of expenditure, this will be adjusted for when the gross budget for the Council is reported. 7.3 In order to consolidate the Council's asset and facilities management budgets in Commercial Services Council, therefore, are asked to approve a budget virement of £20.130m as detailed below:

	Asset & Facilities Management Budgets	Recharge Budgets
	£	£
Service Area		
Adult Services	(717,250)	717,250
Children's Services	(7,120,470)	7,120,470
Commissioning	(7,412,480)	7,412,480
Public Health	(11,270)	11,270
Resources & Support	(4,868,800)	4,868,800
Service Area Total	(20,130,270)	20,130,270
Corporate Landlord		
Resources & Support	20,130,270	(20,130,270)

8. Additional Information

- 8.1 The corporate landlord model will result in the production of an Asset Management Plan (AMP). AMP's are the framework within which Councils operate to manage their fixed assets. Most plans reflect the significant changes that have taken place and recognise the evolving nature of asset management locally and across the wider local and central government estates as a whole. Most of these plans offer a strategic framework to deliver the changes required in response to the changing financial and economic landscape but many start from a fundamental asset challenge process which fully engages with and challenges service users and service owners. The need to operate in a leaner and greener way, together with the need to reduce spending, requires new models of service delivery to ensure we manage our property assets sustainably and in partnership with public and private sector partners

9. Conclusions

- 9.1 Council is requested to approve the budget virement for immediate implementation of the Corporate Landlord structure.

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

Asset Management Strategy - 11-02-15

Cabinet Member (Portfolio Holder)

Mike Owen – Resources and Support

Local Member

All

Conflicts of interest declared by members

Appendices

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Committee and Date

Council

24 September 2015

10.00am

Item

17

Public

REGULATION OF INVESTIGATORY POWERS POLICY

Responsible Officer Andrew Evans, Head of Economic Growth & Prosperity

e-mail: Andrew.M.Evans@shropshire.gov.uk **Tel:** 01743 253869

1. Summary

1.1 The Council's current Regulation of Investigatory Powers Policy (adopted in August 2013) has been reviewed. It requires updating to reflect changes brought into effect through the Regulation of Investigatory Powers legislative framework and to take account of changes to Council personnel that have occurred over the previous two years. The opportunity has also been taken to improve the clarity of the policy where it has been appropriate to do so.

1.2 This report sets out the proposed policy.

2. Recommendation

2.1 That Council approves the proposed Regulation of Investigatory Powers Policy as set out in **Appendix A** and agrees to adopt the said Policy with effect from 1 October 2015.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The preparation and publishing of a policy is not in itself a legal requirement. However, it is considered best working practice to have such a policy in place.

3.2 If the Council fails to prepare and publish a policy the Council will be open to criticism by the Office of the Surveillance Commissioners (OSC) and the Interception of Communications Commissioner's Office (IOCCO). It will not have in place duly authorised/designated officers to undertake the roles required by the relevant legislation. It will be more difficult to respond to challenges about the way the Council has used investigatory techniques; this may lead to service complaints to the Local Government Ombudsman, judicial review, evidence being held inadmissible in criminal legal proceedings that have been instituted by the Council and civil action being taken against the Council for acting in a way that is

incompatible with a person's human rights. The reputation and professionalism of the Council would clearly be at risk.

- 3.3** Conversely, by preparing and publishing a policy, the Council will demonstrate that it takes the regulation of investigatory powers seriously, provides a defined framework within which the Council will exercise its responsibilities, makes it clear to all stakeholders the manner in which the Council intends to operate, ensures that the Council has sufficient appropriately authorised/designated officers and provides the basis for a robust defence to any challenges that may be made to the way in which investigatory techniques are used by the Council.
- 3.4** An Equalities Impact Needs Assessment has not been undertaken as the report does not concern the implementation of a new policy. The proposed policy is a refresh of the policy that was adopted by the Council in 2013 and is fundamentally based on the principles behind European human rights legislation and prescriptive UK legislative requirements. The proposed revised policy follows relevant guidance issued by the Home Office, the OSC and the IOCCO.
- 3.5** There is no anticipated environmental impact associated with the recommendations in this report.
- 3.6** The policy to which the recommendation relates is specifically aimed at ensuring that the Council's actions are not at variance with the Human Rights Act 1998 and consequently is unlikely to result in any adverse Human Rights Act implications. The recommendation is in line with relevant legislation and guidance issued by the Home Office, the OSC and the IOCCO.
- 3.7** Consultation was undertaken to support the development of the current Policy. Officers are satisfied that the proposed amendments to the current Policy are consequential rather than altering the fundamental principles upon which the policy is based; consequently, officers have concluded that further consultation would serve no practical purpose.
- 3.8** Cabinet considered the proposed policy on the 29 July 2015. The content of the policy was agreed (subject to any necessary amendments to the list of officers given delegated powers to grant authorisations and seek judicial approval in the Magistrates' Court) and Cabinet recommended that Council adopt the proposed policy with effect from 1 October 2015.
- 3.9** Following the July 2015 Cabinet meeting and in line with specific requests from relevant managers, additional officers have been given delegated powers to grant authorisations and seek judicial approval in the Magistrates' Court under the relevant RIPA requirements. In accordance with the delegated authority granted by Cabinet, the necessary amendments to paragraphs 3 and 4 of Appendix 1 to the proposed policy have been made by the RIPA Co-ordinator in consultation with the Portfolio Holder for Regulatory Services, Housing and Commissioning (Central).

4. Financial Implications

- 4.1** There are no financial implications associated with the recommendation.

5. Background

- 5.1** The Regulation of Investigatory Powers Act 2000 (RIPA) is the law governing the use of covert techniques by public authorities and this includes local authorities. When public authorities use covert techniques they must do so in a way that is necessary, proportionate, and avoids (or where this is not possible minimises) the impact of the covert techniques on other people who are not the subject of the operation or investigation (collateral intrusion); thus ensuring that the covert techniques used are compatible with human rights. RIPA sets out authorisation procedures to help ensure that this compatibility is achieved.
- 5.2** To provide independent oversight in respect of the way in which investigatory techniques are utilised, RIPA has also put in place the OSC, the IOCCO and the Investigatory Powers Tribunal (IPT).
- 5.3** RIPA is supported by a number of Codes of Practice (the Codes) issued by the Secretary of State pursuant to Section 71 of RIPA. Local authorities must have regard to the provisions of the Codes but non-compliance does not of itself render any person, including the Council, liable to criminal or civil proceedings. The Codes are admissible as evidence in criminal and civil proceedings. If any provisions of the Codes appear relevant to any court or tribunal considering such proceedings, or to the IPT, the OSC or the IOCCO, they must be taken into account. Local authorities may also be required to justify, with regard to the Codes, the use or granting of authorisations in general or the failure to use or grant authorisations where appropriate.
- 5.4** RIPA applies to a number of covert techniques; however, the techniques that may be authorised by a local authority are restricted to:-
- conducting covert surveillance in public places (directed surveillance), such as watching, following or listening to people
 - the use of covert human intelligence sources (CHIS), such as obtaining information about people through informants or undercover officers
 - acquiring communications data: the 'who, when and where' of communications, such as a telephone billing and subscriber details
- 5.5** RIPA applies to a wide-range of investigations. For local authorities, it applies to investigations undertaken for the purposes of the prevention and detection of crime and the prevention of disorder.
- 5.6** Although RIPA provides for the authorisation of the covert techniques listed at paragraph 5.4 above, it is not unlawful not to seek an authorisation and there is no duty on a local authority to comply with the RIPA provisions; it is permissive law. However, the Codes make it clear that there is an expectation that local authorities will comply with the requirements of RIPA.
- 5.7** A public authority may only engage RIPA when performing its 'core functions'. The core functions (referred to by the IPT) are the specific public functions undertaken by a particular authority insofar as they relate to the grounds specified under RIPA; for local authorities these grounds are limited to preventing or detecting crime or preventing disorder, and is further restricted with respect to directed surveillance. This is in contrast to the 'ordinary functions' which are

those undertaken by all authorities, e.g. those involving employment issues, contractual arrangements, etc. Covert techniques in relation to ordinary functions, or for any other general purposes, are conducted under other legislation and authorisations under RIPA would not be appropriate.

5.8 For the reasons set out in paragraph 5.7, where investigations are carried out for any purpose that falls outside the RIPA regime, e.g. for the purposes of investigating internal Council disciplinary matters or where the ‘crime threshold’ (refer to paragraph 2.4 of the policy) is not met, the Council may still use the covert techniques described in RIPA. To ensure that the covert techniques used for these other purposes are still used in a manner that is compatible with human rights, the Council ought to have due regard to the principles of RIPA, the Codes published by the Home Office, and any relevant RIPA guidance and, in practice, apply these as if the purposes for which the techniques are being used do fall within the RIPA regime. For this purpose, these matters are also covered in the policy.

5.9 The relevant Codes issued by the Secretary of State pursuant to Section 71 of RIPA have been revised and reissued during the period since the current Policy was adopted by the Council in 2013. The revised Policy takes account of the changes contained within the Codes as well as updating officer details and/or responsibilities relating to:

- Senior Responsible Officer
- RIPA Co-ordinator
- Officers with delegated powers to grant authorisations under Sections 22, 28 and 29 of RIPA
- Officers with delegated powers to present RIPA cases to JPs under Section 223 of the Local Government Act 1972

6. Additional Information

6.1 It is considered best working practice that the policy is set annually by the Council’s elected members and that they review the use of RIPA on a regular basis to ensure that it is being used consistently with the policy and that the policy remains fit for purpose. The mechanism to ensure this is undertaken is set out in the proposed policy.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <ul style="list-style-type: none"> • Shropshire Council’s Regulation of Investigatory Powers Policy adopted on 1 August 2013 (http://shropshire.gov.uk/media/892168/RIPA-policy-Aug-2013.pdf) • Cabinet report and decision from 29 July 2015 relating to the proposed Regulation of Investigatory Powers Policy
<p>Cabinet Member (Portfolio Holder) Cllr Malcolm Price</p>
<p>Local Member Not applicable</p>
<p>Appendices Appendix A – Proposed Regulation of Investigatory Powers Policy</p>

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REGULATION OF INVESTIGATORY POWERS POLICY

**USE OF COVERT DIRECTED SURVEILLANCE
USE OF COVERT HUMAN INTELLIGENCE SOURCES
ACQUISITION OF COMMUNICATIONS DATA**

PROPOSED

Approved by Shropshire Council on:
Adopted by Shropshire Council on:

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PART A : BACKGROUND

Part A sets out the background to the use of covert investigatory techniques by Shropshire Council ('the Council') under the provisions of the Regulation of Investigatory Powers Act 2000 (RIPA).

1. Introduction

- 1.1 The primary aim of Central and Local Government enforcement work is to protect the individual, the environment and a variety of groups such as clients, consumers and workers. At the same time, carrying out enforcement functions in a fair, practical and consistent manner helps to grow and promote a prosperous and thriving national and local economy. The Council is committed to these aims and to maintaining a fair and safe society.
- 1.2 On occasions, in the course of enforcement work to ensure regulatory compliance, fulfil the Council's statutory duties and achieve predetermined outcomes, it may become necessary for the Council to undertake the use of covert investigatory techniques. RIPA sets out the regulatory framework to control the use of these techniques by public authorities. RIPA does not provide powers to carry out covert activities; it provides a defence against accusations of a breach of the Convention on Human Rights (ECHR) and regulates the conduct of Council officers who undertake such activities in a manner that ensures compatibility with the ECHR, particularly Article 8 that deals with the right to respect for private and family life.
- 1.3 RIPA specifically permits the Council to use three covert techniques for the purposes of preventing or detecting crime or preventing disorder. These are covert directed surveillance, the use of covert human intelligence sources (CHIS) and the acquisition of communications data.
- 1.4 However, RIPA does not prohibit the use of these techniques for purposes other than the prevention or detection of crime or preventing disorder. Consequently, the Council may legally use covert techniques for purposes other than those defined in RIPA. Where the techniques are used for non RIPA defined purposes, the Council shall have due regard to the principles of RIPA, the Codes published by the Home Office and its own RIPA guidance and, in practice, apply these as if the purposes for which the techniques are being used do fall within the RIPA regime.
- 1.5 Covert directed surveillance is undertaken in relation to a specific investigation or operation where the person or persons subject to the surveillance are unaware that it is or may be taking place. This may result in the Council obtaining private information about persons, which may or may not be for the purposes of the specific investigation. However, the Council cannot undertake covert surveillance in residential premises or private vehicles.
- 1.6 CHIS are undercover officers, public informants or, in some cases, people/officers who make test purchases. Such sources may be used by the

Council to obtain or pass on information about another person without their knowledge as a result of establishing or making use of an existing relationship. This clearly has implications for the invasion of a person's privacy and is an activity that is strictly regulated by the legislation.

- 1.7 The acquisition of communications data is where the Council acquires the who, when and where of communication but not the what, i.e. not the content of what was said or written. The Council may obtain service user information and subscriber information. This includes, for example, the type of communication, time sent, the duration and billing information such as the name, address and bank details of the subscriber of telephone and internet services.
- 1.8 These covert investigatory techniques play a necessary part in modern life. They are used not only to target criminals in order to prevent and detect crime and disorder but also as a means of protecting the public from harm.
- 1.9 The covert techniques controlled by RIPA form part of the duties of many law enforcement officers and other public bodies. Within the Council, service areas/functions that may undertake investigations include, but are not limited to, regulatory services, environment, education welfare, housing, social care, council tax, benefits, outdoor recreation and internal audit. All these service areas/functions may, at some point, need to utilise covert techniques as part of their official duties to effectively deliver service and Council outcomes.
- 1.10 For example, Council officers may need to covertly observe the activities of businesses and individuals and/or form covert relationships as part of their enforcement functions to verify the legality of the supply of goods or services including for the purposes of preventing and detecting underage sales of alcohol and/or tobacco. It may be necessary to obtain subscriber details for mobile phone numbers to track down individuals involved in consumer related doorstep crime. It may also be necessary to covertly observe the activities of individuals who are suspected of serious controlled waste offences or serious/serial council tax and benefit fraud or other serious crime or fraudulent activity such as theft of money or assets. Covert observation of Council employees may also be undertaken to verify compliance with employment contracts and for disciplinary purposes. During these and other types of investigations it may be necessary to record the activities of individuals using covert recording equipment.
- 1.11 To provide independent oversight in respect of the way in which investigatory techniques are utilised, RIPA has put in place the Office of Surveillance Commissioners (OSC), the Interception of Communications Commissioner's Office (IOCCO) and the Investigatory Powers Tribunal (IPT). This is because RIPA activities may give rise to interference with an individual's privacy and consequently the Council must consider its obligations under Article 8 of the ECHR.

PART B : POLICY STATEMENT

Part B sets out the policy adopted by the Council in respect of its use of covert investigatory techniques under the provisions of RIPA.

2. Policy Statement

- 2.1** This policy is intended to demonstrate that covert directed surveillance, CHIS and the acquisition of communications data will only be used to obtain information or evidence when no other investigation method or technique will deliver the required outcomes.
- 2.2** All residents and businesses within Shropshire will benefit from this policy as it provides the framework for the Council to effectively implement RIPA to ensure human rights are protected when enforcing criminal legislation; in particular, it sets out how the Council intends to limit intrusion into the personal activities of individuals. The policy assists the Council to identify and take action to reduce the level of crime in the community.
- 2.3** The Council shall not undertake any covert techniques referred to in Part A paragraph 1.3 ('covert techniques') of this policy without the prior authorisation from a trained senior officer who has the delegated power to grant such authorisation (i.e. a designated person under Sections 22, 28 and/or 29 of RIPA) **AND** where the covert techniques are used for the purposes of preventing or detecting crime or for preventing disorder an order approving the authorisation has been granted by a Justice of the Peace (JP)¹.
- 2.4** The Council shall authorise the use of covert directed surveillance under RIPA for the purpose of preventing or detecting crime only where the investigation relates to criminal offences that are punishable by a maximum term of at least six months imprisonment or are related to specified criminal offences for underage sales of alcohol or tobacco. This 'crime threshold' does not apply to the authorisation of a CHIS or to the acquisition of communications data.
- 2.5** The Council shall authorise the use of a CHIS or the acquisition of communications data for the purposes of preventing or detecting crime or of preventing disorder.
- 2.6** The Council may authorise the use of covert techniques for purposes other than those specified in RIPA.
- 2.7** Unless there are unequivocal and undeniably compelling reasons (having considered necessity, proportionality and the anticipated level of collateral intrusion) to authorise the use of covert techniques to investigate disorder that does not involve criminal offences or to investigate offences relating to littering, dog control, fly-posting or noise nuisance, the Council shall not authorise the use of any covert techniques to investigate such matters.

¹ Attention is drawn to the provisions of Statutory Instrument 2012 No. 2563 (L.9); the Magistrates' Courts (Regulation of Investigatory Powers) Rules 2012, where an application is not made in a criminal case.

- 2.8** In addition, authorising officers/designated persons must believe that the covert technique(s) is/are necessary and proportionate to what it/they seek(s) to achieve. In making this judgement, officers shall consider whether the information may be obtained using any other methods and also ensure sufficient steps are in place to reduce the impact of the covert techniques on other people who are not the subject of the operation or investigation (collateral intrusion). If authorising officers/designated persons do not believe that the covert technique(s) is/are necessary and proportionate to what it/they seek(s) to achieve or if other methods may be used to obtain the information or insufficient steps are in place to reduce collateral intrusion, officers shall not grant authorisation.
- 2.9** Authorisations shall, except in an emergency, be made in writing and contain the details required by the relevant sections of RIPA and the relevant associated Codes of Practice (the Codes)² issued by the Secretary of State pursuant to Section 71 of RIPA.
- 2.10** The Council cannot and shall not, under any circumstances, authorise 'intrusive surveillance', the acquisition of communications data referred to as 'traffic data', the interception of communications, the investigation of protected electronic information or property interference. Authorising officers/designated persons shall not grant authorisation to any officer to undertake these activities.
- 2.11** In addition, the Council shall ensure that:-
- a) there is a designated person ('the senior responsible officer') within the Council who has specific responsibility for the Council's enforcement activities under RIPA;
 - b) there is a designated person ('the RIPA co-ordinator') within the Council who has specific responsibility for drafting the Council's RIPA policy and practical guidance and holding, maintaining and updating the centrally retrievable record of all authorisations issued and any subsequent renewals, reviews and cancellations of those authorisations;
 - c) a suitable pool of officers are designated to present RIPA cases to JPs under Section 223 of the Local Government Act 1972;
 - d) corporate practical guidance is issued on the use of covert directed surveillance, the use of CHIS and the acquisition and disclosure of communications data;
 - e) all officers charged with the responsibility of being an authorised officer/designated person are appropriately supported and trained;

² Code of practice on the acquisition and disclosure of communications data (March 2015); Code of practice on covert surveillance and property interference (December 2014); Code of practice on the use of covert human intelligence sources (December 2014); and any subsequent revisions of these codes or new codes that may from time to time be issued

- f) all officers charged with the responsibility of conducting covert directed surveillance, using a CHIS or acquiring communications data are appropriately supported and trained; and
 - g) all officers dealing with complaints are aware that the Investigatory Powers Tribunal (IPT) has been introduced to examine complaints about the inappropriate use of covert investigatory techniques and the infringement of human rights that may result from inappropriate use.
- 2.12** Where investigations are carried out for any purpose that falls outside the RIPA regime, e.g. for the purposes of investigating internal Council disciplinary matters or where the 'crime threshold', as referred to in paragraph 2.4 above, is not met, the Council may still use the covert techniques described in RIPA. In such circumstances, judicial approval is not required.
- 2.13** To ensure that covert techniques used in line with paragraph 2.12 above are used in a manner that is compatible with the ECHR, the Council shall have due regard to the principles of RIPA, the Codes published by the Home Office, and its own RIPA guidance and, in practice, apply these as if the purposes for which the techniques are being used do fall within the RIPA regime.
- 2.14** When considering the authorisation of covert techniques, the facts of each investigation or operation involving the techniques shall be individually considered on their specific merits.

PART C : PRACTICAL GUIDANCE

Part C sets out the practical guidance that the Council requires all officers to follow when using any of the covert investigatory techniques controlled by RIPA.

3. Introduction

3.1 The purpose of this guidance is:-

- a) to explain beyond the policy statement, where necessary, the scope of RIPA and the circumstances where it applies in respect of Council activities;
- b) to provide additional general guidance where the Codes do not cover matters that the Council wants to provide guidance on or where specific matters would benefit from further emphasis; and
- c) to provide guidance on the judicial approval process.

3.2 The Council has had full regard to the Codes when preparing this guidance.

3.3 The content of the Codes has largely not been repeated in this guidance other than to emphasise a small number of specific issues. This is on the basis that all officers within the Council, when involved with covert directed surveillance, using a CHIS and/or acquiring communications data, are required to refer to, familiarise themselves with and follow the guidance provided in the appropriate and current Code(s). The Codes are admissible in evidence in any criminal and civil proceedings. They are available on the GOV.UK website (<https://www.gov.uk/government/collections/ripa-codes>).

4. Scope of RIPA

4.1 RIPA provides the statutory basis for local authorities and other organisations to authorise and use covert techniques. It was introduced to protect individuals' human rights whilst also ensuring that law enforcement and security agencies have the investigatory techniques they need to carry out their roles effectively.

4.2 The Council is included within the framework of RIPA with regard to the authorisation of covert directed surveillance, the use of CHIS and for the purposes of authorising the acquisition of communications data.

4.3 It is permissible to undertake these investigatory covert techniques only when relevant criteria are satisfied and the use of the techniques are authorised by an officer with delegated powers. Such authorisation gives lawful authority to carry out the covert techniques.

4.4 Obtaining authorisation helps to protect the Council and its officers from complaints of interference with the rights protected by Article 8 (1) of the ECHR which is now enshrined in English law through the Human Rights Act 1998. This is because the interference with the private life of citizens will be 'in accordance with the law'. In addition, the activities undertaken must also be

necessary and proportionate. Provided activities undertaken are in accordance with the law and a judgement has been made that they are necessary and proportionate they will not be in contravention of human rights legislation.

- 4.5** Only officers at Service Manager level or above may be given delegated powers to act as the Council's authorised officers/designated persons.
- 4.6** Only the Head of Paid Service (or any person acting on his/her behalf) has the power to authorise the use of a vulnerable individual or a juvenile as a CHIS. A person may only act on behalf of the Head of Paid Service in exceptional absence circumstances. The provision is not intended to allow ad hoc persons to grant such authorisations.
- 4.7** Routine patrols, observation at trouble 'hotspots', immediate response to events and the overt use of CCTV are all techniques that do not generally require authorisation. However, attention must be paid to the guidance provided in respect of these techniques in the relevant Code.

5. Additional general guidance

- 5.1** Council members shall set and/or agree continuance of this policy and the guidance, as appropriate. Where it is agreed by the Senior Responsible Officer (SRO), in consultation with the Portfolio Holder for Regulatory Services, Housing and Commissioning (Central), that RIPA is being used consistently within the policy and that the policy remains fit for purpose then the policy may continue to operate without wider consideration or revision by Council members. However, where there are any concerns about the manner in which RIPA is being used or that the policy is not fit for purpose, the SRO shall take appropriate steps to address these concerns, including revising the policy, in accordance with relevant Council procedures.
- 5.2** The use of RIPA by Council officers shall be reported to members of the Audit Committee on a regular basis and to the Council, as appropriate, to ensure that RIPA is being used consistently within the policy and that the policy remains fit for purpose.
- 5.3** Refer to **Appendix 1** for persons designated by the Council as:-
- the SRO
 - the RIPA Co-ordinator
 - officers with delegated powers to grant authorisations under Sections 22, 28 and 29 of RIPA (Note: officers are permitted to grant authorisations across the Council and are not restricted to granting authorisations within their specific service area but before being permitted to grant authorisations, they must have undergone appropriate RIPA training)
 - officers with delegated powers to present RIPA cases to JPs under Section 223 of the Local Government Act 1972 (Note: additional officers may be given such delegated powers, as required, in accordance with the Council's Scheme of Delegation)

- 5.4** Monitoring of authorisations may be undertaken by the SRO or by a suitably trained officer under the direction of the SRO. All Council officers shall provide such assistance as is required to enable effective monitoring to be undertaken.
- 5.5** The RIPA Co-ordinator is responsible for maintaining the Council's 'Central Register of Authorisations'. RIPA records shall be retained for a minimum period of 5 years. After the minimum retention period has expired, the RIPA Co-ordinator shall arrange for secure destruction of the records unless it is believed that the records may be relevant to pending or future legal proceedings, in which case they shall be retained for a suitable further period, commensurate with any subsequent review.
- 5.6** Deciding when authorisation is required involves making a judgement and doing so with the support of the guidance in the relevant Codes and any additional guidance that is made available. Where officers are in any doubt they shall seek the advice of an authorising officer/designated person. Where the authorising officer/designated person is in any doubt they shall seek advice from the Head of Legal and Democratic Services.
- 5.7** Only the Head of Paid Service (or any person acting on his/her behalf) and the Head of Legal and Democratic Services have the power to authorise directed surveillance involving any Council member. A person may only act on behalf of the Head of Paid Service in exceptional absence circumstances. The provision is not intended to allow ad hoc persons to grant such authorisations.
- 5.8** Appropriate risk assessments must be carried out before authorisations are granted. See **Appendix 2** for an example, but note this will not cover all aspects of the actual operation being authorised.
- 5.9** Unless renewed or cancelled, and providing they do not relate to urgent oral authorisations or written authorisations granted by a person who is permitted to act only in urgent cases, the duration of authorisations are:-
- Covert directed surveillance 3 months
 - CHIS 12 months (1 month if CHIS under 18)
 - Communications data 1 month from the date of JP's approval
- NB** The expiry time on all authorisations is always at 23:59, e.g. an authorisation granted on 1 April 2015 at 16:54 will expire on 30 June 2015 at 23.59.
- 5.10** Renewals shall be authorised and approved by a JP prior to the expiry of the original authorisations; but they run from the expiry date/time of the original authorisations. Authorisations may be renewed more than once if still considered necessary and proportionate and approved by a JP. Applications for renewals shall not be made until shortly before the original authorisation period is due to expire but officers shall take account of factors that may delay the renewal process such as intervening weekends and the availability of an authorising officer/designated person and a JP.

- 5.11** Authorising officers/designated persons shall set authorisation review dates at the outset of the process and ensure these are undertaken regularly.
- 5.12** A review of an authorisation is not the same as a renewal and authorising officers/designated persons are directed to paragraph 5.10 above and the relevant parts of each of the Codes to ensure the difference is fully understood and the principles correctly applied.
- 5.13** Authorising officers/designated persons shall formally and promptly cancel authorisations once the authorised covert activity has served its purpose or has become unnecessary or disproportionate.
- 5.14** In order to ensure that authorising officers/designated persons have sufficient information to make informed decisions, and to provide the OSC and the IOCCO with appropriate information, detailed records shall be made and retained by the Council.
- 5.15** To facilitate record keeping, the forms to be completed are those that are available on the GOV.UK website (<https://www.gov.uk/government/collections/ripa-forms--2>). For covert directed surveillance and CHIS the forms are entitled:-
- Covert Directed Surveillance
- Application for the use of directed surveillance
 - Renewal of directed surveillance
 - Cancellation of the use of directed surveillance
 - Review of the use of directed surveillance
- Covert Human Intelligence Sources
- Application for the use of Covert Human Intelligence Sources
 - Renewal of authorisation to use Covert Human Intelligence Sources
 - Cancellation of Covert Human Intelligence Sources
 - Reviewing the use of Covert Human Intelligence Sources
- 5.16** Where covert techniques are used for purposes other than those defined under RIPA and in accordance with paragraphs 2.12 and 2.13 above, the forms to be completed are those referred to in **Appendix 3**.
- 5.17** With respect to the acquisition of communications data, all applications shall be made electronically via the National Anti-Fraud Network (NAFN) website (www.nafn.gov.uk) and all associated records retained by NAFN. In addition, authorising officers/designated persons must provide the RIPA co-ordinator with sufficient details of the communications data authorisations to enable the details, as required by the relevant Code, to be entered onto the Council's 'Central Register of Authorisations'.
- 5.18** Where errors occur in respect of the acquisition of communications data, and they are not errors made by NAFN, these errors must be reported by an

authorising officer/designated person to the IOCCO using the appropriate form available on the GOV.UK website. The form is entitled:-

- Reporting an error by a public authority to the IOCCO

- 5.19** It is the responsibility of authorising officers/designated persons to ensure all **original** applications (including refusals) and associated renewals, reviews and cancellations are forwarded to the RIPA Co-ordinator. This does not apply to the acquisition and disclosure of communications data as the original records are retained by NAFN. However, sufficient details of communications data authorisations shall be forwarded to the RIPA Co-ordinator to enable the 'Central Register of Authorisations' to be completed.
- 5.20** Where the Codes refer to 'confidential material', any advice or guidance required in line with the provisions of the Codes shall be sought from the Head of Legal and Democratic Services.
- 5.21** Where investigatory activity is likely to involve both covert directed surveillance and the use of a CHIS, RIPA practice permits the two types of authorisations to be legally combined onto one form. However, it is the Council's practice for separate forms to be completed to maintain the distinction between the two techniques being used.
- 5.22** In cases of joint working where other agencies are involved on the same operation, authority for covert techniques shall be obtained from the Council's authorising officers/designated persons. Authorisation cannot be granted by the authorising officer/designated person of another agency for the actions of Council officers and vice versa.
- 5.23** All covert recording equipment shall be stored securely to prevent unauthorised use. A log must be created and maintained to record the date/time the equipment was removed from storage, by whom, for what purpose and the date/time it was returned to storage and by whom.
- 5.24** Where recording equipment is to be used covertly, this shall be specifically detailed in the relevant RIPA application to ensure the use of the equipment is properly authorised by an authorising officer/designated person.
- 5.25** All RIPA generated material shall be processed in accordance with Council guidance relating to data protection requirements, the handling, storage, retention and destruction of confidential material.
- 5.26** Where material is obtained through any activity covered in this guidance, which is wholly unrelated to a criminal or other investigation or to any person who is not the subject of the investigation, and there is no reason to believe it will be relevant to future criminal or civil proceedings, it must be destroyed immediately. The decision as to whether or not unrelated material should be destroyed is the responsibility of the relevant authorising officer/designated person.

5.27 Nothing in RIPA prevents material obtained through the proper use of the authorisation procedures on one investigation from being used in another investigation; however, the use outside the Council of any material obtained by means of the activities covered in this guidance and, other than in pursuance of the grounds on which it was obtained, shall only be authorised in the most exceptional circumstances.

5.28 Authorising officers/designated persons shall take account of any guidance³ issued by the OSC and IOCCO and properly promote and make it accessible to all relevant officers within the Council.

6. Judicial approval process

6.1 With regard to the judicial approval process for RIPA, all officers involved in the authorisation process shall familiarise themselves with the latest guidance available for local authorities in England and Wales as detailed in the Codes and published on the GOV.UK website (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118173/local-authority-england-wales.pdf) and follow the guidance contained therein.

6.2 The Council deems investigating officers, supported by authorising officers/designated persons, to be best able to answer any questions posed by JPs on the policy and practice of conducting covert operations as well as the detail of the actual cases under investigation. It is not necessary to use a solicitor to make the case to a JP.

6.3 Authorising officers/designated persons shall contact Her Majesty's Courts and Tribunals Service (HMCTS) administration team at the appropriate Magistrates' Court to arrange a hearing and investigating officers shall attend the hearing and where, required, be accompanied by authorising officers/designated persons.

6.4 The application and judicial order forms to be used for judicial approval are produced at **Appendix 4**.

6.5 For the purposes of the acquisition of communications data, the completed judicial order shall be provided to the NAFN Single Point of Contact (SPoC).

6.6 Where covert techniques are used for purposes other than those defined under RIPA and in accordance with paragraphs 2.12 and 2.13 above, there is no requirement to obtain judicial approval.

6.7 Further guidance and information is made available by the OSC and the IOCCO on their websites – refer to the links below. Officers shall ensure they consider and have regard to such information as appropriate.

³ OSC Procedures and Guidance – Oversight arrangements for covert surveillance and property interference conducted by public authorities and to the activities of relevant sources (December 2014); and any subsequent revision of this and any other guidance that may from time to time be issued

- <https://osc.independent.gov.uk/>
- <http://www.iocco-uk.info/>

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APPENDIX 1

1. **Senior Responsible Officer:** Paul McGreary, Head of Business Support and Regulatory Services
2. **RIPA Co-ordinator:** Frances Darling, Senior Commissioner, Business Support and Regulatory Services
3. **Officers with delegated powers to grant authorisations under Sections 22, 28 and 29 of RIPA (subject to appropriate RIPA training):-**

Clive Wright, Head of Paid Service
 Claire Porter, Head of Legal and Democratic Services
 Paul McGreary, Head of Business Support and Regulatory Services
 Frances Darling, Senior Commissioner, Business Support and Regulatory Services
 Martin Key, Operations Manager Environmental Protection and Resolution
 Karen Collier, Operations Manager Health and Community Protection
 Ian Kilby, Operations Manager Planning Services
 Philip Wilson, Service Delivery Manager Business Support, Learning & Skills Group
 Timothy Sneddon, Operations Manager Environmental Maintenance
 Tina Russell, Head of Safeguarding
 Maria White, Service Manager Assessment and Early Help
 Steve Ladd, Service Manager Placements
 Sarah Wilkins, Service Manager Early Help
 Christine Kerry, Team Manager Education Access Service
 Philip Weir, Revenues & Benefits Service Manager
 Deborah Hughes, Shropshire Outdoor Partnerships Manager
 Ruth Houghton, Head of Social Care, Efficiency and Improvement

4. **Officers with delegated powers to present RIPA cases to JPs under Section 223 of the Local Government Act 1972:-**

Clive Wright, Head of Paid Service
 Claire Porter, Head of Legal and Democratic Services

Paul McCreary, Head of Business Support and Regulatory Services
Frances Darling, Senior Commissioner, Business Support and Regulatory Services
Martin Key, Operations Manager Environmental Protection and Resolution
Karen Collier, Operations Manager Health and Community Protection
Ian Kilby, Operations Manager Planning Services
Phil Wilson, Service Delivery Manager Business Support, Learning & Skills Group
Timothy Sneddon, Operations Manager Environmental Maintenance
Carmen Eccleston, Street Scene Manager
Grant Tunnadine, Investigation and Targeted Intervention Team Manager
Anthony Coffey, Public Protection Officer
Sally Jones, Public Protection Officer
Andrew Bishop, Public Protection Officer
Stacy Arnold, Public Protection Officer
Charlotte Smith, Public Protection Officer
Fiona Gee, Public Protection Officer
Mark Southern, Planning and Enforcement Officer
Melanie Durant, Planning and Enforcement Officer
Julian Beeston, Planning and Enforcement Officer
Tina Russell, Head of Safeguarding
Maria White, Service Manager Assessment and Early Help
Steve Ladd, Service Manager Placements
Sarah Wilkins, Service Manager Early Help
Martin Hearle, Team Manager
Pam Ralph, Team Manager
Kathryn Shenton, Team Manager
Jill Carpenter, Team Manager
Christine Kerry, Team Manager - Education Access Service
Lindsey Glover, Education Welfare Team Leader
Joanne Smith, Education Welfare Officer
Samantha Edwards, Education Access Officer
Jane Parsons, Education Welfare Officer
Philip Weir, Revenues & Benefits Service Manager

Jessica Taylor, Benefits Manager
Claire Penrose, Partnership Liaison Officer
Brian Allman, Business Rates Manager
Paul Newns, Senior Visiting Officer
Ben Castree, Visiting Officer
Mary Edge, Visiting Officer
Deborah Hughes, Shropshire Outdoor Partnerships Manager
Shona Butter, Mapping and Enforcement Team Leader
Lucy McFarlane, Rights of Way Officer – Legal Orders and Enforcement
Emily Harrison, Rights of Way Officer – Legal Orders and Enforcement
Ruth Houghton, Head of Social Care, Efficiency and Improvement

5. Officers with delegated powers to grant authorisations for purposes other than those specified under RIPA (subject to appropriate RIPA training):-

All officers listed at 3 above.
James Walton – Head of Finance, Governance & Assurance

PROPOSED

APPENDIX 2

Regulation of Investigatory Powers Act 2000

Example risk assessment, guidance and equipment checklist

Note: All forms of surveillance should be carried out by properly trained or experienced officers – in particular only those that can demonstrate competency through training or experience in vehicle or other forms of mobile surveillance should carry out such activities.

Task/Description	Hazard/Risk	Preventative measures	Operation checks
<p>Covert Surveillance: General</p> <p>Guidance:</p> <ol style="list-style-type: none"> 1. Follow Regulation of Investigatory Powers Act 2000 procedures. 2. Always consider the safety of officers and the general public when carrying out any of the above activities. 3. If you feel that you have been recognised but the operation is not compromised then cease activities. If however there is any possibility that the operation may have been compromised, stand down the entire 	<p>The hazards faced by operatives are more often verbal rather than actual physical violence. However physical violence is always a danger particularly with more serious offences.</p>	<ol style="list-style-type: none"> 1. Always ensure you have the local Police office telephone number entered into your mobile phone. 2. Withdraw from confrontational situations if the Police are not present. 3. Where possible familiarise yourself with the location, target and any activities you are expecting to encounter. 4. Always ensure that your management are aware of your activities and when you expect to return. Report regularly at predetermined times to another officer. 	<ul style="list-style-type: none"> · Carry and use surveillance logs. · Ensure you and your witnesses have notebooks, credentials and pens with them. · Keep a schedule for reporting to the office or control. · Carry communications equipment

<p>team and reconsider the operation.</p>			
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Task/Description	Hazard/Risk	Preventative measures	Operation checks
<p>Covert Surveillance: Static</p> <p>From fixed premises (e.g. a house or building)</p>	<p>Personal injury:</p> <ol style="list-style-type: none"> 1. From possible attack by individuals if discovered. 2. En route to or from or at premises 3. Condition of premises – poorly lit or dangerous or from structural or electrical faults 4. Slips, trips and falls especially in old disused premises and on stairs <p>Note: Attack can be from individuals under surveillance, their associates or from members of the public. Members of the public will be unaware of your purpose and are likely to be sympathetic towards the target.</p>	<ol style="list-style-type: none"> 1. Familiarise yourself with the area and identify all access and escape routes – do not use same route every time 2. Never work on your own and have team members close by with a view of the premises to alert of any danger 3. Follow established techniques for surveillance or adapt as necessary to suit local conditions. 4. Keep doors and access to the building locked from the inside. 5. Ensure you have adequate communication (e.g. radio and/or mobile phone - important to ensure you can contact the police from your chosen communications equipment). 6. Ensure communications equipment can transmit and receive from premises - during the operation carry out a periodic communication check. 7. Report regularly to a contact outwith the premises. 8. Ensure equipment is suitable – use covert radios if noise will be a problem; mute all phone tones and rings. 9. Pre-alert the Police if you feel they might be needed and have a contact number for them. 10. Be aware that any form of noise (including toilets 	<ul style="list-style-type: none"> · Brief all participants on locations and operational details. · Ensure all personnel know their positions and that of other colleagues. · <i>Ensure you know how to operate the equipment correctly</i> · Check all batteries are charged and take back-up batteries if possible. · Make sure you have sufficient media (e.g. tape/ film). · Complete a 'dry run' beforehand if required.- check if premises have power(saves batteries) and check condition of premises for security and

		<p>flushing) from 'disused' premise may alert others to your presence and compromise the operation.</p> <p>11. Leave premises as you find them. Do not leave any signs that you have been there.</p> <p>12. Use furnished premises if possible as less noise is transmitted if the property has floor coverings.</p>	<p>comfort and identify any potential dangers</p> <ul style="list-style-type: none"> • Ensure all communications equipment is working and establish alternative communications in poor reception areas • Ensure comfort break facilities are available and note that different genders have different requirements.
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Task/Description	Hazard/Risk	Preventative measures	Operation checks
<p>Covert Surveillance: Static</p> <p>From a vehicle (e.g. surveillance van)</p>	<p>Discovery of operative leading to violence.</p> <p>Fear of discovery and isolation (This may be applicable to all forms of surveillance.)</p> <p>Road accident</p> <p>Increased potential for discovery from noise levels or movement within the vehicle</p>	<p>In addition to the measures above:</p> <ol style="list-style-type: none"> 1. Ensure the vehicle has enough fuel and is adequately ventilated 2. Follow established techniques for surveillance or adapt as necessary to suit local conditions. 3. Ensure the vehicle does not cause an obstruction on the road; do not park in a poorly lit or dangerous location. 4. Keep all doors locked during operation. 5. The driver should be seen to walk away from vehicle but should be close by if required. 6. Ensure team members have view of vehicle to advise of any potential dangers 7. Consider whether Police should be aware of your 	<p>In addition to above:</p> <ul style="list-style-type: none"> • Ensure provision is made for comfort breaks. • Ensure that windows are clean if being used for filming or general viewing prior to use.

		<p>location and purpose.</p> <p>8. Ensure vehicle is prepared for surveillance e.g. one way glass, screens or blacked out windows.</p> <p>9. If overt surveillance from a car, do not park the car near a school or in a residential area for long periods of time.</p> <p>10. If overt surveillance from a car, less attention is drawn to a lone occupant in the passenger or rear seat although escape becomes more difficult.</p> <p>11. Where possible leave the vehicle unattended with surveillance equipment operating.</p>	
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Task/Description	Hazard/Risk	Preventative measures	Operation checks
<p>Covert Surveillance: Mobile</p> <p>From a moving vehicle</p>	<p>Attack:</p> <ol style="list-style-type: none"> 1. Personal attack (road rage) 2. Intentional collision by person under investigation. <p>Road accident:</p> <p>Risk is increased due to style of driving required to carry out this type of 'follow' Remember! RTA – no protection against prosecution for driving without due care and attention, careless driving or</p>	<p>This should not normally be under taken unless officer has appropriate training and is working in a team of similarly experienced officers. There is a major risk to individuals as well as other road users and members of the public including pedestrians.</p> <ol style="list-style-type: none"> 1. As many vehicles as required should be used from those available. 2. Ensure car is properly maintained and fit for the road 3. Ensure the car has enough fuel, preferably a full tank of petrol. 4. Avoid using a distinctive car that could be identified. Consider using a hired car. 5. Be careful not to be followed into enclosed areas or dead ends and try to keep within view of another officer at all times. 6. Make suitable arrangements for communications 7. Have a plausible story ready as to why you are 	<p>In addition to above:</p> <ul style="list-style-type: none"> · Have roadmaps of area and any areas you may be likely to visit · Be aware of position and deployment of other vehicles in the operation · If using hired car check that insurance is adequate and familiarise yourself with all controls and the performance of the car. · Carry disposable

	<p>dangerous driving. Insurance may not pay for any accident whilst you are engaged in such activities.</p> <p>Roadworks & other obstacles</p> <p>Pedestrians and children</p>	<p>there if challenged or engaged in conversation.</p> <p>8. Be aware of your environment – not just the target.</p>	<p>camera for record of any collision or damage</p>
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Task/Description	Hazard/Risk	Preventative measures	Operation checks
<p>Covert Surveillance: On foot</p>	<p>Confrontation with target</p> <p>Other members of target gang challenging and cutting off retreat route</p> <p>Physical violence from both human and animal</p> <p>Challenge from members of the public</p>	<ol style="list-style-type: none"> 1. Work in a team. 2. Have a plausible story as to why you are there and who you are, if challenged or engaged in conversation. Avoid eye contact with target 3. Be careful not to be followed into enclosed areas or dead ends and try to keep within view of another officer at all times. 4. Have a plausible story ready as to why you are there if challenged or engaged in conversation. 5. Survey the area if possible and make a note of local pitfalls and facilities 	<p>In addition to above: Wear appropriate footwear/clothing – have change of clothing available from team member/support vehicle · Have sufficient loose change for fares etc</p>

Task/Description	Hazard/Risk	Preventative measures	Operation checks
<p>Covert surveillance: Illegal waste disposal sites.</p>	<p>Detection on instillation by third party</p> <p>Violence and aggression</p>	<ol style="list-style-type: none"> 1. Always ensure pre reconnaissance check is undertaken prior to instillation of cctv units. 2. Abort instillation if detection is expected. 3. Request road closures where applicable 4. Always leave the scene if confronted 	<p>Prepare Site plans of areas</p> <p>Advanced weather forecasts</p>

	<p>Manual handling</p> <p>Adverse weather conditions</p> <p>Attack by animals</p> <p>Stings and bites</p> <p>Slips trips and falls</p>	<ol style="list-style-type: none"> 5. Where possible always work in pairs 6. Always familiarise yourself with object weights before moving 7. Always request help where objects are heavy or awkward to move 8. Park as close to site as possible to avoid unnecessary lifting and carrying 9. Always undertake weather checks prior to instillation 10. Do not enter premises where livestock / animals are kept. 11. Always ensure suitable equipment and training is undertaken before using ladders. 12. Always use PPE provided or where needed 13. Be aware of Injurious plant species if utilising hedges, bushes, plants or trees for CCTV units. (Nettles, Giant hogweed, thorn bushes, etc.) 14. Be aware of wasp and hornet nests when selecting sites for CCTV locations <p>Ensure a first aid kit is close at hand</p>	<p>PPE</p> <p>First aid kit provision</p>
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PROPOSED

APPENDIX 3

Forms to be used when undertaking covert techniques for purposes other than those specified under RIPA

Covert Directed Surveillance

1. Application for a directed surveillance authorisation
2. Renewal of a directed surveillance authorisation
3. Cancellation of a directed surveillance authorisation
4. Review of the a directed surveillance authorisation

Covert Human Intelligence Sources

5. Application for a Covert Human Intelligence Sources Authorisation
6. Renewal of a Covert Human Intelligence Sources Authorisation
7. Cancellation of a Covert Human Intelligence Sources Authorisation
8. Review of a Covert Human Intelligence Sources Authorisation

Acquisition of communication data

9. Accredited SPoC Notifying IOCCO of a Reportable Error

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1



**European Convention on Human Rights / Human Rights Act 1998
Application for a Directed Surveillance Authorisation**

Public Authority <i>(including full address)</i>			
Name of Applicant		Unit/Branch/Division	
Full Address			
Contact Details			
Investigation/Operation Name (if applicable)			
Investigating Officer (if a person other than the applicant)			

DETAILS OF APPLICATION
1. Give rank or position of authorising officer in accordance with the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 No. 521. (For local authorities the exact/formal position of the authorising officer must be given.)

2. Describe the purpose of the specific operation or investigation.
3. Describe in detail the surveillance operation to be authorised and expected duration, including any premises, vehicles or equipment (e.g. camera, binoculars, recorder) that may be used.
4. The identities, where known, of those to be subject of the directed surveillance.
<ul style="list-style-type: none">• Name:• Address:• DOB:• Other information as appropriate:
5. Explain the information that it is desired to obtain as a result of the directed surveillance.
6. Identify the grounds upon which the directed surveillance is <u>necessary</u> having regard to RIPA and Shropshire Council internal guidance and procedures.

7. Explain why this directed surveillance is necessary on the grounds you have identified [Code paragraph 3.3].

8. Supply details of any potential collateral intrusion and why the intrusion is unavoidable. [Bear in mind Code paragraphs 3.8 to 3.11.] Describe precautions you will take to minimise collateral intrusion.

9. Explain why this directed surveillance is proportionate to what it seeks to achieve. How intrusive might it be on the subject of surveillance or on others? And why is this intrusion outweighed by the need for surveillance in operational terms or can the evidence be obtained by any other means [Code paragraphs 3.4 to 3.7]?

10. Confidential information [Code paragraphs 4.1 to 4.31].
INDICATE THE LIKELIHOOD OF ACQUIRING ANY CONFIDENTIAL INFORMATION:

11. Applicant's Details

Name (print)		Tel No:	
Grade/Rank		Date	

Signature		
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12. Authorising Officer's Statement. [Spell out the "5 Ws" – Who; What; Where; When; Why and HOW– in this and the following box.]

I hereby authorise directed surveillance defined as follows: [*Why is the surveillance necessary, whom is the surveillance directed against, Where and When will it take place, What surveillance activity/equipment is sanctioned, How is it to be achieved?*]

13. Explain why you believe the directed surveillance is necessary [Code paragraph 3.3].
 Explain why you believe the directed surveillance to be proportionate to what is sought to be achieved by carrying it out [Code paragraphs 3.4 to 3.7].

[Empty box for response to question 13]

14. (Confidential Information Authorisation.) Supply detail demonstrating compliance with Code paragraphs 4.1 to 4.31.

[Empty box for response to question 14]

Date of first review	
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Programme for subsequent reviews of this authorisation: [Code paragraph 3.23]. Only complete this box if review dates after first review are known. If not or inappropriate to set additional review dates then leave blank.

Name (Print)		Grade / Rank	
Signature		Date and time	
Expiry date and time [e.g.: authorisation granted on 1 April 2005 - expires on 30 June 2005, 23.59]			

15. Urgent Authorisation [Code paragraph 5.9]: Authorising officer: explain why you considered the case so urgent that instead of a written authorisation was given.

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16. If you are only entitled to act in urgent cases: explain why it was not reasonably practicable for the application to be considered by a fully qualified authorising officer.

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Name (Print)		Grade/ Rank	
Signature		Date and Time	

Urgent authorisation Expiry date:		Expiry time:	
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Remember the 72 hour rule for urgent authorities - check Code of Practice.	e.g. authorisation granted at 5pm on June 1st expires 4.59pm on 4th June		
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2



**European Convention on Human Rights / Human Rights Act 1998
Renewal of a Directed Surveillance Authorisation**

Public Authority <i>(including full address)</i>		
Name of Applicant		Unit/Branch /Division
Full Address		
Contact Details		
Investigation/Operation Name (if applicable)		
Renewal Number		

Details of renewal:

1. Renewal numbers and dates of any previous renewals.	
Renewal Number	Date

2. Detail any significant changes to the information as listed in the original authorisation as it applies at the time of the renewal.

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3. Detail the reasons why it is necessary to continue with the directed surveillance.

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4. Detail why the directed surveillance is still proportionate to what it seeks to achieve.

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5. Indicate the content and value to the investigation or operation of the information so far obtained by the directed surveillance.

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6. Give details of the results of the regular reviews of the investigation or operation.

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7. Applicant's Details

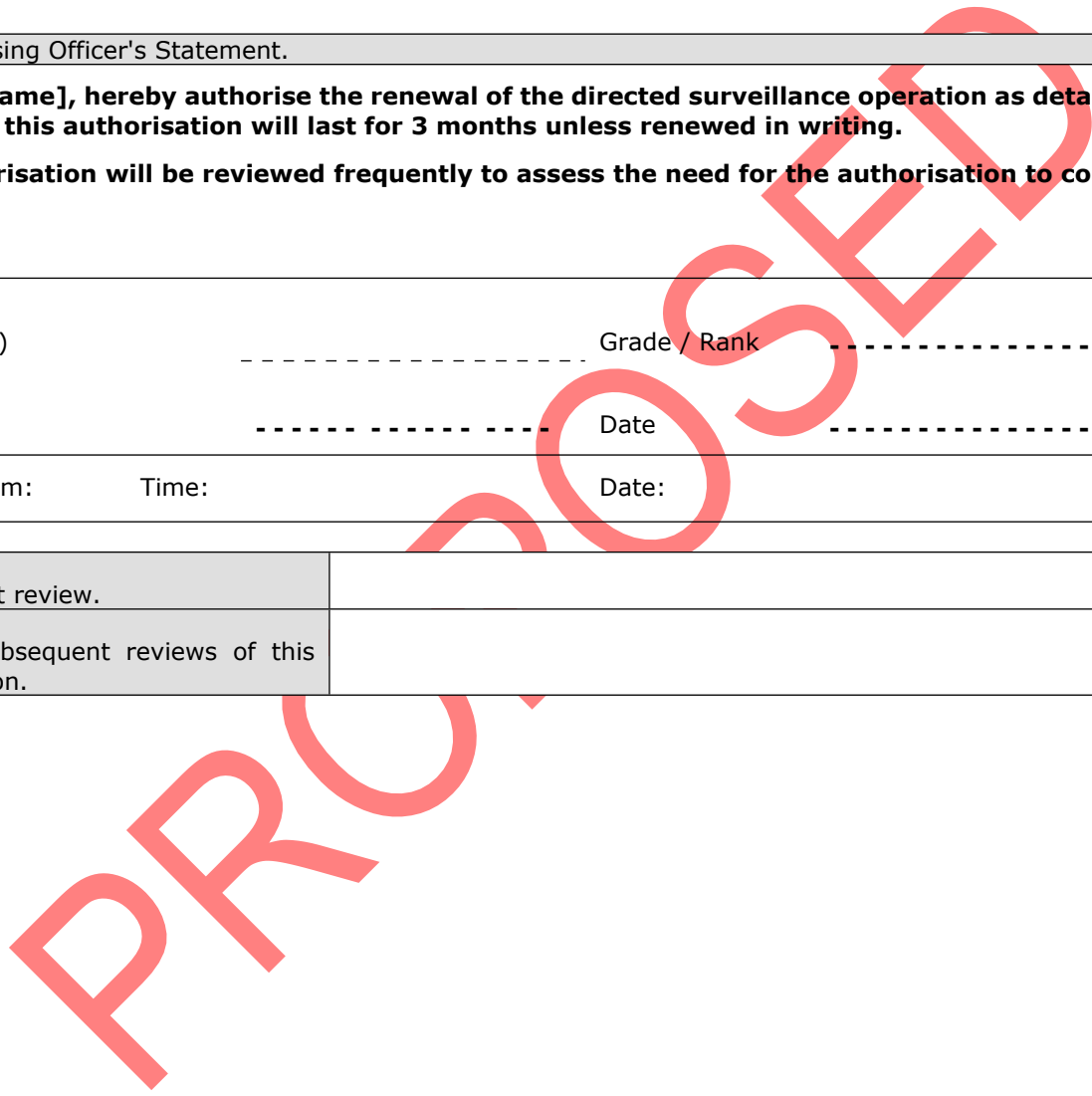
Name (Print)		Tel No	
Grade/Rank		Date	

Signature	
-----------	--

8. Authorising Officer's Comments. This box must be completed.

9. Authorising Officer's Statement.				
<p>I, [insert name], hereby authorise the renewal of the directed surveillance operation as detailed above. The renewal of this authorisation will last for 3 months unless renewed in writing.</p> <p>This authorisation will be reviewed frequently to assess the need for the authorisation to continue.</p>				
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Name (Print)</td> <td style="width: 50%; border: none;">Grade / Rank</td> </tr> <tr> <td style="border: none;">Signature</td> <td style="border: none;">Date</td> </tr> </table>	Name (Print)	Grade / Rank	Signature	Date
Name (Print)	Grade / Rank			
Signature	Date			
<table style="width: 100%; border: none;"> <tr> <td style="width: 33%; border: none;">Renewal From:</td> <td style="width: 33%; border: none;">Time:</td> <td style="width: 33%; border: none;">Date:</td> </tr> </table>	Renewal From:	Time:	Date:	
Renewal From:	Time:	Date:		

Date of first review.	
Date of subsequent reviews of this authorisation.	



3



**European Convention on Human Rights / Human Rights Act 1998
Cancellation of a Directed Surveillance Authorisation**

Public Authority <i>(including full address)</i>		
Name of Applicant		Unit/Branch /Division
Full Address		
Contact Details		
Investigation/Operation Name (if applicable)		

PROPOSED

Details of cancellation:

1. Explain the reason(s) for the cancellation of the authorisation:

2. Explain the value of surveillance in the operation:

3. Authorising officer's statement.	
I, [insert name], hereby authorise the cancellation of the directed surveillance investigation/operation as detailed above.	
Name (Print) _____	Grade _____
Signature _____	Date _____

4. Time and Date of when the authorising officer instructed the surveillance to cease.			
Date:		Time:	

5. Authorisation cancelled.	Date:	Time:
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PROPOSED



**European Convention on Human Rights / Human Rights Act 1998
Review of a Directed Surveillance authorisation**

Public Authority <i>(including address)</i>			
Applicant		Unit/Branch /Division	
Full Address			
Contact Details			
Operation Name		Operation Number* <small>*Filing Ref</small>	
Date of authorisation or last renewal		Expiry date of authorisation or last renewal	
		Review Number	

Details of review:

1. Review number and dates of any previous reviews.	
Review Number	Date

2. Summary of the investigation/operation to date, including what private information has been obtained and the value of the information so far obtained.

3. Detail the reasons why it is necessary to continue with the directed surveillance.

4. Explain how the proposed activity is still proportionate to what it seeks to achieve.

5. Detail any incidents of collateral intrusion and the likelihood of any further incidents of collateral intrusions occurring.

6. Give details of any confidential information acquired or accessed and the likelihood of acquiring confidential information.

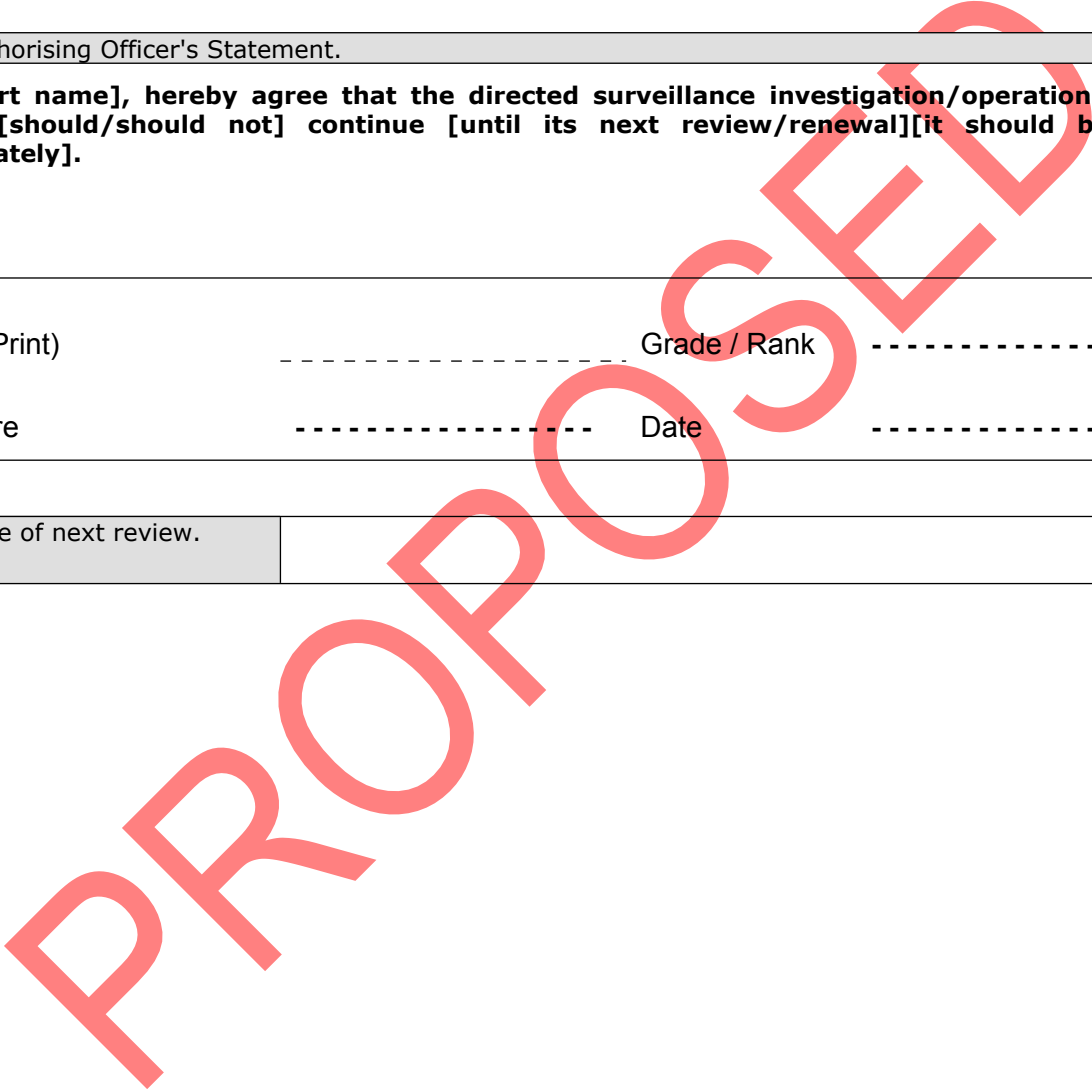
7. Applicant's Details			
Name (Print)		Tel No	
Grade/Rank		Date	

Signature	
-----------	--

8. Review Officer's Comments, including whether or not the directed surveillance should continue.

9. Authorising Officer's Statement.
I, [insert name], hereby agree that the directed surveillance investigation/operation as detailed above [should/should not] continue [until its next review/renewal][it should be cancelled immediately].
Name (Print) ----- Grade / Rank -----
Signature ----- Date -----

10. Date of next review.	
---------------------------------	--



5



**European Convention on Human Rights / Human Rights Act 1998
Application for a Covert Human Intelligence Sources (CHIS)
Authorisation**

Public Authority <i>(including full address)</i>	
--	--

Name of Applicant		Service/Department /Branch
How will the source be referred to(i.e. what will be his/her pseudonym or reference number)?		
What is the name, rank or position of the person within the relevant investigating authority who will have day to day responsibility for dealing with the source, including the source's security and welfare (often referred to as the Handler)?		
What is the name, rank or position of another person within the relevant investigating authority who will have general oversight of the use made of the source (often referred to as the Controller)?		
Who will be responsible for retaining (in secure, strictly controlled conditions, with need-to-know access) the source's true identity, a record of the use made of the source and the particulars required under RIP (Source Records) Regulations 2000 (SI 2000/2725)?		
Investigation/Operation Name (if applicable)		

DETAILS OF APPLICATION
<p>1. Give rank or position of authorising officer in accordance with the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 No. 521. (For local authorities the exact/formal position of the authorising officer must be given.)Where appropriate throughout amend references to the Order relevant to your authority.</p>
<p>2. Describe the purpose of the specific operation or investigation.</p>
<p>3. Describe in detail the purpose for which the source will be tasked or used.</p>
<p>4. Describe in detail the proposed covert conduct of the source or how the source is to be used.</p>
<p>5. Identify on which grounds the conduct or the use of the source is necessary under RIPA or internal Shropshire Council procedures</p>
<p>6. Explain why this conduct or use of the source is necessary on the grounds you have identified [Code paragraph 3.2].</p>

7. Supply details of any potential collateral intrusion and why the intrusion is unavoidable. [Bear in mind Code paragraphs 3.8 to 3.11.] Describe precautions you will take to minimise collateral intrusion and how any will be managed.

8. Are there any particular sensitivities in the local community where the source is to be used? Are similar activities being undertaken by other public authorities that could impact on the deployment of the source (see Code paragraphs 3.17 to 3.18)?

PROPOSED

9. Provide an assessment of the risk to the source in carrying out the proposed conduct (see Code paragraph 6.14).

10. Explain why this conduct or use of the source is proportionate to what it seeks to achieve. How intrusive might it be on the subject(s) of surveillance or on others? How is this intrusion outweighed by the need for a source in operational terms, and could the evidence be obtained by any other means [Code paragraphs 3.3 to 3.5]?

**11. Confidential information [Code paragraphs 4.1 to 4.21]
Indicate the likelihood of acquiring any confidential information.**

References for any other linked authorisations:

12. Applicant's Details.

Name (print)		Grade/Rank/Position	
Signature		Tel No:	
Date			

13. Authorising Officer's Statement. [Spell out the "5 Ws" – Who; What; Where; When; Why and HOW – in this and the following box.] THE AUTHORISATION SHOULD IDENTIFY THE PSEUDONYM OR REFERENCE NUMBER OF THE SOURCE, NOT THE TRUE IDENTITY.

**14. Explain why you believe the conduct or use of the source is necessary [Code paragraph 3.2]
Explain why you believe the conduct or use of the source to be proportionate to what is sought to be achieved by their engagement [Code paragraphs 3.3 to 3.5].**

15. Confidential Information Authorisation. Supply details demonstrating compliance with Code paragraphs 4.1 to 4.21

16. Date of first review:

17. Programme for subsequent reviews of this authorisation [Code paragraphs 5.15 and 5.16]. Only complete this box if review dates after first review are known. If not, or inappropriate to set additional review dates, then leave blank.

--

18. Authorising Officer's Details

Name (Print)		Grade/Rank/Position	
Signature		Time and date granted*	
		Time and date authorisation ends	

** Remember, an authorisation must be granted for a 12 month period, i.e. 1700 hrs 4th June 2006 to 2359hrs 3 June 2007*

19. Urgent Authorisation [Code paragraphs 5.13 and 5.14]: Authorising Officer: explain why you considered the case so urgent that an oral instead of a written authorisation was given.

--

20. If you are entitled to act only in urgent cases: explain why it was not reasonably practicable for the application to be considered by a fully designated Authorising Officer

--

21. Authorising Officer of urgent authorisation

Name (Print)		Grade/Rank/Position	
Signature		Date and Time	
Urgent authorisation expiry date:		Expiry time:	

Remember the 72 hour rule for urgent authorisations – check Code of Practice [Code Paragraph 5.14]. e.g. authorisation granted at 1700 on 1st June 2006 expires 1659 on 4th June 2006



**European Convention on Human Rights / Human Rights Act 1998
Renewal of a Covert Human Intelligence Sources (CHIS)
Authorisation**

(Please attach the original authorisation)

Public Authority (including full address)	
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Name of Applicant	Unit/Branch	
Full Address		
Contact Details		
Pseudonym or reference number of source		
Investigation/Operation Name (if applicable)		
Renewal Number		

Details of renewal:

1. Renewal numbers and dates of any previous renewals.	
Renewal Number	Date

2. Detail any significant changes to the information as listed in the original authorisation as it applies at the time of the renewal.

--

3. Detail why it is necessary to continue with the authorisation, including details of any tasking given to the source.

--

4. Detail why the use or conduct of the source is still proportionate to what it seeks to achieve.

--

5. Detail the use made of the source in the period since the grant of authorisation or, as the case may be, latest renewal of the authorisation.

--

6. List the tasks given to the source during that period and the information obtained from the conduct or use of the source.

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PROPOSED

7. Detail the results of regular reviews of the use of the source.

8. Give details of the review of the risk assessment on the security and welfare of using the source.

9. Applicant's Details			
Name (Print)		Tel No	
Grade/Rank		Date	
Signature			

10. Authorising Officer's Comments. This box must be completed.

11. Authorising Officer's Statement. The authorisation should identify the pseudonym or reference number of the source not the true identity.

Name (Print)	-----	Grade / Rank
Signature		Date
Renewal From:	Time:	Date: End date/time of the authorisation

NB. Renewal takes effect at the time/date of the original authorisation would have ceased but for the renewal

Date of first review:	
Date of subsequent reviews of this authorisation:	

PROPOSED



**European Convention on Human Rights / Human Rights Act 1998
Cancellation of Covert Human Intelligence Sources (CHIS)
Authorisation**

Public Authority <i>(including full address)</i>	
---	--

Name of Applicant		Unit/Branch	
Full Address			
Contact Details			
Pseudonym or reference number of source			
Investigation/Operation Name (if applicable)			

Details of cancellation:

1. Explain the reason(s) for the cancellation of the authorisation:
2. Explain the value of the source in the operation:

3. Authorising officer's statement. This should identify the pseudonym or reference number of the source not the true identity.

--

Name (Print) _____	Grade _____
Signature _____	Date _____

4. Time and Date of when the authorising officer instructed the use of the source to cease.

Date:		Time:	
-------	--	-------	--

PROPOS



**European Convention on Human Rights / Human Rights Act 1998
Review of a Covert Human Intelligence Sources (CHIS)
Authorisation**

Public Authority <i>(including full address)</i>			
Applicant		Unit/Branch	
Full Address			
Contact Details			
Pseudonym or reference number of source			
Operation Name		Operation Number * <small>*Filing Ref</small>	
Date of authorisation or last renewal		Expiry date of authorisation or last renewal	
Review Number			

Details of review:

1. Review number and dates of any previous reviews.	
Review Number	Date

2. Summary of the investigation/operation to date, including what information has been obtained and the value of the information so far obtained.

3. Detail the reasons why it is necessary to continue using a Covert Human Intelligence Source.

4. Explain how the proposed activity is still proportionate to what it seeks to achieve.

5. Detail any incidents of collateral intrusion and the likelihood of any further incidents of collateral intrusions occurring.

6. Give details of any confidential information acquired or accessed and the likelihood of acquiring confidential information.

7. Give details of the review of the risk assessment on the security and welfare of using the source.

8. Applicant's Details			
Name (Print)		Tel No	
Grade/Rank		Date	
Signature			

9. Review Officer's Comments, including whether or not the use or conduct of the source should continue.

10. Authorising Officer's Statement. THE AUTHORISATION SHOULD IDENTIFY THE PSEUDONYM OR REFERENCE NUMBER OF THE SOURCE, NOT THE TRUE IDENTITY.	
Name (Print)	Grade / Rank
Signature	Date

Date of next review:	
-----------------------------	--



European Convention on Human Rights / Human Rights Act 1998 Accredited SPoC Notifying IOCCO of a Reportable Error

An error can only occur after a designated person:

1. Has granted an authorisation and the acquisition of data has been initiated, or
2. Has given notice and the notice has been served on a CP in writing, electronically or orally

Guidance on errors and those which must be reported to the IOCCO are contained within the code of practice (see in particular paragraph 6.15)

Reportable errors must be brought to the attention of IOCCO within 5 working days of being discovered (see paragraph 6.17 of the code)

1) Name of Accredited SPoC		4) SPoC's Telephone Number	
2) Office, Rank or Position of SPoC		5) SPoC's Fax Number	
3) SPoC's email Address		6) The error can be reported by email to	Ch2.inspectorate@homeoffice.gsi.gov.uk

7) DETAILS OF THE ERROR	
State whether Notice of Authorisation:	
Describe the communications data applied for as set out on the application;	
Describe the nature of the error;	
Date and time the error occurred; Date: Time:	
If the effort was made by the CSP – Name of the CSP and state whether CSP has been informed:	
8) UNINTENDED COLLATERAL INTRUSION	
If any has taken place, please describe what it was	
9) PREVENTION OF SIMILAR ERRORS REOCCURRING	
What steps have been, or will be, taken to ensure that a similar error does not reoccur	
10) REPORTING OF THE ERROR TO THE COMMISSIONER AND NOTIFYING THE SENIOR RESPONSIBLE OFFICER AND THE DESIGNATED PERSON	
<i>Note: There is a requirement to report the error to your senior responsible officer (SRO) and then to the Commissioner</i>	
Details of the SRO	Name of the SRO Telephone No
	Email address of the SRO
Details of the DP	Name of the DP Telephone No
	Email address of the DP
The date and time the report has been completed by SPoC	Date Time

APPENDIX 4

Forms to be used when applying for judicial approval under RIPA

1. Application for judicial approval
2. Order

PROPOSED

1

APPLICATION FOR JUDICIAL APPROVAL

Insert service area/department

Shirehall,
Abbey Foregate
Shrewsbury
SY2 6ND



Application for Judicial Approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance

Regulation of Investigatory Powers Act 2000 Sections 23A, 23B, 32A, 32B

Criminal Procedure Rules 2012; Rule 6.27 & 6.28

Local Authority	Shropshire Council
Department	Insert service area/department
Offence Under Investigation: (inc. Statute / SI and Section)	Insert here the section and Act that you are investigating ** Note, where the application relates to Directed Surveillance, details must be given of the Offence section and it must be capable of a custodial penalty of at least 6 months. (Excludes Underage sales)
Address of premises or identity of subject	Enter premises / person details

Covert technique requested: **(Tick one box and specify details below)**

Communications Data

Covert Human Intelligence Source

Directed Surveillance

Summary of Details

Insert here details of the investigation / operation. (Note – if looking at communications data, be sure to specify the telephone numbers / IP addresses)

It would prejudice the investigation if the respondent or any other person affected were present.

Note: This application should be read in conjunction with the attached RIPA Authorisation / RIPA Application or Notice bearing the Investigation Reference Number given below:

Investigation Reference Number	Your File Reference
Investigating Officer	Name and Job title
Authorising Officer / Designated Person Name and Rank	
Officer(s) appearing before JP	Name & Job title
Address of applicant department	Shropshire Council Insert service area/department Shirehall Abbey Foregate Shrewsbury Shropshire SY2 6ND
Contact telephone number	
Contact e-mail address (optional)	
Number of pages	

The applicant states to the best of his/her knowledge and belief that this application discloses all the information that is material to what the Court must decide and the content of this application is true.

Signed :

Dated:

2

ORDER

Order made on an application for Judicial Approval for authorisation to obtain or disclose Communications Data, to use a Covert Human Intelligence Source or to conduct Directed Surveillance.

Regulation of Investigatory Powers Act 2000 Sections 23A, 23B, 32A, 32B.

Criminal Procedure Rules 2012: Rule 6.27 & 6.28

Magistrates Court: Shrewsbury Magistrates' Court

Having considered the application, I (tick one)

- Am satisfied that there are reasonable grounds for believing that the requirements of the Act were satisfied and remain satisfied, and that the relevant conditions are satisfied and I therefore approve the grant or renewal of the authorisation / notice.**
- Refuse to approve the grant or renewal of the authorisation / notice.**
- Refuse to approve the grant or renewal and quash the authorisation / notice.**

Notes

.....

.....

.....

Reasons

.....

.....

.....

Signed:

Date: **Time:**

Full Name:

Address of Magistrates' Court: Shrewsbury Magistrates' Court, The Court House,
Preston Street, Shrewsbury SY2 5NX

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Committee and date
Council

24 September 2015

10.00 a.m.

Item

19

Public

COMMUNITY GOVERNANCE REVIEWS

Responsible Officer Claire Porter

Email: claire.porter@shropshire.gov.uk

Telephone: (01743) 252763

1.0 Summary

- 1.1 This report seeks members' approval for the renaming of the Myddle and Broughton Parish Council.
- 1.2 Following requests from a relevant Town/Parish Council, Members are requested to consent to Community Governance Reviews being undertaken which affect the following Parishes:
- 1.2.1 Abdon/Heath;
 - 1.2.2 Adderley/Market Drayton/Moreton Say
 - 1.2.3 Albrighton;
 - 1.2.4 Wem Rural; and
 - 1.2.5 Wroxeter and Uppington
- 1.3 A Community Governance Working Party was authorised, by Cabinet on the 13th of April 2011, to carry out future Community Governance Reviews.

2.0 Recommendations

- 2.1 It is recommended:
- (a) That, under the provisions of Section 75(1) of the Local Government Act 1972 (the 1972 Act) the Parish of Myddle and Broughton be renamed as the Parish of "Myddle, Broughton and Harmer Hill" and that the Head of Legal and Democratic Services gives notice of the change of name as required.
 - (b) That the Community Governance Working Party, in accordance with S79 of the Local Government and Public Involvement in Health Act 2007 ("the 2007 Act), undertakes a review of the electoral arrangements and makes recommendations in respect of the Parishes of:

- i) Abdon/Heath;
- ii) Adderley/Market Drayton/Moreton Say
- iii) Albrighton;
- iv) Wem Rural; and
- v) 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 carrying out the review will be borne by Shropshire Council and will be limited to officer time and any costs associated with the consultation and any publication required. There is no power to reclaim these costs from the Town/Parish Councils.

5.0 Change of Name for the Parish of Myddle and Broughton

- 5.1 Following public consultation and lengthy discussion, Myddle and Broughton Parish Council resolved to request that the name of the Parish is changed to "Myddle, Broughton and Harmer Hill."
- 5.2 Section 75(1) of the 1972 Act provides authority for Shropshire Council to change the name of a Parish at the request of the Council for the Parish.
- 5.3 Notice of the change of name is required to be given to the Secretary of State, the Director of the Ordnance Survey and to the Registrar General. It is also required to be published in the Parish and elsewhere if considered appropriate.
- 5.4 Councillor Brian Williams, Shropshire Councillor for the division in which the Parish is situated, supports the proposed change of name.

6.0 The Parishes of Abdon and Heath

- 6.1 A request has been received from Abdon and Heath Parish Council to create a new Parish by amalgamating the separate Parishes of Abdon and Heath.

Currently, the Parishes have a combined Council consisting of three members for the Parish of Abdon and two for the Parish of Heath.

- 6.2 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.
- 6.3 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.
- 6.4 Councillor Cecelia Motley, Shropshire Councillor for the division in which the Parish is situated, supports the proposed change.

7.0 The Parishes of Adderley, Market Drayton and Moreton Say

- 7.1 A request has been received from Market Drayton Town Council to carry out a Community Governance review with a view to reducing the number of Town Councillors from 17 to 12. The Parish is currently divided into three wards and it not proposed that this should change.
- 7.2 The Town Council has also made a further request to include within the Parish boundary the industrial estate by the Gingerbread Man Pub and the new Muller site to the North of the bypass. If this change, following the Community Governance Review, is recommended by the Council to be made, it is likely to have implications to the relevant electoral divisions and representations will need to be made to the Local Government Boundary Commission.
- 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 Councillors Roger Hughes and David Minnery, Shropshire Councillors for the Market Drayton West division within the Parish of Market Drayton, support the proposed changes. Councillor John Cadwallader, Shropshire Councillor for the Market Drayton East division, part of which is within the Parish of Market Drayton, supports the proposal to reduce the number of Town Councillors.
- 7.5 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 be affected by the proposals are situated, does not support the proposal to amend the boundaries.

8.0 The Parish of Albrighton

- 8.1 A request has been received from the Albrighton Parish Council for a review of the electoral arrangements within the parish seeking the discontinuance of

the present warding arrangements. The Parish Council is currently separated into two wards, the North Ward and the South Ward.

- 8.2 The Parish Council has not requested that there be any other change to the electoral arrangements.
- 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 Malcolm Pate, Shropshire Councillor for the division in which the Parish is situated, supports the proposed change.

9.0 The Parish of Wem Rural

- 9.1 A request has been received from the Wem Rural Parish Council for a review of the electoral arrangements within the parish. It is suggested that the “Wem” ward should be renamed 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.
- 9.2 The Parish Council has not requested that there be any other change to the electoral arrangements.
- 9.3 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.
- 9.4 Councillor Chris Mellings, Shropshire Councillor for the division in which the Parish is situated, supports the proposal to change the name of the ward.
- 9.5 Councillor Pauline Dee, Shropshire Councillor for the division in which the Parish is situated, supports the proposed change.

10.0 The Parish of Wroxeter and Uppington

- 10.1 A request has been received from Wroxeter and Uppington Parish Council to carry out a Community Governance review to reduce the number of Parish Councillors from 11 to 9. The Parish is not currently divided into wards and it not proposed that this should change.
- 10.2 The Parish Council has not requested that there be any other change to the electoral arrangements.
- 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

Keith Barrow

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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