



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

Date: Wednesday, 15 June
2016
My Ref:
Your Ref:

**Committee:
Audit Committee**

Date: Thursday, 23 June 2016
Time: 9.30 am
Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury,
Shropshire, SY2 6ND

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

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

Members of Audit Committee

Tim Barker (Chairman)	Pamela Moseley
John Cadwallader (Vice Chairman)	David Turner
Chris Mellings	

Your Committee Officer is:

Michelle Dulson Committee Officer
Tel: 01743 257719
Email: michelle.dulson@shropshire.gov.uk

AGENDA

1 Apologies for Absence / Notification of Substitutes

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 of the previous meetings held on the 18 February 2016 and 27 May 2016 (Pages 1 - 10)

The Minutes of the meetings held on 18 February 2016 and 27 May 2016 are attached for confirmation marked 3a, 3b and 3c respectively.
Contact Michelle Dulson (01743) 257719

4 Public Questions

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

5 Council Tax and NNDR Performance Report Monitoring (Pages 11 - 20)

The report of the Revenues and Benefits Service Manager is attached marked 5.
Contact: Phil Weir (01743) 256113

6 Annual Whistleblowing Report (Pages 21 - 26)

The report of the Human Resources Service Manager is attached marked 6.
Contact: Sam Williams (01743) 252817

7 Revenue Outturn Report 2015/16 (Pages 27 - 48)

The report of the Section 151 Officer is attached marked 7.
Contact: James Walton (01743) 255011

8 Capital Outturn Report 2015/16 (Pages 49 - 74)

The report of the Section 151 Officer is attached marked 8.
Contact: James Walton (01743) 255011

9 Annual Statement of Accounts 2015/16 (Pages 75 - 256)

The report of the Section 151 Officer is attached marked 9.
Contact: James Walton (01743) 255011

- 10 Internal Audit Annual Report 2015/16** (Pages 257 - 280)
- The report of the Audit Service Manager is attached marked 10.
Contact: Ceri Pilawski (01743) 257739
- 11 Review of the Code of Corporate Governance 2015/16** (Pages 281 - 318)
- The report of the Engagement Auditor is attached marked 11.
Contact: Pete Chadderton (01743) 257737
- 12 Annual Governance Statement and a Review of the Effectiveness of the Council's System of Internal Control 2015/16** (Pages 319 - 346)
- The report of the Section 151 Officer is attached marked 12.
Contact: James Walton (01743) 255011
- 13 Annual review of Internal Audit - Quality Assurance and Improvement Programme (QAIP) 2015/16** (Pages 347 - 360)
- The report of the Section 151 Officer is attached marked 13.
Contact: James Walton (01743) 255011
- 14 Annual Assurance Report of Audit Committee to Council 2015/16** (Pages 361 - 376)
- The report of the Section 151 Officer is attached marked 14.
Contact: James Walton (01743) 255011
- 15 Changes to Arrangements for Appointment of External Auditors** (Pages 377 - 382)
- The report of the Section 151 Officer is attached marked 15.
Contact: James Walton (01743) 255011
- 16 External Audit: Pension Fund Audit Plan 2015/16**
- The report of the Engagement Lead is to follow marked 16.
Contact: Mark Stocks (0121) 232 5437
- 17 External Audit: Audit fee letter 2016/17** (Pages 383 - 386)
- The report of the Engagement Lead is attached marked 17.
Contact: Mark Stocks (0121) 232 5437
- 18 External Audit: Audit Committee Update**
- The report of the Engagement Lead is to follow marked 18.
Contact: Mark Stocks (0121) 232 5437

19 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 15 September 2016 at 9.30 am.

20 Exclusion of Press and Public

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

21 Exempt Minutes of the previous meetings held on 18 February 2016 (Pages 387 - 392)

The exempt minutes of the meetings held on the 18 February 2016 are attached for confirmation, marked 21a and 21b respectively.
Contact Michelle Dulson (01743) 257719

22 Fraud, Special Investigation and RIPA Updates (Exempted by Categories 2, 3 and 7) (Pages 393 - 396)

The report of the Engagement Auditor is attached, marked 22.
Contact: Pete Chadderton (01743) 257737



<u>Committee and Date</u>	
Audit Committee	3A
23 June 2016	

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18 FEBRUARY 2016 9.30–10.45AM

Responsible Officer: Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Councillors Brian Williams (Chairman), John Cadwallader, Pamela Moseley and David Turner.

72 Apologies for Absence / Notification of Substitutes

72.1 Apologies for absence were received from Councillor Chris Mellings.

73 Appointment of Vice-Chairman

73.1 RESOLVED:

That Councillor John Cadwallader be appointed Vice-Chairman of the Audit Committee for the ensuing municipal year.

74 Disclosable Pecuniary Interests

74.1 The Chairman reminded Members 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.

75 Public Questions

75.1 There were no public questions.

76 Exclusion of Press and Public

76.1 RESOLVED:

That in accordance with the provisions of Schedule 12A of the Local Government Act 1972 and paragraph 10.2 of the Council's Access to Information Procedure Rules, the public and press be excluded during consideration of the following item as defined by the category specified against it.

77 Management Report: IT Update (Exempted by Category 3)

77.1 The Committee received the exempt report of the Chief Executive – copy attached to the signed Minutes – which provided an update on previous Audit reports and included a brief update on the ICT Digital Strategy Programme and further suggested recommendations both short term and strategic.

77.2 RESOLVED:

That the contents of the report be noted.

Signed (Chairman)

Date:



<u>Committee and Date</u>	3B
Audit Committee	
23 June 2016	

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18 FEBRUARY 2016
10.45AM – 12.40PM**

Responsible Officer: Michelle Dulson
Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Councillors Brian Williams (Chairman), John Cadwallader, Pamela Moseley and David Turner

78 Apologies for Absence / Notification of Substitutes

78.1 Apologies for absence were received from Councillor Chris Mellings.

79 Disclosable Pecuniary Interests

79.1 The Chairman reminded Members 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.

80 Minutes of the previous meeting held on the 26 November 2015

80.1 RESOLVED:

That the minutes of the meeting held on 26 November 2015 be approved and signed by the Chairman as a correct record.

81 Public Questions

81.1 There were no public questions.

82 Internal Audit Performance and Revised Annual Audit Plan 2015/16 – Ten Month Report

82.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which provided Members with an update of work undertaken by Internal Audit in the three months since the last report in November 2015 and summarised progress against the Internal Audit Plan.

82.2 The Audit Service Manager informed the meeting that 79% of the revised plan had been completed which was in line with the target of 90% by year end. She reported

that eight good and reasonable assurance opinions had been issued together with nine limited and one unsatisfactory assurance opinion. She went on to say that eighteen final reports had been issued which contained 249 recommendations, none of which were fundamental.

82.3 The Audit Service Manager reported that some minor revisions to the plan had been proposed taking it from 1,939 days down to 1,932 days. She explained that the Council was still undergoing significant change in its operational approach so increased risk levels were inevitable however the situation was being monitored closely. She then drew attention to the limited assurance levels in Adult and Commissioning Services and the continuing lower assurance levels in Children's Services and Customer Involvement which were considered to be low risk and were not expected to affect the overall year end opinion. The direction of travel for ICT issues remained a cause for concern.

82.4 Turning to the Council's Direction of Travel in relation to the control environment, the Audit Service Manager reported that there had been an increased number of lower level assurances, 49% compared to 36% the previous year.

82.5 In response to a query it was confirmed that increased reputational risk was taken into account along with the overall strategic risks as reputational risks could increase within a particular service area whilst there was so much change happening and more risks being taken. The Audit Service Manager explained that the recommendations made in the final reports were discussed and agreed with Management. The Audit Service Manager went on to answer a number of queries from Members of the Committee in relation to how limited assurances were followed up and how managers performance was checked.

82.6 **RESOLVED:**

- A. To note the performance to date against the 2015/16 Audit Plan set out in the report.
- B. To note the adjustments required to the 2015/16 plan to take account of changing priorities set out in Appendix B to the report.

83 **Management Report: Strategic Risk Report 2016**

83.1 The Committee received the report of the Risk and Insurance Manager – copy attached to the signed Minutes – which set out the current strategic risk exposure of the Council and detailed recent movements within the register following the latest review.

83.2 The Risk and Insurance Manager informed the Committee that the number of strategic risks identified following the review had reduced from 16 to 12 and she drew attention to the Direction of Travel for each of these risks. It was confirmed that four of the risks had increased, two had been deleted and a new strategic risk added (Work Related Stress). There was a schedule of work in place to try to mitigate these risks.

83.3 In response to a query, the Risk and Insurance Manager explained that the risks were discussed with Senior Management as the risk owners.

83.4 RESOLVED:

That the contents of the report be noted and accepted.

84 Management Report: Treasury Strategy 2016/17

84.1 The Committee received the report of the Head of Finance, Governance and Assurance – copy attached to the signed Minutes – which set out the proposed Treasury Strategy for 2016/17 and the recommended Prudential Indicators for 2016/17 to 2018/19.

84.2 RESOLVED:

That the proposed Treasury Strategy for 2016/17 be approved.

85 Internal Audit Risk Management Report 2015/16

85.1 The Committee received the report of the Engagement Auditor - copy attached to the signed Minutes - which summarised the detailed findings identified in the Internal Audit review of risk management of which the overall control environment had been assessed as 'Good' with no control weaknesses identified.

85.2 RESOLVED:

That the findings from the Review of Risk Management by Internal Audit be endorsed and accepted.

86 Review of the Audit Committee's Annual Work Plan and Future Learning and Development Requirements 2016/17

86.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which provided a proposed Audit Committee work plan and sought discussion and agreement around a learning and development plan for Members to ensure that they were well informed and appropriately skilled to fulfil their role.

86.2 The Audit Service Manager informed the Committee that the work plan had been presented in a different format this year to better demonstrate how it contributed to delivery of the Committee's Terms of Reference and the assurances they provided. The Audit Service Manager drew attention to the proposed changes to the work plan which had been highlighted in bold and underlined and included whether appropriate accounting policies had been followed, a new annual report from the Director of Commissioning on programme controls and risks, a mid-year report on the direction of travel of internal control arrangements for IT Services together with IT Audit updates on work completed.

86.3 The Audit Service Manager turned to the Learning and Development Plan set out at Appendix B which identified training topics for Audit Committee Members to consider. She confirmed that the detail behind the Committee's self-assessment would be included as part of their training in October.

86.4 In response to a query it was confirmed that Treasury Management legislation required internal audit processes to go through a challenge process before going to the decision makers which was why Audit Committee received the same report as Cabinet.

86.5 RESOLVED:

- A. That the Work Plan for 2016/17 as set out in Appendix A be approved;
- B. That a learning and development plan for Members of the Committee taking into account information set out in Appendices A and B be approved.

87 Draft Internal Audit Annual plan 2016/17

87.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which provided Members with the proposed risk based Internal Audit Plan for 2016/17. The Audit Service Manager drew attention to the summarised Internal Audit Plan set out at Appendix A and confirmed that 1,270 days had been planned for Shropshire Council audit work and 200 days for external clients.

87.2 The Audit Service Manager reported that all fundamental system audit reviews, except for the Payroll System, would now be done on a cyclical basis after considering the risk profile for each area. She confirmed that the contingency for fraud investigations was being maintained at 200 days to reflect current activity levels. Turning to Schools, the Audit Service Manager explained that secondary schools were to be reviewed every four years with an alternative approach being taken to primary schools who were being asked to complete a self-assessment on a rolling five year basis.

87.3 It was confirmed that assurances could be sought from individual Managers for those areas of high priority for which no provision had been made in the plan, set out at Appendix C. In response to a query, the Audit Service Manager explained how decisions had been reached as to which areas of high priority to take out of the plan.

87.4 In response to a query, the Audit Service Manager explained that it was financially beneficial to the Council and to the other organisations to undertake third party audit work due to economies of scale. She confirmed that the service was generating sufficient income.

87.5 RESOLVED:

To endorse the approach taken to create the proposed Internal Audit Plan for 2016/17 and to approve its adoption.

88 External Assessment

88.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which set out the approach adopted for the external assessment required under the Public Sector Internal Audit Standards (PSIAS) to be undertaken every five years. The Audit Service Manager drew attention to the procurement exercise set out in the report and confirmed that Staffordshire Chief Auditors Group had invited Shropshire Council to join their arrangements with regards to the requirements of the external assessment. The specification would be going out to tender early this year, the results of which would be reported back to members.

88.2 RESOLVED:

That the Committee approve the approach adopted for the external assessment and agree that the final details of the assessment be agreed by the Section 151 Officer and Audit Services Manager in consultation with the Chairman of the Audit Committee.

89 External Audit: Audit Committee Update

89.1 The Committee received the report of the External Auditor - copy attached to the signed Minutes - which highlighted the progress made on work undertaken during the year and summarised the emerging national issues and developments of relevance to the Council.

89.2 RESOLVED:

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

90 External Audit: Certification summary report 2014/15 Shropshire Council

90.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – detailing the Certification Work for 2014/15 relating to grants, subsidy and the return of financial information. It was noted that Grant Thornton had certified two claims and returns for the financial year 2014/15 with a total value of £15 million.

90.2 RESOLVED:

That the report be noted and endorsed by the Committee.

91 External Audit: Reporting on progress against recommendations from 2014/15 for Shropshire Council

91.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – detailing the progress against recommendations from 2014/15. It was confirmed that all recommendations had been progressed but that there was still some work to be undertaken.

91.2 RESOLVED:

That the report be noted and endorsed by the Committee.

92 External Audit: The Audit Plan for Shropshire Council

92.1 The Committee received the Audit Plan for the year ending 31 March 2016 for Shropshire Council - copy attached to the signed Minutes - setting out the work that Grant Thornton would be undertaking to discharge their responsibilities in relation to the Council's financial statements and to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

92.2 The External Audit Manager drew attention to the key challenges and opportunities for the Council, set out on page 4 of the report and answered a number of queries from Members of the Committee.

92.3 RESOLVED:

That the Audit Plan for Shropshire Council be noted and accepted.

93 External Audit: Informing the audit risk assessment for Shropshire Council

93.1 The Committee received the report of the External Auditor - copy attached to the signed Minutes - which contributed towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'.

93.2 RESOLVED:

That the contents of the report be noted and accepted.

94 Date and Time of Next Meeting

94.1 Members were reminded that the next meeting of the Audit Committee would be held on the 23 June 2016 at 9.30am.

95 Exclusion of Press and Public

95.1 RESOLVED:

That in accordance with the provisions of Schedule 12A of the Local Government Act 1972 and paragraph 10.2 of the Council's Access to Information Procedure Rules, the public and press be excluded during consideration of the following items as defined by the categories specified against them.

96 Exempt minutes of the previous meeting held on the 26 November 2015

96.1 RESOLVED:

That the exempt Minutes of the meeting held on 26 November 2015 be approved and signed by the Chairman as a correct record.

97 Fraud, Special Investigation and RIPA Update

97.1 The Committee received the exempt report of the Engagement Auditor – copy attached to the signed Minutes – which provided an update on current fraud and special investigations undertaken by Internal Audit and on current Regulation of Investigatory Powers Act (RIPA) activity.

97.2 RESOLVED

That the contents of the report be noted.

Signed (Chairman)

Date:



<u>Committee and Date</u>	
Audit Committee	3C
23 June 2016	
9.30am	

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 MAY 2016
10AM – 10.05AM**

Responsible Officer: Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Councillor Tim Barker (Chairman)

Councillors John Cadwallader (Vice Chairman), Chris Mellings, Pamela Moseley and David Turner

1 Election of Chairman

RESOLVED:

That Mr T Barker be appointed Chairman of the Audit Committee for the ensuing municipal year.

2 Apologies for Absence / Notification of Substitutes

None were received.

3 Appointment of Vice-Chairman

RESOLVED:

That Mr J Cadwallader be appointed Vice-Chairman of the Audit Committee for the ensuing municipal year.

4 Date and Time of Next Meeting

Members were reminded that the next meeting of the Audit Committee would be held on the 23 June 2016 at 9.30am.

Signed (Chairman)

Date:

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<u>Committee and Date</u> Audit Committee 23 June 2016	<u>Item</u> <u>Public</u>
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COUNCIL TAX AND NON DOMESTIC RATES PERFORMANCE MONITORING REPORT

Responsible Officer Phil Weir

e-mail: phil.weir@shropshire.gov.uk

Tel: (01743)
256113

Fax (01743)
251444

1. Summary

The Council's Revenues Teams collect over £245 million of income each year in respect of Council Tax and Non Domestic Rates (Business Rates). This report provides Members with performance monitoring information on the collection of this income for the year to 31 March 2016, and progress on the year to 31 March 2017.

2. Recommendations

Members are asked to note the report.

REPORT

1. The Council raises over 145,000 demands per year with a value of over £245 million to collect Council Tax and Business Rates. It is important that this income is collected promptly so as to maximise the amount of interest earned on the Council's revenue balances.
2. The Council require the payment of liability by 10 instalments from April to January in accordance with the statutory instalment scheme for council tax and business rates. However, for the 2013-14 financial year onwards the regulations have changed and now any council tax payer can request payment over 12 months rather than 10 months. With effect from 1 April 2014 any business rate payer can also request payment over 12 months rather than 10 months.
3. The change in regulations affects collection of council tax and business rates in two ways. Firstly, it affects the Council's cash flow, as more money is due to be collected in February and March. Secondly, it impacts on overall collection rates because if council tax payers fail to

pay their February and March instalment it gives the Revenues Teams less time to take appropriate action before the end of the financial year.

Council Tax

4. The final collection rate for council tax for the year 2015-16 was 98.4%. This compared favourably with the previous year's collection rate of 98.3%.
5. To put the collection rate into perspective in purely cash terms during the period 1 April 2015 – 31 March 2016 in respect of the 2015-16 financial year the Revenues Team collected £153,091,967 Council Tax whereas during the same period the previous year we collected £149,829,554, which is an increase of £3,262,413.
6. We are now able to run a report to analyse the collection rate by benefit claimant and different types of Council Tax discount. The results for the 2015-16 financial year are at Appendix A.
7. National statistics to monitor collection rate trends for the 2015-16 financial year are not yet available. However the national average collection rate for 2014-15 was 97% so we were well ahead of that for 2014-15 (98.3%), and have improved on that performance for 2015-16 (98.4%). A table comparing performance for 2015-16 is at appendix F.
8. Regarding the 2016-17 financial year, in the year to 6 June 2016 the Revenues Team had collected 25.2% of its Council Tax debt. In the equivalent period last year we had collected 25.5% Council Tax.
9. As at 31 March 2016 the total arrears for Council Tax stood at 9 million. As at 1 June 2016 Council Tax arrears stood at 8.4 million (a reduction of £600,000, see Appendix B). While work continues to recover this debt it is important to recognise that this is a cumulative figure, added to at the completion of each financial year. Annual increases in Council Tax arrears follow a national trend. At the start of 2014-15 there was £2.6 billion of council tax arrears outstanding nationally. At 31 March 2015 this had increased to £2.7 billion.
10. A report categorising the debt stages of all Council Tax arrears is attached at Appendix C.

Business Rates

11. The final collection rate for Business Rates for the year 2015-16 was 99.1%. This compare favourably with the previous year's collection rate of 98.7%.
12. To put this collection rate into perspective in purely cash terms during the period 1 April 2014 to 31 March 2015 in respect of the 2014-15 financial year the Revenues Team collected £78,124,707 Business Rates whereas during the same period the previous year we collected £77,058,449, an increase of £1,066,258.

13. National statistics to monitor collection rate trends for the 2015-16 financial year are not yet available. However the national average collection rate for 2014-15 was 98.1% so we were well ahead of that for 2014-15 (98.7%), and have improved on that performance for 2015-16 (99.1%). A table comparing performance for 2015-16 is at appendix F.
14. Regarding the 2016-17 financial year, in the year to 6 June 2016 the Revenues Team had collected 27.9% of its Business Rates debt. In the equivalent period last year we had collected 31.3% Business Rates.
15. As at 31 March 2016 the total arrears for Business Rates stood at 3.6 million. Work is continuing to recover this debt. As at 1 June 2016 Business Rates arrears stood at 3.8 million (an overall increase of £200,000 see Appendix D)
16. The reason for the change is that the arrears for 2015-16 and 2014-15 have increased since 1 April 2016 due to old year rating amendments.
17. A report categorising the debt stages of all Business Rates arrears is attached at Appendix E.

3. Risk Assessment and Opportunities Appraisal

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

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

4. Financial Implications

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

5. Background

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

6. Additional Information

None

7. Conclusions

Members are asked to note the content of the report.

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

N/A

Cabinet Member (Portfolio Holder)

Malcolm Pate

Local Member

N/A

Appendices

Appendix A – Council Tax Collection Rate Breakdown

Appendix B - Council Tax Arrears Analysis

Appendix C - Council Tax Aged Debt Analysis

Appendix D - Business Rates Arrears Analysis

Appendix E - Business Rates Debt Analysis

Appendix F – Collection Rate Analysis

Appendix A – Council Tax Collection Rate Breakdown

2015-16 as at 01/04/2016	Debit £	Payments £	Collection rate
Total Collection Rate	158,387	155,825	98.4%
Total Benefit Claimants	2,473	2,334	94.4%
former class A exempt PCLD_A_50%	149	146	98.0%
second home full tax-PCLB_2ND0%	1,951	1,899	97.3%
second home job protected-2NDHOME	32	31	96.9%
PCLC_5MTHS	774	725	93.7%
PCLC	1,498	1,422	94.9%
premium	1,113	1,047	94.1%

Glossary of Terms

Total Collection Rate – overall collection rate for Shropshire

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

PCLC – This is unoccupied and unfurnished property that has been unoccupied and unfurnished for more than six months and less than two years. Shropshire Council charged 100% Council Tax for 2014-15

Former class A exempt – unoccupied and unfurnished property that is undergoing or requiring major repair work to make it habitable or undergoing structural alteration. Prior to 1 April 2013 this property was exempt from council tax for up to 12 months. For the 2014-15 financial year Shropshire Council awards 50% discount.

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

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

PCLC 5 Months – unoccupied and unfurnished property that has been unoccupied for more than 1 month but less than 6 months

PREMIUM – Unoccupied and unfurnished property that has been unoccupied and unfurnished for more than 2 years attracted a 50% premium with effect from 1 April 2014

Appendix B – Council Tax Arrears Analysis

COUNCIL TAX ARREARS ANALYSIS AS AT 1st June 2016				
As at rollover 1 April 2016	TOTALS	DR	CR	NET TOTAL
		9,077,048.72	-1,800,045.06	7,277,003.66
		DR	CR	
1993-94		0.61	-780.92	-780.31
1994-95		206.18	-2,392.03	-2,185.85
1995-96		137.38	-5,177.13	-5,039.75
1996-97		1,447.02	-7,532.03	-6,085.01
1997-98		2,493.18	-9,446.07	-6,952.89
1998-99		4,611.95	-9,339.77	-4,727.82
1999-00		7,744.66	-14,679.86	-6,935.20
2000-01		7,669.21	-11,064.73	-3,395.52
2001-02		10,055.49	-21,215.00	-11,159.51
2002-03		17,287.42	-25,918.80	-8,631.38
2003-04		35,563.59	-29,452.39	6,111.20
2004-05		51,089.78	-40,986.51	10,103.27
2005-06		81,648.81	-41,697.73	39,951.08
2006-07		126,837.36	-42,913.86	83,923.50
2007-08		155,849.49	-45,039.78	110,809.71
2008-09		279,510.69	-119,798.99	159,711.70
2009-10		401,430.73	-234,200.13	167,230.60
2010-11		545,715.25	-152,701.78	393,013.47
2011-12		643,369.30	-104,670.41	538,698.89
2012-13		754,602.44	-107,308.17	647,294.27
2013-14		1,105,819.99	-176,955.23	928,864.76
2014-15		1,527,049.83	-161,372.70	1,365,677.13
2015-16		2,713,788.96	-314,777.05	2,399,011.91
		8,473,929.32	-1,679,421.07	6,794,508.25
Reduction in Arrears		603,119.40	-120,623.99	482,495.41

Appendix C - Council Tax Aged Debt Analysis

Council Tax Aged Debt analysis 1st June 2016		
	accounts	£ value
14 Day letter	824	£402,477.83
Adjourned Committal		
Potential Special Arrangement		
Arrest Warrant - Bail	74	£41,525.67
Charging Order	196	£206,973.97
Attachment of Benefits	723	£257,101.66
Attachment of Earnings	928	£482,391.03
Attachment of Benefits - UC	5	£1,075.65
Attachment of Members Allowances	1	£463.00
Bailiff Return	320	£158,915.01
Bailiff Return Spa		
Bankruptcy		
Committal - Suspended Sentence	2	£756.59
Committal		
Committal Summons	2	£442.50
Datload 14 Day		
Datload Bailiff		
Datload AOB		
Datload SPA		
Enforcement Hold	150	£107,584.42
FIT Referral		
Liability Order Granted		
Mutiple Liability Order	9	£4,978.40
No Enforcement Stage		
Pending Attachment of Benefits	742	£358,511.91
Pending Attachment of Earnings	343	£249,425.19
PLR Workflow		
Pre Committal Letter	3,295	£2,051,523.62
Small Balance Letter	201	£12,033.34
Special Arrangement	948	£367,388.25
Special Arrangement Reminder	157	£60,596.58
Tracing Agent	66	£47,606.33
With Bailiff	4,967	£1,751,065.10
Write Off	30	£13,443.32
Write Off Pending	2,772	£949,267.21
Totals	16,755	£7,525,546.58

Appendix D – Business Rates Arrears Analysis

NNDR ARREARS ANALYSIS AS AT 1st June 2016			
As at rollover 1 Apr 2016	TOTALS	DR	CR
		3,570,950.95	-1,351,678.55
			2,219,272.40
		DR	CR
1990-91		0.00	0.00
1991-92		0.00	0.00
1992-93		0.00	0.00
1993-94		0.00	0.00
1994-95		0.00	0.00
1995-96		0.00	-1,115.60
1996-97		0.00	-543.55
1997-98	1,230.83	-3,453.34	-2,222.51
1998-99	16.20	-1,786.14	-1,769.94
1999-00	0.00	-59.49	-59.49
2000-01	0.00	-4,393.70	-4,393.70
2001-02	0.00	-8,724.06	-8,724.06
2002-03	5.00	-12,779.53	-12,774.53
2003-04	0.00	-9,994.26	-9,994.26
2004-05	1,524.11	-11,444.81	-9,920.70
2005-06	36,817.10	-8,827.57	27,989.53
2006-07	96,970.40	-17,754.42	79,215.98
2007-08	86,008.46	-17,900.44	68,108.02
2008-09	168,612.09	-71,730.47	96,881.62
2009-10	191,252.91	-240,493.46	-49,240.55
2010-11	211,230.16	-70,523.80	140,706.36
2011-12	230,066.99	-30,463.12	199,603.87
2012-13	285,276.56	-21,132.25	264,144.31
2013-14	418,848.38	-80,333.27	338,515.11
2014-15	643,087.55	-62,733.90	580,353.65
2015-16	1,442,092.39	-334,796.73	1,107,295.66
		3,813,039.13	-1,010,983.91
			2,802,055.22
Reduction in Arrears		-242,088.18	-340,694.64
			-582,782.82

Appendix E – Business Rates Aged Debt Analysis

NNDR Aged Debt Analysis 1st June 16		
	accounts	£ value
7 Day Letter	100	246,848.60
Bailiff Return	208	495,202.10
Insolvency proceeding		
Bankruptcy		
Committal Summons	3	2,326.75
Enforcement Hold	16	50,446.94
Liquidation		
Multiple Liability Order	1	5,000.00
No Enforcement Stage	2	0.00
Pre Committal Letter	227	506,909.17
Small Balance Letter	28	1,515.80
Spa Reminder	4	17,982.60
Special Arrangement	35	93,868.82
Tracing Agent	2	2,163.22
warrant no bail	1	0.00
Warrant with bail	1	988.00
With Bailiff	288	476,999.49
Write Off	241	536,991.02
Totals	1,157	2,437,242.51

Appendix F – Collection Rate Analysis

	Council Tax	Business Rates
2013-14 collection rate	98.1%	98.3%
2014-15 collection rate	98.3%	98.7%
2015-16 provisional collection rate	98.4%	99.1%
2014-15 position (out of 326 Authorities)*	joint 82nd	joint 89th
2014-15 national average	97.0%	98.1%
2014-15 unitary average	96.8%	97.9%
2014-15 unitary position (out of 56 unitary authorities)	6th	12th
2014-15 West Midlands position (out of 31 authorities)*	joint 8th	joint 7th

* includes unitaries, mets and districts



<u>Committee and Date</u>	<u>Item</u>
Audit Committee 23 rd June 2016	

2015/2016 Review of Whistleblowing - ‘Speaking Up About Wrongdoing’

Responsible Officer Michele Leith, Head of HR&D

e-mail: Michele.leith@shropshire.gov.uk

Tel: 01743 254402

1. Summary

The Whistleblowing process provides arrangements to enable employees, elected members, contractors and others to raise concerns about fraud, corruption, adult/child protection or harassment and bullying allegations.

This report provides an update to the Shropshire Council Audit Committee on the number of cases raised regarding Council employees over the last year (excluding school based employees).

2. Recommendations

The Audit Committee is asked to:

- a. Consider and comment on the contents of the report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The Council has in place an effective Counter Fraud, Bribery and Anti-Corruption Strategy. The Council proactively encourages the detection of fraud and irregularities and the appropriate management of them. The Whistleblowing policies contribute to our zero tolerance of fraud, bribery and corruption.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

- 4.1 The management and investigation of issues raised in response to this policy are met from approved budgets.

5. Background

- 5.1 This is an annual report to Audit Committee on whistleblowing arrangements.
- 5.2 The Whistleblowing Policy is available to all staff via the Intranet pages and is also available to them, along with members, contractors, partners and the public, via the website; allowing it to be accessed from any computer. This is particularly important as it allows staff to access the policy outside of a work environment, where they may be reluctant to be seen accessing the Whistleblowing policy.

Whistleblowing is when a worker reports suspected wrongdoing at work. Officially this is called ‘making a disclosure in the public interest’.

A worker can report things that aren’t right, are illegal or if anyone at work is neglecting their duties, including:

- someone’s health and safety is in danger
- damage to the environment
- a criminal offence
- the company isn’t obeying the law (like not having the right insurance)
- covering up wrongdoing

The way a worker can ‘blow the whistle’ on wrongdoing depends on whether they feel they can tell their employer.

1. The worker should check their employment contract or ask human resources or personnel if their company has a whistleblowing procedure.
2. If they feel they can, they should contact their employer about the issue they want to report.
3. If they can’t tell their employer, they should contact a prescribed person or body.

A worker can only tell the prescribed person or body if they think their employer:

- will cover it up
- would treat them unfairly if they complained
- hasn’t sorted it out and they’ve already told them

Dismissals and whistleblowing

A worker can’t be dismissed because of whistleblowing. If they are, they can claim unfair dismissal - they’ll be protected by law as long as certain criteria are met.

Types of whistleblowing eligible for protection

These are called ‘qualifying disclosures’. They include when someone reports:

- that someone’s health and safety is in danger
- damage to the environment
- a criminal offence
- that the company isn’t obeying the law (like not having the right insurance)
- that someone’s covering up wrongdoing

Who is protected

The following people are protected:

- employees
- agency workers
- people that are training with an employer, but not employed
- self-employed workers, if supervised or working off-site

You’re also protected if you work in a school or sixth-form college, whether you’re an employee or an agency worker.

NHS workers who work under certain contractual arrangements, e.g. certain GPs and dentists, are also protected.

A worker will be eligible for protection if:

- they honestly think what they’re reporting is true
- they think they’re telling the right person
- they believe that their disclosure is in the public interest

Who isn’t protected

Workers aren’t protected from dismissal if:

- they break the law when they report something, e.g. they signed the Official Secrets Act
- they found out about the wrongdoing when someone wanted legal advice (‘legal professional privilege’), e.g. if they’re a solicitor

Workers who aren’t employees can’t claim unfair dismissal because of whistleblowing, but they are protected and can claim ‘detrimental treatment’.

Tribunals

Workers dismissed for whistleblowing can go to an employment tribunal or an industrial tribunal in Northern Ireland.

If the tribunal decides the employee has been unfairly dismissed, it will order that they are:

- reinstated (get their job back)
- paid compensation

A tribunal judge can reduce any compensation awarded by 25% if they find the person has acted dishonestly.

A whistleblower who is bullied at work will also be able to bring a claim to the employment tribunal against their employer or colleagues.

Whistleblowing abroad

Workers are protected from unfair treatment even if they blow the whistle on something that happened abroad. This includes when a different country’s law has been or will be broken.

5.3 In 2015/16, there was one case relating to employees reported under the whistleblowing arrangements for Shropshire Council.

2015/16 Whistleblowing Reports

Route in	Allegation	Procedure Used	Outcome
Verbal	Breach of Trust and Confidence and misuse of Council IT equipment	Disciplinary	Employees left by mutual agreement
Verbal	Theft	Audit Investigation	No case to answer
Verbal	Harassment	Audit Investigation	No case to answer
Verbal	Employment Breach	Audit Investigation	No case to answer
In person	Corruption	Audit Investigation	Vexatious complainant
Verbal	Corruption	Audit Investigation	Vexatious complainant
Written	Benefit Fraud	Referral to SFIS*	Case with SFIS
Verbal	Corruption	Audit Investigation	No case to answer
Verbal	Corruption	Audit Investigation	No case to answer
Verbal	Corruption	Audit Investigation	No case to answer

*Single Fraud Investigation Service which replaced Housing in May 2015

6. Comparison to previous years

6.1 There have been a greater number of incidents reported than in the preceding years. In 2014/15 there were two cases reported.

2015/16 had a much higher level than in previous years however in all but two cases, the outcome was that there was no case to answer or a vexatious complaint.

7. Conclusion

7.1 The ‘Speaking up about Wrongdoing’ process forms a key element of the Council’s Corporate Governance arrangements and is continuing to be a route employees use to raise concerns, as well as a route which is also open to elected members, contractors, partners and others.

List of background papers (This MUST be completed for all reports but does not include items containing exempt or confidential information) – None

Cabinet Member (Portfolio Holder) Malcolm Pate (Leader of the Council) and Tim Barker (Chair of Audit Committee)

Local Member- N/A

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<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Cabinet 8 th June 2016		7
Audit Committee 23 rd June 2016		
Council 21 st July 2016	Public	

REVENUE OUTTURN 2015/16

Responsible Officer James Walton

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

1. Summary

1.1 This report provides details of the revenue outturn position for Shropshire Council for 2015/16 and provides a summary of:

- The revenue outturn for each service area with a commentary on the main variations and an outline of how the position has changed since Quarter 3.
- The movements in the Council's general balance.
- The Council's reserves and provisions.

1.2 The Council's financial position for 2015/16 has improved by £3.219m when compared to projections made at Quarter 3 resulting in a net underspend of £2.816m.

2. Recommendations

2.1 Members are asked to:

- A. Note that the Outturn for the Revenue Budget for 2015/16 is an underspend of £2.816m, this represents 0.5% of the original gross budget of £594m.
- B. Note that the level of general balance stands at £18.370m, which is above the anticipated level included within the Financial Strategy.
- C. Note that the Outturn for the Housing Revenue Account for 2015/16 is an underspend of £1.031m and the level of the Housing Revenue Account reserve stands at £5.824m (2014/15 £3.076m).
- D. Note the increase in the level of Earmarked Reserves and Provisions (excluding delegated school balances) of £4.175m in 2015/16.
- E. Note that the level of school balances stand at £7.173m (2014/15 £3.957m).

REPORT

3. Risk Assessment and Opportunities Appraisal

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

4. Financial Implications

4.1 This report is based on the financial outturn of the Council's budget for 2015/16 and therefore considers the effect that the underspend has on the Council's balances.

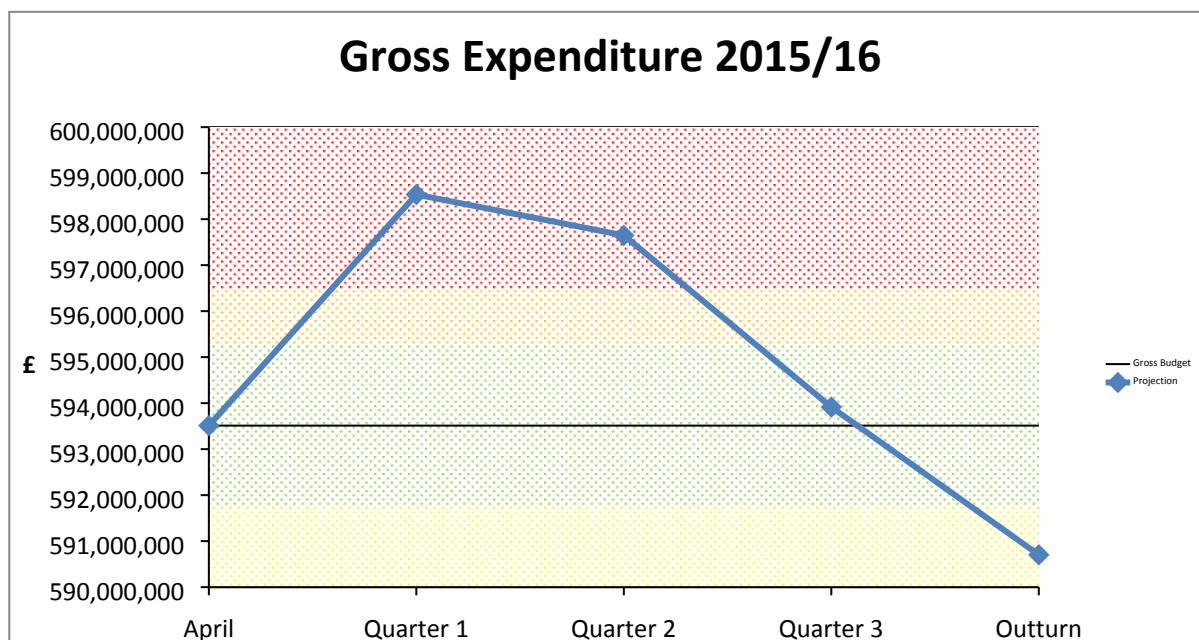
5. Background

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

6. Overall Position

6.1 The final outturn for 2015/16 shows overall net revenue expenditure of £213.027m and an underspend of £2.816m. The overall position for Service areas and Schools' balances is detailed below:

	£000
Original Budget	215,843
Outturn for 2015/16	213,027
Underspend for 2015/16	(2,816)



- 6.2 The underspend of £2.816m for 2015/16 is presented below by Service Area. End of year entries include items of non-controllable spend (e.g. depreciation) that are not included within service projections throughout the year. To enable comparison with previous monitoring reports, the non-controllable element of spend has been excluded from the figures presented below to enable a direct comparison to be made between controllable spend at year end, and projections made throughout the year.

Table 1: 2015/16 Budget Variations Analysed by Service Area (£'000)

Service Area	Revised Budget £'000	Controllable Outturn £'000	Controllable (Under)/Over spend £'000	RAGBY
Adults Services	72,435	77,281	4,846	R
Children's Services	53,859	53,892	32	G
Commissioning	82,917	81,238	(1,679)	Y
Public Health	2,013	1,993	(20)	Y
Resources & Support	7,375	5,072	(2,303)	Y
Corporate	(2,756)	(6,448)	(3,692)	Y
TOTAL	215,843	213,027	(2,816)	Y

- 6.3. The outturn position has improved by £3.219m since Quarter 3 as a result of further underspends achieved across all service areas within the Council. The most significant changes were in the following areas:
- projected overspend in Adult Services reduced by £0.6m due to a pressure on transport costs not being realised and savings being achieved that had previously been categorised as amber.
 - The overspend projected relating to County Training within Learning & Skills has been funded during closedown from a contribution from deferred grant balances.
 - Levels of waste sent to landfill during the year reduced resulting in a reduction in the year end waste contract payments.
 - Overspends projected within Highways and Transport for Concessionary Travel did not materialise to the level projected.
 - Savings in Corporate budgets including external audit fees and treasury management budgets were identified during the final quarter of the year,

Further analysis of the variations to budgets for all service areas is provided within Appendix 1.

7. General Fund Balance

- 7.1 The effect on the Council's Reserves is detailed below. The Council's policy on balances is to have a general fund balance (excluding schools balances) of between ½% and 2% of the gross revenue budget. For 2015/16 the minimum balance required is £2.968m. The general fund balance as at 31st March 2016 is shown in Table 2 below:

Table 2: General Fund Balance As At 31st March 2016 (£'000)

General Fund Balances as at 1 April 2015	15,206
Budgeted contribution to General Fund Balance	409
Under recovery of insurance costs	(61)
2015/16 Revenue Outturn	2,816
General Fund Balance at 31 March 2016	18,370

7.2 The General Fund Balance at 31 March is above the level anticipated within the Financial Strategy, however it still lies below the risk based target for 2015/16 which stands at £23.374m.

7.3 The council's policy is to hold general fund balances of between ½ and 2% of the gross revenue budget, however the balance of £18.370m now falls above this policy level. This is considered appropriate given the significant increase in the risk based general fund calculation for 2016/17 to £28.196m (as agreed by Council in February 2016) and the significant level of savings required in the budget strategy for 2016/17 and in future years. At this time, there is insufficient available funding to provide additional contributions into the General Fund Balance to ensure the Council achieves the risk based target in 2016/17 and in the following 2 years. Therefore the risk arising from this will need to be tolerated with mitigating actions and the potential gap between the Risk Based Target and Projected General Fund balance will be closely monitored and reported through to Cabinet if it becomes apparent that the projected balance is insufficient.

8. Housing Revenue Account (Appendix 2)

8.1 The Housing Revenue Account (HRA) outturn for 2015/16 shows an underspend of £1.031m against gross turnover (5.7%) which has mainly arisen due to increased rent income from faster turnaround on voids, an underspend on planned repairs to the HRA properties and a reduced contribution to the bad debt provision for the year due to improved collection rate of rents.

8.2 The underspend takes the closing balance on the HRA Reserve to £5.824m which represents a contingency of £1,416 per home.

8.3 The HRA also holds the Major Repairs Reserve which is an earmarked reserve required to meet the costs of major repairs on the Council's housing stock. The reserve has increased in 2015/16 to £2.803m which reflects the lower level of capital expenditure during the year.

9. Reserves and Provisions (Appendix 4)

9.1 The Council has created a number of specific reserves and provisions to provide for known or anticipated future liabilities and to assist in protecting essential services. Earmarked reserves are balances held for specific items that will occur in the future. Provisions are held to meet expenses that will occur as a result of past events and where a reliable estimate can be made of the obligation.

9.2 The overall position for reserves and provisions is set out in the Statement of Accounts 2015/16, however a detailed breakdown of the balances is contained at Appendix 4, with an explanation of each reserve and provision. These figures may be subject to change before the Council's final Statement of Accounts is produced. The change in revenue reserves and provisions is as follows:

Balance Held	Reserves £000	Provisions £000	Bad Debt Provisions £000	Total Reserves & Provisions £000
As at 31 March 2015	55,027	11,485	4,628	71,140
As at 31 March 2016	60,841	11,677	6,013	78,531
Increase/(Decrease)	5,814	192	1,385	7,391
Delegated School Balances Movement	3,216	0	0	3,216
Increase/(Decrease) (excluding Delegated School Balances)	2,598	192	1,385	4,175

9.3. Delegated School Balances

9.3.1 The movement in delegated schools' balances is as follows:

	2014/15 £000	2015/16 £000	Increase/ (Decrease) £000
Schools:			
- Revenue Balances	2,564	5,511	2,947
- Invested Balances	1,188	1,136	(52)
- Extended Schools Grant Balance	473	749	276
Sub Total within Schools	4,225	7,396	3,171
Purchasing IT equipment	(172)	(155)	17
Carbon efficiency measures	(96)	(68)	28
Total Delegated School Balances	3,957	7,173	3,216

9.3.2 Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion. Of the 127 schools, 119 schools have surplus balances and 8 have deficit balances.

9.3.3 The Extended Schools Grant allocations for schools are paid over during 2015/16, however as the balance will not be fully committed until the end of the school academic year, these balances have been ringfenced to each individual school within School Balances.

- 9.3.4 Following consultation with the school’s forum and head teachers, the school balances have been used to purchase IT equipment for schools, the cost of this equipment is then recharged to schools over the life of that equipment, effectively operating as an internal leasing arrangement. At the end of 2015/16 £155,443 of the £7,396,000 was being used in this way.
- 9.3.5 School balances have also been used to fund carbon efficiency measures within schools. At the end of 2015/16, £68,102 of the £7,396,000 was used for this purpose.

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

Revenue & Capital Budget 2015/16
 Financial Rules
 Revenue Monitoring Report – Quarter 1 2015/16
 Revenue Monitoring Report – Quarter 2 2015/16
 Revenue Monitoring Report – Quarter 3 2015/16

Cabinet Member

All

Local Member

All

Appendices

App 1 – Service Area Outturn and Actions
 App 2 – Housing Revenue Account 2015/16
 App 3 – Amendments to Original Budget
 App 4 – Reserves and Provisions

Service Area Outturn and Actions 2015/16Summary

	Full year			RAGBY	FOR INFO ONLY		
	Budget	Controllable Outturn	Controllable Variation		Outturn (incl. Non Controllable items*)	Non Controllable Variation	Total Variation
	£	£	£		£		£
Adult Services	72,434,690	77,280,967	4,846,277	R	77,388,115	107,148	4,953,425
Children Services	53,859,220	53,891,384	32,164	G	53,912,596	21,212	53,376
Commissioning	82,916,640	81,237,805	(1,678,835)	Y	83,358,404	2,120,600	441,764
Public Health	2,013,000	1,992,857	(20,143)	Y	1,988,760	(4,097)	(24,240)
Resources & Support	7,374,830	5,071,613	(2,303,217)	Y	21,685,131	16,613,518	14,310,301
Corporate	(2,755,820)	(6,447,644)	(3,691,824)	Y	(25,306,024)	(18,858,381)	(22,550,204)
Total	215,842,560	213,026,982	(2,815,578)	Y	213,026,982	0	(2,815,578)

*The non controllable items included in the table above include items such as depreciation, impairment of assets, other capital charges and IAS19 (pension costs) that are not included within service projections throughout the year. These charges are produced at the year-end as they are calculated as part of the closedown procedures. The budgets for the year are set in the February of the preceding financial year, and rather than reallocate these budgets at the year end to match where the accounting entries are processed, we allow variations from budget to be reported instead. The net effect of these variations across the Council will always be zero, as any overspends within non controllable budgets for service areas will be offset by a Corporate underspend which reflects the statutory requirement that any variations in these budgets should impact on the Council Tax Payer and ultimately the Council Tax that we charge.

Detail On Controllable Outturn and Variations

ADULT SERVICES	Full year			RAGBY
	Budget	Controllable Outturn	Controllable Variation	
	£	£	£	
Total	72,434,690	77,280,967	4,846,277	R

Adult Business Support & Development	Portfolio Holder Adult Services	2,714,040	1,948,557	(765,483)	Y
Underspend within staffing, training and grant income held here to offset pressures in the purchasing budgets.					
Contracts & Provider	Portfolio Holder Adult Services	7,135,820	6,482,140	(653,680)	Y
The underspends in internally provided services are kept under continual review and used flexibly as in house services are redesigned and recommissioned to meet the changing needs of users.					
Social Care Operations	Portfolio Holder Adult Services	55,977,140	62,299,630	6,322,490	R

Service Area Outturn and Actions 2015/16

ADULT SERVICES		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
<p>The purchasing element of this budget is overspending by £6.4m after the application of the ILF grant. Period 12 has seen £0.322m of new gross pressure added by 17 new clients. A total of 1,403 clients have been added since the beginning of 201516 adding £10m gross expenditure to the in-year projection. The full year impact of this new demand is potentially significantly greater creating pressures for next year. 25% of this cost added relates to Hospital Discharge activity. 23% for reasons of general frailty and 12% from Capital reduction. These continue to the main pressure themes. An intensive work programme is underway in finance to develop datasets that will help us to better forecast future cost as well as understand historic cost patterns.</p>					
Adult Services Management	Portfolio Holder Adult Services	2,293,860	2,236,810	(57,050)	Y
No significant variance to report					
Housing Health & Wellbeing	Portfolio Holder Planning, Housing, Regulatory Services and Environment	4,313,830	4,313,830	0	G
No variance to report					

CHILDREN'S SERVICES		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
Total		53,859,220	53,891,384	32,164	G

Learning & Skills	Portfolio Holder Children and Young People	24,081,990	24,073,948	(8,042)	Y
<p>A deficit of £0.375m was incurred in County Training. The Service faced extremely difficult trading conditions in year with reduced Apprenticeship recruitment and significantly reduced numbers of clients on Welfare to Work programmes. Measures to combat these funding reductions included 2 staffing restructures and a review of the occupation of premises. Although substantial savings were achieved through the staff restructures, the deficit caused by Income reductions and unachieved savings in premises costs was not entirely mitigated.</p> <p>The remainder of Learning and Skills was projected to outturn £0.143m underspent, which would have resulted in an overspend of £0.240m for Learning and Skills as a whole including the County Training deficit, however a decision was made to offset this £0.240m overspend with deferred grant balances within the Children's Services Directorate.</p> <p>The £0.143m underspend mentioned above resulted from underspends across a few service areas. Home to</p>					

Service Area Outturn and Actions 2015/16

CHILDREN'S SERVICES		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
School Transport achieved an underspend of £0.292m. Service Managers have strived to minimise costs in this area through robust procurement and a continued focus on route optimisation. The Education Psychology Service achieved an underspend of £0.184m through part year Vacancy Management Savings combined with an overachievement of Income. The Education Improvement Service also generated an underspend of £0.126m as a major staff restructure overachieved against the 2015/16 Savings target in order to achieve part of a 2016/17 Savings target early. These underspends were largely offset by a one-off budget pressure resulting from a reduction in Education Services Grant.					
Children's Safeguarding	Portfolio Holder Children and Young People	28,882,790	28,914,700	31,910	G
An ongoing budget pressure within Case Management caused by Agency Staffing costs resulted in an overspend of £0.745m. In addition to this there was an overspend relating to Leaving Care Allowances within the 16+ Team of £0.330m. These have been offset by one off contributions from Public Health (£0.486m) and savings on LAC placements including adoption and social work training totalling £0.416m. Further to this, an underspend of £0.141m was achieved by Vacancy management savings across the whole Service Area.					
Children's Services Management	Portfolio Holder Children and Young People	894,440	902,736	8,296	G
A small overspend was incurred as a result of insufficient budget for Postage recharges. The budget will be re-aligned across Children's Services in 2016/17 to address this.					

COMMISSIONING		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
Total		82,916,640	81,242,000	(1,674,640)	Y

Director of Commissioning	Portfolio Holder Leisure and Culture	686,100	682,927	(3,173)	Y
Minor variations.					
Director of Commissioning Total		686,100	682,927	(3,173)	Y

Local Commissioning	Portfolio Holder Rural Services and Communities	337,780	327,697	(10,083)	Y
Minor variations.					
Community Working	Portfolio Holder Rural Services and	864,570	860,508	(4,062)	Y

Service Area Outturn and Actions 2015/16

COMMISSIONING		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
Communities					
Minor variations.					
Procurement	Portfolio Holder Corporate Support	144,920	105,834	(39,086)	Y
Efficiency savings achieved across a range of employee and supplies and services subjectives.					
Community Support	Portfolio Holder Rural Services and Communities	282,640	109,883	(172,757)	Y
Creation of the Commissioning Support Unit, by bringing together roles from across directorates into a re-designed function, deleting several posts as appropriate, has resulted in an ongoing base budget saving of £0.200m.					
Local Commissioning Total		1,629,910	1,403,922	(225,988)	Y

Area Commissioner North – Positive Activities	Portfolio Holder Children and Young People	404,930	377,939	(26,991)	Y
The recharge for youth buildings costs was less than budgeted for, and contributions from other organisations have been received in year, more than offsetting interim delivery costs.					
Area Commissioner North – Libraries	Portfolio Holder Leisure and Culture	4,121,270	4,162,483	41,213	G
Although 2015/16 savings have been achieved, one-off legal costs have been incurred in year.					
Area Commissioner North - Waste	Portfolio Holder Planning, Housing, Regulatory Services and Environment	26,829,270	26,520,804	(308,466)	Y
A higher proportion of waste was suitable for incineration than forecast, and consequently the volume of waste sent to landfill was approximately 3,000 tonnes less than budgeted for.					
Area Commissioner North	Portfolio Holder Planning, Housing, Regulatory Services and Environment	235,520	143,575	(91,945)	Y
Variance on employee costs due to the postholder's secondment.					
Area Commissioner North Total		31,590,990	31,204,801	(386,189)	Y

Area Commissioner South – Environmental Maintenance	Portfolio Holder Highways and Transportation	27,259,360	27,203,268	(56,092)	Y
The exceptionally mild winter resulted in less precautionary and reactive work required. No drawdown from the severe weather reserve was required in order to balance expenditure to budget.					
Area Commissioner South – Highways & Transport	Portfolio Holder Highways and Transportation	5,131,290	5,128,375	(2,915)	Y

Service Area Outturn and Actions 2015/16

COMMISSIONING		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
Minor variations.					
Area Commissioner South – Passenger Transport	Portfolio Holder Highways and Transportation	841,520	722,048	(119,472)	Y
As part of the closing accounting entries, additional (out of county) recharge income was identified and there was an adjusting (credit) from the bad debt provision.					
Area Commissioner South – Leisure	Portfolio Holder Leisure and Culture	3,419,510	3,384,882	(34,628)	Y
Contributions from partner service areas and underspends on central budgets have more than offset one-off pressures at commissioned facilities.					
Area Commissioner South	Portfolio Holder Highways and Transportation	316,520	316,339	(181)	Y
Minor variations.					
Area Commissioner South Total		36,968,200	36,754,912	(213,288)	Y
Business Growth & Prosperity - Arts	Portfolio Holder Leisure and Culture	204,330	193,202	(11,128)	Y
Minor variations					
Business Growth & Prosperity – Economic Growth	Portfolio Holder Business and Economy	954,200	937,291	(16,909)	Y
Minor variations					
Business Growth & Prosperity - Visitor Economy	Portfolio Holder Leisure and Culture	1,850,180	1,868,399	18,219	G
There are a number of variations resulting from minor delays in implementing savings plans and new income generation, the greatest challenge has been for Acton Scott.					
Business Growth & Prosperity - Outdoor Recreation	Portfolio Holder Leisure and Culture	1,676,360	1,644,865	(31,495)	Y
As part of the final closing entries, there were a few items of expenditure identified that were financed from earmarked reserves.					
Business Growth & Prosperity - Theatre Severn	Portfolio Holder Leisure and Culture	599,780	195,118	(404,662)	Y
The Theatre continues to grow and develop, with the aim of generating a surplus for the council. Income for 2015/16 has been exceptional.					
Business Growth & Prosperity - Infrastructure & Growth	Portfolio Holder Business and Economy	227,330	273,271	45,941	G

Service Area Outturn and Actions 2015/16

COMMISSIONING		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
Income from lettings remains challenging and, as part of the closing entries, the provision for bad debts has been increased.					
Business Growth & Prosperity – Strategic Planning	Portfolio Holder Planning, Housing, Regulatory Services and Environment	812,890	542,576	(270,314)	Y
The variance is as a result of staffing vacancies and a substantial increase in Section 106 & CIL receipts (admin element).					
Business Growth & Prosperity – Regulatory Services	Portfolio Holder Planning, Housing, Regulatory Services and Environment	5,213,080	5,046,038	(167,042)	Y
Vacancy management savings have been achieved within the commissioning team, and penalty charge notice income has been significantly over-achieved. In accordance with the Regulatory Services contract, the over-achievement of this income stream was retained within the council rather than transferred to ip&e.					
Business Growth & Prosperity - Management	Portfolio Holder Leisure and Culture	503,290	490,483	(12,807)	Y
A small variance resulting from staffing restructure.					
Business Growth & Prosperity Total		12,041,440	11,191,243	(850,197)	Y

PUBLIC HEALTH		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
Total		2,013,000	1,992,857	(20,143)	Y

Public Health	Portfolio Holder Health & Wellbeing	2,013,000	1,992,857	(20,143)	Y
No significant variance to report.					

Service Area Outturn and Actions 2015/16

RESOURCES & SUPPORT	Full year			RAGBY
	Budget	Controllable Outturn	Controllable Variation	
	£	£	£	
Total	7,374,830	5,071,613	(2,303,217)	Y

Commercial Services	Portfolio Holder	4,127,760	3,341,737	(786,023)	Y
	Corporate Support				

An income stream was identified in the Sustainability budget which has resulted in £0.074m additional income from Solar Panels Installed on School Buildings. Budgets were set aside in relation to Carbon Credits have been confirmed as not committed in year and have been released as a one off in year saving of £0.372m. Other savings were identified in Assets and Estates around vacancy management and staffing efficiencies totalling £0.216m. Savings of £0.129m in relation to commissioning budgets were realised, these have been taken in 2016/17. Property services overachieved their income by £0.172m due to chasing old outstanding debt, and interim invoices raised for large projects, generating a surplus. An underspend was also identified in Facilities Management through vacancy management (£0.082m) and increased income on PAT testing (£0.010m). Following the setting up of the Corporate Landlord Model an overspend of £0.078m was identified. Within the corporate landlord, savings were realised on the disposal or vacation of surplus assets in the region of £0.498m. Overspends identified came from increased expenditure on Repairs and Maintenance of buildings (£0.156m) and a backdated rent review on a car park caused an £0.098m overspend.

Customer Involvement	Portfolio Holder	542,360	210,573	(331,787)	Y
	Corporate Support				

Underspends of £0.548m were realised across Fairer Charging, Assessment, Benefits options, Digital Services, Marketing & Engagement, Service Management, and the SLA teams from staffing reductions and vacancy management, some of these posts have been taken as savings in 2016/17. Additional income was also received within the SLA team of £0.013m, and reduced spending on systems development resulted in a one off underspend of £0.055m. An overspend relating to the Customer Service Centre and the contract for services provided to ST&RH, this generated an overspend of £0.164m, however this was partly offset by staff turnover and vacancy management throughout the year resulting in savings of £0.103m. IT Services had delayed savings of £0.372m in relation to the rollout of Lync, telecoms, and the implementation of Equitrak. Additional budget pressures in relation to the dual running of the WAN contract and other identified budget pressures relating to the Council's licensing have been funded in 2015/16 with a contribution from the Resources Efficiency Reserve (£1.470m) which included specific money set aside for IT development. There is an historic overspend in Print and Mail services due to MFD recharges (£0.115m), this was partly offset by additional income received relating to corporate printing services of £0.093m, and staffing reductions and vacancy management savings of £0.049m within post services.

Finance, Governance & Assurance	Portfolio Holder	1,608,340	1,328,141	(280,199)	Y
	Strategy, Financial Strategy, Budget and Business Plan				

Savings were identified across various teams within FG&A and these came from vacancy management (£0.156m). An overspend in postage costs was recognised within Finance Transactions of £0.036m which was offset by in year savings outlined above. Other underspends came from various expenditure lines creating a further £0.040m of savings. Further efficiencies of £0.073m were identified from budgets not required in 15/16, and £0.047m of these have been removed in 2016/17. Overspends were identified within the Benefits teams due to agency staff spend, partly offset by overachievement of Housing Benefit income and vacancy management in the revenues team, this created a total underspend across Revenues and Benefits as a whole of £0.047m. The forecast overspend resulting partly from grant reductions was resolved in year by the reallocation of base budget of £0.170m no longer considered to be required and overachievement of Housing Benefit income.

Human Resources & Development	Portfolio Holder	87,600	(123,533)	(211,133)	Y
	Corporate Support				

Appendix 1

Service Area Outturn and Actions 2015/16

RESOURCES & SUPPORT		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
There was an overachievement of income within HR Advice (£0.033m), HR Team (£0.042m) and First Aid (£0.037m). Further savings were realised through in-year monitoring savings on postage and printing of £0.024m and an underspend on Corporate Training of (£0.034m).					
Legal, Democratic & Strategy	Portfolio Holder Corporate Support	515,520	15,700	(499,820)	Y
A total underspend of £0.500m was achieved within Legal and Democratic Services. Underspends within Members Services £0.051m (mainly from savings achieved on Telephone Rentals £0.020m, printing and advertising £0.021m), further savings identified within members allowances of -£0.091. Total underspend realised within Committee Services of £0.112m partly due to additional income £0.030m alongside in-year vacancy management savings. Additional income within Legal Services to include -£0.057 arising from Section 106 agreement work, offset by some in-year overspends on Legal Disbursements £0.037m plus additional underspend on Childcare Court Costs of -£0.163m.					
Strategic Management Board	Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan	493,250	298,995	(194,255)	Y
The underspend relates to an additional income stream of £0.094m that was identified following the budget setting process. The remaining underspends relate to in-year vacancy management savings across SMB.					

CORPORATE		Full year			RAGBY
		Budget	Controllable Outturn	Controllable Variation	
		£	£	£	
Total		(2,755,820)	(6,447,644)	(3,691,824)	Y

Corporate Budgets	Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan	(2,755,820)	(6,447,644)	(3,691,824)	Y
There were £1.160m of unachieved savings in 2015/16, these are planned to be achieved in 2016/17 and they were temporarily funded by identifying alternative corporate budgets that were held but could be uncommitted in 2015/16. There was a predicted overspend in corporate budgets in relation to the QICS PFI contract costing more than budget resulting in an overspend of £0.115m. Savings of £0.564m were identified on a one-off basis in 15/16 from MRP in relation to an underspend on the capital programme. Savings were identified on a one-off basis in 15/16 from interest receivable within Treasury Management due to increased interest from external lending and interest on other deposits. Total savings in Treasury Management are £2.536m. There was £0.131m increased income from central purchasing and £0.078m saving identified on graduate costs, no longer recruiting. A further £0.201m was identified from 2015/16 External Audit Fee costs. Other underspend of £0.933m were realised across Corporate budgets, these were from a combination of					

Service Area Outturn and Actions 2015/16

CORPORATE	Full year			RAGBY
	Budget	Controllable Outturn	Controllable Variation	
	£	£	£	
<p>grants, reductions in costs of contracts, staffing commitments and spending efficiencies.</p> <p>The Council currently holds a number of corporate budgets in relation to funding changes received in the Final Budget Settlement for 2015/16, Council Tax Freeze Grant, Section 31 grants (relating to, for example small business rate relief) and Business Rate appeals provision that were not committed. These balances were contributed to the Financial Strategy Reserve to assist with delivery of the 2016/17 budget.</p>				

Appendix 2**Housing Revenue Account 2015/16**

Outturn (pre Audit)	Budget £	Outturn £	Variance Adverse/ (Favourable) £
Income			
Dwellings Rent	(17,580,620)	(17,963,955)	(383,335)
Garage Rent	(160,600)	(159,247)	1,353
Other Rent	(22,090)	(22,150)	(60)
Charges for Services	(278,700)	(321,275)	(42,575)
Total Income	(18,042,010)	(18,466,628)	(424,618)
Expenditure			
ALMO Management Fee	7,452,610	7,452,606	(4)
Supplies and Services	253,670	239,759	(13,911)
Capital Charges - Dwelling Depreciation	4,400,340	4,400,340	0
Capital Charges - Depreciation Other	48,210	40,030	(8,180)
Interest Paid	2,996,380	2,993,944	(2,436)
Repairs charged to revenue	535,000	323,918	(211,082)
New development feasibility	120,000	54,196	(65,804)
Increase in Bad Debt Provision	351,600	63,000	(288,600)
Corporate & Democratic Core	190,520	193,757	3,237
Total Expenditure	16,348,330	15,761,550	(586,780)
Net Cost of Services	(1,693,680)	(2,705,078)	(1,011,398)
Interest on Balances	(23,000)	(42,995)	(19,995)
Net Operating Expenditure	(1,716,680)	(2,748,073)	(1,031,393)
Net Cost of Service	(1,716,680)	(2,748,073)	(1,031,393)
HRA Reserve			
B/fwd 1 April	3,075,951	3,075,951	
Surplus/(Deficit) for year	1,716,680	2,748,073	
Carried Forward 31 March	4,792,631	5,824,024	

Earmarked Reserves for the HRA

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2015/16 (£'000)	Income in 2015/16 (£'000)	Balance Carried Forward (£'000)
HRA Earmarked Reserves					
Major Repairs Reserve	Required to meet the costs of major repairs to be undertaken on the Council's housing stock.	1,636	(3,273)	4,440	2,803
Total		1,636	(3,273)	4,440	2,803

Appendix 3**Amendments to Original Budget 2014/15**

	Total £'000	Adult Services £'000	Children's Services £'000	Commissi oning £'000	Public Health £'000	Resources & Support £'000	Corporate £'000
Original Budget as agreed by Council	215,843	70,410	54,893	82,190	1,934	7,766	(1,350)
<u>Quarter 1</u>							
Youth Centre Facility budgets	0	0	0	(267)	0	267	0
Other minor structure changes	0	0	29	0	39	(68)	0
IT post to Regulatory Services	0	0	0	40	0	(40)	0
Shrewsbury Town Council Contract Budget	0	0	0	29	0	0	(29)
<u>Quarter 2</u>							
Internal market reallocation	0	458	(1,053)	376	69	(381)	531
Other minor structure changes	0	0	93	(95)	0	2	0
<u>Quarter 3</u>							
Complaints	0	0	0	474	0	(474)	0
Commissioning Support	0	0	(87)	109	0	(22)	0
Financial Assessments	0	384	0	0	0	(384)	0
Women's Refuge	0	(199)	0	0	199	0	0
Adult Services Growth	0	1,382	0	0			(1,382)
Bereavement Services	0	0	0	217	(217)	0	0
PAYP	0	0	0	(266)	0	266	0
Other minor structure changes	0	0	(24)	112	(11)	243	(320)
<u>Quarter 4</u>							
Benefits	0	0	0	0	0	170	(170)
Pension Fund Recharges	0	0	0	0	0	36	(36)
Other minor structure changes	0	0	8	(3)	0	(6)	1
Revised Budget	215,843	72,435	53,859	82,917	2,013	7,375	(2,776)

Appendix 4**Reserves and Provision 2015/16**

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2015/16 (£'000)	Income in 2015/16 (£'000)	Balance Carried Forward (£'000)
Reserves					
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations					
Redundancy	Required to meet one-off costs arising from approved staffing reductions, allowing the full approved savings in salaries or wages to reach the revenue account.	10,604	(3,631)	0	6,973
Revenue Commitments for Future Capital Expenditure	Comprises of underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants.	1,027	(663)	282	646
Transformation	Required to fund invest to save projects in order to deliver the service transformation programme.	6,054	(1,260)	1,381	6,175
University	Required to meet the revenue costs arising from the setup of the university project and student accommodation development.	1,810	(1,566)	0	244
Total		19,495	(7,120)	1,663	14,038
Insurance Reserves					
Fire Liability	Required to meet the cost of excesses on all council properties.	2,135	0	299	2,434
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	867	0	110	977
Total		3,002	0	409	3,411
Reserves of trading and business units					
Shire Catering and Cleaning Efficiency	Built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.	300	0	307	607
Total		300	0	307	607
Reserves retained for service departmental use					
Care Act Reserve	Required to fund the costs of implementing the Care Act requirements within the Council. This will be committed to the costs of one off posts required to implement the changes and training costs for staff within Adult Services.	1,316	(816)	0	500
Economic Development Workshops Major Maintenance	Established to meet the costs of major maintenance of Economic Development Workshops.	385	(25)	20	380
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	0	0	9,805	9,805
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme	437	(35)	90	492

Appendix 4**Reserves and Provision 2015/16**

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2015/16 (£'000)	Income in 2015/16 (£'000)	Balance Carried Forward (£'000)
	agreed within the Ringway and Mouchel Contract.				
Major Planning Inquiries	Required to meet the one-off costs of major planning inquiries, and is a corporate reserve.	592	(118)	30	504
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	4,675	(6,481)	7,353	5,547
PFI Buildings Equipment Replacement	Established in 2007/08 to fund replacement equipment in PFI buildings. This reserve has now been fully spent and is no longer required.	4	(4)	0	0
Planning Reserve	Set aside funds for investment in planning application processes.	1,285	(238)	100	1,147
Public Health Reserve	This reserve includes balances committed and ringfenced to specific public health projects.	2,712	(560)	0	2,152
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	1,350	0	71	1,421
Resources Efficiency	Established for investment in new developments, particularly information technology, that service area would not be expected to meet from their internal service level agreements for support services.	5,404	(2,334)	592	3,662
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2016/17.	4,064	(1,695)	1,394	3,763
Severe Weather	Required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve.	2,839	0	312	3,151
Shropshire Waste Partnership (Smoothing)	The PFI smoothing reserve reflects the budgeted contributions in the early years of the Waste PFI contract that will be used to smooth the step up in the Unitary Charge once additional facilities come on line.	602	(213)	0	389
Theatre Severn R&M	Established from underspends within culture and leisure, the reserve is earmarked towards future capital and revenue expenditure on repairs, maintenance and replacement of essential equipment at the Theatre.	29	0	0	29
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	642	(5)	0	637

Appendix 4**Reserves and Provision 2015/16**

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2015/16 (£'000)	Income in 2015/16 (£'000)	Balance Carried Forward (£'000)
Total		26,336	(12,525)	19,767	33,578
School Balances					
Balances held by schools under a scheme of delegation	Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion.	3,957	(3,991)	7,207	7,173
Education – Staff Sickness Insurance	Schools' self help insurance for staff sickness with premiums met from delegated budgets.	162	0	25	187
Education – Theft Insurance	Schools' self help insurance scheme to cover equipment damage and losses.	97	0	1	98
Schools Building Maintenance Insurance	The schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school.	1,678	0	71	1,749
Total		5,894	(3,991)	7,304	9,207
Total Reserves		55,027	(23,170)	29,450	60,841
Provisions					
Short Term Provisions					
Accumulated Absences Account	Provision to cover potential future payments of employee benefits not taken as at the end of the year. This is required under IFRS accounting regulations.	3,211	(3,211)	2,165	2,165
Redundancy Provision	Provides for redundancy costs that the Council is committed to from issuing redundancy notices prior to 31 st March 2016.	222	(206)	127	143
Other Provisions	Includes a number of small provisions including NNDR liability on car parks and a liability within Planning Services	152	(152)	400	401
Total		3,585	(3,569)	2,692	2,708
Long Term Provisions					
Liability Insurance	Provision to meet the estimated actuarial valuation of claims for public liability and employers' liability	3,596	(2)	335	3,929
NDR Appeals Provision	Represents the Council's share of the provision held for successful appeals against business rates.	3,790	(3,071)	3,852	4,571
Tenancy Deposit Clawbacks	This represents deposits held for the economic development workshops that may be repaid at some point in the future.	121	(2)	6	125
Other Provisions	Includes a number of small provisions including S106 Accrued Interest and Profit share agreements.	393	(49)	0	344

Appendix 4**Reserves and Provision 2015/16**

	Purpose of Balance	Balance Brought Forward (£'000)	Expenditure in 2015/16 (£'000)	Income in 2015/16 (£'000)	Balance Carried Forward (£'000)
Total		7,900	(3,124)	4,193	8,969
Total Provisions		11,485	(6,693)	6,885	11,677
Bad Debt Provisions					
General Fund Bad Debts	Held for potential write offs of debtor balances for General Fund Services including Housing Benefits.	4,311	(523)	1,818	5,606
HRA Bad Debts	Held for potential write offs of debtor balances for Housing Revenue Account rents and other debtor balances.	317	(27)	63	353
Total		4,628	(550)	1,881	5,959
Total Provisions including Bad Debt Provisions		16,113	(7,189)	8,766	17,690

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<u>Committee and Date</u>	<u>Item</u>
Cabinet 8 th June 2016	
Audit Committee 23 rd June 2016	<u>Public</u>
Council 21 st July 2016	

CAPITAL OUTTURN REPORT – 2015/16

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1. Summary

1.1 The purpose of this report is to inform Members of the final outturn position for the Council's 2015/16 capital programme and the current position regarding the 2016/17 to 2018/19 capital programme taking into account the slippage following the closure of the 2015/16 programme, and any budget increases/decreases for 2016/17 and future years. The report reflects:

- The re-profiled 2015/16 budget of £51.9m and the future years capital programme budget;
- The outturn capital expenditure of £44.4m, representing 85.7% of the re-profiled budget for 2015/16;
- An underspend of £7.4m, which has been slipped to 2016/17; and
- The current funding of the programme and its future affordability.

2. Recommendations

Members are asked to:

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

REPORT

3. Risk Assessment and Opportunities Appraisal

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

4. Financial Implications

- 4.1 This report considers the capital spend within the capital programme for 2015/16 and considers the impact that slippage within the programme will have on the financing of the capital programme in the future, including any future revenue implications.

5. Background

- 5.1 The capital programme for 2015/16 and future years, was updated as part of the Business Plan and Financial Strategy 2015/16 to 2016/17, approved by Council on 26 February 2015. This included updated allocations of capital grants and a review of and delivery schedule for schemes.
- 5.2 A further update of the capital programme has been undertaken and an updated Capital Strategy for 2016/17 to 2018/19 was approved as part of the Business Plan and Financial Strategy by Council on 25 February 2016.

6. Original and latest proposed capital programme for 2015/16

- 6.1 The capital budget for 2015/16 is subject to change, the largest element being slippage from 2014/15 and re-profiling into future years. In Quarter 4 there has been a net budget decrease of £0.490m, compared to the position reported at Quarter 3 2015/16. Table 1 summarises the overall movement, between that already approved, and changes for Quarter 4 that require approval.

Table 1: Revised Capital Programme Quarter 4 2015/16

Service Area	Agreed Capital Programme - Council 26/02/15	Slippage and budget changes approved to Quarter 3 15/16	Quarter 4 budget changes to be approved	Revised 2015/16 Capital Programme Quarter 4
General Fund				
Commissioning	30,587,810	(282,966)	487,456	30,792,300
Adult Services	3,740,632	(1,149,712)	-	2,590,920
Children's Services	7,777,002	571,246	25,961	8,374,209
Resources & Support	2,856,717	2,087,764	(23,277)	4,921,204
Total General Fund	44,962,161	1,226,332	490,140	46,678,633
Housing Revenue Account	6,581,090	(1,379,467)	-	5,201,623
Total Approved Budget	51,543,251	(153,135)	490,140	51,880,256

6.2 Full details of all budget changes are provided in Appendix One to this report; there have been no significant changes to the 2015/16 programme in Quarter 4.

7. Current Capital Programme and Forecast Outturn

7.1 The capital programme is reviewed on a regular basis to re-profile the budget to reflect the multi-year nature of capital schemes, whereby spend may slip into later years. However, it is possible that a level of underspend or overspend may be experienced against the revised capital budget at outturn. Outturn projections are incorporated into the capital monitor to enhance the monitoring information provided and allow the early identification where schemes are deviating from budget. Table 2 summarises the outturn position for 2015/16.

Table 2: Capital Programme Outturn Position by Service area 2015/16

Service Area	Revised Capital Programme – Outturn 2015/16	Actual Expenditure 31/03/16	Variance	Spend to Budget %
General Fund				
Commissioning	30,792,300	25,849,707	4,942,593	83.9%
Adult Services	2,590,920	2,113,997	476,923	81.6%
Children's Services	8,374,209	6,845,863	1,528,346	81.7%
Resources & Support	4,921,204	4,686,440	234,764	95.2%
Total General Fund	46,678,633	39,496,007	7,182,626	84.6%
Housing Revenue Account	5,201,623	4,942,737	258,886	95.0%
Total	51,880,256	44,438,744	7,441,512	85.7%

7.2 Total capital expenditure for 2015/16 was £44.4m, which equated to 85.7% of the re-profiled capital programme of £51.9m. All, but a small balance on a completed scheme of the £7.4m underspend has been slipped to 2016/17. Full details of expenditure variances at scheme level are in Appendix 1. A summary of significant variances by service area are provided below.

7.3 **Commissioning** – Total underspend against the Commissioning capital programme was £4.9m. The most significant area of underspend was £2.6m against Highways & Transport, this was due to the failure to deliver schemes scheduled for 2015/16 as a result of ongoing issues with delivery of capital schemes with the Councils Highways contractor. This was despite a level of over programming within the programme through increased tender schemes on the latter part of the year and £1.5m that had already been slipped to 2016/17. The full underspend has been slipped to 2016/17, including the level of works programmed above the remaining budget. This will be managed as part of the 2016/17 programme, to ensure the service does not go over budget, whilst maximising the delivery of works.

The other significant area of underspend was £2m against schemes under Business Growth & Prosperity. This included £0.785m on Broadband due to a lower than profiled claim from BT in the final quarter; £0.460m on Affordable Housing schemes from delays in grants being drawn down by developers; and £0.424m on Growth Point schemes, mainly relating to the works planned for the Raven Meadows Multi Storey Carpark.

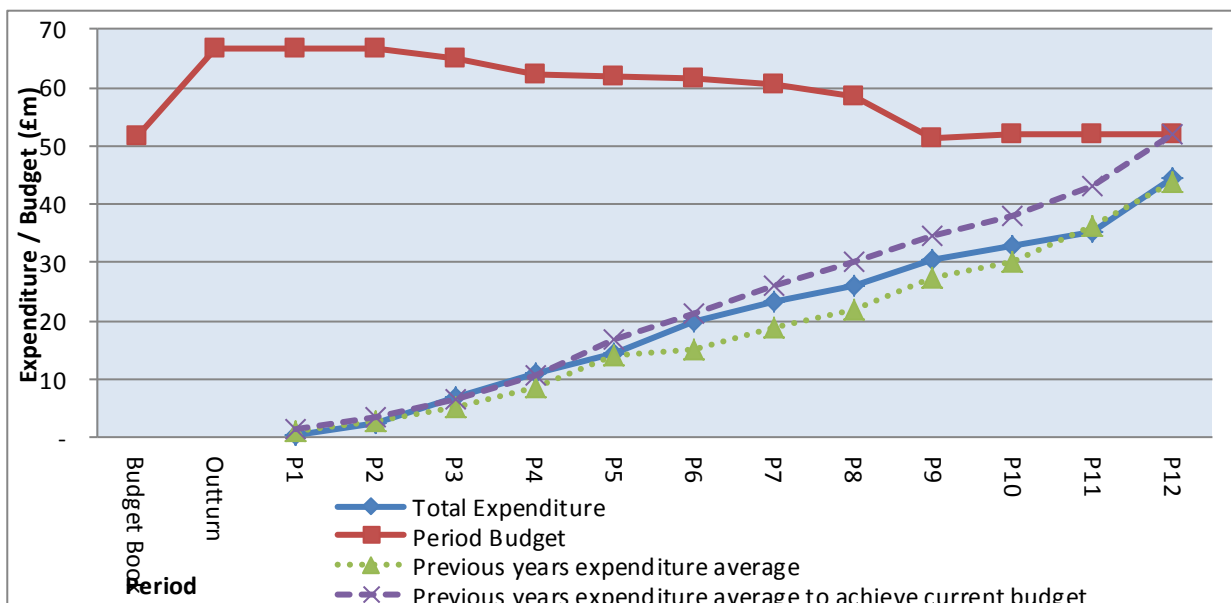
7.4 **Adult Services** – The total underspend against Adult Services was £0.477m; this was across all schemes in the programme and despite significant re-profiling earlier in the year.

7.5 **Children's Services** – The total underspend against the Children's Services capital programme was £1.5m. This was spread through-out the different areas of the programme and despite significant re-profiling earlier in the year. The underspend mainly resulted from the failure to deliver a number of schemes commissioned later in the year and schemes coming in under budget.

8. **Actual Expenditure to Date – *is the programme being delivered to plan?***

8.1 The outturn capital expenditure is £44.4m, which represents 85.7% of the revised outturn capital budget. Graph One below shows actual expenditure by period and also tracks the period by period changes to the budget.

Graph 1: Total Expenditure and budget changes



8.2 Expenditure in the first half of the year was above previous years and roughly in line with the trajectory to deliver the revised outturn budget. This was a result of significant expenditure in this period on the Broadband and Mardol House Student Accommodation projects. Expenditure in the second half of the year took place at a lower rate to the point where the outturn was in line with previous year's average expenditure and in an underspend position. This is as a result of the failure to deliver schemes as budgeted in 2015/16, as detailed in section 7 above.

8.3 The outturn budget was also at a similar level to the original budget book budget. This followed a large amount of slippage from 2014/15, which was then offset by re-profiling to future years throughout the year for expenditure that would not be delivered until later years. As reported actual outturn expenditure was then below the outturn budget. This failure to deliver the planned capital budget has been a reoccurring issue for a number of years, despite pressure on budget managers to profile budgets appropriately. Although this position assists with the short term affordability of the capital programme and short term pressure on capital receipt generation, it is potentially building up pressure for a future year, if a significantly higher level of capital expenditure was to occur. Based on the current position, a certain level of slippage is assumed, when considering the affordability of the capital programme.

9. Financing of the capital programme

9.1 Appendix 1 provides a full summary of the financing of the 2015/16 capital programme. Table 3 summarises the financing sources and changes made to Quarter 3 and to be approved to Quarter 4.

Table 3: Revised Capital Programme Financing

Financing	Agreed Capital Programme - Council 26/02/15	Slippage and budget changes approved Quarter 3 15/16	Quarter 4 budget changes to be approved	Revised 2015/16 Capital Programme Quarter 4
Self-Financed Prudential Borrowing*	2,658,717	513,642	-	3,172,359
Government Grants	27,101,502	5,395,035	832,131	33,328,668
Other Grants	299,023	417,925	112,405	829,353
Other Contributions	-	608,185	165,628	773,813
Revenue Contributions to Capital	1,070,745	946,754	383,525	2,401,024
Major Repairs Allowance	4,712,856	(1,200,038)	(107,800)	3,405,018
Corporate Resources (expectation - Capital Receipts only)	15,700,408	(6,834,638)	(895,749)	7,970,021
Total Confirmed Funding	51,543,251	(153,135)	490,140	51,880,256

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

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

10.1 The updated capital programme is summarised by year and financing in Table 4 below (2016/17 includes £7.4m slippage from 2015/16):

Table 4: Capital Programme 2016/17 to 2018/19

Service Area	2016/17	2017/18	2018/19
General Fund			
Commissioning	45,734,678	25,283,519	16,150,079
Adult Services	4,994,142	-	-
Children's Services	11,498,285	7,556,161	-
Resources & Support	454,762	-	-
Total General Fund	62,681,867	32,839,680	16,150,079
Housing Revenue Account	7,713,997	3,603,074	-
Total Approved Budget	70,395,864	36,442,754	16,150,079
Financing			
Self-Financed Prudential Borrowing*	-	-	-
Government Grants	34,934,896	28,074,146	15,771,000
Other Grants	10,158	-	-
Other Contributions	682,984	4,750	-
Revenue Contributions to Capital	1,736,247	250,000	-
Major Repairs Allowance	5,681,489	3,603,074	-
Corporate Resources (expectation - Capital Receipts only)	27,350,090	4,510,784	379,079
Total Confirmed Funding	70,395,864	36,442,754	16,150,079

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

10.2 Full details of all budget changes are provided in Appendix One to this report. Significant changes are:

Budget Increases

- Department of Transport: additional funding in 2016/17 from Incentive Element funding £0.924m and Pothole Action Fund funding £1.036m.
- Department for Health – Better Care Fund: Confirmation of funding for 2016/17 of £2.498m. This incorporates previous separate allocations

for DFGs and Community Capacity Grant, the Service have allocated £1.379m to DFGs (as per 2015/16 allocation) and £1.119m to Adult Social Care schemes.

- Department for Education – Devolved Formula Capital (DFC): confirmation of funding allocation (£0.737m) for 2016/17.
- Local Enterprise Partnership (LEP): New funding for Broadband project phase 2b, totalling £5.022m, through to 2020/21. £2.061m of the funding in 2017/18 will be applied in place of capital receipts in 2015/16 / 2016/17 on the phase 1 scheme; reducing the short term pressure on capital receipt generation.
- Capital Receipts: reallocation of £32,400 of Small Business Loan repayments to future Small Business Loan schemes, as previously agreed by Cabinet.

Budget Decreases

- Department for Education – Condition: Confirmation of funding allocation for 2016/17, slightly lower (£0.111m) than provisional allocation, due to schools that have transferred to Academy's in 2015/16.

11. Capital Receipts Position

- 11.1 The current capital programme is heavily reliant on the Council generating capital receipts to finance the capital programme. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. Table 5 below, summarises the current allocated and projected capital receipt position across 2015/16 to 2017/18. A RAG analysis has been included for capital receipts projected, based on the current likelihood of generating them by the end of each financial year. Those marked as green are where they are highly likely to be completed by the end of the financial year, amber are where they are achievable, but challenging and thus there is a risk of slippage and red are highly unlikely to complete in year and thus there is a high risk of slippage. However, no receipts are guaranteed to complete in this financial year as there may be delays between exchanging contracts and completing.

Table 5: Projected capital receipts position

Detail	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Corporate Resources Allocated in Capital Programme	1,101,615	27,350,090	4,510,784	379,079
To be allocated from Ring Fenced Receipts	228,486	5,685,951	-	-
Total Commitments	1,330,101	33,036,041	4,510,784	379,079
Capital Receipts in hand/projected:				
Brought Forward in hand	14,106,162	16,989,451		
Generated 2015/16	4,213,389			
Projected - 'Green'		5,793,699	50,000	50,000
Total in hand/projected	18,319,551	22,783,149	50,000	50,000
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	(16,989,451)	10,252,892	4,460,784	329,079
Further Assets Being Considered for Disposal	-	10,095,311	9,850,000	400,000

- 11.2 Capital receipts of £4.2m have been generated in 2015/16. As previously reported, following the re-profiling in the capital programme and receipt of additional external funds, sufficient receipts had been generated to finance this year's capital programme without any corporate prudential borrowing.
- 11.3 Following the underspend position for the capital programme for 2015/16 and the Council policy of applying un-ringfenced capital grants in place of capital receipts where they are not required in full due to scheme underspends, the Council has £17m in capital receipts in hand at 31/03/16. These will be set-aside, enabling the Council to achieve an additional MRP saving of £377,500 in 2016/17. This is lower than previous years due to the change in MRP policy from 2016/17 as approved by Council, which generated a significant base budget MRP saving.
- 11.4 These capital receipts are fully allocated to schemes in the future years capital programme and there is also considerable work required to realise receipts in future years and in some cases Cabinet/Council approval is required before the receipts profiled for 2016/17 and 2017/18 can be realised. These receipts hold significant risk against delivery and therefore until the plans for disposal against these assets are formally agreed, these will not be included when considering the programmes affordability. On the basis that the current programme for future years is unaffordable, further work is required on the deliverability of the list of assets being considered for disposal. Given that the larger disposals generally take between 12 and 18 months to be realised, it is important that work progresses at present, to avoid a funding shortfall in future years.
- 11.5 If the Council cannot generate the required level of capital receipts, the Council will need to further reduce or re-profile the capital programme, some of which will occur naturally as part of the review of the delivery of schemes; or undertake prudential borrowing, which will incur future year's revenue costs that are not budgeted in the revenue financial strategy.
- 11.6 In addition to the agreed capital programme there are a number of significant scheme business cases that are being developed. If these schemes are to progress they will all require some degree of Council funding, which is not currently allocated in the existing capital programme.

12. Unsupported borrowing and the revenue consequences

- 12.1 The Council can choose what level of unsupported (prudential) borrowing to undertake to fund the capital programme, based on affordability under the prudential code. There is an associated revenue cost to fund the cost of the unsupported borrowing. This consists of the Minimum Revenue Provision (MRP) charge for the repayment of the principal amount, based on the asset life method and the interest charge associated with the borrowing. The current PWLB borrowing rate over 25 years is projected to remain just under 4% for 2015/16. At this rate, £1m of Prudential Borrowing would result in additional revenue financing costs of £0.08m (MRP and interest cost) in the following year, reducing by £1,600 each year over the 25 year period. The Council is working towards generating sufficient capital receipts (see section 11); to avoid any unsupported borrowing requirement at lower level of

borrowing could also be sustained through internal borrowing against Council balances, removing the need for any new external borrowing.

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

Business Plan and Financial Strategy 2015/16 to 2016/17 – Council 26 February 2015
Capital Outturn Report – 2014/15 – Council 23 July 2015
Capital Monitoring Report – Quarter 1 2015/16 – Cabinet 29 July 2015
Capital Monitoring Report – Quarter 2 2015/16 – Cabinet 14 October 2015
Capital Monitoring Report – Quarter 3 2015/16 – Cabinet 11 February 2016
Financial Strategy 2016/17 to 2018/19 – Council 25 February 2016

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council.

Portfolio holders

Local Member

All

Appendices

1. Capital Budget and Expenditure 2015/16

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Shropshire Council - Capital Programme 2015/16 - 2018/19

Capital Programme Summary - Quarter 4

Scheme Description	Revised Budget Q3 15/16 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 15/16 £	Actual Spend 31/03/16	Spend to Budget Variance £	% Budget Spend	Slipped to 2016/17 £	No longer required / available £	2016/17 Revised Budget £	2017/18 Revised Budget £	2018/19 Revised Budget £
General Fund													
Commissioning	30,304,844	-	487,456	-	30,792,300	25,849,707	4,942,593	83.9%	4,938,261	4,332	45,734,678	25,283,519	16,150,079
Adult Services	2,590,920	-	-	-	2,590,920	2,113,997	476,923	81.6%	476,924	(1)	4,994,142	-	-
Children's Services	8,348,248	-	25,961	-	8,374,209	6,845,863	1,528,346	81.7%	1,528,353	(7)	11,498,285	7,556,161	-
Resources & Support	4,944,481	-	(23,277)	-	4,921,204	4,686,440	234,764	95.2%	234,763	1	454,762	-	-
Total General Fund	46,188,493	-	490,140	-	46,678,633	39,496,007	7,182,626	84.6%	7,178,301	4,325	62,681,867	32,839,680	16,150,079
Housing Revenue Account	5,201,623	-	-	-	5,201,623	4,942,737	258,886	95.0%	258,886	-	7,713,997	3,603,074	-
Total Approved Budget	51,390,116	-	490,140	-	51,880,256	44,438,744	7,441,512	85.7%	7,437,187	4,325	70,395,864	36,442,754	16,150,079

RAG Analysis on Schemes

For Current year outturn expenditure on budget:

Red	Programmes that have a forecast outturn in excess of 10% of the current scheme budget.
Amber	Programmes that have a forecast outturn in excess of 5% of the current scheme budget.
Green	Programmes that have a forecast outturn of less than or equal to the current programme.

Scheme Progress:

Red	Scheme is significantly below profile at current period and not expected to deliver as original profile.
Amber	Scheme is below profile at current period and scheme will not deliver as original profile.
Green	Scheme on profile at current period and expected to be delivered as original profile.

Shropshire Council - Capital Programme 2015/16 - 2018/19

Capital Scheme Details Quarter 4 2015/16

Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 2015/16 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 31/03/16 £	Spend to Budget Variance £	Slipped to 2016/17 £	No longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2016/17 Revised Budget £	2017/18 Revised Budget £	2018/19 Revised Budget £
Commissioning																			
Community Action																			
Whitchurch Civic Centre	K5T48	N Willcox	857,297	826,831	30,466	-	-	-	30,466	-	30,466	30,466	-	Green	Green		30,466	-	-
Total					30,466	-	-	-	30,466	-	30,466	30,466	-				30,466	-	-
Waste Management																			
In Vessel Composting Facility	K6WMO	P Beard	325,000	-	-	-	-	-	-	-	-	-	-	Green	Green		325,000	-	-
Total					-	-	-	-	-	-	-	-	-				325,000	-	-
Bereavement Services																			
Myton Oak Remembrance Park - Shrewsbury	K6BS1	T Sneddon	1,078,000	954,505	93,495	-	-	-	93,495	54,318	39,177	39,177	-	Green	Amber		69,177	-	-
Total					93,495	-	-	-	93,495	54,318	39,177	39,177	-				69,177	-	-
Library Service																			
County Libraries Art Council WiFi Grant	KCR01	R Parslow	18,312	-	19,017	-	(705)	-	18,312	18,312	(0)	-	(0)	Green	Green		-	-	-
Total					19,017	-	(705)	-	18,312	18,312	(0)	-	(0)				-	-	-
Leisure Services																			
Market Drayton Swimming Pool Refurbishment	K5T51	P Davies	226,000	210,380	15,620	-	-	-	15,620	15,620	(0)	-	(0)	Green	Green		-	-	-
Total					15,620	-	-	-	15,620	15,620	(0)	-	(0)				-	-	-
Highways & Transport - LTP																			
Structural Maintenance of Bridges & Structures																			
Bridgeguard Rolling Programme	K6BG4	T Sneddon	Ongoing	59,756	2,748	-	-	-	2,748	3,674	(926)	-	(926)				-	-	-
Bridgeguard - Unallocated	KBG01	T Sneddon	3,020,000	-	46,907	(43,657)	-	-	3,250	-	3,250	-	3,250				20,000	1,500,000	1,500,000
Bridgeguard - Miscellaneous Expenditure	KBG02	T Sneddon	113,977	47,684	57,775	-	-	-	57,775	65,629	(7,854)	664	(8,518)				664	-	-
Bridgeguard - Consultancy Fees	KBG03	T Sneddon	1,021,574	112,508	455,000	-	-	-	455,000	296,191	158,809	134,152	24,657				612,876	-	-
Bridgeguard - Tern No 1 Bridge	KBG04	T Sneddon	386,428	369,644	16,784	-	-	-	16,784	16,784	-	-	-				-	-	-
Bridgeguard - Hadnall Culvert	KBG05	T Sneddon	687,204	97,146	(9,992)	-	-	-	(9,992)	(9,942)	(50)	-	(50)				600,000	-	-
Bridgeguard - Bankfields Lane Bridge	KBG06	T Sneddon	109,754	104,003	5,751	-	-	-	5,751	-	-	-	-				-	-	-
Bridgeguard - Snaibeach Retaining Wall	KBG07	T Sneddon	52,885	2,385	-	-	-	-	-	-	-	-	-				50,500	-	-
Bridgeguard - Church Window Bridge	KBG09	T Sneddon	96,213	86,995	8,950	-	-	-	8,950	9,218	(268)	-	(268)				-	-	-
Bridgeguard - Heathon West Bridge	KBG10	T Sneddon	152	-	-	-	-	-	-	152	(152)	-	(152)				-	-	-
Bridgeguard - Wagbeach Footbridge	KBG11	T Sneddon	37,035	35,881	1,154	-	-	-	1,154	1,154	-	-	-				-	-	-
Bridgeguard - Glazeley Bridge	KBG13	T Sneddon	70,398	67,750	2,648	-	-	-	2,648	2,648	(0)	-	(0)				-	-	-
Bridgeguard - Outrack Bridge	KBG14	T Sneddon	28,055	6,327	15,000	-	-	-	15,000	21,729	(6,729)	-	(6,729)				-	-	-
Bridgeguard - Lloyney Bridge	KBG15	T Sneddon	75,881	75,600	281	-	-	-	281	281	-	-	-				-	-	-
Bridgeguard - Myton Bridge	KBG16	T Sneddon	142,177	14,560	125,151	-	-	-	125,151	121,293	3,858	-	3,858				6,324	-	-
Bridgeguard - Bridgnorth Endowed Footbridge	KBG17	T Sneddon	106,714	17,049	91,550	-	-	-	91,550	84,722	6,828	-	6,828				4,943	-	-
Bridgeguard - Ticklerton Bridge	KBG18	T Sneddon	105,550	13,002	92,628	-	-	-	92,628	87,936	4,692	-	4,692				4,612	-	-
Bridgeguard - Bourton Bridge	KBG19	T Sneddon	9,480	5,183	4,297	-	-	-	4,297	4,297	(0)	-	(0)				-	-	-
Bridgeguard - High House Lane Bridge	KBG20	T Sneddon	30,052	149	903	-	-	-	903	903	-	-	-				29,000	-	-
Bridgeguard - Corve Footbridge	KBG21	T Sneddon	7,266	83	7,183	-	-	-	7,183	7,183	-	-	-				-	-	-
Bridgeguard - Coybrook Bridge	KBG22	T Sneddon	11,422	66	11,945	-	-	-	11,945	11,355	590	-	590				-	-	-
Bridgeguard - Colehurst Cottages Bridge	KBG23	T Sneddon	2,286	83	2,203	-	-	-	2,203	(0)	-	-	(0)				-	-	-
Bridgeguard - Borlemail Bridge	KBG24	T Sneddon	70,439	166	75,990	-	-	-	75,990	70,273	5,717	-	5,717				-	-	-
Bridgeguard - Linley No.2 Bridge	KBG25	T Sneddon	4,420	-	4,420	-	-	-	4,420	4,420	-	-	-				-	-	-
Bridgeguard - Count Arbour Bridge	KBG26	T Sneddon	29,956	356	30,854	-	-	-	30,854	29,600	1,254	-	1,254				-	-	-
Bridgeguard - Boreton Road Bridge	KBG28	T Sneddon	5,000	-	-	-	-	-	-	-	-	-	-				5,000	-	-
Bridgeguard - Twmpath Bridge	KBG29	T Sneddon	2,500	-	-	-	-	-	-	-	-	-	-				2,500	-	-
Bridgeguard - Wheelbarrow	KBG30	T Sneddon	104,002	1,452	1,000	-	-	-	1,000	50	950	-	950				102,500	-	-
Bridgeguard - Plox Green No.2	KBG31	T Sneddon	48,412	8,885	42,027	-	-	-	42,027	39,527	2,500	-	2,500				-	-	-
Bridgeguard - Eaton No.3	KBG32	T Sneddon	126,219	8,297	1,500	-	-	-	1,500	422	1,078	-	1,078				117,500	-	-
Bridgeguard - Sandycroft Bridge	KBG33	T Sneddon	100,345	-	1,500	-	-	-	1,500	345	1,155	-	1,155				100,000	-	-
RoW - Blue Bridge	KBG34	T Sneddon	41,391	-	30,000	-	-	-	30,000	9,678	20,322	31,713	(11,391)				31,713	-	-
Bridgeguard - Little Tasker Farm Bridge	KBG35	T Sneddon	1,105	430	675	-	-	-	675	675	-	-	-				-	-	-
Bridgeguard - Bridgnorth Bypass	KBG36	T Sneddon	30,621	6,031	24,855	-	-	-	24,855	24,590	265	-	265				-	-	-
Bridgeguard - Catherton Gate Cattle Grid Replacement	KBG38	T Sneddon	15,000	-	3,463	159	-	-	3,622	4,193	(571)	-	(571)				10,807	-	-
RoW - Morville No 1 Footbridge	KBG39	T Sneddon	55,410	-	5,410	-	-	-	5,410	5,410	(0)	-	(0)				50,000	-	-
RoW - Morville No 2 Footbridge	KBG40	T Sneddon	1,784	-	2,000	(466)	-	-	1,534	1,784	(250)	-	(250)				-	-	-
RoW - Eaton Brook Footbridge	KBG41	T Sneddon	20,000	-	-	-	-	-	-	-	-	-	-				20,000	-	-
Bridgeguard - Pont Rhyd y Croessau Bridge	KBG42	T Sneddon	16,232	-	17,598	-	-	-	17,598	16,232	1,366	-	1,366				-	-	-
Bridgeguard - Glyn Morlas No 3 Culvert	KBG43	T Sneddon	21,399	-	21,399	-	-	-	21,399	21,399	(0)	-	(0)				-	-	-
Bridgeguard - Brickwalls Canal Lift Bridge	KBG44	T Sneddon	16,211	-	20,000	-	-	-	20,000	16,211	3,789	-	3,789				-	-	-
Bridgeguard - Bridgnorth Bypass	KBG45	T Sneddon	2,162,092	-	-	44,363	-	-	44,363	18,897	25,466	23,195	2,271				143,195	2,000,000	-
Bridgeguard - Dark Lane Broseley Reservoir Tank	KBG46	T Sneddon	155,000	-	-	-	-	-	-	2,517	(2,517)	-	(5,000)				152,483	-	-
Bridgeguard - Dudleston School West Bridge	KBG47	T Sneddon	52,500	-	-	-	-	-	-	-	-	-	-				52,500	-	-
Bridgeguard - Henley Ledwyche Bridge	KBG48	T Sneddon	1,500	-	-	-	-	-	-	-	-	-	-				1,500	-	-
Bridgeguard - Winterburn Bridge	KBG49	T Sneddon	1,500	-	-	-	-	-	-	-	-	-	-				1,500	-	-
Bridgeguard - Dean Culvert Bridge	KBG50	T Sneddon	1,500	-	-	-	-	-	-	-	-	-	-				1,500	-	-
Bridgeguard - Harpswood No 2 Culvert	KBG51	T Sneddon	1,500	-	-	-	-	-	-	-	-	-	-				1,500	-	-
Bridgeguard - Castletalk Footbridge Shrewsbury	KBG52	T Sneddon	10,000	-	-	-	-	-	-	-	-	-	-				10,000	-	-
Bridgeguard - Ludford Bridge, Ludlow	KBG58	T Sneddon	63,831	-	-	-	-	-	-	14,831	(14,831)	-	(14,831)				49,000	-	-
Bridgeguard - Smithy Bridge	KBG59	T Sneddon	15,000	-	-	-	-	-	-	-	-	-	-				15,000	-	-

Shropshire Council - Capital Programme 2015/16 - 2018/19

Capital Scheme Details Quarter 4 2015/16

Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 2015/16 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 31/03/16 £	Spend to Budget Variance £	Slipped to 2016/17 £	No longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2016/17 Revised Budget £	2017/18 Revised Budget £	2018/19 Revised Budget £
Total					172,098	-	-	-	172,098	33,483	138,615	138,615	-				597,219	-	-
Total Commissioning					21,273,272	-	70,817	-	21,344,089	18,422,733	2,921,357	2,917,028	4,328				27,771,866	19,384,000	15,650,079
Commissioning - Heads of Service																			
Economic Growth & Prosperity																			
Visitor Economy																			
Music Hall Refurbishment	K5HA9	L Cross	10,106,794	9,735,360	371,434	-	-	-	371,434	292,434	79,000	79,000	-	Green	Green		79,000	-	-
Records, Archives & Museums Store - Hortonwood	K5HAP	M McKenzie	150,889	146,006	4,883	-	-	-	4,883	4,883	-	-	-	Green	Green		-	-	-
Theatre Services																			
Theatre Severn - Major Maintenance Improvement Works	KBT01	L Cross	393,860	-	386,260	-	-	-	386,260	279,247	107,013	107,013	-	Green	Green		114,613	-	-
Total					762,577	-	-	-	762,577	576,564	186,013	186,013	-				193,613	-	-
Enterprise & Business																			
Food Enterprise Centre - Construction (Battlefield)	KER38	A Stirling	6,658,534	6,617,861	40,674	-	-	-	40,674	12,019	28,655	28,655	-	Green	Green		28,654	-	-
Ludlow Eco Park Plot 3	KED20	A Stirling	64,643	62,583	12,417	-	(10,357)	-	2,060	2,060	-	-	-	Green	Green		-	-	-
Shropshire Small Business Loan Scheme - Phase 1	KED32	C Cox	500,000	300,000	100,000	-	-	-	100,000	100,000	-	-	-	Green	Green		100,000	-	-
Shropshire Small Business Loan Scheme - Phase 3	KBE01	C Cox	437,552	-	-	-	-	-	-	-	-	-	-	Green	Green		437,552	-	-
Shrewsbury Business Park Phase 2 Extension	KED33	A Stirling	1,757,282	1,572,315	184,968	-	-	-	184,968	144,331	40,637	40,637	-	Green	Green		40,636	-	-
MTRP																			
Market Towns Revitalisation - Bridgnorth	KED26	C Cox	308,296	257,796	50,500	-	-	-	50,500	40,850	9,650	9,650	-	Green	Green		9,650	-	-
Market Towns Revitalisation - Ludlow	KED28	C Cox	380,938	332,000	48,939	-	-	-	48,939	48,939	-	-	-	Green	Green		-	-	-
Total					437,498	-	(10,357)	-	427,141	348,200	78,942	78,941	-				616,492	-	-
Outdoor Recreation																			
Open Arms - Project Orion	K5BC4	M Blount	97,266	91,316	5,950	-	-	-	5,950	5,950	-	-	-	Green	Green		-	-	-
Open Arms Play & Recreational Improvements	K5BC7	M Blount	50,000	-	-	-	-	-	-	-	-	-	-	Green	Green		50,000	-	-
Open Arms Mere Play Area	K5T41	M Blount	102,655	100,184	2,471	-	-	-	2,471	-	2,471	2,471	-	Green	Green		2,471	-	-
Open Arms Road Oswestry	K5T43	M Blount	73,519	69,437	4,082	-	-	-	4,082	-	4,082	4,082	-	Green	Green		4,082	-	-
Open Arms Children Playing Pitch Phase 2 - Drainage Improvements	K5T52	M Blount	42,981	39,146	3,835	-	-	-	3,835	3,835	-	-	-	Green	Green		-	-	-
Open Arms Milbeach Lead Mine Higher Level Stewardship	K5T53	C Dean	197,761	75,578	116,225	-	(90)	-	116,135	116,225	(90)	(90)	-	Green	Green		5,958	-	-
Open Arms Nesscliffe - Higher Level Stewardship	K5T55	C Dean	25,471	15,768	9,703	-	-	-	9,703	-	9,703	9,703	-	Green	Green		9,703	-	-
Open Arms Meadow Skatepark, Bridgnorth	K5T57	M Blount	90,001	81,063	8,937	-	-	-	8,937	5,522	3,415	3,415	-	Green	Green		3,415	-	-
Open Arms Toilet Improvements	KBR03	M Blount	28,634	-	28,634	-	-	-	28,634	28,634	(0)	-	(0)	Green	Green		-	-	-
Open Arms Church Street, St Martins Play Area	KBR04	M Blount	20,261	-	20,261	-	-	-	20,261	20,261	-	-	-	Green	Green		-	-	-
Open Arms Mere Wardens Bungalow Refurbishment	KBR05	M Blount	88,974	-	88,974	-	-	-	38,974	385	38,589	38,589	-	Green	Green		88,589	-	-
Open Arms Broseley BMX & Outdoor Gym (S106)	KBR06	S McCarthy	40,000	-	40,000	-	-	-	40,000	8,453	31,547	31,547	-	Green	Green		31,547	-	-
Open Arms Shelton Recreation Ground Pavilion (S106)	KBR07	M Blount	109,547	-	-	-	-	-	-	-	-	-	-	Green	Green		104,797	4,750	-
Total					279,072	-	(90)	-	278,982	189,264	89,718	89,717	1				300,562	4,750	-
Infrastructure & Growth - Growth Point																			
Shrewsbury Growth Point	K6GP1	A Stirling	1,017,703	195,591	108,613	-	-	-	108,613	-	108,613	108,613	-	Green	Green		822,112	-	-
Shrewsbury Vision	K6GP4	A Stirling	627,259	382,490	144,769	-	-	-	144,769	6,804	137,965	137,965	-	Green	Green		237,965	-	-
Flaxmill Project - Implementation	K6FM1	A Stirling	1,000,000	-	-	-	-	-	-	-	-	-	-	Green	Green		1,000,000	-	-
Shrewsbury Vision - New Riverside Development	K6HR1	A Stirling	4,000,000	-	200,000	-	-	-	200,000	22,516	177,484	177,484	-	Green	Green		3,977,484	-	-
Total					453,382	-	-	-	453,382	29,320	424,062	424,062	-				6,037,561	-	-
Natural Build & Historical Landscape																			
Historic Environment Grants	K6HE1	A Mortimer	Ongoing	4,980	21,182	-	-	-	21,182	7,500	13,682	13,682	-	Green	Green		33,682	-	-
Old Rectory, Whitchurch Section 106	KBN01	A Mortimer	250,000	-	37,154	-	-	-	37,154	37,154	-	-	-	Green	Green		212,846	-	-
Total					58,336	-	-	-	58,336	44,654	13,682	13,682	-				246,528	-	-
Planning Policy - Affordable Housing																			
Affordable Housing - Rolling Fund	K6AHG	A Mortimer	Ongoing	-	-	-	-	-	-	-	-	-	-	Green	Green		200,346	-	-
Shrewsbury Self Build Scheme	K6AHT	A Mortimer	300,000	7,773	192,227	-	-	-	192,227	9,674	182,553	182,553	-	Green	Green		282,553	-	-
Drapers Almshouses	K6AHU	A Mortimer	240,000	-	120,000	-	-	-	120,000	-	120,000	120,000	-	Green	Green		240,000	-	-
Ellesmere Rd, Shrewsbury - Extra Care Scheme	KBH01	A Mortimer	340,000	-	170,000	-	-	-	170,000	170,000	-	-	-	Green	Green		170,000	-	-
Community Led Affordable Housing Grant Scheme	K6AHV	A Mortimer	1,898,000	1,212,000	231,000	-	350,000	-	581,000	472,000	109,000	109,000	-	Green	Green		214,000	-	-
Affordable Housing Contributions Grant Scheme (S106)	K6AHW	A Mortimer	274,320	40,000	157,000	-	77,086	-	234,086	185,820	48,266	48,266	-	Green	Green		48,500	-	-
Total					870,227	-	427,086	-	1,297,313	837,494	459,819	459,819	-				1,155,399	-	-
Community Infrastructure Levy																			
CIL Project Grants	KBC01	A Mortimer	Ongoing	11,500	2,360	-	-	-	2,360	2,360	-	-	-	Green	Green		-	-	-
Total					2,360	-	-	-	2,360	2,360	-	-	-				-	-	-
Broadband																			
Broadband Project - Milestone 0	KB000	C Taylor	874,700	573,220	212,057	-	-	-	212,057	243,239	(31,182)	(31,182)	-	Green	Green		58,241	-	-
Broadband Project - Milestone 1	KB001	C Taylor	9,957,509	3,139,195	3,756,006	-	-	-	3,756,006	3,090,025	665,981	665,979	2	Green	Green		3,728,288	-	-
Broadband Project - Milestone 2	KB002	C Taylor	4,912,390	1,347,288	1,890,801	-	-	-	1,890,801	1,740,982	149,819	149,819	-	Green	Green		1,824,119	-	-
Broadband Project - Milestone 3	KB003	C Taylor	1,749,657	-	-	-	-	-	-	-	-	-	-	Green	Green		1,749,657	-	-
Broadband Project - Phase 2	KB004	C Taylor	4,578,769	-	-	-	-	-	-	-	-	-	-	Green	Green		1,606,000	2,972,769	-
Broadband Project - Phase 2B	KB005	C Taylor	3,172,000	-	-	-	-	-	-	-	-	-	-	Green	Green		-	2,672,000	500,000
Total					5,858,864	-	-	-	5,858,864	5,074,247	784,617	784,615	2				8,966,305	5,644,769	500,000
Total Economic Growth and Prosperity					8,722,316	-	416,639	-	9,138,955	7,102,101	2,036,854	2,036,850	3				17,516,460	5,649,519	500,000
Public Protection																			

Shropshire Council - Capital Programme 2015/16 - 2018/19

Capital Scheme Details Quarter 4 2015/16

Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 2015/16 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 31/03/16 £	Spend to Budget Variance £	Slipped to 2016/17 £	No longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2016/17 Revised Budget £	2017/18 Revised Budget £	2018/19 Revised Budget £
Private Sector Housing																			
Market Drayton Empty Property Incentive Grant	K5P14	K Collier	386,499	170,744	206,732	9,023	-	-	215,755	215,755	-	-	-	Green	Green		-	-	-
Oswestry Area Empty Property Incentive Grant	K5P15	K Collier	100,000	58,030	-	-	-	-	-	-	-	-	-	Green	Green		41,970	-	-
Whitchurch Area Empty Property Incentive Grant	K5P17	K Collier	200,000	-	80,000	-	-	-	80,000	109,119	(29,119)	(29,119)	-	Green	Green		90,881	-	-
Shropshire County Empty Property Incentive Grant	KPS01	K Collier	563,501	-	22,524	(9,023)	-	-	13,501	-	13,501	13,501	-	Green	Green		313,501	250,000	-
Total					309,256	-	-	-	309,256	324,873	(15,617)	(15,618)					446,352	250,000	-
Total Public Protection																			
					309,256	-	-	-	309,256	324,873	(15,617)	(15,618)					446,352	250,000	-
Total Commissioning																			
					30,304,844	-	487,456	-	30,792,300	25,849,707	4,942,593	4,938,261	4,332				45,734,678	25,283,519	16,150,079
Adult Services																			
Social Care																			
Community Capacity Grant	KA000	R Houghton	Ongoing	-	-	2,985	-	-	2,985	-	2,985	2,985	-	Green	Green		1,111,395	-	-
Mount Pleasant - Shared Development Site	K5B60	R Houghton	470,253	454,960	15,293	-	-	-	15,293	-	15,293	15,293	-	Green	Green		15,293	-	-
Avalon - Office Extension & Alterations	K5B76	R Houghton	68,595	68,595	-	-	-	-	-	-	-	-	-	Green	Green		-	-	-
Telecare Call Monitoring	K5B88	R Houghton	251,412	49,001	72,412	-	-	-	72,412	83,479	(11,067)	(11,067)	-	Green	Green		118,932	-	-
IT Mobile Flexible Working	K5B89	R Houghton	199,999	19,784	50,216	-	-	-	50,216	177,959	(127,743)	(127,743)	-	Green	Green		2,257	-	-
Development Trust Development - Raven Site, Market Drayton	K5B94	R Houghton	2,172,058	1,798,508	273,550	-	-	-	273,550	144,932	128,618	128,618	-	Green	Green		228,618	-	-
Shared Lives Dementia Respite Adaptations	K5B98	R Houghton	7,088	-	7,087	-	-	-	7,087	7,088	(1)	-	(1)	Green	Green		-	-	-
Adult Social Care Community Capital Grant Scheme	K5B01	R Houghton	40,000	1,000	-	-	-	-	-	-	-	-	-	Green	Green		39,000	-	-
IT Hardware - Implementation of Care Bill	K5B02	R Houghton	279,000	15,850	83,150	-	-	-	83,150	54,325	28,825	28,825	-	Green	Green		208,825	-	-
Baschurch Assisted Living Bungalow - Phase 3	K5B04	R Houghton	530,000	23,125	446,875	-	-	-	446,875	359,571	87,304	87,304	-	Green	Green		147,304	-	-
London Road Assisted Living Bungalow - Phase 4	K5B05	R Houghton	470,000	-	20,000	-	-	-	20,000	2,593	17,407	17,407	-	Green	Green		467,407	-	-
Adult Social Care Bungalow - Phase 5	K5B06	R Houghton	470,000	-	-	-	-	-	-	-	-	-	-	Green	Green		470,000	-	-
Kempfield/Aquamira Gas Installation	KA001	R Houghton	15,000	-	15,000	-	-	-	15,000	-	15,000	15,000	-	Green	Green		15,000	-	-
Team Innovation Capital Grant	KA002	R Houghton	18,500	10,180	8,320	-	-	-	8,320	840	7,480	7,480	-	Green	Green		7,480	-	-
Transforming Care - Adaptations Grant	KA003	R Houghton	-	-	25,000	-	-	-	25,000	25,000	-	-	-	Green	Green		-	-	-
Whitchurch Supported Living	KA004	R Houghton	25,000	-	25,000	-	-	-	25,000	-	25,000	25,000	-	Green	Green		25,000	-	-
Whitchurch The Meres for Library Services	KA005	R Houghton	40,000	-	-	-	-	-	-	-	-	-	-	Green	Green		40,000	-	-
Whitchurch Youth Centre Sensory Room & Assisted Bathroom	KA006	R Houghton	70,000	-	70,000	-	-	-	70,000	-	70,000	70,000	-	Green	Green		70,000	-	-
Kempfield Pre Lift Housing	KA007	R Houghton	3,500	-	3,500	-	-	-	3,500	-	3,500	3,500	-	Green	Green		3,500	-	-
Kempfield Fitouts	KA009	R Houghton	6,000	-	6,000	-	-	-	6,000	-	6,000	6,000	-	Green	Green		6,000	-	-
Whitchurch Gardens External Works	KA010	R Houghton	1,800	-	1,800	-	-	-	1,800	-	1,800	1,800	-	Green	Green		1,800	-	-
Whitchurch IT Training Team 20 Laptops	KA011	R Houghton	19,976	-	20,000	(24)	-	-	19,976	19,976	-	-	-	Green	Green		-	-	-
Safety Alarms for Staff	KA012	R Houghton	693	-	3,000	(2,307)	-	-	693	693	-	-	-	Green	Green		-	-	-
12-14 Blackfriars Oswestry - External DDA compliance	KA013	R Houghton	7,459	-	8,113	(654)	-	-	7,459	7,459	-	-	-	Green	Green		-	-	-
Aquamira - Water Filtration System Replacement	KA014	R Houghton	4,275	-	4,275	-	-	-	4,275	-	4,275	4,275	-	Green	Green		4,275	-	-
Glenview - replacement specialist bathing equip	KA015	R Houghton	15,571	-	-	-	-	-	-	-	-	-	-	Green	Green		15,571	-	-
Just Checking - Equipment Purchase	KA016	R Houghton	9,312	-	-	-	-	-	-	-	-	-	-	Green	Green		9,312	-	-
Belulah House - Resurfacing Roadway	KA017	R Houghton	5,799	-	-	-	-	-	-	-	-	-	-	Green	Green		5,799	-	-
Total					1,158,591	-	-	-	1,158,591	883,914	274,677	274,678	(1)				3,012,768	-	-
Housing Health & Wellbeing																			
Disabled Facilities Grants	K5P03	A Begley	Ongoing	1,304,923	1,432,329	-	-	-	1,432,329	1,230,083	202,246	202,246	-	Green	Green		1,981,374	-	-
Total					1,432,329	-	-	-	1,432,329	1,230,083	202,246	202,246	-				1,981,374	-	-
Total Adult Services																			
					2,590,920	-	-	-	2,590,920	2,113,997	476,923	476,924	(1)				4,994,142	-	-
Children's Services																			
Children's Safeguarding																			
Children's Residential Care																			
Children's Residential Care - Buildings Conversion	K3A47	K Bradshaw	35,334	959	34,375	-	-	-	34,375	15,027	19,348	19,348	-	Green	Green		19,348	-	-
Total					34,375	-	-	-	34,375	15,027	19,348	19,348	-				19,348	-	-
Youth Work																			
Youth - Oswestry Teenspace	K3EY4	S Wilkins	2,735,667	2,687,271	48,396	-	-	-	48,396	-	48,396	48,396	-	Green	Green		48,396	-	-
Total					48,396	-	-	-	48,396	-	48,396	48,396	-				48,396	-	-
Total Children's Safeguarding																			
					82,771	-	-	-	82,771	15,027	67,744	67,744	-				67,744	-	-
Learning & Skills																			
Early Years																			
Short Breaks	K3L59	N Ward	453,887	444,806	9,081	-	-	-	9,081	8,070	1,011	1,011	-	Green	Green		1,011	-	-
Early Years Unallocated	KLE00	N Ward	Ongoing	-	5,000	2,935	-	-	7,935	5,000	2,935	2,935	-	Green	Green		77,078	-	-
Ludlow Junior School Early Years	KLE01	N Ward	17,115	-	17,115	-	-	-	17,115	17,115	(0)	-	(0)	Green	Green		-	-	-
Ludlow Junior Demountable Reconfiguration	KLE02	N Ward	200,000	-	-	-	-	-	-	-	-	-	-	Green	Green		200,000	-	-
Shifnal Primary - Hopscotch Nursery	KLE03	N Ward	26,461	-	26,462	(1)	-	-	26,461	26,461	(0)	-	(0)	Green	Green		-	-	-
Cressage EY Demountable Refurb	KLE04	N Ward	43,366	-	-	-	-	-	-	-	-	-	-	Green	Green		43,366	-	-

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Burford - Boiler & Controls Upgrade	KL037	P Wilson	47,412	-	47,412	-	-	-	47,412	47,412	0	-	0	Green	Green		-	-	-
Hinstock - Part Rewire 1st Phase	KL038	P Wilson	15,612	-	15,612	-	-	-	15,612	15,612	-	-	-	Green	Green		-	-	-
Ludlow Secondary - Boiler & Controls Upgrade	KL039	P Wilson	44,509	-	142	-	-	-	142	143	(1)	-	(1)	Green	Green		44,366	-	-
Much Wenlock - Boiler & Controls Upgrade	KL040	P Wilson	60,659	-	59,056	1,603	-	-	60,659	60,659	0	-	0	Green	Green		-	-	-
Oldbury Wells East - Boiler & Controls Upgrade	KL041	P Wilson	98,645	-	98,645	-	-	-	98,645	94,730	3,915	3,915	-	Green	Green		3,915	-	-
Shifnal Primary - Boiler & Control Upgrade	KL042	P Wilson	67,178	-	62,993	4,185	-	-	67,178	67,178	0	-	0	Green	Green		-	-	-
Tilstock - Boiler & Controls Upgrade	KL043	P Wilson	66,840	-	66,840	-	-	-	66,840	47,349	19,491	19,491	-	Green	Green		19,491	-	-
Whitchurch Junior - Boiler & Controls Upgrade	KL044	P Wilson	58,825	-	190	-	-	-	190	190	-	-	-	Green	Green		58,635	-	-
Farlow - Re-roofing the Main Pitched Roof	KL045	P Wilson	65,400	-	65,400	-	-	-	65,400	22,340	43,060	43,060	-	Green	Green		43,060	-	-
Brocton - Re-roofing Works to Flat Roof to Main Block	KL046	P Wilson	46,008	-	57,113	(11,105)	-	-	46,008	46,008	-	-	-	Green	Green		-	-	-
Albrighton - Part Replace Windows & Doors to Lower KS2	KL047	P Wilson	42,095	-	42,095	-	-	-	42,095	42,095	-	-	-	Green	Green		-	-	-
Albrighton - Repair of Roof & Brickwork to Gas Meter	KL048	P Wilson	6,540	-	-	-	-	-	-	-	-	-	-	Green	Green		6,540	-	-
Beckbury School House - Felt Underside of Roof & Replace	KL049	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Bishops Castle Primary - Replace Windows	KL050	P Wilson	24,864	-	38,974	(14,110)	-	-	24,864	24,864	-	-	-	Green	Green		-	-	-
St Lawrence, Church Stretton - Replace Demountable Windows	KL051	P Wilson	12,595	-	20,712	(8,117)	-	-	12,595	12,595	0	-	0	Green	Green		-	-	-
Albrighton, St Mary's - Demolition of Disused Brick Chimney and	KL053	P Wilson	10,354	-	13,059	(2,706)	-	-	10,353	10,354	(1)	-	(1)	Green	Green		-	-	-
Highley Primary School - Replacement External Doors and Windc	KL054	P Wilson	30,099	-	30,099	-	-	-	30,099	30,099	0	-	0	Green	Green		-	-	-
Ludlow Junior - 2nd Phase Electrical Rewire	KL055	P Wilson	43,515	-	43,515	-	-	-	43,515	43,515	-	-	-	Green	Green		-	-	-
Trinity, Ford - Rewire Phase 1	KL056	P Wilson	41,548	-	41,548	-	-	-	41,548	41,548	-	-	-	Green	Green		-	-	-
Mary Webb - Dining Room Roof, Drainage	KL057	P Wilson	116,379	-	91,752	-	-	-	91,752	92,318	(566)	(566)	-	Green	Green		24,061	-	-
Meole Brace Secondary - Replacement Windows to Art Room B1	KL058	P Wilson	11,534	-	14,133	(2,599)	-	-	11,534	11,534	0	-	0	Green	Green		-	-	-
John Wilkinson Primary - Improvement Storm Drainage to GP Ro	KL059	P Wilson	4,360	-	-	-	-	-	-	-	-	-	-	Green	Green		4,360	-	-
Stoke on Tern - Replacement Windows to Rear Elevation	KL060	P Wilson	34,627	-	172	-	-	-	172	172	-	-	-	Green	Green		34,455	-	-
Longnor - Rewire Phase 1	KL061	P Wilson	43,564	-	43,074	490	-	-	43,564	43,564	-	-	-	Green	Green		-	-	-
Stiperstones - Repairs to Demountable	KL062	P Wilson	4,392	-	-	-	-	-	-	-	-	-	-	Green	Green		4,392	-	-
Offa - 2nd Phase Electrical Rewire	KL063	P Wilson	31,268	-	31,268	-	-	-	31,268	31,268	-	-	-	Green	Green		-	-	-
Storne Infant - 2nd Phase Electrical Rewire	KL064	P Wilson	32,290	-	32,290	-	-	-	32,290	32,290	-	-	-	Green	Green		-	-	-
Ston Rhyn - 2nd Phase Electrical Rewire	KL065	P Wilson	30,279	-	30,279	-	-	-	30,279	30,279	-	-	-	Green	Green		-	-	-
Willes - 1st Phase Rewire	KL066	P Wilson	16,350	-	250	-	-	-	250	250	-	-	-	Green	Green		16,100	-	-
Whixall - Re-Roofing Demountables	KL068	P Wilson	36,923	-	36,923	-	-	-	36,923	36,923	0	-	0	Green	Green		-	-	-
Whixall - Replacement of Rotten Timber Suspended Floor to Old C	KL069	P Wilson	21,800	-	77	-	-	-	77	77	-	-	-	Green	Green		21,723	-	-
Coleham - External Walls, Windows & Doors	KL070	P Wilson	58,466	-	62,402	(3,936)	-	-	58,466	58,466	0	-	0	Green	Green		-	-	-
Moreton Say - Re-Roofing of Original Main Building	KL071	P Wilson	65,400	-	-	-	-	-	-	-	-	-	-	Green	Green		65,400	-	-
Wood - External Demountable Repairs - Roofing & Windows	KL072	P Wilson	11,332	-	11,336	(4)	-	-	11,332	11,332	-	-	-	Green	Green		-	-	-
Pontesbury - Reroofing the School Hall & Classroom 6	KL073	P Wilson	39,917	-	49,458	(9,541)	-	-	39,917	39,045	872	872	-	Green	Green		872	-	-
Hope - 1st Phase re-roof of School to include Remedial Drainage	KL074	P Wilson	65,400	-	65,400	-	-	-	65,400	10,458	54,942	54,942	-	Green	Green		54,942	-	-
St Lawrence, Church Stretton - 1st Phase Rewire	KL075	P Wilson	45,869	-	45,869	-	-	-	45,869	45,869	-	-	-	Green	Green		-	-	-
Highley - 2nd Phase Electrical Rewire	KL076	P Wilson	87,183	-	87,183	-	-	-	87,183	87,183	-	-	-	Green	Green		-	-	-
Beckbury - Exterior Decoration of Demountable	KL077	P Wilson	3,409	-	3,409	-	-	-	3,409	3,409	-	-	-	Green	Green		-	-	-
Minsterley - Phase 2 Replacement Hall Windows	KL078	P Wilson	15,176	-	17,481	(2,305)	-	-	15,176	15,176	-	-	-	Green	Green		-	-	-
St Peters, Wem - Replace Slate Roof Covering 2 Storey Classroo	KL079	P Wilson	60,638	-	60,638	-	-	-	60,638	60,638	-	-	-	Green	Green		-	-	-
Longnor - Phased Replacement Windows	KL080	P Wilson	24,654	-	24,654	-	-	-	24,654	24,654	-	-	-	Green	Green		-	-	-
Whixall - 2nd Phase Rewire	KL081	P Wilson	32,630	-	32,630	-	-	-	32,630	32,630	0	-	0	Green	Green		-	-	-
Stoke on Tern Primary - 1st Phase Rewire	KL082	P Wilson	21,693	-	21,693	-	-	-	21,693	21,693	-	-	-	Green	Green		-	-	-
Albrighton, St Marys - Part Reroof Infants	KL083	P Wilson	65,400	-	-	-	-	-	-	-	-	-	-	Green	Green		65,400	-	-
Mary Webb - English Classrooms Rewiring	KL084	P Wilson	48,990	-	54,391	(5,401)	-	-	48,990	48,990	0	-	0	Green	Green		-	-	-
Belvidere Secondary - Rewire of 2nd Floor	KL085	P Wilson	74,117	-	83,028	(8,911)	-	-	74,117	74,117	-	-	-	Green	Green		-	-	-
St Andrews, Shifnal - Renewal Fan Convectors	KL086	P Wilson	26,606	-	25,451	1,155	-	-	26,606	26,606	0	-	0	Green	Green		-	-	-
Shawbury Primary - Re-roofing Hall	KL087	P Wilson	16,313	11,391	4,923	-	-	-	4,923	4,922	1	-	1	Green	Green		-	-	-
Thomas Adams Secondary - 1st Phase Rewire of Switch gear & s	KL088	P Wilson	31,133	-	31,133	-	-	-	31,133	31,133	0	-	0	Green	Green		-	-	-
Moreton Say Primary - 1st Phase Rewire & Switch Gear	KL089	P Wilson	19,613	-	19,613	-	-	-	19,613	19,613	-	-	-	Green	Green		-	-	-
Prees - 3rd Phase Rewire	KL090	P Wilson	32,545	-	32,545	-	-	-	32,545	32,545	0	-	0	Green	Green		-	-	-
Hodnet - 3rd Phase Rewire	KL091	P Wilson	43,330	-	43,330	-	-	-	43,330	43,330	0	-	0	Green	Green		-	-	-
St Martins - 1st phase secondary rewire	KL092	P Wilson	50,019	-	50,019	-	-	-	50,019	50,019	-	-	-	Green	Green		-	-	-
Alveley - replace rotten timber classroom external doors.	KL093	P Wilson	6,540	-	-	-	-	-	-	-	-	-	-	Green	Green		6,540	-	-
Coleham - Reroof pitched roofs phase 2	KL094	P Wilson	103,111	-	105,960	(2,849)	-	-	103,111	103,111	-	-	-	Green	Green		-	-	-
St Martins - Replace flat roof covering	KL095	P Wilson	66,057	-	75,381	(9,324)	-	-	66,057	66,057	0	-	0	Green	Green		-	-	-
Market Drayton Infant - Replace windows and doors Phase 2	KL096	P Wilson	33,533	-	41,902	(8,369)	-	-	33,533	33,533	0	-	0	Green	Green		-	-	-
Oldbury Wells East - Re-roofing Science Block	KL097	P Wilson	55,121	-	55,121	-	-	-	55,121	53,857	1,264	1,264	-	Green	Green		1,264	-	-
Sheriffhales - Roof repairs to demountable	KL098	P Wilson	2,424	-	2,424	-	-	-	2,424	690	1,734	1,734	-	Green	Green		1,734	-	-
St Andrews, Shifnal - Replace Doors	KL099	P Wilson	15,759	-	15,919	(160)	-	-	15,759	15,759	0	-	0	Green	Green		-	-	-
Hadnall - fenestration	KL100	P Wilson	46,870	-	46,870	-	-	-	46,870	9,851	37,019	37,019	-	Green	Green		37,019	-	-
Lower Heath Primary - Window Replacement	KL101	P Wilson	19,313	-	19,121	192	-	-	19,313	19,313	-	-	-	Green	Green		-	-	-
Burford - Rewire 2nd Phase	KL102	P Wilson	24,078	-	24,088	(10)	-	-	24,078	24,078	0	-	0	Green	Green		-	-	-
Newtown CE Primary - Replace timber framed windows to main st	KL103	P Wilson	13,444	-	13,444	-	-	-	13,444	13,444	0	-	0	Green	Green		-	-	-
St Georges - Window fenestration	KL104	P Wilson	70,850	-	70,850	-	-	-	70,850	24,292	46,558	46,558	-	Green	Green		46,558	-	-
Oxon Primary School Reroofing Demountable Roofs	KL105	P Wilson	29,208	-	29,208	-	-	-	29,208	29,208	0	-	0	Green	Green		-	-	-
Hadnall re-roof Phase 1	KL106	P Wilson	8,698	-	8,698	-	-	-	8,698	8,698	0	-	0	Green	Green		-	-	-
Belvidere School - Reroof Block 1	KL107	P Wilson	57,150	-	64,366	(7,216)	-	-	57,150	57,150	0	-	0	Green	Green		-	-	-
Ludlow School - Part Humanities block re roof	KL108	P Wilson	76,814	-	86,429	(9,615)	-	-	76,814	76,814	0	-	0	Green	Green		-	-	-
Shifnal Primary - Electrical services, replacement of lighting	KL109	P Wilson	16,344	-	22,675	(6,331)	-	-	16,344	16,344	0	-	0	Green	Green		-	-	-

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Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 2015/16 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 31/03/16 £	Spend to Budget Variance £	Slipped to 2016/17 £	No longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2016/17 Revised Budget £	2017/18 Revised Budget £	2018/19 Revised Budget £
Gobowen Primary - Replace kitchen roof	KL110	P Wilson	9,614	-	9,614	-	-	-	9,614	9,614	-	-	-	Green	Green		-	-	-
Welshampton - Replace windows	KL111	P Wilson	14,710	-	14,710	-	-	-	14,710	14,710	-	-	-	Green	Green		-	-	-
St Giles - Reroof 2 no. demountables	KL112	P Wilson	44,739	-	44,739	-	-	-	44,739	42,923	1,816	1,816	-	Green	Green		1,816	-	-
Hinstock - Demountable windows	KL113	P Wilson	13,080	-	-	-	-	-	-	7,756	(7,756)	(7,756)	-	Green	Green		5,324	-	-
Bishops Castle CC - Hall re fenestration	KL114	P Wilson	82,125	-	82,125	-	-	-	82,125	47,244	34,881	34,881	-	Green	Green		34,881	-	-
Tilstock - Rewire Phase 1	KL115	P Wilson	24,777	-	28,493	(3,716)	-	-	24,777	24,777	(0)	-	(0)	Green	Green		-	-	-
Grove Curtain Walling - Final Phase	KL116	P Wilson	66,876	-	69,941	(3,065)	-	-	66,876	66,876	-	-	-	Green	Green		-	-	-
Welshampton - Replace Heating System	KL117	P Wilson	9,810	-	10,511	(701)	-	-	9,810	9,810	-	-	-	Green	Green		-	-	-
Cockshutt - Reroof Demountable	KL118	P Wilson	12,577	-	19,181	(6,604)	-	-	12,577	12,289	288	288	-	Green	Green		288	-	-
Gobowen - Rewire Phase 1	KL119	P Wilson	27,899	-	27,624	275	-	-	27,899	27,899	(0)	-	(0)	Green	Green		-	-	-
West Felton - Rewire Phase 1	KL120	P Wilson	20,507	-	20,507	-	-	-	20,507	20,507	(0)	-	(0)	Green	Green		-	-	-
Cheswardine - Rewire Phase 1	KL121	P Wilson	31,429	-	31,430	-	-	-	31,430	26,778	4,652	4,652	-	Green	Green		4,651	-	-
Lower Heath - Rewire Phase 1	KL122	P Wilson	21,528	-	21,528	-	-	-	21,528	17,327	4,201	4,201	-	Green	Green		4,201	-	-
Ludlow Secondary - Rewire Phase 1	KL123	P Wilson	32,044	-	-	-	-	-	-	32,044	(32,044)	(32,044)	-	Green	Green		-	-	-
Wistanstow - Rewire Phase 1	KL124	P Wilson	18,295	-	18,295	-	-	-	18,295	18,295	-	-	-	Green	Green		-	-	-
Belvidere Secondary School - Roof Demountable Block	KL125	P Wilson	12,353	-	12,465	(112)	-	-	12,353	12,353	-	-	-	Green	Green		-	-	-
Ellesmere Primary - Survey Ducts	KL126	P Wilson	16,350	-	-	-	-	-	-	-	-	-	-	Green	Green		16,350	-	-
Welshampton Primary - Additional Electrical Works (new AC)	KL127	P Wilson	11,199	-	10,614	585	-	-	11,199	11,199	(0)	-	(0)	Green	Green		-	-	-
Church Preen - Phase 1 Rewire	KL128	P Wilson	10,871	-	-	-	-	-	-	-	-	-	-	Green	Green		10,871	-	-
Ludlow Infants - Replacement Windows	KL129	P Wilson	7,789	-	-	-	-	-	-	7,789	(7,789)	(7,789)	-	Green	Green		-	-	-
Longnor - Retaining Wall	KL130	P Wilson	3,270	-	-	-	-	-	-	-	-	-	-	Green	Green		3,270	-	-
Mary Webb School - Additional Electrical Works	KL131	P Wilson	8,176	-	8,666	(490)	-	-	8,176	8,176	-	-	-	Green	Green		-	-	-
Much Wenlock Primary - Insulate Roof Space	KL132	P Wilson	10,900	-	-	-	-	-	-	-	-	-	-	Green	Green		10,900	-	-
Ludlow Secondary - Reroof Demountable	KL133	P Wilson	8,153	-	8,698	(545)	-	-	8,153	8,153	(0)	-	(0)	Green	Green		-	-	-
St Martins - Additional Electrical Works	KL134	P Wilson	10,066	-	10,744	(678)	-	-	10,066	10,066	-	-	-	Green	Green		-	-	-
Ludlow Junior - Replacement Windows	KL135	P Wilson	10,923	-	8,720	2,203	-	-	10,923	-	10,923	10,923	-	Green	Green		10,923	-	-
Ludlow Secondary - Replace Kitchen Windows	KL136	P Wilson	10,900	-	-	-	-	-	-	-	-	-	-	Green	Green		10,900	-	-
Woodfield, Bridgnorth EYFS - Replacement Windows	KL137	P Wilson	14,916	-	14,916	-	-	-	14,916	7,100	7,816	7,816	-	Green	Green		7,816	-	-
Stattyn - Phase 1 Heating	KL138	P Wilson	16,350	-	-	-	-	-	-	-	-	-	-	Green	Green		16,350	-	-
Stonesbury - Phase 1 Windows	KL139	P Wilson	15,154	-	20,091	(4,937)	-	-	15,154	15,154	-	-	-	Green	Green		-	-	-
Longnor - Retaining Wall	KL140	P Wilson	10,900	-	-	-	-	-	-	-	-	-	-	Green	Green		10,900	-	-
Woodfield - Phase 1 Rewire	KL141	P Wilson	10,322	-	10,867	(545)	-	-	10,322	10,322	(0)	-	(0)	Green	Green		-	-	-
Hinstock - Replace Windows	KL142	P Wilson	10,900	-	-	-	-	-	-	-	-	-	-	Green	Green		10,900	-	-
Coleham - New Boiler	KL143	P Wilson	92,650	-	-	-	-	-	-	-	-	-	-	Green	Green		92,650	-	-
Welshampton Primary - Phase 1 Rewire	KL144	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Cockshutt - Classroom Windows	KL145	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Stoke on Tern - Window Replacement Phase 3	KL146	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Bridgnorth St Leonards - Phase 2 Rewire	KL147	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
St Giles - Phase 2 Rewire	KL148	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Coleham - Flat Roofs	KL149	P Wilson	109,000	-	-	-	-	-	-	-	-	-	-	Green	Green		109,000	-	-
Bomere Heath - Phase 3 Rewire	KL150	P Wilson	65,400	-	-	-	-	-	-	-	-	-	-	Green	Green		65,400	-	-
Belvidere Primary - Phase 1 Windows	KL151	P Wilson	27,250	-	-	-	-	-	-	-	-	-	-	Green	Green		27,250	-	-
Highley - Phase 3 Rewire	KL152	P Wilson	87,200	-	-	-	-	-	-	-	-	-	-	Green	Green		87,200	-	-
Grove - Phase 1 Roofs	KL153	P Wilson	54,500	-	-	-	-	-	-	-	-	-	-	Green	Green		54,500	-	-
Crowmoor - New Floors in Two Classrooms	KL154	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
St Andrews CE Primary - Phase 2 Reroof	KL155	P Wilson	59,950	-	-	-	-	-	-	-	-	-	-	Green	Green		59,950	-	-
Shifnal - Phase 2 Rewire	KL156	P Wilson	27,250	-	-	-	-	-	-	-	-	-	-	Green	Green		27,250	-	-
Trinity, Ford - Phase 2 Rewire	KL157	P Wilson	54,500	-	-	-	-	-	-	-	-	-	-	Green	Green		54,500	-	-
Longnor - Phase 2 Rewire	KL158	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
St Lawrence - Phase 2 Rewire	KL159	P Wilson	54,500	-	-	-	-	-	-	-	-	-	-	Green	Green		54,500	-	-
Oakmeadow - Phase 1 Reroof	KL160	P Wilson	81,750	-	-	-	-	-	-	-	-	-	-	Green	Green		81,750	-	-
BCCC - English Block Toilets	KL161	P Wilson	43,600	-	-	-	-	-	-	-	-	-	-	Green	Green		43,600	-	-
BCCC - Phase 1 Rewire	KL162	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Ludlow School - Rosla Block Reroof	KL163	P Wilson	103,550	-	-	-	-	-	-	-	-	-	-	Green	Green		103,550	-	-
Albrighton - Foundation/KS1 Toilets	KL164	P Wilson	27,250	-	-	-	-	-	-	-	-	-	-	Green	Green		27,250	-	-
Morda - Replace Main Block Slate Roof	KL165	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Grove - Phase 3 Curtain Walling	KL166	P Wilson	87,200	-	-	-	-	-	-	-	-	-	-	Green	Green		87,200	-	-
Moreton Say - Windows Replacement	KL167	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Ludlow Junior - Phase 2 Rewire	KL168	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Cheswardine - Phase 2 Rewire	KL169	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Newtown - Phase 1 Rewire	KL170	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Ludlow Sec - Phase 2 Rewire	KL171	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Woodfield - Phase 2 Windows	KL172	P Wilson	26,160	-	-	-	-	-	-	-	-	-	-	Green	Green		26,160	-	-
Woodfield - Reroof & Insulation of Demountable	KL173	P Wilson	16,350	-	-	-	-	-	-	-	-	-	-	Green	Green		16,350	-	-
Woodfield - Phase 3 Windows	KL174	P Wilson	19,620	-	-	-	-	-	-	-	-	-	-	Green	Green		19,620	-	-
Moreton Say - Rewire	KL175	P Wilson	76,300	-	-	-	-	-	-	-	-	-	-	Green	Green		76,300	-	-
St Peters Wem - Phase 2 Reroof	KL176	P Wilson	87,200	-	-	-	-	-	-	-	-	-	-	Green	Green		87,200	-	-
Minsterley - Phase 3 Windows	KL177	P Wilson	27,250	-	-	-	-	-	-	-	-	-	-	Green	Green		27,250	-	-
Mary Webb - Reroof Science Block	KL178	P Wilson	76,300	-	-	-	-	-	-	-	-	-	-	Green	Green		76,300	-	-
Hope - Phase 2 Reroof	KL179	P Wilson	98,100	-	-	-	-	-	-	-	-	-	-	Green	Green		98,100	-	-
Market Drayton Junior - Replace Stonework	KL180	P Wilson	13,080	-	-	-	-	-	-	-	-	-	-	Green	Green		13,080	-	-

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Capital Scheme Details Quarter 4 2015/16

Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 2015/16 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 31/03/16 £	Spend to Budget Variance £	Slipped to 2016/17 £	No longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2016/17 Revised Budget £	2017/18 Revised Budget £	2018/19 Revised Budget £
St Martins - Phase 3 Rewire	KL181	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Stoke on Tern - Phase 2 Rewire	KL182	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Thomas Adams - Phase 2 Rewire	KL183	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Myddle - Phase 1 Rewire	KL184	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Cockshutt - Phase 1 Rewire	KL185	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Church Preen - Phase 2 Rewire	KL186	P Wilson	16,350	-	-	-	-	-	-	-	-	-	-	Green	Green		16,350	-	-
Selattyn - Phase 2 Heating	KL187	P Wilson	38,150	-	-	-	-	-	-	-	-	-	-	Green	Green		38,150	-	-
Meole Brace Primary - Phase 2 Rewire & Ceiling Removal	KL188	P Wilson	65,400	-	-	-	-	-	-	-	-	-	-	Green	Green		65,400	-	-
Woodfield Inf - Floor & Rebuild Brick Piers	KL189	P Wilson	27,250	-	-	-	-	-	-	-	-	-	-	Green	Green		27,250	-	-
Market Drayton Infant - Replace Floor	KL190	P Wilson	5,450	-	-	-	-	-	-	-	-	-	-	Green	Green		5,450	-	-
Alveley - Windows Class 2/3	KL191	P Wilson	10,900	-	-	-	-	-	-	-	-	-	-	Green	Green		10,900	-	-
Prees - Reaplace Heat Pumps	KL192	P Wilson	5,995	-	-	-	-	-	-	-	-	-	-	Green	Green		5,995	-	-
Stoke on Tern - Replace Oil Tank	KL193	P Wilson	6,540	-	-	-	-	-	-	-	-	-	-	Green	Green		6,540	-	-
Highley - Phase 2 Windows	KL194	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Sheriffhales - Damproof Classroom	KL195	P Wilson	16,350	-	-	-	-	-	-	-	-	-	-	Green	Green		16,350	-	-
Radbroke - Demountable Windows	KL196	P Wilson	4,687	-	-	-	-	-	-	-	-	-	-	Green	Green		4,687	-	-
Whixall - Reroof Main School	KL197	P Wilson	43,600	-	-	-	-	-	-	-	-	-	-	Green	Green		43,600	-	-
Newtown - Reroof & Windows	KL198	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Prees - Reroof Main School	KL199	P Wilson	38,150	-	-	-	-	-	-	-	-	-	-	Green	Green		38,150	-	-
Various - Boiler Control Replacement	KL200	P Wilson	54,500	-	-	-	-	-	-	-	-	-	-	Green	Green		54,500	-	-
Christ Church Cressage Primary School - Reroof Demountable	KL201	P Wilson	10,900	-	-	-	-	-	-	-	-	-	-	Green	Green		10,900	-	-
Whitchurch Infants - Phase 1 Rewire	KL202	P Wilson	21,800	-	-	-	-	-	-	-	-	-	-	Green	Green		21,800	-	-
Coleham - Replace Floors	KL203	P Wilson	32,700	-	-	-	-	-	-	-	-	-	-	Green	Green		32,700	-	-
Belvidere Secondary - Phase 4 Rewire	KL204	P Wilson	109,000	-	-	-	-	-	-	-	-	-	-	Green	Green		109,000	-	-
Total					4,317,138				4,317,138	3,651,968	665,170	665,173	(3)				4,291,328	3,322,364	-
Fire Safety Schemes																			
Fire Safety - Unallocated	KLF00	P Wilson	Ongoing	-	26,943	20,108	-	-	47,051	-	47,051	47,051	-	Green	Green		289,452	-	-
Fire Safety - Oakmeadow	K3V34	P Wilson	3,447	-	2,838	609	-	-	3,447	3,447	-	-	-	Green	Green		-	-	-
Fire Safety - Woodlands (Wem)	K3V42	P Wilson	62,840	47,259	32,542	(16,961)	-	-	15,581	15,581	0	-	0	Green	Green		-	-	-
Fire Safety - Radbrook	K3V45	P Wilson	18,557	-	18,557	-	-	-	18,557	18,557	-	-	-	Green	Green		-	-	-
Fire Safety - Shifnal Primary	K3V46	P Wilson	42,583	-	42,583	-	-	-	42,583	42,583	-	-	-	Green	Green		-	-	-
Fire Safety - Whitchurch Infants	K3V47	P Wilson	24,620	-	24,292	328	-	-	24,620	24,620	-	-	-	Green	Green		-	-	-
Fire Safety - Shifnal St Andrews	KLF01	P Wilson	638	-	-	638	-	-	638	638	-	-	-	Green	Green		-	-	-
Fire Safety - Sundome Infant School	KLF02	P Wilson	40,750	-	43,600	(2,850)	-	-	40,750	40,750	0	-	0	Green	Green		-	-	-
Fire Safety - Oswestry Meadows	KLF03	P Wilson	495	-	-	495	-	-	495	495	-	-	-	Green	Green		-	-	-
Fire Safety - Belvidere Primary	KLF04	P Wilson	-	-	-	-	-	-	-	-	-	-	-	Green	Green		-	-	-
Fire Safety - Alveley Primary	KLF05	P Wilson	401	-	-	401	-	-	401	401	0	-	0	Green	Green		-	-	-
Fire Safety - Minsterley Primary	KLF06	P Wilson	18,569	-	19,664	(1,095)	-	-	18,569	18,569	0	-	0	Green	Green		-	-	-
Fire Safety - Ludlow Infants	KLF09	P Wilson	23,769	-	25,430	(1,661)	-	-	23,769	23,769	0	-	0	Green	Green		-	-	-
Fire Safety - Crommoor Primary	KLF10	P Wilson	3,266	-	3,620	(354)	-	-	3,266	3,266	-	-	-	Green	Green		-	-	-
Fire Safety - Ludlow St Laurence	KLF11	P Wilson	14,986	-	16,076	(1,090)	-	-	14,986	14,986	0	-	0	Green	Green		-	-	-
Fire Safety - Bishop Castle Primary	KLF12	P Wilson	12,579	-	13,669	(1,090)	-	-	12,579	12,579	-	-	-	Green	Green		-	-	-
Fire Safety - St Thomas & St Anne	KLF13	P Wilson	34,008	-	-	748	-	-	748	748	0	-	0	Green	Green		33,260	-	-
Fire Safety - Sheriffhales	KLF14	P Wilson	31,065	-	-	457	-	-	457	457	-	-	-	Green	Green		30,608	-	-
Fire Safety - Rushbury	KLF15	P Wilson	45,235	-	-	469	-	-	469	469	0	-	0	Green	Green		44,766	-	-
Fire Safety - Beckbury	KLF16	P Wilson	15,914	-	-	436	-	-	436	436	0	-	0	Green	Green		15,478	-	-
Fire Safety - Aderley	KLF17	P Wilson	33,899	-	-	412	-	-	412	412	0	-	0	Green	Green		33,487	-	-
Total					269,814				269,814	222,764	47,050	47,051	(1)				447,051	-	-
Special Education Needs																			
Schools Access Initiative Unallocated	KLD00	P Wilson	Ongoing	-	-	-	-	-	-	-	-	-	-	Green	Green		244,231	-	-
Criflins Changing Bench	KLD01	P Wilson	4,816	-	-	-	-	-	-	-	-	-	-	Green	Green		4,816	-	-
Kettlemere Centre - Lakelands	K3CX0	P Wilson	1,014,541	832,426	182,114	-	-	-	182,114	90,350	91,764	91,764	-	Green	Green		91,764	-	-
Total					182,114				182,114	90,350	91,764	91,764					340,811	-	-
Devolved Formula Capital & UIFSM - Allocated by schools		P Wilson	Ongoing		1,042,437	9,490	25,961	-	1,077,888	1,013,626	64,262	64,262	1	Green	Green		1,801,054	-	-
Total Learning & Skills					8,265,477		25,961		8,291,438	6,830,836	1,460,602	1,460,609	(7)				11,430,541	7,556,161	-
Total Children's Services					8,348,248		25,961		8,374,209	6,845,863	1,528,346	1,528,353	(7)				11,498,285	7,556,161	-
Resources & Support																			
Customer Care & Support Services																			
Assets & Estates Management																			
Mardol House Adaptation and Refit	KRP03	S Jackson	3,640,000	167,641	3,472,359	-	-	-	3,472,359	3,472,359	-	-	-	Green	Green		-	-	-
Total					3,472,359				3,472,359	3,472,359									
Assets & Estates - Energy & Sustainability																			
Shawbury St Marys Solar PV	KRV01	S Law	62,559	193	66,355	-	(3,989)	-	62,366	60,830	1,536	1,536	-	Green	Green		1,536	-	-
Bishops Castle Primary Solar PV	KRV03	S Law	40,847	-	43,900	-	(3,053)	-	40,847	39,874	973	973	-	Green	Green		973	-	-
Weston Rhyn Primary Solar PV	KRV04	S Law	33,109	-	38,320	-	(5,210)	-	33,110	32,321	789	789	-	Green	Green		788	-	-
Harlescott Junior Solar PV	KRV06	S Law	35,191	-	50,250	-	(15,059)	-	35,191	34,353	838	838	-	Green	Green		838	-	-
Mount Pleasant Primary Solar PV	KRV07	S Law	39,085	-	47,200	-	(8,115)	-	39,085	38,154	931	931	-	Green	Green		931	-	-

Shropshire Council - Capital Programme 2015/16 - 2018/19

Capital Scheme Details Quarter 4 2015/16

Scheme Description	Code	Project Manager	Total Approved Scheme Budget £	Previous Years Spend £	Revised Budget Q3 2015/16 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 £	Actual Spend 31/03/16 £	Spend to Budget Variance £	Slipped to 2016/17 £	No longer required / available £	RAG Status Scheme on Budget	RAG Status Scheme Progress	Note	2016/17 Revised Budget £	2017/18 Revised Budget £	2018/19 Revised Budget £
Ludlow Youth Centre Solar PV	KRV11	S Law	43,060	-	29,556	-	13,504	-	43,060	42,036	1,024	1,024	-	Green	Green		1,024	-	-
Severn Valley Country Park Solar PV	KRV14	S Law	18,045	-	18,131	-	(86)	-	18,045	17,616	429	429	-	Green	Green		429	-	-
SPARC - Solar PV	KRV15	S Law	60,719	-	61,007	-	(288)	-	60,719	59,200	1,519	1,519	-	Green	Green		1,519	-	-
Shirehall - Solar PV	KRV17	S Law	269,935	-	269,935	-	-	-	269,935	185,648	84,287	84,287	-	Green	Green		84,287	-	-
Total					624,654	-	(22,296)	-	602,358	510,033	92,325	92,325	-				92,325	-	-
Assets & Estates - Small Holdings																			
The Clamp - Smallholding Refurbishment	KCS03	S Law	149,939	6,207	93,733	-	-	-	93,733	9,623	84,110	84,110	-	Green	Green		134,109	-	-
Total					93,733	-	-	-	93,733	9,623	84,110	84,110	-				134,109	-	-
Assets & Estates - Gypsy Sites																			
Gypsy Site - Park Hall, Oswestry	K6T01	S Law	513,936	434,784	31,018	-	(1,866)	-	29,152	11,199	17,953	17,953	-	Green	Green		67,953	-	-
Gypsy Site - Long Lane, Craven Arms	K6T02	S Law	271,793	267,595	4,198	-	-	-	4,198	4,198	-	-	-	Green	Green		-	-	-
Gypsy Site - Manor House Lane	K6T03	S Law	653,745	309,076	342,803	-	1,866	-	344,669	344,669	-	-	-	Green	Green		-	-	-
Gypsy Sites - Whittington Phase 2	K6T04	S Law	677,220	352,234	254,986	-	-	-	254,986	242,112	12,874	12,874	-	Green	Green		82,874	-	-
Gypsy Sites - Craven Arms Phase 2	K6T05	S Law	483,729	331,027	102,702	-	-	-	102,702	75,201	27,501	27,501	-	Green	Green		77,501	-	-
Total					735,707	-	-	-	735,707	677,378	58,329	58,328	-				228,328	-	-
Total Customer Care & Support Services					4,926,453	-	(22,296)	-	4,904,157	4,669,393	234,764	234,763	-				454,762	-	-
Legal Strategy & Democratic																			
Elections																			
A3 Forms Hardware Funding	KLGO2	S Ijewsky	28,377	11,330	18,028	-	(981)	-	17,047	17,047	-	-	-	Green	Green		-	-	-
Total					18,028	-	(981)	-	17,047	17,047	-	-	-				-	-	-
Total Resources & Support					4,944,481	-	(23,277)	-	4,921,204	4,686,440	234,764	234,763	1				454,762	-	-
Total General Fund Capital Programme					46,188,493	-	490,140	-	46,678,633	39,496,007	7,182,626	7,178,301	4,325				62,681,867	32,839,680	16,150,079
Housing Revenue Account																			
Major Repairs Programme - SC Contracts																			
Resisting Major Repairs Programme	K5P01	A Begley	Ongoing	-	-	-	-	-	-	-	-	-	-	Green	Green		3,801,569	3,550,000	-
Asbestos Removal	K5P45	A Begley	Ongoing	-	2,225	-	-	-	2,225	2,225	-	-	-	Green	Green		-	-	-
Total					2,225	-	-	-	2,225	2,225	-	-	-				3,801,569	3,550,000	-
Major Repairs Programme - STAR Housing Contracts																			
STAR Rewires	K5R02	A Begley	800,002	467,827	282,174	-	-	-	282,174	263,857	18,317	18,317	-	Green	Green		68,317	-	-
STAR Heating Installation Works	K5R03	A Begley	165,033	165,033	-	-	-	-	-	-	-	-	-	Green	Green		-	-	-
STAR Electrical Remedial Works	K5R04	A Begley	609,316	352,892	246,424	-	-	-	246,424	215,520	30,904	30,904	-	Green	Green		40,904	-	-
STAR Roofing	K5R05	A Begley	550,000	206,028	43,972	-	-	-	43,972	-	43,972	43,972	-	Green	Green		343,972	-	-
STAR Major Works	K5R06	A Begley	345,090	178,471	126,620	-	-	-	126,620	126,350	270	270	-	Green	Green		40,269	-	-
STAR Kitchens & Bathrooms	K5R07	A Begley	1,505,799	1,055,800	100,000	-	-	-	100,000	183,393	(83,393)	(83,393)	-	Green	Green		266,607	-	-
STAR Fire Safety Works	K5R08	A Begley	244,000	96,756	47,244	-	-	-	47,244	31,339	15,905	15,905	-	Green	Green		115,905	-	-
STAR One Off Doors	K5R09	A Begley	50,000	33,782	16,218	-	-	-	16,218	10,989	5,229	5,229	-	Green	Green		5,229	-	-
STAR External Doors	K5R11	A Begley	218,000	975	67,025	-	-	-	67,025	126,795	(59,770)	(59,770)	-	Green	Green		90,230	-	-
STAR External Wall Insulation	K5R12	A Begley	900,000	6,395	893,605	-	-	-	893,605	840,800	52,805	52,805	-	Green	Green		52,805	-	-
STAR Disabled Aids & Adaptations	K5R13	A Begley	500,001	236,076	263,925	-	-	-	263,925	186,347	77,578	77,578	-	Green	Green		77,578	-	-
STAR Heating Insulation Works (Liberty)	K5R14	A Begley	1,749,999	819,652	930,348	-	-	-	930,348	1,032,661	(102,313)	(102,313)	-	Green	Green		(102,313)	-	-
STAR Sewage Treatment Works	KSH01	A Begley	70,000	-	8,000	-	-	-	8,000	5,465	2,535	2,535	-	Green	Green		64,535	-	-
STAR Asbestos Removal	KSH02	A Begley	200,000	-	150,000	-	-	-	150,000	115,112	34,888	34,888	-	Green	Green		64,888	-	-
STAR Kitchens & Bathrooms Voids	KSH03	A Begley	250,000	-	250,000	-	-	-	250,000	154,572	95,428	95,428	-	Green	Green		95,428	-	-
STAR Oswestry Castlefields Regeneration	KSH04	A Begley	150,000	-	-	-	-	-	-	530	(530)	(530)	-	Green	Green		149,470	-	-
Total					3,425,555	-	-	-	3,425,555	3,293,731	131,824	131,824	-				1,393,824	-	-
New Build Programme																			
Housing New Build Programme - Phase 1	K5NB1	A Begley	7,176,340	6,773,862	302,565	-	-	-	302,565	249,132.90	53,432	53,432	-	Green	Green		153,345	-	-
Housing New Build Programme - Phase 2	K5NB2	A Begley	3,815,981	-	1,471,278	-	-	-	1,471,278	1,397,648.35	73,630	73,630	-	Green	Green		2,365,259	53,074	-
Total					1,773,843	-	-	-	1,773,843	1,646,781	127,062	127,062	-				2,518,604	53,074	-
Total Housing Revenue Account					5,201,623	-	-	-	5,201,623	4,942,737	258,886	258,886	-				7,713,997	3,603,074	-
Total Capital Programme					51,390,116	-	490,140	-	51,880,256	44,438,744	7,441,512	7,437,187	4,325				70,395,864	36,442,754	16,150,079

Shropshire Council - Capital Programme 2015/16 - 2018/19

Financing	B/F Budget Q3 2015/16 £	Budget Virements Q4 £	Budget Inc/Dec Q4 £	Reprofile to/from future years Q4 £	Revised Budget Q4 15/16 £	2016/17 Revised Budget £	2017/18 Revised Budget £	2018/19 Revised Budget £
Self Financed Prudential Borrowing	3,172,359	-	-	-	3,172,359	-	-	-
Government Grants								
Department for Transport	18,124,000	-	-	-	18,124,000	18,710,000	16,293,000	14,901,000
Department for Health - Community Capacity Grant	776,000	-	-	-	776,000	-	-	-
Department for Health - Disabled Facilities Grant	1,379,128	-	-	-	1,379,128	-	-	-
Department for Health - Better Care Fund		-	-	-	-	2,498,220		
Department for Education		-	-	-	-			
- Condition Capital Grant	3,432,986	-	-	-	3,432,986	3,322,364	3,322,364	-
- Basic Need Capital Grant	1,709,784	-	-	-	1,709,784	1,795,273	1,784,013	-
- Devolved Formula Capital	979,364	-	(7,564)	-	971,800	1,785,922	-	-
HCA - Travellers	735,707	-	-	-	735,707	228,328	-	-
HCA - New Build	274,000	-	-	-	274,000	68,500	-	-
BDOUK - Broadband	4,234,554	-	-	-	4,234,554	1,606,000	2,972,769	-
Environment Agency	246,720	-	-	-	246,720	1,384,512	291,000	70,000
DEFRA	5,708	-	-	-	5,708	-	-	-
Local Enterprise Partnership (LEP) Fund	598,586	839,695	-	-	1,438,281	3,535,777	3,411,000	800,000
	32,496,537	839,695	(7,564)	-	33,328,668	34,934,896	28,074,146	15,771,000
Other Grants								
Historic England/English Heritage	40,352	-	5,310	-	45,662	455	-	-
National England	82,422	-	-	-	82,422	9,703	-	-
Sports England	21,607	-	-	-	21,607	-	-	-
Arts Council	19,017	-	(705)	-	18,312	-	-	-
Other Grants	553,550	107,800	-	-	661,350	-	-	-
	716,948	107,800	4,605	-	829,353	10,158	-	-
Other Contributions								
Section 106	566,764	10,000	103,208	-	679,972	621,495	4,750	-
Community Infrastructure Levy (CIL)	2,360	-	-	-	2,360	-	-	-
Other Contributions	39,061	12,420	40,000	-	91,481	61,489	-	-
	608,185	22,420	143,208	-	773,813	682,984	4,750	-
Revenue Contributions to Capital	2,017,499	-	383,525	-	2,401,024	1,736,247	250,000	-
Major Repairs Allowance	3,512,818	(107,800)	-	-	3,405,018	5,681,489	3,603,074	-
Corporate Resources (expectation - Capital Receipts only)	8,865,770	(862,115)	(33,634)	-	7,970,021	27,350,090	4,510,784	379,079
Total Confirmed Funding	51,390,116	-	490,140	-	51,880,256	70,395,864	36,442,754	16,150,079
	Ok	Ok	Ok	Ok	Ok	Ok	Ok	Ok
	Ok	Ok	Ok	Ok	Ok	Ok	Ok	Ok

Shropshire Council - Capital Programme 2015/16 - 2018/19

Funding changes - Quarter 4

Budget Increase/Decrease	2015/16	2016/17	2017/18	2018/19	Details
Government Grant					
Department for Transport		1,960,000			Additional Incentive Element funding £924k and Pothole Action Fund funding £1.036m.
Department for Health - Better Care Fund		2,498,220			Confirmation of funding for 2016/17, this incorporates previous separate allocations for DFGs and Community Capacity Grant, the Service have allocated £1.379m to DFGs (as per 2015/16 allocation) and £1.119m to Adult Social Care.
Department for Education - Condition		(110,622)	(110,622)		Confirmation of funding allocation for 2016/17, slightly lower than provisional allocation, due to schools that have transferred to Academy's in 2015/16.
Department for Education - Devolved Formula Capital (DFC)	(7,564)	736,792			Removal of funding for school transferred to Academy status. Confirmation of new funding allocation for 2016/17.
BDUK - Broadband		1,606,000	2,972,769		New funding for Broadband project phase 2.
Local Enterprise Partnership (LEP) Fund			2,672,000	500,000	New funding for Broadband project phase 2b, totalling £5.022m in total, through to 2020/21. £2.061m of the funding in 2017/18 will be applied in place of capital receipts in 2015/16 / 2016/17 on the phase 1 scheme; reducing the short term pressure on capital receipt generation.
Total Government Grants	(7,564)	6,690,390	5,534,147	500,000	
Other Grants					
Historic England/English Heritage	5,310				Contribution to highways scheme.
Arts Council	(705)				Removal of small underspend on scheme.
Other Grants		107,800			Green Deal funding for external wall insulation of HRA properties.
Total Other Grants	4,605	107,800	-	-	
Other Contributions					
Section 106	103,208	114,797	4,750		Contributions towards two affordable housing schemes, Shelton Recreation Ground Pavilion and various contributions to highways
Other Contributions	40,000				Developer funding agreed via a unilateral undertaking towards pedestrian crossing & traffic calming.
Total Other Contributions	143,208	114,797	4,750	-	
Revenue Contributions to Capital	383,525	145,000			2015/16 and 2016/17 two new community led affordable Housing schemes agreed, financed from New Homes Bonus monies (£455k). School contribution to a capital scheme (£71k).
Capital Receipts	(33,634)	32,412			Removal of small balances on complete schemes 15/16; re-allocation of Small Business Loan repayments 2016/17, as previously approved by Cabinet.
	490,140	7,090,399	5,538,897	500,000	
	-	-	-	-	

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Committee and date
Audit Committee

23 June 2016

Item

Public

STATEMENT OF ACCOUNTS 2015/16

Responsible Officer James Walton

Email: james.walton@shropshire.gov.uk

Tel: (01743) 255011

1. Summary

The 2015/16 Statement of Accounts, which is subject to audit, must be certified as a true and fair view of the financial position of the authority by the S151 Officer by 30 June 2016 (Accounts and Audit Regulations 2015). The Draft Statement of Accounts for 2015/16 is appended to this report. This report provides an overview of the Accounts and also provides details of the reasons for the most significant changes between the 2014/15 Accounts and the 2015/16 Accounts.

The final revenue outturn for 2015/16 is an underspend of £2.816m on a gross budget of £594m. The final capital outturn shows a spend of £44.439m, representing 86% of the revised budget.

The authority's specific reserves and provisions have increased by £4.175m. The general fund balance has increased by £3.164m. Schools' balances have increased by £3.216m. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in separate reports on the Agenda for this meeting.

2. Recommendations

It is recommended that Members:

- A. To receive and comment on the draft 2015/16 Statement of Accounts.
- B. To note and agree the changes made to the Council's accounting policies in 2015/16.
- C. To agree that the Head of Finance, Governance and Assurance be authorised to make any final adjustments to the Statement of Accounts prior to the 30 June 2016.

REPORT

3. Risk Assessment and Opportunities Appraisal

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

4. Financial Implications

- 4.1. This report considers the projected outturn position for the 2015/16 revenue budget and the implications on the level of general fund balances of any overspends or spending pressures.

5. Background

- 5.1. A copy of the 2015/16 Statement of Accounts is attached at Appendix 1. The external audit by Grant Thornton will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the External Auditor.
- 5.2. The statutory deadline for the formal publication of the audited 2015/16 Statement of Accounts is 30 September 2016.

6. Statement of Accounts

- 6.1. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the "Code", to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The Code requires:
- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
 - Interpretation and explanation of the Statement of Accounts to be provided.
 - The Statement of Accounts and supporting notes to be written in plain language.
- 6.2. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
- **Narrative Report** – this provides an explanation of the authority's financial position for 2015/16 and details the performance of the Council during the financial year.

- **The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority's financial affairs and the actual Statement of Accounts.
- **The Audit Opinion and Certificate** – this is provided by the External Auditor following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.
- **The Core Financial Statements**, which comprises:
 - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into 'usable reserves' and other reserves.
 - **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2015/16 Income and Expenditure Statement reports a surplus for the year of £27.513m, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The actual movement on the General Fund Balance was an increase of £3.164m which reflects the year end underspend on the revenue budget in addition to the budgeted contribution to the General Fund Balance of £0.409m.
 - **The Balance Sheet** – this is fundamental to the understanding of the authority's financial position as at the 31 March 2016. It shows the balances and reserves at the authority's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. As can be seen from the balance sheet the authority's total equity amounts to £418.572m, an increase of £27.513m which is analysed in the Movement in Reserves Statement. This is primarily due to the reduction in the pension liability as a results of changes in actuarial assumptions and also the increase in the Earmarked Reserves and School Balances. It should be noted that the equity value in the balance sheet does demonstrate that the authority's assets exceed liabilities and therefore represents a very healthy financial position.
 - **The Cash Flow Statement** – this consolidated statement summarises the authority's inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.
- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements and includes the Council's accounting policies.

- **The Group Accounts** – these are prepared to account for the Council's share in IP&E (Group) Limited, Shropshire Towns & Rural Housing and West Mercia Energy.
 - **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority's own finances. This statement and supporting notes are an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2015/16 and assets and liabilities as at 31 March 2016.
 - **The Housing Revenue Account** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 as amended. The account details the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year.
 - **The Collection Fund Account** - this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
- 6.3 The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting 2015/16, published by CIPFA (the Code). For 2015/16 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:
- Fair value measurement – new accounting standard has been released (IFRS 13).
 - Narrative Report has replaced the Explanatory Foreword

7. Accounting Policies

- 7.1 The accounting policies that the Council uses to determine the treatment of items within the Statement of Accounts are detailed in Note 1 to the Core Financial Statements. The changes made to the accounting policies in 2015/16 from those adopted and followed in 2014/15 are as follows:
- Change to valuation method for surplus assets – amended to reflect the requirements of the new fair value accounting standard.
 - Housing Revenue Account Council Dwellings valuation – now subject to an annual desktop review undertaken by the Valuation Office Agency.
 - New accounting policy for fair value measurement – as required under the new fair value accounting standard.

8. Analytical Review

- 8.1 An analytical review has been carried out on each element of the Draft Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous year's accounts. For 2015/16 the materiality threshold (i.e. the level of change between 2014/15 and 2015/16) used was 10% or £8m, which is used to ensure that all questions that the external auditors are likely to raise have

been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 2.

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

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

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2015/16

Cabinet Member (Portfolio Holder)

Brian Williams, Chair of Audit Committee

Local Member

All

Appendices

1. Draft Statement of Accounts 2015/16 (Unaudited)
2. Analytical Review of Statement of Accounts

Analytical Review of Shropshire Council's Statement of Accounts for 2015/16

1. The analytical review for 2015/16 highlighted a number of areas where there were material changes, the most significant are detailed below along with an explanation of why these changes have occurred:

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Environmental and Regulatory Service (Expenditure)**

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
48,938	37,321	11,617	31%

The increase is due to an impairment that was charged to the Revenue Account following the addition of the Energy Renewable Facility in Battlefield as provided by Veolia under the Waste PFI contract. The total impairment charged to Waste was £10.75m.

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

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
15,588	5,012	10,576	211%

In 2014/15 dwellings were indexed to 31/03/15 using ONS figures (7.3% increases), this generated a £10.7m revaluation increase. New build properties were also revalued from historic cost to Existing Use Value, this resulted in a £3m revaluation loss. In 2015/16 there was a net revaluation loss of £2.98m, following a desktop review of the dwellings valuation as undertaken by the District Valuation Office with a valuation date of 31/03/16. This resulted in an increase in expenditure of £10.6m.

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

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
25,219	20,657	4,562	22%

In 2015 services in relation to planning and public protection transferred to ip&e. Shropshire Council paid ip&e via a contract for this service but the staff remained employed by the Council and were seconded to ip&e. As a result of this the Council paid for the staff and then invoiced ip&e for the costs. This has resulted in additional expenditure and income of £3.4m in relation to planning services. It should be noted that this has had no impact on the net position for the Council and only impacts on the gross expenditure and gross expenditure for the service.

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

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
14,204	10,488	3,716	35%

In 2015/16 additional public health grant of £1.889m in relation to 0-5 children services was received. This resulted in a corresponding increase in expenditure. The provision of Help to Change services was transferred to ip&e in 2015. Shropshire Council paid ip&e via a contract for this service but the staff remained employed by the Council and were seconded to ip&e. As a result of this the Council paid for the staff and then invoiced ip&e for the costs. This has resulted in additional expenditure of £0.765m within Public Health. Again, it should be noted that this has had no impact on the net position for the Council and only impacts on the gross expenditure and gross expenditure for the service.

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

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
2,454	(485)	2,939	606%

Non-distributed costs represent any past service costs, curtailments or settlements made in relation to pensions. In 2014/15 we had a number of Academies transfer with a pension deficit and therefore the Council received income settlements to balance off the Council's pension position and net down the other pension liability costs. In contrast, 2015/16, there have been fewer Academies transferred and we have received the additional transfer in of the ip&e liability of £0.653m).

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

2015/16	2014/15	Decrease (Value)	Decrease (%)
£000	£000	£000	
28,667	70,519	41,852	59%

Losses on disposal of non-current assets have decreased from £63.67m in 2014/15 to £20.76m in 2015/16. The major element of this loss was made up of Schools that transferred to Academies on 125 year leases and were written out of the Council balance sheet. In 2014/15 seven schools previously on the Council balance sheet transferred to Academies, whereas in 2015/16, two schools (1 Primary, 1 Secondary) previously on the Council balance sheet transferred to Academies, plus some early years facilities at 2 other schools.

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

2015/16 £000	2014/15 £000	Decrease (Value) £000	Decrease (%)
(26,901)	(9,354)	(17,547)	188%

This figure is the value of upward or downward revaluations that are debited/credited directly to the Revaluation Reserve, rather than to service revenue accounts. In 2015/16 the value of upward revaluations increased by £14.9m, whilst the value of downward revaluations decreased by £3.1m in 2014/15. These changes reflect the movement in property values for those revalued each year, compared to their last valuations and the properties revalued each year (valuation are done on a rolling programme) and whether there have been previous revaluation losses charged to service revenue accounts, which can be reversed if there is a subsequent revaluation increase. The increase in valuations in 2015/16 was applied across the board and did not constitute a significant increase for a particular asset.

- **Comprehensive Income and Expenditure Statement, Remeasurement of the Net Defined Benefit Liability**

2015/16 £000	2014/15 £000	Decrease (Value) £000	Decrease (%)
(35,144)	101,795	(136,939)	135%

Remeasurement of the Net Defined Benefit Liability has changed from a loss of £101.8m in 2014/15 to a gain of £35.1m in 2015/16. The total swing of £136.9m is made up of two elements. The first is a change in liabilities as a result of a change in financial assumptions used by the actuary. This has resulted in a remeasurement gain of £59.42m in 2015/16 compared to a Remeasurement loss in 2014/15 of £148.3m. The second element relates to a reduction in the return on plan assets (£70.8m) which has partially offset the change in liabilities.

- **Balance Sheet Non Current Assets – Property, Plant & Equipment**

2015/16 £000	2014/15 £000	Increase (Value) £000	Increase (%)
1,072,784	995,904	76,880	8%

This reflects the overall movement in property, plant & equipment. The movement consists of additions, disposals/recognitions, revaluations (upwards and downwards) and impairments. The most significant area of change in 2015/16 was the addition of the Battlefield ERF, as provided by Veolia under the Waste PFI contract, but accounted for on the Council balance sheet in accordance with Accounting regulations. The NBV of this asset was £86.3m at 31/03/16.

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

2015/16 £000	2014/15 £000	Increase (Value) £000	Increase (%)
13,614	7,240	6,374	88%

New loans totalling £6.77m were provided to Housing Associations in 2015/16 as approved in the Council Treasury Management Strategy.

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

2015/16 £000	2014/15 £000	Increase (Value) £000	Increase (%)
5,860	3,635	2,225	61%

The balance sheet value of assets in this classification reflects the position the Council are at with regards disposing of assets and whether they meet the criteria to be classified as Asset Held for Sale at the balance sheet date. Significant transfers into this category for 2015/16 were the former Radbrook Office Complex, The Hollies and 2 Smallholdings for which disposals have been agreed.

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

2015/16 £000	2014/15 £000	Increase (Value) £000	Increase (%)
58,850	41,730	17,120	41%

The increase in short term investments needs to be combined with the balances of cash and cash equivalents and the bank overdraft to explain the true difference in cash balance during the two years, and any increase will have been invested and will either feed into short term investments or cash and cash equivalents depending on the type of investments in place at the 31st March.

	2015/16 £000	2014/15 £000	Difference (Value) £000
Short Term Investments	58,850	41,730	17,120
Cash & Cash Equivalents	75,956	68,343	7,613
Bank Overdraft	(11,028)	(10,131)	(897)
	<u>123,778</u>	<u>99,942</u>	<u>23,836</u>

There are four elements that detail the difference in cash:

- i. Revenue outturn (movement in usable reserves)
 - ii. Capital outturn
 - iii. Movement in debtors/creditors
 - iv. New loans provided/repaid
- i. There was a £12.9m increase in usable reserves in 2015/16 due to the Revenue Outturn delivering an underspend, the HRA delivering an underspend, Schools underspending and holding more funds in delegated school balances, and planned contributions to earmarked reserves.

- ii. The capital budget had slippage of £7.4m in 2015/16 which meant that capital receipts carried generated during 2015/16 were not used and have been carried forward to 2016/17.
- iii. Debtors reduced during 2015/16 by £4.8m mainly due to a reduction in the level of outstanding debtors invoices requiring payment during the years. Creditors in contract increased by £11m and the majority of this increase relates to an increase in the cash balance held for the Marches LEP. In 2014/15 the Council held £8.8m for the LEP and in 2015/16 this has increased to £16.8m. There has also been an increase of £2.1m in S106 balances held during the year.
- iv. Cash will have reduced by the value of new loans being provided to the Housing Association in 2015/16 of £6.77m and the repayment of borrowing that the Council has undertaken of £8.9m.

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

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
(62,785)	(51,883)	10,902	21%

As highlighted above, the increase in creditors is due to an increase in the cash balance held for the Marches LEP. In 2014/15 the Council held £8.8m for the LEP and in 2015/16 this has increased to £16.8m. There has also been an increase of £2.1m in S106 balances held during the year.

- **Balance Sheet Long Term Liabilities – Other Long Term Liabilities**

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
(118,426)	(22,676)	(95,750)	422%

Addition of the Battlefield ERF in 2015/16, as provided by Veolia under the Waste PFI contract, but accounted for on the Council balance sheet in accordance with Accounting regulations. The asset was added to the Council balance sheet, matched by a long term liability for finance lease.

- **Balance Sheet Long Term Liabilities – Pensions Liability**

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
(388,736)	(407,792)	19,056	5%

The decrease in the Pension Liability is mainly due to a reduction in the value of Pension liabilities due to a gain on financial assumptions caused by a higher discount rate being used by the Actuary when calculating the year end position.

- **Balance Sheet Financing – Usable Reserves**

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
94,449	78,898	15,551	20%

The increase in Usable Reserves reflects the increase in the General Fund Balance due to an underspend within the Revenue Account for 2015/16 (£2.8m); an increase in the HRA balance due to an underspend in year in addition to the planned contribution to balances (2.7m); an increase in Earmarked Reserves (£5.8m) which includes an increase in delegated school balances of £3.2m; and an increase in capital grants unapplied accounts reflecting the slippage within the capital programme for 2015/16.

- **Balance Sheet Financing – Unusable Reserves**

2015/16	2014/15	Increase (Value)	Increase (%)
£000	£000	£000	
324,125	312,161	11,964	4%

The increase in Unusable Reserves includes the increase in the Pensions Reserve as described above for the Pensions Liability. In addition to this the Revaluation Reserve has increased by £14.8m which reflects the movement in asset values and disposals in 2015/16. The main area of increase was £29.4m in relation to the upward revaluation of assets. There was also a lower amount written out in relation to asset disposals, reflecting the lower level of disposals in 2015/16. To offset these two increases, the Capital Adjustment Account has decreased by £20.5m which was in line with the level of movement in 2014/15. The movement reflects the movement in asset values, disposals and capital expenditure financing in 2015/16. The most significant areas of decrease were depreciation & impairment and amounts written out on disposals (again reflecting Academy transfers). The most significant areas of increase were capital grants and contributions, MRP and movements in the value of Investment Properties.

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

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Draft Statement of Accounts 2015-2016



ANNUAL STATEMENT OF ACCOUNTS 2015/16

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

The statement includes:

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

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

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

James Walton
Head of Finance, Governance & Assurance

Section 1

Narrative Report

The Statement of Accounts

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

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

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

- **A Narrative Report** – this provides an effective guide to the most significant matters reported in the accounts, including an explanation of the Council's financial position and details the performance of the Council during the financial year.
- **The Statement of Responsibilities** – this details the responsibilities of the Council and the Chief Financial Officer concerning the Council's financial affairs and the actual Statement of Accounts.
- **The Audit Opinion and Certificate** – this is provided by the external auditor following the completion of the annual audit.
- **The Core Financial Statements**, comprising:
 - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the Council which is analysed into 'usable reserves' and other reserves.
 - **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
 - **The Balance Sheet** – like the Income and Expenditure Statement this is also fundamental to the understanding of the Council's financial position as at 31 March 2016. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.

- **The Cash Flow Statement** – this consolidated statement summarises the Council’s inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and cash equivalents.
- **The Notes to the Core Financial Statements** provide supporting and explanatory information on the Core Financial Statements and include the Council’s accounting policies.
- **Group Accounts** – group financial statements are required in order to reflect the variety of undertakings that local authorities conduct under the ultimate control of the parent undertaking of that group. The group accounts should also include any interests where the Council is partly accountable for the activities because of the closeness of its involvements i.e. in associates and joint ventures.
- **The Pension Fund Accounts and Disclosure Notes** – the Shropshire County Pension Fund is administered by this Council, however, the pension fund has to be completely separate from the Council’s own finances. The accounts summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2015/16 and assets and liabilities as at 31 March 2016.
- **The Housing Revenue Account** – There is a statutory duty to account separately for local authority housing provision.
- **The Collection Fund** – This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

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

Financial Report

Revenue Outturn for 2015/16

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

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

NARRATIVE REPORT

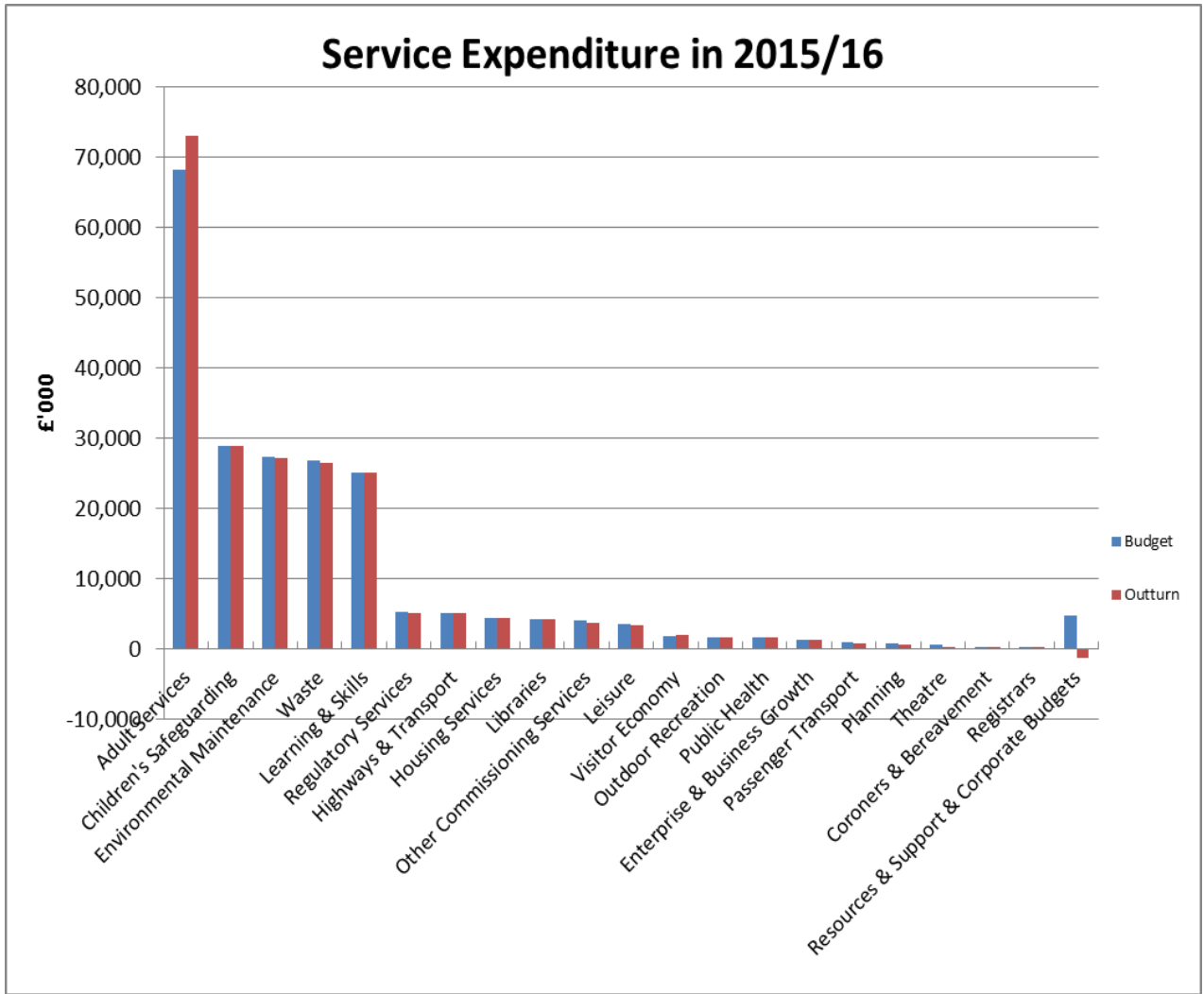
	Final Budget £000	Actual Outturn £000	Over/ (Under) £000
Service Expenditure			
Adult Services	72,435	77,281	4,846
Children's Services	53,859	53,892	32
Commissioning	82,917	81,238	(1,679)
Public Health	2,013	1,993	(20)
Resources & Support	7,375	5,072	(2,303)
Corporate	(2,756)	(6,448)	(3,692)
Net Budget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

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

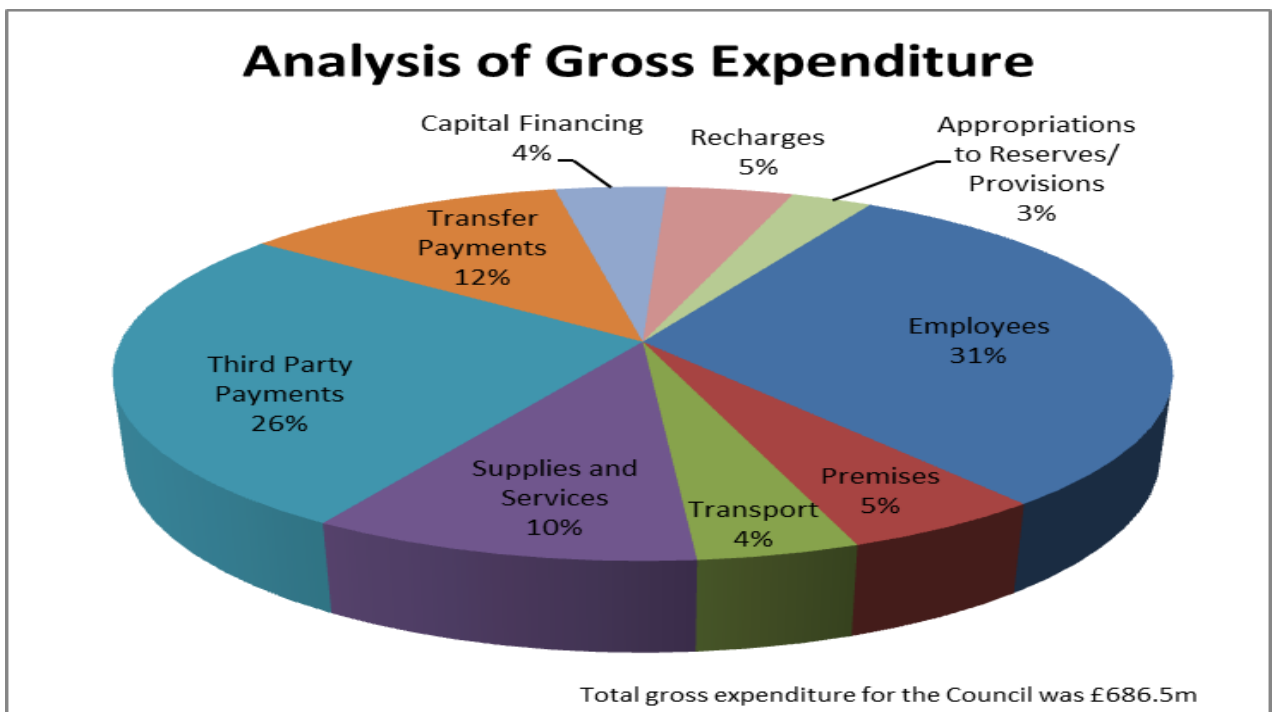
Over/(Under)spend Projected	Quarter 1 £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Adult Services	3,937	4,929	5,452	4,846
Children's Services	0	(1)	414	32
Commissioning	626	358	(343)	(1,679)
Public Health	(27)	(57)	(15)	(20)
Resources & Support	391	(283)	(1,999)	(2,303)
Corporate	96	(812)	(3,106)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

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

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



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



NARRATIVE REPORT

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

In addition, School balances, including invested sums, have increased by £3.216m from the previous year. Schools' balances have to be ring-fenced for use by schools, and schools have the right to spend those balances at their discretion.

Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Note 27 to the Accounts.

Capital Outturn for 2015/16

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

The table below provides a summary of the revised capital budget and expenditure for 2015/16 as at outturn and slippage into the next financial year. Further details of the outturn position are provided in the Capital Outturn report presented to Cabinet and Full Council.

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

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

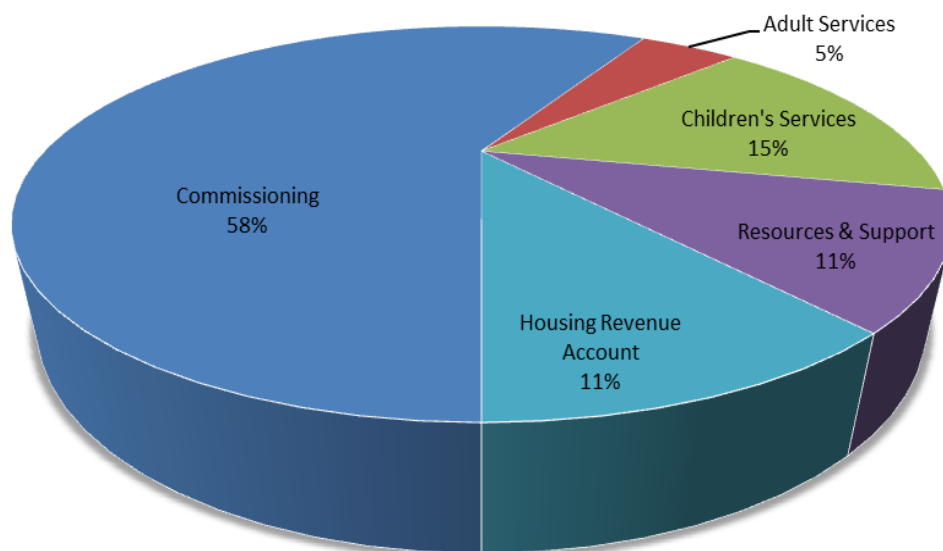
Financing	2015/16 £000
Self Financing Prudential Borrowing	3,172
Capital Grants & Contributions	34,627
Revenue Contributions	2,265
Major Repairs Allowance	3,273
Corporate Resources (Prudential Borrowing/Capital Receipts)	1,102
	44,439

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

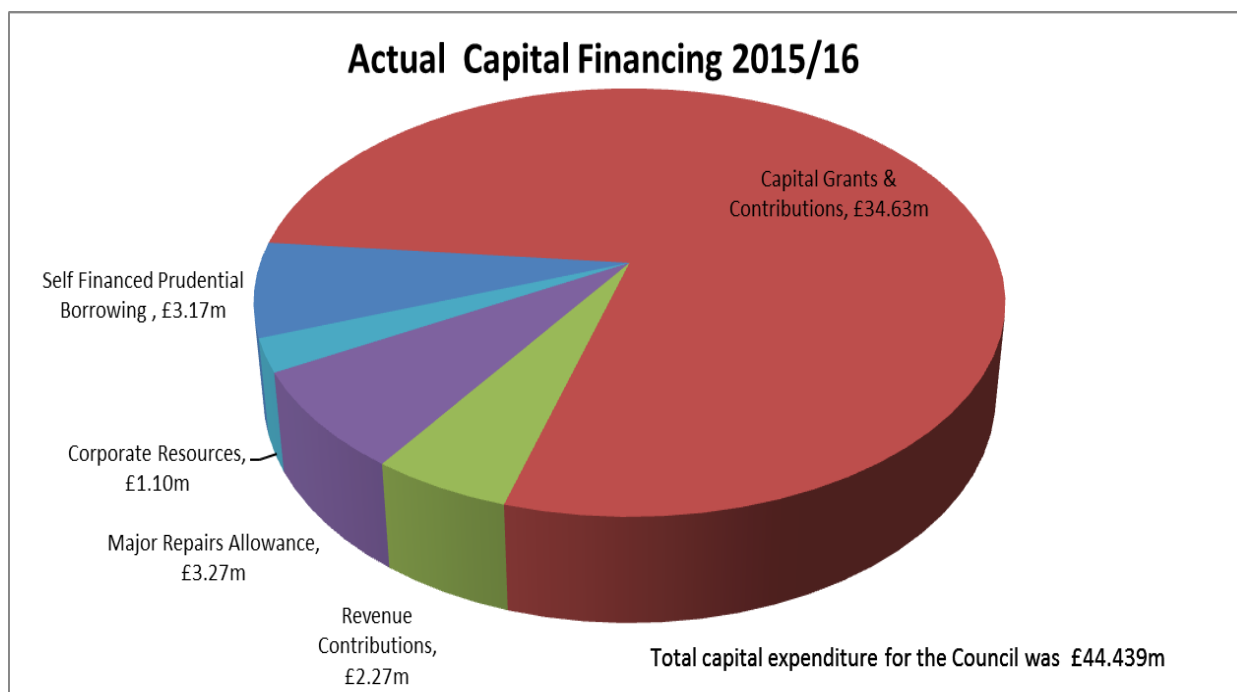
NARRATIVE REPORT

	Expenditure 2015/16 £000	Scheme Total Budget £000
Commissioning		
Highways, Bridges & Street Lighting Infrastructure	16,513	Ongoing
Integrated Transport Plan	1,153	Ongoing
Affordable Housing Schemes	837	Ongoing
Broadband – Phase 1	5,074	17,494
Adult Services		
Supported Living Accommodation Schemes	507	Ongoing
Disabled Facilities Grants	1,230	Ongoing
Children's Services		
Primary School Schemes	406	Ongoing
Secondary School Schemes	666	Ongoing
School Condition Schemes	3,652	Ongoing
Devolved Formula Capital & UIFSM - Allocated by schools	1,014	Ongoing
Resources & Support		
Mardol House Student Halls of Residence refit	3,472	3,640
Solar PV Installations	510	Ongoing
Housing Revenue Account		
Housing Major Repairs Programme	3,296	Ongoing
New Build Programme – Phase 1&2	1,647	10,992

Actual Capital Expenditure 2015/16



Total capital expenditure for the Council was £44.439m



Reserves

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

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

Assets

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

Borrowing

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

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

Local Government Pension Scheme

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

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

As at 1 April 2015, the Council's net pensions liability amounted to £408m. In comparison, the deficit amounts to £389m at 31 March 2016 due to a change in financial assumptions impacting on the asset and liability figures. Statutory requirements for funding the deficit means the financial position of the Council remains healthy, as the deficit will be met by increased contributions over the remaining working life of employees.

Further details on the basis on which the Council accounts for retirement benefits are provided within the Accounting Policies in note 1 on page 21, and the change to the pension liability in 2015/16 is analysed in note 35 to the accounts.

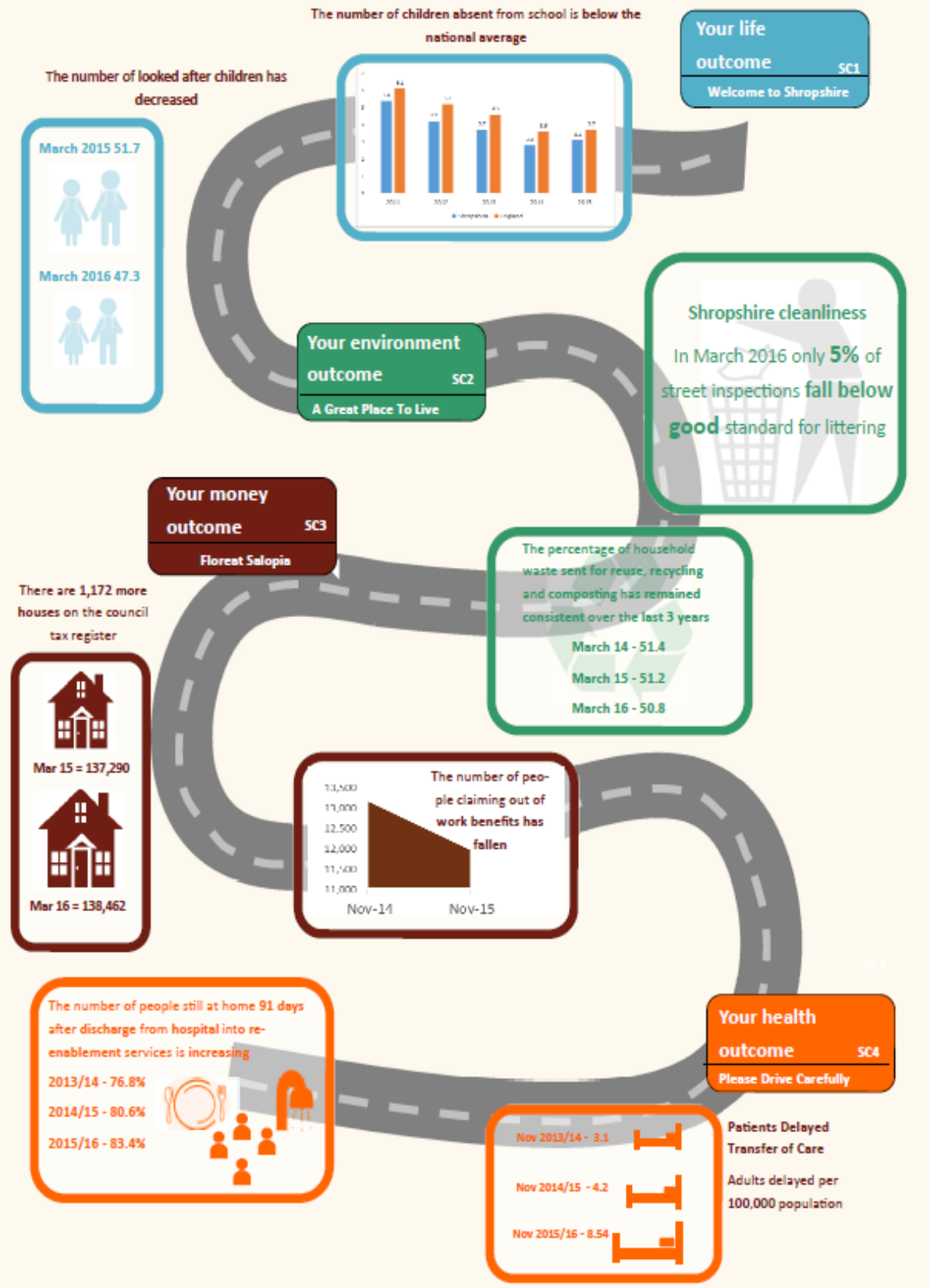
Performance in 2015/16

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

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

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

Shropshire Outcomes



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

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

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

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

Current and Future Prospects

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

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

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

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

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

- Consider how the Council could operate if no Revenue Support Grant was received.
- Impact of the introduction of the Care Bill for reforming social care funding and the effect of these changes on the Council's income and expenditure.
- Demographic Growth, particularly in services provided by Adult Services, post transformation of the service.
- The movement of schools to Academy status is expected to impact on Council funding and resources.
- The basis for recharging back-office costs to frontline services is currently being reviewed.

- The impact of reducing our asset base (generation of capital receipts) can have a negative impact on revenue funding if an asset currently provides an income stream to the Council.

The Council wholly owns a company (ip&e (Group) Ltd), as a vehicle for delivering a range of public services in Shropshire. On 17 February 2016, Cabinet agreed to bring the Council's relationship with ip&e limited to an end and terminate the strategic contract between the two parties. It was also agreed to terminate the service contracts between the Council and ip&e with effect from 31 March 2016. In its role as sole shareholder, the Cabinet agreed that ip&e Limited should cease trading as soon as possible and take necessary actions to remove the company from the companies register. Whilst trading ceased on 31 March 2016, liabilities and commitments remain that need to be resolved before the company can formally be removed from the companies register and therefore further financial transactions will be incurred in the 2016/17 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 2016/17 – 2017/18 is £37.5m and the council is continuing with its asset management strategy to identify whether these potential receipts can be generated. The Council also intends to review whether the new statutory powers on the flexible use of capital receipts can be used within the Council.

Section 2

Statement of Responsibilities

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance, Governance & Assurance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Approved by Council

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

Ann Hartley
Chairman of the Council
22 September 2016

Responsibilities of Head of Finance, Governance & Assurance

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

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

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

The Head of Finance, Governance & Assurance has also:

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

Certificate of the Head of Finance, Governance & Assurance

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

James Walton
Head of Finance, Governance & Assurance
30 June 2016

Section 3

Audit Opinion & Certificate

TO BE UPDATED FOLLOWING AUDIT OF ACCOUNTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNCIL

We have audited the financial statements of Shropshire Council for the year ended 31 March 2016 under the Audit Commission Act 1998. The financial statements comprise the Core Financial Statements (the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement), the Notes to the Core Financial Statements, the Group Accounts (the Group Movement in Reserves Statement, the Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and the Notes to the Group Accounts), the Housing Revenue Account (the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Notes to the Housing Revenue Account) and the Collection Fund (the Collection Fund and the Notes to the Collection Fund). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of 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 2015/16, 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 2016 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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 are required to 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 review 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 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have:

- completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack.
- completed our consideration of matters that have come to our attention.

We are satisfied that our work on the Authority's Whole of Government Accounts consolidation pack and the matters that have come to our attention do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Mark Stocks

Partner

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

Colmore Plaza,

20 Colmore Circus,

Birmingham

B4 6AT

XX September 2016

Section 4

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

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

	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	15,206	55,027	3,076	1,635	3,954	78,898	312,161	391,059
<u>Movement in reserves during 2015/16</u>								
Surplus or (deficit) on the provision of services	(31,997)	0	496	0	0	(31,501)	0	(31,501)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	59,014	59,014
Total Comprehensive Income and Expenditure	(31,997)	0	496	0	0	(31,501)	59,014	27,513
Adjustments between accounting basis & funding basis under regulations (Note 6)	40,975	0	2,251	1,167	2,658	47,051	(47,051)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	8,978	0	2,747	1,167	2,658	15,550	11,963	27,513
Transfers to/(from) Earmarked Reserves (Note 7)	(5,814)	5,814	0	0	0	0	0	0
Increase/(Decrease) in 2015/16	3,164	5,814	2,747	1,167	2,658	15,550	11,963	27,513
Balance at 31 March 2016	18,370	60,841	5,823	2,802	6,612	94,448	324,124	418,572

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014	20,019	35,119	2,545	3,722	2,786	64,191	455,699	519,890
<u>Movement in reserves during 2014/15</u>								
Surplus or (deficit) on the provision of services	(43,734)	0	10,567	0	0	(33,167)	0	(33,167)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(95,664)	(95,664)
Total Comprehensive Income and Expenditure	(43,734)	0	10,567	0	0	(33,167)	(95,664)	(128,831)
Adjustments between accounting basis & funding basis under regulations (Note 6)	58,829	0	(10,036)	(2,087)	1,168	47,874	(47,874)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	15,095	0	531	(2,087)	1,168	14,707	(143,538)	(128,831)
Transfers to/(from) Earmarked Reserves (Note 7)	(19,908)	19,908	0	0	0	0	0	0
Increase/(Decrease) in 2014/15	(4,813)	19,908	531	(2,087)	1,168	14,707	(143,538)	(128,831)
Balance at 31 March 2015	15,206	55,027	3,076	1,635	3,954	78,898	312,161	391,059

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

2014/15				2015/16		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
Expenditure on Continuing Services (Note 27)						
102,718	(30,552)	72,166	Adult Social Care	111,134	(36,534)	74,601
8,348	(2,999)	5,349	Central Services	8,978	(3,586)	5,392
228,346	(174,065)	54,281	Children's and Education Services	225,245	(178,102)	47,143
22,640	(8,335)	14,305	Cultural and Related Services	20,088	(7,530)	12,558
37,321	(5,691)	31,630	Environmental and Regulatory Services	57,422	(8,265)	49,157
38,301	(10,201)	28,100	Highways and Transport Services	29,019	(10,450)	18,569
5,012	(17,709)	(12,697)	Local Authority Housing (HRA)	15,588	(18,471)	(2,883)
82,589	(77,981)	4,608	Other Housing Services	81,034	(76,042)	4,992
20,657	(15,253)	5,404	Planning Services	25,219	(17,188)	8,031
10,488	(11,103)	(615)	Public Health	14,204	(13,073)	1,131
4,575	0	4,575	Corporate and Democratic Core	4,437	0	4,437
(485)	0	(485)	Non Distributed Costs	2,454	0	2,454
560,510	(353,889)	206,621	Net Cost of Services	594,823	(369,241)	225,582
		70,519	Other Operating Expenditure (Note 8)			28,667
		23,699	Financing and Investment Income and Expenditure (Note 9)			36,639
		(267,672)	Taxation and Non Specific Grant Income (Note 10)			(259,387)
		33,167	(Surplus) or Deficit on the Provision of Services			31,501
		(9,354)	(Surplus) or Deficit on Revaluation of Non Current Assets			(26,901)
		3,223	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			3,031
		101,795	Remeasurement of the Net Defined Benefit Liability			(35,144)
		95,664	Other Comprehensive Income and Expenditure			(59,014)
		128,831	Total Comprehensive Income and Expenditure			(27,513)

BALANCE SHEET

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

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

CASH FLOW STATEMENT

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

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

Section 5

**Notes to the
Core Financial
Statements**

1. Accounting Policies

1.1. General

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Expenditure and Income

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3. Cash and Cash Equivalents

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

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

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

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

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

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

1.5. Non-Current Assets - Intangible

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

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

1.6. Non-Current Assets – Property, Plant and Equipment

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

Recognition

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

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

Costs that meet the recognition principle include initial costs of acquisition, production or construction of assets for use by, or disposal to, a person other than the local authority; and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs

NOTES TO THE CORE FINANCIAL STATEMENTS

arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as ‘repairs and maintenance’, should not be capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and are charged to revenue.

Initial Measurement

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

Measurement after recognition

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

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

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

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

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

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

Componentisation

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

Derecognition

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

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

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

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

A proportion (based on Agreement – Section 11(6) of the Local Government Act 2003) of receipts relating to dwellings disposed of under the Right to Buy Scheme are payable to the Government through the pooling system. The proportion that is required to be paid over to central government as a 'housing pooled capital receipt' is charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance in the Movement in Reserves Statement.

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

1.7. Investment Properties

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

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

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

1.8. Non-Current Assets Held for Sale

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

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

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

1.9. Impairment

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

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

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

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

1.10. Depreciation

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

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

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

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

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

1.11. Charges to Revenue for Non-Current Assets

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

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

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

This ensures the Council is not required to raise Council Tax to cover depreciation, amortisation or revaluation/impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement; further details are provided at Accounting Policy 1.15 (The Redemption of Debt). Depreciation, amortisation and revaluation/impairment losses are therefore replaced by revenue provision

transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

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

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

1.12. Revenue Expenditure Funded from Capital under Statute

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

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

1.13. Heritage Assets

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

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

▪ Outdoor Statues/Monuments/Historic Building Remains

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

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

▪ **Museum and Archives artefacts**

Museum Service

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

Principal collections held by the Museum Service include:

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

The acquisition priorities vary between the principal collections based on existing gaps in the collection and the capabilities and resources available to the service to adequately store, conserve and display collections.

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

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

Complete holdings are not valued, as items are generally unique and full valuation would be extremely expensive; however, some significant items have a market valuation at purchase or

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

Archives

The Shropshire archives and local studies service preserves and make accessible documents, books, maps, photographs, plans and drawings relating to Shropshire past and present. Not all material is owned by the Council, with a significant proportion on deposit from record owners. No reliable cost or valuation information is held for holdings, with items generally unique and valuation would be considered to be extremely expensive. Consequently the Council does not recognise these assets on the balance sheet.

Shropshire Archives has an Acquisition and Disposal policy. Shropshire Archives will acquire material for the study of all aspects of Shropshire past and present. Material will be acquired by transfer, gift, purchase or deposit. Shropshire Archives will only acquire material if the responsible officer is satisfied that the vendor, donor or depositor has a valid title to the material and will not acquire material if it cannot provide adequate storage or professional care for it. There is a strong presumption against the disposal by sale of any material in Shropshire Archives ownership. If materials are to be sold they should first be offered to other appropriate public collecting institutions. All monies received by Shropshire Archives from the sale of material shall be used for the benefit of the Service's collections.

Heritage Assets – Impairment

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

1.14. Capital Receipts

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

1.15. The Redemption of Debt

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

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

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

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

1.16. Leases

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

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

- 1) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- 2) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised;
- 3) the lease term is for the major part of the economic life of the asset;
- 4) the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- 5) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

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

The Council as Lessee

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

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

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

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

The Council as Lessor

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

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

1.17. Government Grants and Contributions

Revenue Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. If there are outstanding conditions on the grant income the income is held on the Balance Sheet as a Government debtor/creditor. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and New Homes Bonus) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure.

Capital Grants

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

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

Community Infrastructure Levy

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

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

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

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

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

1.18. Financial Assets

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

However, the Council has made a number of loans to individuals at less than market rates (soft loans). Ordinarily when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest would then be credited at a marginally higher effective rate of interest than the rate receivable from the individual, with the difference serving to increase the amortised cost of the

loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, the soft loans that the Council has made are not material to the accounts so the impact has not been incorporated into the Core Financial statements, instead Note 16 to the Core Financial Statements provides details about these soft loans.

1.19. Financial Liabilities

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

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

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

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

1.20. Reserves

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

1.21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but any material liabilities will be disclosed in a separate note to the accounts.

Contingent Assets

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

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

1.22. Inventories

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

1.23. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of

Practice 2015/16. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

1.24. Group Accounts

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

The Council has accounted for Group Accounts in accordance with IFRS 3 - Business Combination, IFRS10 – Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS12 – Disclosure of Interest in Other Entities, IAS 27 - Separate Financial Statements, IAS28 - Investments in Associates and Joint Ventures except where interpretations or adaptations to fit the public sector have been detailed in the Code of Practice on Local Authority Accounting. Subsidiaries and joint ventures have been consolidated within the Council’s accounts on a cost basis, and accounting policies have been aligned between the Council and the companies consolidated in the Group.

1.25. Value Added Tax (VAT)

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

1.26. Employee Benefits

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

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

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

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

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

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

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

- The liabilities of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the indicative rate of return on high quality corporate bonds of appropriate duration)
- The assets of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and

Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Shropshire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

1.28. Foreign Currency Transactions

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

1.29. Private Finance Initiative (PFI) Schemes

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

The Council has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. Further details of these PFI projects are set out later in the document. The Council is deemed to control the services provided under these two PFI schemes, and as ownership of property, plant and equipment will pass to the Council at the end of the

contracts for no additional charge, the Council carries the operational assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.

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

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

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

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

1.30. Accounting for Council Tax and Non Domestic Rates

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

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

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

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

1.31. Accounting for Local Authority Maintained Schools

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

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

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

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

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

The majority of Voluntary Aided and Voluntary Controlled schools in the Council area are owned by the respective Diocese. There is currently no legal arrangement in place for the School/Council to use the Diocese owned schools. The School/Council uses the school building to provide education under the provisions of the School Standards and Framework Act 1998. On this basis the school assets are used under "mere" licences and the assets are not recognised on the Council's balance sheet. The only exception to this is there are a small number of schools that should have transferred to Diocese under Education Legislation; but the legal transfer has not been completed. These are still recognised in the Council balance sheet with an additional note disclosing that they are due to transfer.

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

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

Academy schools are not maintained schools controlled by the Council and as such are not accounted for in the Council's Accounts. Schools in Council ownership (Community Schools) which become Academies are provided to the Academy on a 125 year peppercorn lease. When schools transfer to Academy status the assets are written out of the balance sheet as at the date that the asset transfers. Additional notes are included in the accounts disclosing details of any schools where approval by the Department of Education to transfer the School to Academy has been granted, but the school has not transferred by the balance sheet date.

1.32. Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty regarding future levels of funding for local government. The Council has undertaken the rigorous challenge of reviewing its spending and as a result has ensured appropriate savings are built into its medium term financial plans. The Council has determined that this uncertainty regarding future funding levels is not known in sufficient enough detail to provide an indication that its assets would be impaired or services reduced significantly. Any action to reduce spending would be taken in a planned and systematic way to reduce the impact on service delivery.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

There is a risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2016:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Full valuation involving an inspection is carried out every 5 years. An impairment and valuation review is carried out as a desk exercise for properties not valued in the year.	There is a risk of material adjustment in the year when the property is revalued.
NDR Appeals Provision	The provision set aside for Non Domestic Rate appeals is estimated based on the number of outstanding appeals as per the Valuation Office and then the percentage rateable value change of successful appeals is applied.	There is a risk that successful appeals will be significantly more than the estimate leading to an increased demand on the NDR collection fund in the year.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.1% increase in

NOTES TO THE CORE FINANCIAL STATEMENTS

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

5. EVENTS AFTER THE REPORTING PERIOD

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2015/16	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs	16,088	0	0	0	0	(16,088)
Financial instruments	(319)	0	0	0	0	319
Council tax and NDR	2,773	0	0	0	0	(2,773)
Holiday pay	(1,046)	0	0	0	0	1,046
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	39,007	5,080	4,440	0	3,122	(51,649)
Total Adjustments to Revenue Resources	56,503	5,080	4,440	0	3,122	(69,145)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(1,595)	(2,869)	0	4,821	0	(357)
Administrative costs of non-current asset disposals	0	40	0	(40)	0	0
Payments to the government housing receipts pool	600	0	0	(600)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(12,268)	0	0	0	0	12,268
Capital expenditure financed from revenue balances	(2,265)	0	0	0	0	2,265
Total Adjustments between Revenue and Capital Resources	(15,528)	(2,829)	0	4,181	0	14,176
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(4,213)	0	4,213
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(3,273)	0	0	3,273

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Application of capital grants to finance capital expenditure	0	0	0	0	(464)	464
Cash payments in relation to deferred capital receipts	0	0	0	32	0	(32)
Total Adjustments to Capital Resources	0	0	(3,273)	-4,181	(464)	7,918
Total Adjustments	40,975	2,251	1,167	0	2,658	(47,051)

2014/15 Comparative Figures

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs	8,603	0	0	0	0	(8,603)
Financial instruments	(297)	0	0	0	0	297
Council tax and NDR	106	0	0	0	0	(106)
Holiday pay	(6)	0	0	0	0	6
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	70,004	(6,710)	4,305	0	1,872	(69,471)
Total Adjustments to Revenue Resources	78,410	(6,710)	4,305	0	1,872	(77,877)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(3,180)	(1,712)	0	4,978	0	(86)
Administrative costs of non-current asset disposals	0	36	0	(36)	0	0
Payments to the government housing receipts pool	539	0	0	(539)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(15,055)	0	0	0	0	15,055
Capital expenditure financed from revenue balances	(1,886)	(1,650)	0	0	0	3,536
Total Adjustments between Revenue and Capital	(19,582)	(3,326)	0	4,403	0	18,505

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 Comparative Figures

Resources	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(4,435)	0	4,435
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(6,392)	0	0	6,392
Application of capital grants to finance capital expenditure	0	0	0	0	(704)	704
Cash payments in relation to deferred capital receipts	0	0	0	32	0	(32)
Total Adjustments to Capital Resources	0	0	(6,392)	(4,403)	(704)	11,499
Total Adjustments	58,828	(10,036)	(2,087)	0	1,168	(47,873)

7. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

RESERVES

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

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

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

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

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

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

8. OTHER OPERATING EXPENDITURE

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

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

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

NOTES TO THE CORE FINANCIAL STATEMENTS

10. TAXATION AND NON SPECIFIC GRANT INCOMES

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

11. PROPERTY, PLANT & EQUIPMENT

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

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2015	170,500	527,753	16,089	438,847	3,583	2737	6,301	1,165,810	33,527
Additions	3,539	107,843	1,933	17,641	33	0	2,116	133,105	99,703
Revaluation increases/(decreases) recognised in the Revaluation Reserve	966	12,876	0	0	0	472	0	14,314	1,118
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,711)	(44)	0	0	0	46	0	(15,709)	143
Derecognition - disposals	(1,328)	(20,293)	(120)	(42)	0	(200)	0	(21,983)	0
Derecognition - other	(39)	(3,530)	(6,083)	(19)	0	(7)	0	(9,678)	(2,747)
Assets reclassified (to)/from Held for Sale	(335)	(3,059)	0	0	0	(814)	0	(4,208)	0
Other movements in cost or valuation	561	(18,387)	(1,318)	0	0	(155)	(4,368)	(23,667)	(10,120)
At 31 March 2016	158,153	603,159	10,501	456,427	3,616	2,079	4,049	1,237,984	121,624
Depreciation and Impairments									
At 1 April 2015	(8,970)	(31,130)	(9,653)	(119,193)	(805)	(155)	0	(169,906)	(6,794)
Depreciation charge for 2015/16	(4,430)	(14,578)	(2,364)	(11,666)	(178)	(10)	0	(33,226)	(4,695)
Depreciation written out to the Revaluation Reserve	89	12,483	0	0	0	15	0	12,587	1,300
Depreciation written out to	12,734	290	0	0	0	0	0	13,024	0

NOTES TO THE CORE FINANCIAL STATEMENTS

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
the Surplus/Deficit on the Provision of Services									
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(2,155)	0	0	0	(876)	0	(3,031)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(14,623)	(858)	0	0	(1,119)	0	(16,600)	(10,127)
Derecognition - disposals	68	1,273	65	24	0	27	0	1,457	0
Derecognition - other	6	365	6,083	19	0	7	0	6,480	2,747
Other movements in depreciation and impairment	503	20,092	1,319	0	0	2,101	0	24,015	10,120
At 31 March 2016	0	(27,983)	(5,408)	(130,816)	(983)	(10)	0	(165,200)	(7,449)
NBV at 31 March 2016	158,153	575,176	5,093	325,611	2,633	2,069	4,049	1,072,784	114,175
NBV at 31 March 2015	161,530	496,623	6,436	319,654	2,778	2,582	6,301	995,904	26,733

The comparative movements in 2014/15 were as detailed below:

	Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Infra- structure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation									
At 1 April 2014	155,499	618,008	22,691	419,988	4,356	2,133	8,210	1,230,885	42,560
Additions	8,187	5,720	1,054	17,942	78	0	4,254	37,235	195
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	3,206	0	0	0	68	0	3,274	(2,774)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,730	(14,453)	0	0	0	(20)	(12)	(6,755)	(5,593)
Derecognition - disposals	(1,198)	(62,733)	(975)	0	0	0	0	(64,906)	0
Derecognition - other	0	(6,295)	(6,682)	(156)	(851)	0	(31)	(14,015)	(851)
Assets reclassified (to)/from Held for Sale	(829)	(2,705)	0	0	0	0	0	(3,534)	0

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
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

Local Authority Maintained Schools

Included in the above balances for other land and buildings are all or a significant part of 11 primary schools for which plans are being finalised with the Diocese or for which instructions have been issued, but full ownership has not yet transferred to the Diocese. This detailed work is necessary because in many circumstances the schools are now physically different and it is necessary to ensure that the transfers relate purely to the school function and not other uses which may now be on site. There is a legal obligation to transfer ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998).

Work commenced on the first transfers in 2008/09, and further schools were identified in 2011/12, mainly as a result of Primary School Amalgamations, which resulted in the change of the category of a number of schools. These schools will be removed from the Council's balance sheet on completion of the legal transfer. The total net book value for these schools as at the balance sheet date is £19.86m.

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

Two Secondary schools are listed as Voluntary Controlled schools on the Department of Education list. Under the School Standards and Framework Act 1998 ('the 1998 Act') the school buildings and hard standing should be transferred to the trustees of the school. These should also be transferred to their governing bodies, and are still to be actioned, but may be overtaken by any plans to transfer these schools to Academy status. The total net book value for these schools as at the balance sheet date is £20.90m.

Academy Schools

In 2015/16 four further schools became Academies. The School land and premises are now leased by the Council to the Academy school on a 125 year peppercorn rent. On this basis the school is now listed in the Council's fixed asset register at nil value. The value written out of the Council balance sheet in 2015/16 for these schools was £17.68m.

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

Depreciation

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

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

Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment or to provide grant funding to other bodies for a capital purpose in 2016/17 and future years budgeted to cost £28.112m. Similar commitments at 31 March 2015 were £25.528m. The major commitments were:

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

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional

NOTES TO THE CORE FINANCIAL STATEMENTS

standards of the Royal Institution of Chartered Surveyors. Vehicles, plant, furniture and equipment are held on historic cost basis. The significant assumptions applied in estimating the fair values are:

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

Valuations of Non-Current Assets carried at Current Value

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	0	450	5,093	0	5,543
Valued at Fair Value as at:					
31-Mar-16	158,153	760	0	0	158,913
01 Apr 15	0	273,092	0	2,070	275,162
01-Apr-14	0	118,886	0	0	118,886
01-Apr-13	0	86,016	0	0	86,016
01-Apr-12	0	42,969	0	0	42,969
01-Apr-11	0	53,003	0	0	53,003
Total Cost or Valuation	158,153	575,176	5,093	2,070	740,493

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

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

12. INVESTMENT PROPERTIES

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Hierarchy

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

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

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

Significant Observable Inputs – Level 2

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

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

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

Highest and Best Use of Investment Properties

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation Process for Investment Properties

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

13. CAPITAL EXPENDITURE AND FINANCING

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

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

14. PRIVATE FINANCE INITIATIVE SCHEMES

The Council has two Private Finance Initiative (PFI) schemes: The Quality in Community Services (QICS) PFI, signed on 21 May 2005, and the Waste Services PFI contract, signed on 29 September 2007.

a. The Quality in Community Services PFI Project

On 21 May 2005 the Council entered into a 30 year contract with Integrated Care Solutions (ICS) to supply and maintain six buildings:

- Three Resource Centres
- A Nursing Home
- A Joint Service Centre
- An Intermediate Care Hub

The contract was a Private Finance Initiative under the Capital Finance Regulations. The Council was awarded a PFI credit of £20.400m.

b. The Waste Services PFI Project

On 29 September 2007, the former Shropshire County Council, in its capacity as Contracting Authority for the former Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007. On 20 October 2008 Shrewsbury & Atcham Borough Council joined the Partnership and the contract with Veolia for the remaining 26 years.

The contract is a Private Finance Initiative (PFI) contract and is part funded by £40.800m of PFI credits which are paid as an annual PFI grant.

There are two separable elements to the contract: a collection and recycling element and a waste treatment services element.

The collection and recycling element comprises the kerbside collections of recycling and waste, the operation of the Integrated Waste Management Facilities (comprising the household recycling centres and transfer stations) and waste treatment and disposal other than the operation of the Energy Recovery Facility. The contract is an output based contract but proposed waste infrastructure that will be used to deliver services under this element of the contract includes upgrades of the existing Craven Arms and Whitchurch recycling facilities, the development of Integrated Waste Management Facilities to service the Oswestry and Bridgnorth areas and the development of an In Vessel Composting Facility.

Two broad groups of assets are being provided under the Waste Services PFI contract:

- Vehicles and waste receptacles used to deliver the day to day waste service.
- Assets to be constructed under the contract to deliver improved recycling and diversion performance.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Details of Payments due to be made under PFI contracts

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

* comprised of operating costs and lifecycle costs

comprised of finance lease interest and contingent rental

NOTES TO THE CORE FINANCIAL STATEMENTS

15. LEASES

Authority as a Lessee

Finance Leases

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

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

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

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

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

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Not later than one year	17,450	16,364	5,152	5,247
Later than one year and not later than five years	64,832	62,588	18,275	15,441
Later than five years	260,625	217,029	100,773	82,553
Total	342,907	295,981	124,200	103,241

The finance lease liabilities recognised on the balance sheet as "Deferred Liabilities" totals £118.426m. The analysis of the deferred liability is detailed below. Further details of the QICS and Waste PFI lease values are detailed in Note 14 Private Finance Initiative Schemes.

NOTES TO THE CORE FINANCIAL STATEMENTS

	QICS £000	Waste £000	Total £000
Lease liability (due within 1 year)	(236)	(4,916)	(5,152)
Lease liability (due after 1 year)	(12,586)	(100,688)	(113,274)
Total	(12,822)	(105,604)	(118,426)

Operating Leases

The Council has acquired vehicles and equipment by entering into operating leases, with typical lease lengths of three to seven years. The Council also has a number of land and buildings that are held under operating leases.

The minimum lease payments due for the following financial year under non-cancellable leases committed at 31 March under operating leases years are:

	31 March 2016 £000	31 March 2015 £000
Expiring not later than one year	106	102
Expiring later than one year and not later than five years	657	671
Expiring later than five years	409	624
Total	1,172	1,397

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2016 £000	31 March 2015 £000
Lease payments	1,654	2,077
Sub Lease receivable	0	0
Total	1,654	2,077

Authority as Lessor

Operating Leases

The Council leases out property under operating leases for a variety of purposes, including:

- For the provision of community services.
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- For income generation as Investment Properties.

The minimum lease payments due under non-cancellable leases committed at 31 March under operating leases years are:

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2016 £000	31 March 2015 £000
Expiring not later than one year	234	139
Expiring later than one year and not later than five years	397	708
Expiring later than five years	1,370	1,288
Total	2,001	2,135

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Investments:				
Loans and receivables	400	400	134,806	110,073
Total investments	400	400	134,806	110,073
Debtors:				
Loans and receivables	13,614	7,240	0	0
Financial assets carried at contract amounts	0	0	40,372	46,049
Total Debtors	13,614	7,240	40,372	46,049
Borrowing:				
Financial liabilities at amortised cost	(323,968)	(328,968)	(7,200)	(11,117)
Total Borrowings	(323,968)	(328,968)	(7,200)	(11,117)
Other Long Term Liabilities:				
PFI and finance lease liabilities	(118,426)	(22,676)	0	0
Total Other Long Term Liabilities	(118,426)	(22,676)	0	0
Creditors:				
Financial liabilities carried at contract amount	(695)	(707)	(54,967)	(45,218)
Cash overdrawn	0	0	(11,028)	(10,131)
Total Creditors	(695)	(707)	(65,995)	(55,349)

The debtors figure included in the balance sheet includes payments in advance from individuals and organisations which are not considered to be financial instruments, therefore these prepayments have been excluded above. Similarly the creditors figure also includes receipts in advance which are not a financial instrument, therefore these have been excluded above. A reconciliation of the Financial Instrument figures to the Balance Sheet is provided below:

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2016 £000	31 March 2015 £000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	40,372	46,049
Payments In Advance	27,058	26,211
Total Debtors as per Balance Sheet	67,430	72,260
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(54,967)	(45,218)
Receipts In Advance	(7,818)	(6,665)
Total Creditors as per Balance Sheet	(62,785)	(51,883)

Soft Loans

Small Business Loans

Shropshire Council has entered into two legal contracts with MRRT Ltd to provide funding to MRRT to be used to provide small business loans. As at the balance sheet date a total of £0.650m 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 £2.073m are advanced to clients receiving residential/nursing care who following assessment are required to pay the full cost of their care. As all of the clients funds are tied up in the property they own, a legal charge is made against the property and when the property is sold the outstanding debts are cleared and the legal charge removed.

In addition, clients who are required to make adaptations to their homes to maintain their independence are also given interest free loans, the nominal value of these loans is £0.320m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Income, Expense, Gains and Losses

	2015/16			2014/15		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	24,433	0	24,433	19,734	0	19,734
Total expense in Surplus or Deficit on the Provision of Services	24,433	0	24,433	19,734	0	19,734
Interest income	0	(2,153)	(2,153)	0	(1,815)	(1,815)
Interest income accrued on impaired financial assets	0	0	0	0	0	0
Total income in Surplus or Deficit on the Provision of Services	0	(2,153)	(2,153)	0	(1,815)	(1,815)
Net (gain)/loss for the year	24,433	(2,153)	22,280	19,734	(1,815)	17,919

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values calculated are as follows. The fair values calculated are as follows:

	31 March 2016		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	49,200	62,659	49,200	60,055
Long term creditors	279,768	345,266	288,568	354,998
PFI liabilities	118,426	279,532	22,676	40,358

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2016		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables:				
Cash	47,480	47,480	35,900	35,900
Fixed Term Deposits	87,000	87,324	74,000	74,208
Long term debtors	7,240	7,240	7,240	7,240
Long term investments	400	400	400	400

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest below current market rates.

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

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31 March 2016			Total £000
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
Recurring fair value measurements using:				
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	407,925	0	407,925
Long term creditors	0	0	0	0
PFI and finance lease liabilities	0	0	0	0
Total	0	407,925	0	407,925
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	0	0
Other loans and receivables	0	134,804	0	134,804
Total	0	134,804	0	134,804

	31 March 2015 Comparative Year			Total £000
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
Recurring fair value measurements using:				
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	415,053	0	415,053
Long term creditors	0	0	0	0
PFI and finance lease liabilities	0	0	0	0
Total	0	415,053	0	415,053
Financial assets				
Loans and receivables:				
Soft loans to third parties	0	0	0	0
Other loans and receivables	0	110,108	0	110,108
Total	0	110,108	0	110,108

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial Assets	Financial Liabilities
No early repayment or impairment is recognised	No early repayment is recognised
Estimated ranges of interest rates at 31 March 2016 of 0.25% to 0.55% for loans receivable, based on new lending rates for equivalent loans at that date	Estimated ranges of interest rates at 31 March 2016 of 1.13% to 3.14% for loans payable, based on new lending rates for equivalent loans at that date
The fair value of trade and other receivables is taken to be the invoiced or billed amount	

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses;
- By approving annually in advance prudential and treasury indicators for the following three years;
- By approving an investment strategy for the forthcoming year.

To avoid the Council suffering loss as a result of its treasury management activities a number of risk management procedures have been put in place.

These procedures are based on the concept that firstly security of principal is paramount, secondly that there is a need to maintain liquidity and finally earning a rate of return commensurate with the first two concepts.

Credit Risk Exposure

Credit and counterparty risk is the failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness.

As a holder of public funds, Shropshire Council regards it a prime objective of its treasury management activities to be the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction or minimisation of risk. Accordingly, the

NOTES TO THE CORE FINANCIAL STATEMENTS

Council ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Council's creditworthiness policy which is approved as part of the Annual Investment Strategy. The Council's lending list is reviewed continuously in conjunction with its treasury advisor and formally updated monthly. Additions to, and deletions from, the list are approved by the Section 151 Officer.

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating the maximum amount is currently limited to £30.000m.

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience of default, adjusted to reflect current market conditions.

	Amount deposited at 31 March 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2016	Estimated maximum exposure to default and uncollectability at 31 March 2016	Estimated maximum exposure at 31 March 2015
	£000	%	%	%	£000
	A	B	C	(AxC)	
Loans and receivables held with counterparties having a default rating of:					
AA	27,480	0.03	0.03	0.00	0.00
A	80,000	0.08	0.08	0.00	0.00
BBB	15,000	0.19	0.19	0.00	0.00
Other Local Authorities	12,000	0.00	0.00	0.00	0.00
Debtors (Customers)	22,417	Local Experience	Local Experience	Local Experience	Local Experience

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council generally allows its customers 30 days credit. Of the £22.417m outstanding from customers £12.878m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2015/16 £000	2014/15 £000
Less than 3 months overdue	2,263	2,236
3 to 6 months overdue	2,618	2,546
6 months to 1 year overdue	2,277	2,715
More than 1 year overdue	5,720	4,064
	12,878	11,561

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most

NOTES TO THE CORE FINANCIAL STATEMENTS

cost effective manner. The Council therefore has sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected circumstances.

As the Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board and money markets for access to longer term funds, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourably high interest rates. The Council's strategy therefore is to ensure that no more than 15% of loans mature in any one financial year.

In addition, all of the Council's short term liquidity requirements can be satisfied through short term borrowing and bank overdraft facilities.

The maturity analysis of financial liabilities is as follows:

Age of Debt	2015/16 £000	2014/15 £000
Less than 1 year	5,061	8,861
Between 1 and 2 years	6,400	5,000
Between 2 and 5 years	14,000	16,400
Between 5 and 10 years	18,600	22,100
More than ten years	284,968	285,468
	329,029	337,829

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council minimises this risk by seeking expert advice on forecasts on interest rates from its Treasury Management consultants, and agreeing with them the strategy for the forthcoming year for the investment and debt portfolios. Movement of actual interest rates against these expectations is monitored continuously with advice from our treasury advisor.

The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. Interest rate exposure limits and other prudential limits are set through this Strategy. The limit for variable rate debt is 50% of the total debt portfolio however the Council works to a more prudent level and maximises its exposure to 25%. As borrowings are not carried at fair value, nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure.

As at 31 March 2016 the Council's total outstanding debt (excluding accrued interest) amounted to £329.029m of which none of these loans were at stepped interest rates. Out of this balance £279.768m relates to fixed rate Public Works Loan Board (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

NOTES TO THE CORE FINANCIAL STATEMENTS

rate loans. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2016, £47.480m was held in a Call Account.

Price Risk

The Council, excluding the pension fund, does not invest in equity shares or bonds, therefore is not exposed to losses arising from movements in share/bond prices.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies therefore the exposure to loss arising from movements in exchange rates is zero.

18. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2016.

	31 March 2016 £000	31 March 2015 £000
Central Government Bodies	7,923	7,358
Other Local Authorities	2,228	1,782
NHS Bodies	6,044	11,869
Public Corporations and Trading Funds	4	2
Other Entities and Individuals	30,202	28,543
Waste PFI Prepayments	21,029	22,706
	67,430	72,260

19. CASH AND CASH EQUIVALENTS

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

	31 March 2016 £000	31 March 2015 £000
Bank current accounts	32,480	30,900
Short term deposits with building societies	43,476	37,443
Total Cash and Cash Equivalents	75,956	68,343
Bank Overdraft	(11,028)	(10,131)
Cash Overdrawn	(11,028)	(10,131)

NOTES TO THE CORE FINANCIAL STATEMENTS

20. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2016.

	31 March 2016 £000	31 March 2016 £000
Central Government Bodies	(5,281)	(5,695)
Other Local Authorities	(1,566)	(3,625)
NHS Bodies	(2,265)	(3,240)
Public Corporations and Trading Funds	0	(5)
Other Entities and Individuals	(53,673)	(39,318)
	(62,785)	(51,883)

21. USABLE RESERVES

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

	31 March 2016 £000	31 March 2015 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	2,802	1,635
Reserves	60,841	55,027
Capital Grants Unapplied Account	6,612	3,954
HRA Balance	5,823	3,076
General Fund Balance	18,370	15,206
Total Usable Reserves	94,448	78,898

22. UNUSABLE RESERVES

	31 March 2016 £000	31 March 2015 £000
Revaluation Reserve	136,248	121,439
Capital Adjustment Account	584,836	605,297
Financial Instruments Adjustment Account	(5,284)	(5,603)
Deferred Capital Receipts Reserve	740	772
Pensions Reserve	(388,736)	(407,792)
Collection Fund Adjustment Account	(1,515)	1,259
Accumulated Absences Account	(2,165)	(3,211)
Total Unusable Reserves	324,124	312,161

NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluation Reserve

	2015/16 £000	2014/15 £000
Balance at 1 April	121,439	137,177
Upward revaluation of assets	29,446	14,544
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,576)	(8,414)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	23,870	6,130
Difference between fair value depreciation and historical depreciation	(3,604)	(3,254)
Accumulated gains on assets sold or scrapped	(5,457)	(15,814)
Other transfers to the Capital Adjustment Account	0	(2,800)
Amount written off to the Capital Adjustment Account	(9,061)	(21,868)
Balance at 31 March	136,248	121,439

Capital Adjustment Account

	2015/16 £000	2014/15 £000
Balance at 1 April	605,297	622,864
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non current assets	(49,906)	(39,380)
- Revaluation losses on Property, Plant and Equipment	(3,569)	(2,366)
- Amortisation of intangible assets	(318)	(365)
- Revenue expenditure funded from capital under statute	(10,760)	(12,351)
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss of disposal to the Comprehensive Income and Expenditure Statement	(25,536)	(68,612)
	(90,089)	(123,074)
Adjusting amounts written out of the Revaluation Reserve	9,061	21,868
Net written out amount of the cost of non-current assets consumed in the year	(81,028)	(101,206)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	4,213	4,435
- Use of the Major Repairs Reserve to finance new capital expenditure	3,273	6,392
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,163	35,783
- Application of grants to capital financing from the Capital Grants Unapplied Account	464	704
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12,268	15,055
- Capital expenditure charged against the General Fund and HRA balances	2,265	3,536
	56,646	65,905
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,921	17,734
Balance at 31 March	584,836	605,297

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments Adjustment Account

	2015/16 £000	2014/15 £000
Balance at 1 April	(5,603)	(5,900)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	315	315
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4	(18)
Balance at 31 March	(5,284)	(5,603)

Pensions Reserve

	2015/16 £000	2014/15 £000
Balance at 1 April	(407,792)	(297,394)
Remeasurements of the net defined benefit liability/(asset)	35,144	(101,795)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(36,529)	(28,732)
Employer's pension contributions and direct payments to pensioners payable in the year	20,441	20,129
Balance at 31 March	(388,736)	(407,792)

Deferred Capital Receipts Reserve

	2015/16 £000	2014/15 £000
Balance at 1 April	772	804
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(32)	(32)
Balance at 31 March	740	772

Collection Fund Adjustment Account

	2015/16 £000	2014/15 £000
Balance at 1 April	1,259	1,365
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,774)	(106)
Balance at 31 March	(1,515)	1,259

NOTES TO THE CORE FINANCIAL STATEMENTS

Accumulated Absences Account

	2015/16 £000	2014/15 £000
Balance at 1 April	(3,211)	(3,217)
Settlement or cancellation of accrual made at the end of the preceding year	3,211	3,217
Amounts accrued at the end of the current year	(2,165)	(3,211)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,046	6
Balance at 31 March	(2,165)	(3,211)

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

	2015/16 £000	2014/15 £000
Surplus/(Deficit) for year per Comprehensive Income & Expenditure Statement	(31,501)	(33,167)
Adjust net surplus or deficit on the provision of services for non cash movements:		
Depreciation	49,906	39,379
Impairment and downward valuations	3,569	2,365
Amortisation	317	365
Impairment losses on loans & advances debited to surplus or deficit on the provision of services in year	7	23
Reductions in fair value of non PWLB Loans	0	0
Soft Loans – Interest adjustment	0	0
Adjustments for effective interest rates	0	2
Increase/(Decrease) in Interest Creditors	(113)	(27)
Increase/(Decrease) in Creditors	9,384	(5,315)
(Increase)/Decrease in Interest and Dividend Debtors	(171)	1
(Increase)/Decrease in Debtors	6,894	(3,226)
(Increase)/Decrease in Inventories	170	(28)
Pension Liability	16,088	8,603
Contributions to/(from) Provisions	193	2,089
Carrying amount of non-current assets sold	25,179	68,527
Movement in Investment Property Values	(3,921)	(17,734)
	107,502	95,024
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:		
Carrying amount of short and long term investment sold	(16,949)	(2,625)
Capital Grants credited to surplus or deficit on the provision of services	(37,284)	(37,655)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4,822)	(4,978)
	(59,055)	(45,258)
Net Cash Flows from Operating Activities	16,946	16,599

NOTES TO THE CORE FINANCIAL STATEMENTS

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/16 £000	2014/15 £000
Interest received	(1,981)	(1,816)
Interest paid	24,540	19,736

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2015/16 £000	2014/15 £000
Purchase of property, plant and equipment, investment property and intangible assets	31,111	43,828
Other payments for investing activities	7,192	4,361
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(32)	(32)
Other receipts from investing activities*	(42,929)	(41,859)
Net cash flows from investing activities	(4,658)	6,298

* This includes capital grants received in year.

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2015/16 £000	2014/15 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,719	204
Repayments of short and long term borrowing	8,812	5,071
Other payments for financing activities*	2,357	13
Net cash flows from financing activities	14,888	5,288

* Represents change in value of NNDR debtor/creditor

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Service Area Income and Expenditure 2015/16	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(42,787)	(27,768)	(46,498)	(2,975)	(79,707)	(199,735)
Government grants	(4,041)	(158,700)	(4,859)	(11,501)	(93,764)	(272,865)
Total Income	(46,828)	(186,468)	(51,357)	(14,476)	(173,471)	(472,600)
Employee expenses	16,795	28,777	25,041	3,024	31,796	105,433
Other service expenses	103,016	206,295	103,350	10,885	108,601	532,147
Support service recharges	4,405	5,309	6,324	2,556	29,453	48,047
Total Expenditure	124,216	240,381	134,715	16,465	169,850	685,627
Net Expenditure	77,388	53,913	83,358	1,989	(3,621)	213,027

Service Area Income and Expenditure 2014/15	Adults Services £000	Children's Services £000	Commissioning £000	Public Health £000	Resources & Support £000	Total £000
Fees, charges and other services income	(35,268)	(26,259)	(44,080)	(2,284)	(66,128)	(174,019)
Government grants	(226)	(159,396)	(3,786)	(10,063)	(87,851)	(261,322)
Total Income	(35,494)	(185,655)	(47,866)	(12,347)	(153,979)	(435,341)
Employee expenses	16,205	26,589	23,317	2,617	29,447	98,175
Other service expenses	93,332	208,865	102,263	10,766	107,001	522,227
Support service recharges	4,110	6,187	7,391	1,034	19,362	38,084
Total Expenditure	113,647	241,641	132,971	14,417	155,810	658,486
Net Expenditure	78,153	55,986	85,105	2,070	1,831	223,145

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

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

	2015/16 £000	2014/15 £000
Net expenditure in the Service Area Analysis	213,027	223,145
Net expenditure of services and support services not included in the Analysis	(217,628)	(186,679)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(496)	(10,567)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	36,598	7,268
Cost of Services in Comprehensive Income and Expenditure Statement	31,501	33,167

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.

2015/16					
	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(197,109)	(18,470)	30,950	(46,793)	(231,422)
Interest and investment income	(2,626)	(43)	516	0	(2,153)
Income from council tax	0	0	0	(128,428)	(128,428)
Government grants and contributions	(272,865)	(315)	4,518	(71,259)	(339,921)
Total Income	(472,600)	(18,828)	35,984	(246,480)	(701,924)
Employee expenses	204,676	0	(1,046)	0	203,630
Other service expenses	392,251	12,611	(36,650)	(183)	368,029
Support Service recharges	53,199	194	0	0	53,393
Depreciation, amortisation and impairment	0	3,023	52,253	0	55,276
Interest Payments	35,383	2,994	(13,943)	0	24,434
Precepts & Levies	117	0	0	6,307	6,424
Payments to Housing Capital Receipts Pool	0	0	0	600	600
Gain or Loss on Disposal of Non-Current Assets	0	(489)	0	22,128	21,639
Total expenditure	685,626	18,333	614	28,852	733,425
(Surplus) or deficit on the provision of services	213,027	(496)	36,598	(217,628)	31,501

2014/15 comparative figures (Restated)					
	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(171,965)	(17,730)	3,852	0	(185,843)
Interest and investment income	(2,054)	(40)	279	0	(1,815)
Income from council tax	0	0	0	(126,097)	(126,097)
Government grants and contributions	(261,322)	(922)	(3,852)	(130,131)	(396,227)
Total Income	(435,341)	(18,692)	279	(256,228)	(709,982)

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 comparative figures (Restated)

	Service Area Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Corporate Amounts £000	Total £000
Employee expenses	200,629	0	(6)	0	200,623
Other service expenses	379,825	8,104	(6,190)	(919)	380,820
Support Service recharges	43,041	185	0	0	43,226
Depreciation, amortisation and impairment	0	(3,092)	30,703	0	27,611
Interest Payments	34,873	2,995	(17,518)	0	20,350
Precepts & Levies	118	0	0	5,908	6,026
Payments to Housing Capital Receipts Pool	0	0	0	539	539
Gain or Loss on Disposal of Non-Current Assets	0	(67)	0	64,021	63,954
Total expenditure	658,486	8,125	6,989	69,549	743,149
(Surplus) or deficit on the provision of services	223,145	(10,567)	7,268	(186,679)	33,167

28. TRADING OPERATIONS

The Council has 19 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of these units with a turnover of greater than £5m in 2015/16 are as follows:

		2015/16		2014/15	
		£000	£000	£000	£000
Shire Services operates as a trading organisation within the Council, delivering catering and cleaning services. Shire Services provides catering services to schools in Shropshire, Worcestershire, Herefordshire, Telford and North Wales, as well as to a range of non-school sites in Shropshire. Cleaning services are provided to schools and other Council premises in Shropshire, including the Area Headquarters.	Turnover	(15,382)		(15,134)	
	Expenditure	15,759		15,437	
	(Surplus)/ Deficit		377		303
Shropshire County Training has operated as a trading organisation within the Council since 1 September 2004. The principal activity of County Training is the provision of training to enable people of all abilities to gain skills and qualifications required to meet the needs of the local labour market and so help employers to benefit from a better trained or more experienced work force and also to support unemployed people into sustained employment.	Turnover	(5,512)		(6,998)	
	Expenditure	7,339		7,412	
	(Surplus)/ Deficit		1,827		414
The consolidated results of the other 17 of the Council's 19 trading units are	Turnover	(39,524)		(37,650)	
	Expenditure	44,132		48,832	
	(Surplus)/ Deficit		4,608		11,182
Net Surplus on Trading Activities			6,812		11,899

NOTES TO THE CORE FINANCIAL STATEMENTS

29. MEMBERS' ALLOWANCES

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

	2015/16 £000	2014/15 £000
Basic Allowances	846	851
Special Responsibility Allowances	282	286
Expenses	53	68
Total	1,181	1,205

30. OFFICERS' REMUNERATION

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

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Total excl. pension contributions	Employers # pension contributions	Total incl. pension contributions
Chief Executive	2015/16	£101,466	£0	£101,466	£13,698	£115,164
	2014/15	£99,981	£0	£99,981	£13,497	£113,478
Director of Adult Services (left January 2016)	2015/16	£81,383	£0	£81,383	£10,628	£92,011
	2014/15	£97,485	£0	£97,485	£13,160	£110,645
Director of Adult Services (started January 2016)	2015/16	£20,214	£0	£20,214	£2,729	£22,942
	2014/15	£0	£0	£0	£0	£0
Director of Children's Services	2015/16	£98,940	£0	£98,940	£13,357	£112,297
	2014/15	£97,485	£0	£97,485	£13,160	£110,645
Director of Commissioning	2015/16	£98,940	£0	£98,940	£13,160	£112,100
	2014/15	£97,485	£0	£97,485	£13,160	£110,645
Director of Public Health [^]	2015/16	£98,781	£0	£98,781	£14,431	£113,212
	2014/15	£98,453	£0	£98,453	£13,783	£112,236
Director of Resources and Support (left December 2015) [*]	2015/16	£69,388	£0	£68,620	£9,264	£78,642
	2014/15	£97,485	£0	£97,485	£13,160	£110,645
Head of Legal and Democratic Services, Monitoring Officer	2015/16	£97,838	£0	£97,838	£13,208	£111,046
	2014/15	£96,620	£0	£96,620	£13,044	£109,664
Head of Finance, Governance & Assurance, S151 Officer [°]	2015/16	£96,600	£0	£96,600	£13,041	£109,641
	2014/15	£95,400	£0	£95,400	£12,879	£108,279
Head of Human Resource (reports to Chief Executive from January 2016)	2015/16	£81,600	£0	£81,600	£11,016	£92,616
	2014/15	£0	£0	£0	£0	£0

[#] The Council's pension contributions have now been split between a standard percentage contribution and a lump sum for the Council. As a result the standard percentage per person has decreased and the lump sum payment cannot be allocated to specific individuals.

[^] An element of the total remuneration paid to the Director of Public Health was recharged to Herefordshire Council (£63,700) to reflect the shared arrangement for the Director of Public Health role.

^{*} An element of the total remuneration paid to the Director of Resources & Support was recharged to ip&e Ltd (£78,642) to reflect the secondment arrangement during 2015/16. The Director Of Resources & Support also received a compromise agreement payment of £23,900 during 2015/16 in accordance with the Council's policy.

[°] An element of the total remuneration paid to the Head of Finance, Governance & Assurance is recharged to Shropshire County Pension Fund (£6,500), Shropshire & Wrekin Fire Authority (£15,640), West Mercia Energy (£4,000), and Marches LEP (£1,100) to reflect the various treasurer roles undertaken within those organisations.

NOTES TO THE CORE FINANCIAL STATEMENTS

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	2015/16 No. of Employees	2014/15 No. of Employees
50,000 - 54,999	78	86
55,000 - 59,999	46	34
60,000 - 64,999	26	26
65,000 - 69,999	15	11
70,000 - 74,999	3	2
75,000 - 79,999	5	5
80,000 - 84,999	9	12
85,000 - 89,999	6	4
90,000 - 94,999	0	1
95,000 - 99,999	4	7
100,000 - 104,999	3	1
105,000 - 109,999	1	1

The numbers of exit packages with total cost per band and total cost of the exit packages, including redundancy payments, pension strain and unpaid leave are set out in the table below. The figures disclosed include exit packages for schools and the Council.

	No. of compulsory redundancies		No. of other departures agreed		Total no of exit packages by cost band		Total cost of exit packages in each band £000	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	102	27	106	90	208	117	1,240	924
£20,001 - £40,000	9	2	13	23	22	25	566	701
£40,001 - £60,000	0	0	12	11	12	11	616	531
£60,001 - £80,000	3	0	8	10	11	10	768	701
£80,001 - £100,000	0	0	3	4	3	4	256	372
£100,001 - £200,000	0	0	6	4	6	4	725	453
	114	29	148	142	262	171	4,171	3,682

31. EXTERNAL AUDIT COSTS

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

	2015/16 £000	2014/15 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	134	179
Fees payable to external audit for the certification of grant claims and returns	14	15
Fees payable in respect of other services provided by the external audit during the year	21	13
Total	169	207

32. DEDICATED SCHOOLS GRANT

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015/16 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2015/16 before Academy recoupment	35,318	153,333	188,650
Central provision with Schools and De-delegated Budgets	4,240	(4,240)	0
Early Years Maintained Settings included in ISB on S251	(2,442)	2,442	0
Re-Allocation of High Needs to ISB	(2,216)	2,216	0
High Needs Commissioned Places	(6,095)	6,095	0
High Needs Recoupment	0	(4,278)	(4,278)
Academy figure recouped for 2015/16	0	(49,061)	(49,061)
Total DSG after Academy recoupment for 2015/16	28,805	106,507	135,311
Plus: Brought forward from 2014/15	2,629	(419)	2,210
Less: Carry forward to 2016/17 agreed in advance	0	0	0
Agreed budgeted distribution in 2015/16	31,434	106,088	137,522
In-year adjustments	0	290	290
Final budgeted distribution in 2015/16	31,434	106,378	137,812
Less: Actual central expenditure	(27,887)	0	(27,887)
Less: Actual ISB deployed to schools	0	(104,659)	(104,659)
Early Years PVI included in ISB on S251	0	(2,738)	(2,738)
Plus: Local authority contribution for 2015/16	0	0	0
Carry forward to 2016/17	3,547	(1,020)	2,527

33. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(43,760)	(57,058)
Local Services Support Grant	(241)	(305)
New Homes Bonus	(7,505)	(5,913)
Council Tax Freeze Grant	(1,325)	(1,307)
Business Rates Relief Grant	(3,673)	(2,988)
Efficiency Support for Sparse Areas	0	(163)
Capital Grants & contributions	(27,663)	(28,823)
Total	(84,167)	(96,557)
Credited to Services		
DWP Housing Benefit	(68,100)	(69,060)
DWP Housing Benefit & Council Tax Benefit Admin Subsidy	(1,346)	(1,208)
DCLG Waste PFI	(3,186)	(3,186)

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16 £000	2014/15 £000
DCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(135,284)	(133,991)
DFE/DE Sixth Forms funding	(2,029)	(3,080)
DFE Pupil Premium Grant	(6,591)	(7,190)
DFE UFSM	(3,128)	(1,847)
DFE PE & Sports	(1,052)	(1,069)
Education Services Grant	(2,828)	(3,765)
DoH Public Health Grant	(11,032)	(9,843)
DfT Local Sustainable Transport	0	(977)
DCLG/DoH Adult Social Care New Burdens	(2,008)	0
Independent Living Fund Grant	(1,315)	
Other Grants	(6,711)	(8,158)
Capital Grants & contributions	(9,622)	(8,832)
Total	(255,755)	(253,729)

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

	31 March 2016 £000	31 March 2015 £000
Grants Receipts in Advance (Capital Grants)		
Other Grants & Contributions	(114)	(70)
Total	(114)	(70)
Grants Receipts in Advance (Revenue Grants)		
EFA Designated Schools Grant	(2,527)	(2,210)
DWP Housing Benefit Subsidy	(1,418)	0
CLG Tackling Troubled Families	(650)	(593)
Standards Fund	(354)	(549)
SEN Reform	(523)	(528)
Homelessness	(36)	(290)
Arts Council	(245)	(190)
CLG Social Services PFI	(210)	(210)
Police & Crime Commissioner - CCTV	(189)	0
Small Business Rate Relief Grant	0	(195)
EFA Pupil Premium Grant	0	(180)
Other Grants	(774)	(1,097)
Total	(6,926)	(6,042)

34. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme is technically a defined benefits scheme. However the Scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Council paid £8.232m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2014/15 were £7.946m and 14.1%. There were no contributions remaining payable at the year end.

Public Health employees previously employed by the NHS are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme.

In 2015/16, the Council paid £0.123m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.0% of pensionable pay. The figures for 2014/15 were £0.106m and 14.0%.

35. DEFINED BENEFIT PENSION SCHEMES

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

The Local Government Pension Scheme, administered by Shropshire Council is a funded defined benefit scheme. This means that the Council and employees pay contributions into a fund, which is invested in accordance with the Local Government Pension Scheme Regulations.

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund/HRA Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(23,075)	(18,016)
- past service gain/(cost)	(8)	(360)
- curtailment gain/(cost)	(169)	2,083
	(23,252)	(16,293)
Financing and Investment Income and Expenditure:		
- net interest expense	(12,624)	(12,439)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(35,876)	(28,732)

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	(24,276)	46,518
- experience (gain)/loss	0	0
- actuarial gains and (losses) arising on changes in demographic assumptions	0	(148,313)
- actuarial gains and (losses) arising on changes in financial assumptions	59,420	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(732)	(130,527)
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	35,876	28,732
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(20,441)	(20,129)

Assets and Liabilities Recognised in the Balance Sheet

	2015/16 £000	2014/15 £000
Present value of the defined benefit obligation	(1,085,538)	(1,114,833)
Fair value of plan assets	696,802	707,041
Net liability arising from defined benefit obligation	(388,736)	(407,792)

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Opening fair value of scheme assets at 1 April	707,041	646,316
Interest income	22,604	28,255
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	(24,276)	46,518
Contributions from employer	20,441	20,129
Contributions from employees into the scheme	5,324	5,300
Benefits paid	(34,728)	(37,083)
Other	396	(2,394)
Closing fair value of scheme assets at 31 March	696,802	707,041

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Opening balance at 1 April	(1,114,833)	(943,710)
Current Service Cost	(22,649)	(17,595)
Interest Cost	(35,228)	(40,694)
Contributions from scheme participants	(5,324)	(5,300)

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2015/16	2014/15
	£000	£000
Remeasurement gain/(loss):		
Actuarial gains/(losses) arising from changes in demographic assumptions	0	(148,313)
Actuarial gains/(losses) arising from changes in financial assumptions	59,420	0
Other	0	0
Past service costs	(8)	(360)
Losses/(gains) on curtailment	(1,221)	(1,484)
Liabilities assumed on entity combinations	34,728	0
Benefits paid	1,658	37,083
Liabilities extinguished on settlements	(2,081)	5,540
Closing balance at 31 March	(1,085,538)	(1,114,833)

Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2015/16	2014/15
	£000	£000
Cash and cash equivalents	11,985	21,989
Equity investments:		
UK quoted	52,259	58,260
Global quoted	303,527	309,471
Sub-total equity	355,786	367,731
Bonds:		
UK Government fixed	0	0
UK Government indexed	77,415	78,482
Government	0	0
PIMCO (Global Investment grade credit)	50,797	51,685
PIMCO (Global Absolute return bond fund)	51,076	50,271
Sub-total bonds	179,288	180,438
Property:		
Property funds	37,279	28,989
Sub-total property	37,279	28,989
Alternatives:		
Private Equity	30,520	29,484
Infrastructure	10,313	4,525
Hedge Funds	71,631	73,885
Sub-total alternatives	112,464	107,894
Total assets	696,802	707,041

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rate, salary levels and other variables.

The Council element of the Fund liabilities has been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2013.

NOTES TO THE CORE FINANCIAL STATEMENTS

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.9 yrs	23.8 yrs
Women	26.3 yrs	26.1 yrs
Longevity at 65 for future pensioners:		
Men	26.1 yrs	26.0 yrs
Women	29.1 yrs	29.0 yrs
Rate of inflation	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.2%	3.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	1,106,442	1,064,634
Rate of inflation (increase or decrease by 0.1%)	1,104,965	1,066,111
Rate of increase in salaries (increase or decrease by 0.1%)	1,089,041	1,082,035
Rate of increase in pensions (increase or decrease by 0.1%)	1,104,965	1,066,111
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,066,452	1,104,624

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the

Fund's forecast cash flows. Further details of the market, credit and liquidity risk management are detailed in Note 16 of the Shropshire County Pension Fund Annual Report.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £19.296m expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18 years for 2015/16 (18 years 2014/15).

36. RELATED PARTIES

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

Central Government

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

Members and Officers

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

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 2015/16 was £24.741m compared with £31.773m for 2014/15.

NOTES TO THE CORE FINANCIAL STATEMENTS

Councillors are often members of other public or charitable organisations in their own capacity, or are employed by organisations that we process transactions with. These relationships are declared within the Members' register. The Council has made payments of £4.222m to organisations where members are employed and £0.067m to organisations where members and senior officers occupy positions in their own capacity.

The Council also makes contract payments to bodies that members or senior officers may have a beneficial interest in. A total of £0.493m has been made in contract payments to such organisations.

Entities Controlled or Significantly Influenced by the Council

As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. The Council received £0.977m from the pension fund for the costs of administration it provided in 2015/16 compared with £0.906m for 2014/15.

The Council also has group relationships with West Mercia Energy, Shropshire Towns & Rural Housing and IP&E 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 89.

37. MARCHES LOCAL ENTERPRISE PARTNERSHIP

Shropshire Council, Telford & Wrekin Council and Herefordshire Council are Partners within the Marches Local Enterprise Partnership. The Partnership was launched in 2010 to create conditions for economic vitality and sustainable employment across the regions represented by the 3 Councils.

The Partnership is not a partnership in law, nor a formal decision making body, and does not have the power to bind the three Councils. The accountable body for the Marches LEP is Shropshire Council and all funding and transactions are processed through Shropshire Council's accounts. Shropshire Council's role within these transactions is deemed to be an agent, acting as an intermediary on behalf of the 3 Councils, therefore Shropshire Council accounts do not include the total income and expenditure for the Marches LEP. Instead, each Council within the Marches LEP will include any funding received from the Marches LEP and expenditure incurred in relation to LEP projects within their accounts. Accordingly any cash balances held by Shropshire Council in relation to the LEP is represented by a creditor within the Council's accounts.

Detailed below are the total funding received and expenditure paid out (cash) by Shropshire Council by 31st March in relation to the Marches LEP including the net creditor within Shropshire Council's balance sheet.

	2015/16	
	£000	£000
Opening Creditor 01 April 2015		(8,765)
Funding Received:		
Growth Deal	(12,800)	
DfT South Wye Package	(2,146)	
Growth Hub	(250)	
Core Funding	(250)	

NOTES TO THE CORE FINANCIAL STATEMENTS

	2015/16	
	£000	£000
Capacity Funding	(250)	
Match Funding – Partner Contributions	(121)	
Marches Investment Fund	(120)	
Interest on Balances	(101)	
		(16,038)
Expenditure:		
Growth Deal Projects	6,866	
Growth Hub	247	
Capacity Funding Projects	504	
Marches Investment Fund Expenditure	49	
LEP Management Costs	289	
		7,955
Marches LEP Creditor		(16,848)

38. BETTER CARE FUND

Shropshire Council and Shropshire CCG are partners in the provision of a range of services including support to hospital admission avoidance, hospital discharge planning, carers support and housing. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006.

The aims and benefits of the Partners in entering in to this Agreement are to:

- ◆ improve the quality and efficiency of the Services;
- ◆ meet the National Conditions and Local Objectives as set out in the Better Care Fund plan;
- ◆ make more effective use of resources through the establishment and maintenance of an aligned fund for revenue expenditure on the Services;

Financing	2015/16		2014/15	
	£000		£000	
Funding provided to the pooled Budget:				
Shropshire Council	2,155		0	
Shropshire CCG	19,596		0	
	21,751		0	
Expenditure met from the pooled Budget:				
Shropshire Council	10,149		0	
Shropshire CCG	11,453		0	
	21,602		0	
Net underspend arising on the pooled budget during the year		149		0

39. TRUST ACCOUNTS

Funds held in Trust Accounts are not available for the Council's use. The Council supports the work of a number of trusts including:

NOTES TO THE CORE FINANCIAL STATEMENTS

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	(9,172)	21,184	223,408	0
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(4,152)	7,530	139,929	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(7,455)	1,650	279,278	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,073)	750	48,785	0
Lyneal Trust	A charity that offers canal and canal side holidays for people with disabilities, their family and friends.	(40,571)	38,075	471,837	(13,937)
Sight Loss Shropshire	A charity that helps and supports blind and visually impaired people in Shropshire and Telford & Wrekin	(28,212)	43,690	490,573	(4,031)

Accounts are prepared and published for these organisations, Shropshire Council is not the only trustee and turnover is not material.

Trusts deliver great benefit into the local community and make a valuable contribution but the Council itself does not derive benefit from them.

40. CONTINGENT LIABILITIES

At 31 March 2016 Council had the identified the following contingent liabilities:

The Council has provided guarantees to a number of Community Bodies that have been admitted to the Shropshire County Pension Fund, to fund any potential pension liabilities. The bodies who currently have employees who are active members of the scheme are MENCAP, Age Concern (£0.258m), ALC (£0.037m), Coverage Care (£1.438m), South Shropshire Leisure Ltd (£0.132m), South Shropshire Housing Association (£0.682m), HMM Arts (grouped with Shropshire Council) and Energize Shropshire Telford & Wrekin (Grouped with Shropshire Council). MENCAP no longer has active members, on closure they cleared their outstanding liabilities, they now have 7 pensioners and 1 deferred member Age Concern has 7 active members, 21 pensioners and 13 deferred members; ALC has 2 active members, 1 pensioner and 1 deferred member. The guarantee for Coverage Care Ltd covers staff Tupe'd to them in a contract entered into 1 March 1997, they have 16 active members, 120 pensioners, 43 deferred members and 6 dependants. Coverage Care also entered into a further contract on 13 January 2013, in which the staff Tupe'd over from Shropshire Council, they have 33 active members, 9 deferred members and 6 pensioners. South Shropshire District Council offered a guarantee to South Shropshire Leisure Ltd and South Shropshire Housing Association which transferred to Shropshire Council on 1 April 2009. These Employers have jointly 26 active members, 16 pensioners, 26 deferred members and 8 dependant. HMM Arts no longer has active members, on closure Shropshire Council has absorbed its asset and liabilities, they now

have 3 deferred members and 2 pensioners. The guarantee for Energize Shropshire Telford & Wrekin covers staff transferred to them on 1 January 2013, they have 2 active members. These do not therefore represent a significant potential liability for the Council. The Council has also provided guarantees to ip&e (Group) Ltd and Shropshire Towns & Rural Housing within the Shropshire County Pension Fund to fund any potential pension liabilities. On the closure of ip&e (Group) Ltd, all assets and liabilities were transferred back to the Council. The Council has also agreed for 1 Admission Body; Mayfair Trust who are contracting to run services under contract, to be grouped with the Council for accounting purposes. This means all Pension assets and liabilities stay with the Council.

The Council has entered into six "Funding and Development Agreements" with a Development Trust for construction of supported living properties. Under these agreements the Development Trust has provided the Council with funding totalling £2.696m for the construction of a supported living property at each site. The contributions will be repayable if the properties cease to be used as supported living properties or the Council fails to conform to the stipulated conditions of the contract within a period of 30 years from when the properties are first occupied.

The Council has made a provision for NDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

41. CONTINGENT ASSETS

The Council currently has a number of appeals lodged with HMRC with regard to VAT treatment which may result in a reimbursement to the Council of VAT paid over to the Government. The specific cases include a compound interest claim, claims for postal services, car parking, landfill, leisure and a cultural exemption. These claims for reimbursement are subject to legal cases being pursued nationally and if successful will provide legal precedent to be applied. Timescales on these cases are uncertain but should be progressed in the next 12-24 months.

Section 6

Group Accounts

Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2015 to 31 March 2016. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

In common with many other local authorities, the Council uses different forms of service delivery, where this is appropriate. In some cases it has created separate companies with its partners to deliver those services. The use of separate companies mean that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture. A review of all of the Council's relationships with other bodies has been carried out to consider whether it is appropriate to prepare full group accounts. The transactions involved are not considered material to the Council's accounts however the Council has decided to provide a full disclosure in terms of bodies that it has a relationship with.

The single entity accounting policies detailed on pages 21-40 have been adopted and applied for group account purposes.

The pages which follow contain the Group's Financial Statements for the year ended 31 March 2016, with comparative figures for the previous financial year.

IP&E LIMITED

IP&E Limited is a trading company wholly owned by Shropshire Council. It was established to provide public services on the council's behalf and also to trade with other organisations. The company was incorporated on 30 May 2012. On 17 February 2016, Cabinet agreed to bring the Council's relationship with ip&e limited to an end and terminate the strategic contract between the two parties. It was also agreed to terminate the service contracts between the Council and ip&e with effect from 31 March 2016. In its role as sole shareholder, the Cabinet agreed that ip&e Limited should cease trading as soon as possible and take necessary actions to remove the company from the companies register. Whilst trading ceased on 31 March 2016, liabilities and commitments remain that need to be resolved before the company can formally be removed from the companies register and therefore further financial transactions will be incurred in the 2016/17 financial year.

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 2016. For 2015/16 IP&E Limited had total income of £13.930m, total expenditure of £13.913m, assets of £1.531m and liabilities of £1.482m.

SHROPSHIRE TOWNS & RURAL HOUSING LIMITED

Shropshire Towns and Rural Housing Limited (the Company) is a private company limited by guarantee wholly owned by Shropshire Council (the Council). The Company was formed as an Arm's Length Management Organisation under Section 27 of the Housing Act 1985 to undertake the management and maintenance of Shropshire Council's retained housing stock from 1st April 2013.

Shropshire Towns and Rural Housing Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet. For 2015/16 Shropshire Towns and Rural Housing Limited had total income of £13.590, total expenditure of £12.943m, assets of £5.126m and liabilities of £4.766m.

WEST MERCIA ENERGY

West Mercia Energy (WME) is a Purchasing Consortium that was established as a Joint Committee under s101 of the Local Government Act 1972. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and the Telford & Wrekin Council.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME within this Council. The Council considers that WME should be accounted for as a Joint Venture (under IFRS11 - Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

Shropshire's share of West Mercia Energy' balances is 25.7%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2016. For 2015/16 West Mercia Energy had total income of £63.885m, total expenditure of £63.845m, assets of £14.128m and liabilities of £16.285m.

GROUP ACCOUNTS

Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2015	15,206	55,027	3,076	1,635	3,954	78,898	312,161	391,059	(2,043)	389,016
Movement in reserves during 2015/16										
Surplus or (deficit) on the provision of services	(23,010)	0	496	0	0	(22,514)	0	(22,514)	(8,313)	(30,827)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	59,014	59,014	1,215	60,229
Total Comprehensive Income and Expenditure	(23,010)	0	496	0	0	(22,514)	59,014	36,500	(7,098)	29,402
Adjustments between Group Accounts and authority accounts	(8,987)	0	0	0	0	(8,987)	0	(8,987)	8,987	0
Net Increase/Decrease before Transfers	(31,997)	0	496	0	0	(31,501)	59,014	27,513	1,889	29,402
Adjustments between accounting basis and funding basis under regulations	40,975	0	2,251	1,167	2,658	47,051	(47,051)	0	9	9
Net Increase/Decrease before Transfers to Earmarked Reserves	8,978	0	2,747	1,167	2,658	15,550	11,963	27,513	1,898	29,411
Transfers to/from Earmarked Reserves	(5,814)	5,814	0	0	0	0	0	0	0	0
Increase/Decrease in 2015/16	3,164	5,814	2,747	1,167	2,658	15,550	11,963	27,513	1,898	29,411
Balance at 31 March 2016	18,370	60,841	5,823	2,802	6,612	94,448	324,124	418,572	(145)	418,427

GROUP ACCOUNTS

2014/15 Comparative Figures	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Balance at 31 March 2014	20,019	35,119	2,545	3,722	2,786	64,191	455,699	519,890	(568)	519,322
Movement in reserves during 2014/15										
Surplus or (deficit) on the provision of services	(27,226)	0	10,567	0	0	(16,659)	0	(16,659)	(15,914)	(32,573)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(95,664)	(95,664)	(2,090)	(97,754)
Total Comprehensive Income and Expenditure	(27,226)	0	10,567	0	0	(16,659)	(95,664)	(112,323)	(18,004)	(130,327)
Adjustments between Group Accounts and authority accounts	(16,508)	0	0	0	0	(16,508)	0	(16,508)	16,529	21
Net Increase/Decrease before Transfers	(43,734)	0	10,567	0	0	(33,167)	(95,664)	(128,831)	(1,475)	(130,306)
Adjustments between accounting basis and funding basis under regulations	58,829	0	(10,036)	(2,087)	1,168	47,874	(47,874)	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	15,095	0	531	(2,087)	1,168	14,707	(143,538)	(128,831)	(1,475)	(130,306)
Transfers to/from Earmarked Reserves	(19,908)	19,908	0	0	0	0	0	0	0	0
Increase/Decrease in 2014/15	(4,813)	19,908	531	(2,087)	1,168	14,707	(143,538)	(128,831)	(1,475)	(130,306)
Balance at 31 March 2015	15,206	55,027	3,076	1,635	3,954	78,898	312,161	391,059	(2,043)	389,016

GROUP ACCOUNTS

Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £000	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	8,987	0	0	0	8,987	0	8,987	(8,987)	0
Total adjustments between Group Accounts and authority accounts	8,987	0	0	0	8,987	0	8,987	(8,987)	0

GROUP ACCOUNTS

The Group Comprehensive Income & Expenditure Statement

2014/15 Group Expenditure £000		SC Net Expenditure £000	2015/16 Adjustments £000	Group Expenditure £000
	Expenditure on Continuing Services			
72,166	Adult Social Care	74,601	0	74,601
5,824	Central Services to the public	5,392	525	5,917
54,281	Children's and Education Services	47,143	0	47,143
14,305	Cultural and Related Services	12,558	0	12,558
31,630	Environmental and Regulatory Services	49,157	0	49,157
28,100	Highways and Transport Services	18,569	0	18,569
(13,250)	Local Authority Housing (HRA)	(2,883)	(698)	(3,581)
4,608	Other Housing Services	4,992	0	4,992
5,404	Planning Services	8,031	0	8,031
(615)	Public Health	1,131	0	1,131
4,575	Corporate and Democratic Core	4,437	0	4,437
(485)	Non Distributed Costs	2,454	0	2,454
206,543	Net Cost of Services	225,582	(173)	225,409
70,519	Other Operating Expenditure	28,667	0	28,667
23,717	Financing and Investment Income and Expenditure	36,639	72	36,711
(267,672)	Taxation and Non Specific Grant Income	(259,387)	0	(259,387)
33,107	(Surplus)/Deficit on the provision of services	31,501	(101)	31,400
(534)	Associates & Joint Ventures Accounted for on an equity basis	0	(572)	(572)
32,573	Group (Surplus)/Deficit	31,501	(673)	30,828
(9,354)	(Surplus) or deficit on revaluation of non-current assets	(26,901)	0	(26,901)
3,223	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve	3,031	0	3,031
103,885	Remeasurement of pension assets and liabilities	(35,144)	(1,215)	(36,359)
97,754	Other Comprehensive Income and Expenditure	(59,014)	(1,215)	(60,229)
130,327	Total Comprehensive Income and Expenditure	(27,513)	(1,888)	(29,401)

GROUP ACCOUNTS

Group Balance Sheet at 31 March 2015

31 March 2015		SC	31 March 2016	Group
£000		£000	Adjustments £000	£000
995,912	Property, Plant & Equipment	1,072,784	21	1,072,805
2,592	Heritage Assets	2,622	0	2,622
47,673	Investment Property	50,855	0	50,855
447	Intangible Assets	173	0	173
599	Assets Held for Sale	599	0	599
1,047,223	Total Non-Current Assets	1,127,033	21	1,127,054
400	Long Term Investment	400	0	400
(693)	Investments in Associates and Joint Ventures	0	(555)	(555)
7,147	Long Term Debtors	13,614	0	13,614
1,054,078	Total Long Term Assets	1,141,047	(534)	1,140,514
	Current Assets			
125	Current Held for Sale Investment Properties	160	0	160
3,635	Assets Held for Sale	5,860	0	5,860
41,730	Short Term Investments	58,850	0	58,850
1,016	Inventories	824	23	847
71,537	Short Term Debtors	67,430	509	67,939
71,077	Cash & Cash Equivalents	75,956	4,329	80,285
189,120	Total Current Assets	209,080	4,861	213,941
1,243,198	Total Assets	1,350,127	4,327	1,354,454
	Current Liabilities			
(10,131)	Bank Overdraft	(11,028)	0	(11,028)
(11,117)	Short Term Borrowing	(7,200)	0	(7,200)
(52,679)	Short Term Creditors	(62,785)	(2,604)	(65,389)
(3,585)	Provisions	(2,708)	0	(2,708)
(6,042)	Grants Receipts in Advance - Revenue	(6,926)	0	(6,926)
(70)	Grants Receipts in Advance - Capital	(114)	0	(114)
(83,624)	Total Current Liabilities	(90,761)	(2,604)	(93,365)
1,159,574	Total Assets Less Current Liabilities	1,259,366	1,723	1,261,089
	Long Term Liabilities			
(707)	Long Term Creditors	(695)	0	(695)
(328,968)	Long Term Borrowing	(323,968)	0	(323,968)
(22,676)	Other Long Term Liabilities	(118,426)	0	(118,426)
(410,310)	Pensions Liability	(388,736)	(1,869)	(390,605)
(7,897)	Provisions	(8,969)	0	(8,969)
(770,558)	Total Long Term Liabilities	(840,794)	(1,869)	(842,663)
389,016	Total Assets Less Liabilities	418,572	(146)	418,426
	Financed by:			
80,108	Usable Reserves	94,448	2,990	97,438
308,908	Unusable Reserves	324,124	(3,136)	320,988
389,016	Total Reserves	418,572	(146)	418,426

GROUP ACCOUNTS

Group Cash Flow Statement

2014/15 Group £000	Revenue Activities	SC £000	2015/16 Adjustments £000	Group £000
32,573	Net (surplus) or deficit on the provision of services	31,501	(674)	30,827
(95,200)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(107,502)	(801)	(108,303)
45,389	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	59,055	383	59,438
(17,238)	Net cash flows from operating activities	(16,946)	(1,092)	(18,038)
6,298	Investing activities	(4,658)	21	(4,637)
4,813	Financing activities	14,888	(524)	14,364
(6,127)	Net (increase) or decrease in cash and cash equivalents	(6,716)	(1,595)	(8,311)
54,819	Cash and cash equivalents at the beginning of the reporting period	58,212	2,734	60,946
60,946	Cash and cash equivalents at the end of the reporting period	64,928	4,329	69,257

GROUP ACCOUNTS

Notes to Group Accounts

G1. Consolidation of West Mercia Energy

Figures in respect of West Mercia Energy have been consolidated using the equity method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WME £000	SC Share (25.7%) £000
Turnover	(63,885)	(16,443)
Cost of Goods Sold and Operating Expenses	61,662	15,871
Interest and Investment Income	144	37
Net Operating Surplus	(2,079)	(535)
Distribution of Surplus to Member Authorities	2,039	525
NET SURPLUS FOR THE YEAR	(40)	(10)

G2. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£13.590m) and expenditure (£12.892m) of Shropshire Towns & Rural Housing Limited, giving a net income of £0.698m has been included within Local Authority Housing (HRA) in the Net Cost of Services. The inter-company transactions with Shropshire Council have been excluded from Local Authority Housing (HRA) (Income/Expenditure £11.574m).

G3. Consolidation of IP&E Ltd

The operating income (£13.930m) and expenditure (£13.913m) of IP&E Limited, giving a net income of £0.016m has been included within Surpluses/deficits on Trading Activities. The inter-company transactions with Shropshire Council have been excluded from Surpluses/deficits on Trading Activities (Income/Expenditure £2.586m).

G4. Investment included in Group Balance Sheet

	WME £000	SC Share (25.7%) £000
Assets		
Plant & Equipment	27	7
Short term debtors	9,151	2,355
Cash and cash equivalents	4,950	1,274
Total Assets	14,128	3,636
Liabilities		
Short term creditors	(11,335)	(2,918)
Other long term liabilities	(4,950)	(1,274)
Total Liabilities	(16,285)	(4,192)
Net Investments in Associates and Joint Ventures	(2,157)	(554)

Section 7

**Pension Fund
Accounts**

Introduction

During the year the Shropshire Fund decreased in value by £19 million to be valued at £1.494 billion at the end of the year. The Fund decreased in value by 0.6% over the year and underperformed its benchmark by 1.3%. This is the first year in seven years the fund has decreased in value, this was largely due to the fall in equity markets throughout the year.

The Shropshire Fund had a variety of positive and negative investment returns in a number of asset classes during the year. The strongest returns were experienced in Private Equity where the Fund's investments increased in value by a notable 19.9% in the year. The Fund has also achieved strong returns in Property rising by 14.3% and Infrastructure increasing by 11.8%. The Funds allocation to Index Linked Bonds also increased by 1.9% in line with the index. However, Hedge Funds delivered a negative return of 3.5% and all of the equity managers with the exception of MFS delivered negative returns during the year.

The Pensions Committee determine the strategic asset allocation for the Fund. This outlines the proportion of assets that the Fund invests in equities, bonds and alternative assets such as property. This is the most important decision that the Committee makes because it has the biggest impact on the long term returns of the Fund.

The Pensions Committee undertakes thorough monitoring of the Fund's investment managers and is prepared to make changes in response to investment underperformance or new investment opportunities.

During 2015/16, the Committee together with Officers and Aon Hewitt have been reviewing the Fund's investment strategy. This included building a greater understanding of the Fund's investment risk relative to its liabilities. A number of potential improvements to the investment strategy were reviewed and two recommendations have now been approved.

The 7.5% allocation to Investment Grade Bonds managed by PIMCO was reviewed during 2015/16. This was due to strong returns being generated since 2009 but the future outlook for Investment Grade Bonds now appears limited by low yields, low credit spreads and declining liquidity. All of this allocation was replaced by more Unconstrained Bond Funds in early 2016 which provides further diversification within the Fund and improves the Fund's risk adjusted returns going forward. The defining feature of unconstrained strategies is the flexibility in their approach to asset allocation and security selection within the global bond universe, which can offer better returns and more downside protection.

It was also agreed at Pension Committee to commence the appointment process for a Liability Driven Investment (LDI) manager to replace the existing holding in Index Linked Gilts. The present value of the Fund's liabilities, as measured by the Fund's Actuary, will increase if long term gilt yields (interest rates) fall and if long term inflation rises. If this is not matched by a corresponding rise in the Fund's asset value then the overall funding level will fall. The current investment strategy has a 10% allocation to index-linked gilts which will move in a similar way to the liabilities as interest rates and inflation changes. By appointing an LDI manager it enables the Fund to more efficiently match its assets to the interest rate and inflation movements of its liabilities by either increasing the level of liability matching while maintaining the allocation to growth assets or achieve the same level of liability matching while increasing the allocation to growth assets.

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In March 2016 the Fund reduced its allocation in investment grade corporate bonds by 7.5% by redeeming funds from PIMCO and increasing the allocation to absolute return bonds. In May 2016 the 10% allocation to index linked bonds was also terminated to fund the new allocation to absolute return bonds and Liability Driven Investment. There were no other Fund manager changes during the financial year.

It is expected that these appointments will provide further diversification of returns, improve the efficiency of the Fund's matching assets, specifically to match the movement of the Fund's liabilities caused by interest rates and inflation, independent of the allocation to return seeking assets and will help maintain the high standards expected from Shropshire's investment managers.

The Fund undergoes an independent actuarial valuation every 3 years. The latest actuarial valuation was conducted at the end of March 2013, identifying that the Fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 76%. The next actuarial valuation is being undertaken in March 2016 and the results will be known in November 2016.

As a local government pension scheme the Fund is able to take a long term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way. Whilst there is a lot written in the press about gold plated public sector pensions the reality is very different. The average pension paid from the Shropshire Fund last year was £4,400.

The Government's investment pooling agenda has meant that the Shropshire Fund has been working extremely hard during the year with eight other Funds in the Midlands region in order to meet the tight deadlines set by Government to pool assets by 1 April 2018. The pace of change will only continue to accelerate, most notably with the introduction of LGPS investment asset pooling.

LGPS Central is a major strategic collaboration of eight LGPS funds across the Midlands region. It will be a multi-asset manager, investing approximately £35 billion of assets on behalf of its member funds from 2018 onwards. The aims of LGPS Central will be to deliver cost savings, to build on the existing investment expertise of its member funds through increased scale, resilience, and sharing of knowledge, and to have in place strong governance and decision-making arrangements. It will also aim to make the best use of a blend of internal and external investment management. Working with our partners to develop and implement LGPS Central will be a major strategic focus for the fund over the next two years.

The Pensions Administration Team have had a busy year embedding the Career Average Revalued Earnings (CARE) Scheme, introduced on 1 April 2014. The CARE Scheme brought with it increased workloads and complexities which meant that some existing processes required updating and training was required for the team as well as Fund Employers.

Throughout the year Fund Employers have been supported to try and ensure the data they have to provide to the team is supplied according to the Scheme regulations. To assist with this a middleware service called iConnect went live with two of the largest Fund employers. This enabled data to be transferred directly from the employer's payroll system into the

PENSION FUND ACCOUNTS

Pensions administration system. This has helped improve the accuracy of the data received by the Fund.

Members have been kept up to date through the year via various newsletters and updates. The website has been constantly updated with the latest Pensions news and more members are now using the on-line facilities.

PENSION FUND ACCOUNTS

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

2014/15 £000		2015/16 £000
	Income	
	Contributions	
(44,657)	Employers (Note 7)	(45,854)
(14,134)	Employees (Note 7)	(14,235)
(4,339)	Transfers In from other pension funds (Notes 3, 7)	(2,373)
(63,130)	Total Income	(62,462)
	Expenditure	
	Benefits Payable	
51,090	Pensions (Note 7)	53,069
10,842	Commutation of pensions and lump sum retirement benefits (Note 7)	9,488
1,202	Lump Sums (Note 7)	1,074
	Payment to & Account of Leavers	
81	Refund of contributions (Note 7)	245
4,312	Transfers to other funds (Notes 3, 7)	4,259
67,527	Total Expenditure	68,135
4,397	Net additions from dealings with scheme members	5,673
13,764	Management Expenses (Note 8)	13,097
	Returns on Investments	
(19,248)	Investment Income (Notes 3, 9, 14)	(19,322)
(16,767)	(Gain)/loss on cash and currency hedging	(12,277)
20	Taxes on Income (Note 10)	20
(155,698)	Profits and losses on disposal of investments and changes in value of investments (Note 11)	31,554
(191,693)	Net (increase) / decrease in the net assets available for benefits during the year	(25)
(173,532)	(Surplus) / deficit on the pension fund for the year	18,745
1,339,203	Opening net assets of the scheme	1,512,735
1,512,735	Closing net assets of the scheme	1,493,990

PENSION FUND ACCOUNTS

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2016

31 March 2015 £000		31 March 2016 £000	%
Investment Assets			
228,604	Equities	213,865	14.32
Pooled Investment Vehicles			
159,821	Unitised Investment Vehicles	162,999	10.91
1,082,132	Other Managed Funds	1,077,783	72.14
Cash Deposits			
39,915	Deposits	38,116	2.55
3,380	Temporary Investments (Note 279)	860	0.06
1,513,852	Total Investment Assets	1,493,623	99.98
Current Assets			
2,044	Contributions due from Employers (Note 18)	2,262	0.15
1,288	Other Current Assets (Note 18)	1,835	0.12
20	Cash Balances (Note 27)	5	0.00
Current Liabilities			
(505)	Unpaid Benefits (Note 19)	(380)	(0.03)
(3,964)	Other Current Liabilities (Note 19)	(3,355)	(0.22)
1,512,735	Net Assets of the Scheme - Available to Fund Benefits as at 31 March	1,493,990	100.00

PENSION FUND ACCOUNTS

NOTES TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

1. DESCRIPTION OF FUND

The Shropshire County Pension Fund is part of the Local Government Pension Scheme and is administered by Shropshire Council. The Council is the reporting entity for this Pension Fund.

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined benefit pension scheme administered by Shropshire Council to provide pensions and other benefits for pensionable employees of Shropshire Council and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Shropshire County Pension Fund Committee, which is a committee of Shropshire Council.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Shropshire County Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 152 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2016	31 March 2015
Number of employers with active members	114	99
Number of employees in the scheme		
Shropshire Council	7,605	7,166
Other employers	9,264	8,980
Total	16,869	16,146
Number of pensioners in the scheme		
Shropshire Council	4,806	4,686
Other employers	4,838	4,723
Total	9,644	9,409

PENSION FUND ACCOUNTS

Shropshire County Pension Fund	31 March 2016	31 March 2015
Number of deferred pensioners in the scheme		
Shropshire Council	7,755	7,265
Other employers	7,919	2,461
Total	15,674	14,449

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was as at 31 March 2013. Currently, employer contribution rates range from 5.4% to 28.0% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 X final pensionable salary	Each year worked is worth 1/60 X final pensionable salary
Lump Sum	Automatic lump sum of 3x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate. Employers deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations (see note 7). Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 7). Bulk (group) transfers are included for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is also disclosed in the Net Assets Statement as a current financial asset.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and is therefore exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and in 2015/16 this figure is £19,575.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee will be performance related :-

Majedie Asset Management – UK Equities

Pimco Europe Ltd – Absolute Return Bonds

MFS Investment Management –Global Equities

Blackrock – Hedge Fund

Investec Asset Management – Global Equities

Harris Associates – Global Equities

Performance related fees in 2015/16 £2.640m (2014/15 £3.928m).

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015/16, £0.007m of fees is based on such estimates (2014/15 £0.013m).

Net Assets Statement

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the day the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Market quoted investments are valued by the bid market price ruling on the final day of

the accounting period.

- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund manager in accordance with the International Private Equity and Venture Capital Valuation guidelines 2012.
- Investments in infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published. If single priced they are valued at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of withholding tax.
- Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.
- Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.
- The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
- Shropshire County Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. Please see note 20 for further information.

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012.

The pension fund liability is calculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in note 17. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. ASSUMPTIONS MADE ABOUT ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends

PENSION FUND ACCOUNTS

and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £65.7 million. There is a risk that this investment may be under or over-stated in the accounts.
Hedge Funds	The hedge funds are valued at the sum of the fair values provided by the Administrators of the underlying funds plus any adjustments deemed necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £149.1 million. There is a risk that these investments may be under/over - stated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2016 and when these accounts were authorised that require any adjustments to be made.

7. ANALYSIS OF THE MAIN REVENUE ACCOUNT TRANSACTIONS

The following table provides further analysis of contributions received and benefits paid between the Administering Authority (Shropshire Council), Designated Bodies and Scheme Employers (Unitary, Town and Parish Councils) and Admission Bodies (Private bodies carrying out former Local Government functions or bodies providing a public service on a non-profit making basis).

2015/16	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
<u>Contribution Received</u>				
Employees	5,289	2,234	6,712	14,235
Employers	18,687	6,997	20,170	45,854
Transfers In	1,375	76	922	2,373
Total Income	25,351	9,307	27,804	62,462
<u>Payments Made</u>				
Pensions	32,484	6,261	14,324	53,069
Lump Sums	3,928	1,982	3,578	9,488
Death Benefits	405	58	611	1,074
Refunds	80	21	144	245
Transfers Out	351	374	3,534	4,259
Total Expenditure	37,248	8,696	22,191	68,135

PENSION FUND ACCOUNTS

2014/15 comparative figures	Administering Authority	Admission Bodies	Designation Bodies/Scheme Employers	Total
	£000	£000	£000	£000
<u>Contribution Received</u>				
Employees	(5,306)	(2,269)	(6,559)	(14,134)
Employers	(18,732)	(7,154)	(18,771)	(44,657)
Transfers In	(1,143)	(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

This table breaks down the employers contributions amount of £45.854m from the above table.

	2015/16 £000	2014/15 £000
Employers normal contributions	31,199	30,860
Employers deficit contributions	11,333	10,639
Employers augmentation contributions	3,322	3,158
	45,854	44,657

8. MANAGEMENT EXPENSES

This analysis of the costs of managing the Shropshire County Pension Fund during the period has been prepared in accordance with CIPFA guidance.

	2015/16 £000	2014/15 £000
Administrative costs	817	785
Investment management expenses	11,673	12,451
Oversight and governance costs	607	528
	13,097	13,764

Each external Investment Manager receives a fee for their services based on the market value of the assets they manage on the Funds behalf. Active managers are required to produce a specific target return in excess of their benchmark return and are paid a performance related fee (over and above a basic fee) for reaching required levels of outperformance. The management fees disclosed also include all investment management fees directly incurred by the Fund by pooled fund investments.

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The investment management expenses shown below includes £2.640m (2014/15 £3.928m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £0.449m in respect of transaction costs (2014/15 £0.404m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of Investments (see note 11A).

	2015/16 £000	2014/15 £000
Management Fees	7,098	7,186
Performance Fees	2,640	3,928
Other Fees	1,435	841
Transaction Costs	449	404
Custody Fees	51	92
	11,673	12,451

The costs incurred by the Council in administering the Fund totalled £0.817m for the year ended 31 March 2016 (2014/15 £0.785m).

	2015/16 £000	2014/15 £000
Employee Costs	541	525
IT	155	129
Printing & Postage	62	60
Office Accommodation	28	22
Subscriptions	14	22
Other Costs	17	27
	817	785

The costs incurred by the Council in Oversight and Governance totalled £0.607m for the year ended 31 March 2016 (2014/15 £0.528m).

	2015/16 £000	2014/15 £000
Investment advice	294	202
Employee costs (pensions investment)	138	108
Actuarial advice	5	75
Responsible engagement overlay	48	40
Professional fees	23	23
External audit	27	23
Performance analysis	23	22
Internal audit	17	17
Legal & Committee	15	15
Other Costs	17	3
	607	528

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9. INVESTMENT INCOME

The table below analyses the investment income received by the Fund (mostly in the form of dividends) over the last 12 months.

	2015/16 £000	2014/15 £000
Interest from Fixed Interest Securities	0	(421)
Dividends from equities	(6,508)	(6,229)
Income from pooled investment vehicles	(3,649)	(3,097)
Interest on cash deposits	(22)	(25)
Other	(9,143)	(9,476)
	119,322	(19,248)

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2015/16 £000	2014/15 £000
Withholding tax – Fixed interest securities	0	0
Withholding tax - equities	20	8
Withholding tax - pooled	0	12
	20	20

11A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type	Value as at 1 April		Purchases at cost & derivative payments		Sale proceeds & derivative receipts		Other cash transactions		Change in market value		Value as at 31 March	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
2015/16												
Equities	228,604		84,236		(79,570)		0		(19,405)		213,865	
Pooled Investment Vehicles – Unitised Investment Vehicles	159,821								3,178		162,999	
Pooled Investment Vehicles – Other Managed Funds	1,082,132		156,834		(143,357)		(2,460)		(15,366)		1,077,783*	
Sub total	1,470,557		241,070		(222,927)		(2,460)		(31,593)		1,454,647	
Cash deposits – with Managers	39,915		8,468		(8,517)		(1,789)		39		38,116	
Temporary Investments	3,380		0		0		(2,520)		0		860	
Total	1,513,852		249,538		(231,444)		(6,769)		(31,554)**		1,493,623	

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Investment type	Value as at 1 April	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Other cash transactions	Change in market value	Value as at 31 March
	£000	£000	£000	£000	£000	£000
2014/15 comparative figures						
Fixed Interest Securities – Public Sector	61,798	3,643	(65,380)	0	(61)	0
Equities	207,853	89,382	(87,992)	0	19,361	228,604
Pooled Investment Vehicles – Unitised Investment Vehicles	131,773	0	0	0	28,048	159,821
Pooled Investment Vehicles – Other Managed Funds	912,315	116,035	(55,181)	0	108,963	1,082,132*
Derivative contracts	638	0	(21)	0	(617)	0
Sub total	1,314,377	209,060	(208,574)	0	155,694	1,470,557
Cash deposits – with Managers	22,241	0	0	17,670	4	39,915
Cash deposits – margin balances	(43)	0	0	43	0	0
Temporary Investments	2,650	0	0	730	0	3,380
Total	1,339,225	209,060	(208,574)	18,443	155,698**	1,513,852

* Within the Pooled Investment Vehicles - other managed funds total of £1077.783m are £214.739m of level 3 investments as at 31 March 2016. The value of the level 3 investments were £218.741m as at 1st April 2015 which increased to £214.739m as at 31 March 2016. The decrease in value is due to purchases of £23.896m, sales of £22.247m and change in market value of -£5.651m.

** The total change in market value for 2015/16 as per the table above is -£31.554m. This figure is made up of profit on sales of £28.599m and also the difference between book cost and market value for the whole Fund which for 2015/16 was -£60.153m.

11B. ANALYSIS OF INVESTMENTS (EXCLUDING DERIVATIVE CONTRACTS)

	2015/16	2014/15
	£000	£000
Fixed Interest Securities		
Overseas		
Public sector quoted	0	0
Total Fixed Interest Securities	0	0
Equities		
UK		
Quoted	103,007	103,656
Overseas		
Quoted	110,858	124,948
Total Equities	213,865	228,604
Pooled Funds – additional analysis		
UK		
Index Linked Bonds	162,999	159,821
Unit Trusts	11,075	10,410
Overseas		
Unit Trusts	753,072	780,065
Hedge Funds	149,051	154,404

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	2015/16 £000	2014/15 £000
Pooled property investments	77,526	62,970
Private Equity	65,688	64,337
Infrastructure	21,371	9,946
Total Pooled Funds	1,240,782	1,241,953
Total	1,454,647	1,470,557

12. ANALYSIS OF DERIVATIVES

Between November 2007 and September 2013 the Fund passively hedged 50% of all currency exposure to eliminate some of the risks over the longer term involved in holding an increased proportion of overseas investments. In 2013 a decision was made to terminate the contract with Northern Trust who provided this service due to the restructure of the Fund which took place on 30 September 2013.

From September 2013, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling.

13. CASH EQUITISATION

During 2013/14, following a review of the Fund structure, a decision was taken to terminate the Fund cash equitisation programme. This was designed to reduce risk by maintaining the Fund close to its strategic asset allocation and minimise the drag on investment performance caused by holding cash. This was completed using futures.

Following on from the restructure cash equitisation is no longer required as this is now managed within the Pension Fund team.

14. STOCK LENDING

The Fund participates in a stock lending programme with its Custodian, Northern Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Collateral is restricted to AAA Sovereign debt (the highest rated collateral available).

Collateralised lending generated income of £0.079m in 2015/16 and this is included within investment income in the Pension Fund Account. At 31 March 2016 £7.971m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £8.604m worth of collateral representing 108% of stock lent.

Although stock lending involves the transfer of title of those securities to the borrower, the lender's rights to the normal benefits and corporate actions that would have arisen had the asset not been lent are protected. The lender thus retains an economic interest in the securities transferred. During the period stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

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15A. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2016			31 March 2015		
	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Financial Assets						
Equities	213,865	0	0	228,593	0	0
Pooled Investment Vehicles – Unitised Investment Vehicles	162,999	0	0	159,821	0	0
Pooled Investment Vehicles – Other Managed Funds	1,077,783	0	0	1,082,132	0	0
Cash	0	38,981	0	0	43,325	0
Debtors	0	4,097	0	0	3,332	0
Total Assets	1,454,647	43,078	0	1,470,546	46,657	0
Financial Liabilities						
Creditors	0	0	(3,735)	0	0	(4,468)
Total Liabilities	0	0	(3,735)	0	0	(4,468)
Total	1,454,647	43,078	(3,735)	1,470,546	46,657	(4,468)

15B. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2015/16 £000	2014/15 £000
Financial Assets		
Fair value through profit and loss	(31,554)	155,698
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
	(31,554)	155,698

15C. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1:

Financial instruments at level 1 are those where the fair values are derived from unadjusted

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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 a quarter behind so the valuation in the accounts is as at 31st December 2015. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant unobservable inputs
				Level 1	Level 2	Level 3
2015/16			£000	£000	£000	£000
Equities	Majedie Asset Management	UK Equities	105,961	105,961		
	Harris Associates	Global Equities	107,897	107,897		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	162,999	162,999		
	Majedie Asset Management	UK Pooled Fund	11,075	11,075		
	Pimco Europe Ltd	Global Aggregate Bonds	104,506	104,506		

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Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant unobservable inputs
				Level 1	Level 2	Level 3
			£000	£000	£000	£000
2015/16						
	MFS	Global Equities	134,460	134,460		
	HarbourVest Partners Ltd	Private Equity	65,688			65,688
	Aberdeen	Property Unit	77,525		77,525	
	Property Investors	Trusts				
	Blackrock	Hedge Fund	75,029			75,029
	Global Infrastructure Partners	Infrastructure	21,371		21,371	
	Legal & General	Global Equities	290,816	290,816		
	Investec	Global Equities	124,194	123,194		
	Brevan Howard	Hedge Fund	74,022			74,022
	Blackrock	Fixed Interest	100,096	100,096		
Net Current Assets (incl cash)			39,351			
Total			1,493,990	1,141,004	98,896	214,739

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant unobservable inputs
				Level 1	Level 2	Level 3
			£000	£000	£000	£000
2014/15						
Equities	Majedie Asset Management	UK Equities	114,245	114,245		
	Harris Associates	Global Equities	114,348	114,348		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	159,821	159,821		
	Majedie Asset Management	UK Pooled Fund	10,410	10,410		
	Pimco Europe Ltd	Global Aggregate Bonds	213,878	213,878		
	MFS	Global Equities	132,423	132,423		
	HarbourVest Partners Ltd	Private Equity	64,337			64,337
	Aberdeen	Property Unit	62,971		62,971	
	Property Investors	Trusts				
	Blackrock	Hedge Fund	77,314			77,314
	Global Infrastructure Partners	Infrastructure	9,946		9,946	
	Legal & General	Global Equities	304,277	304,277		
	Investec	Global Equities	129,486	129,486		
	Brevan Howard	Hedge Fund	77,090			77,090
Net Current Assets (incl cash)			42,189	42,189		
Total			1,512,735	1,221,077	72,917	218,741

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk the Pension Fund Officers and the Fund investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by Fund Officers to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

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Asset Type	Potential market movements (+/-)
UK Equities	10.7%
Global Equities	9.8%
Property	2.4%
Private Equity	4.6%
Hedge Funds	4.6%
Absolute Return Bonds	2.8%
UK ILG over 5 years	9.6%
Infrastructure	4.6%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset type	Value as at 31 March	Potential market movement	Value on increase	Value on decrease
2015/16	£000	£000	£000	£000
Net Assets including Cash	39,343	0	39,343	39,343
Investment Portfolio Assets				
UK Equities	114,082	12,207	126,289	101,875
Global Equities	659,329	64,614	723,943	594,715
Corporate Bonds	204,602	5,729	210,331	198,873
Property	77,525	1,861	79,386	75,664
Private Equity	65,688	3,022	68,710	62,666
Hedge Funds	149,051	6,856	155,907	142,195
UK Index linked Gilts over 5 years	162,999	15,648	178,647	147,351
Infrastructure	21,371	983	22,354	20,388
Total assets available to pay benefits	1,493,990	110,920	1,604,910	1,383,070

Asset type	Value as at 31 March	Potential market movement	Value on increase	Value on decrease
2014/15	£000	£000	£000	£000
Net Assets including Cash	42,189	0	42,189	42,189
Investment Portfolio Assets				
UK Equities	114,066	11,749	125,815	102,317
Global Equities	691,124	61,925	753,049	629,199
Corporate Bonds	213,878	5,497	219,375	208,381
Property	62,970	2,286	65,256	60,684
Private Equity	64,337	3,120	67,457	61,217
Hedge Funds	154,404	7,056	161,460	147,348
UK Index linked Gilts over 5 years	159,821	15,327	175,148	144,494
Infrastructure	9,946	433	10,379	9,513
Total assets available to pay benefits	1,512,735	107,393	1,620,128	1,405,342

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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 2016 and 31 March 2015 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 2016 £000	As at 31 March 2015 £000
Cash and cash equivalents	35,656	39,915
Cash balances	5	20
Index Linked Bonds	162,999	159,821
Corporate Bonds	204,602	213,878
Total change in assets available	403,262	413,635

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

The following analysis shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates assuming all variables, in particular exchange rates, remain constant.

Asset type	Carrying amount £000	Effect on asset values	
		+100BPS £000	-100BPS £000
As at 31 March 2016			
Cash and cash equivalents	35,656	0	0
Cash balances	5	0	0
Index Linked Bonds (average 25 years)	162,999	(40,750)	40,750
Absolute Return Strategy IV Fund (-1.87 years)	104,506	4,013	(4,013)
Global Investment Grade Credit Fund (5.67 years)	100,096	(1,692)	1,692
Total change in assets available	403,262	(38,428)	38,428

Asset type	Carrying amount £000	Effect on asset values	
		+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

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This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

During 2015/16 the Fund received £0.022m in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.055m. The impact of a 1% fall in interest rates would be a £0.022m reduction in interest received as this would imply negative interest rates. It is therefore assumed no interest would have been received or charged on these investments.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than £ sterling. The following table summarises the Fund's currency exposure as at 31 March 2016 and as at the previous year end:

Currency exposure – asset type	Asset value as at 31 March 2016 £000	Asset value as at 31 March 2015 £000
Overseas Equities	354,361	368,515
Overseas Pooled Equity	100,096	0
Overseas Private Equity	68,239	67,925
Overseas Pooled Property	24,320	15,043
Overseas Government Bonds	22,948	0
Overseas Infrastructure	0	16,067
Total change in assets available	569,964	467,550

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6% (as measured by one standard deviation). A 6% fluctuation in the currency is considered reasonable based on historical movements in the month end exchange rates over a rolling 36 month period assuming all other variables, in particular, interest rates, remain constant. A 6% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 2016 £000	Change in year in the net assets available to pay benefits	
As at 31 March 2016	£000	+6% £000	-6% £000
Overseas Equities	354,361	375,425	333,296
Overseas Fixed Interest	100,096	106,046	94,146
Overseas Private Equity	68,239	72,296	64,183
Overseas Pooled Property	24,320	25,766	22,874
Overseas Infrastructure	22,948	24,312	21,584
Total change in assets available	569,964	603,845	536,083

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Currency exposure - asset type	Carrying amount	Change in year in the net assets available to pay benefits	
		+5%	-5%
As at 31 March 2015	£000	£000	£000
Overseas Equities	368,515	386,941	350,089
Overseas Private Equity	67,925	71,321	64,529
Overseas Pooled Property	15,043	15,795	14,291
Overseas Infrastructure	16,067	16,870	15,264
Total change in assets available	467,550	490,927	444,173

Credit Risk

Credit risk is the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, (the Fund currently does not hold any but derivatives positions would be an exception here, where risk equates to the net market value of a positive derivative position). However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The investment priorities for the management of the pension fund revenue cash held for day to day transactions are the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction of minimisation of risk. Accordingly, the Administering Authority ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Administering Authority's creditworthiness policy which the Pension Fund has also adopted and approved as part of the annual Pension Fund Treasury strategy.

The Fund's lending list is reviewed continuously in conjunction with the Administering Authority's treasury advisor. The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. The maximum amount is currently limited to £4,000,000. With security of capital being the main priority, lending continues to be restricted to highly credit rated institutions, part nationalised institutions and other Local Authorities. In addition to credit ratings the Administering Authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

Asset type	Rating	Balances as at	Balances as at
		31 March 2016	31 March 2015
		£000	£000
Natwest Instant Access Account	BBB+	0	1,380
Handelsbanken Instant Access Account	AA	860	2,000
Total		860	3,380

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also to meet investment commitments.

The Fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2016 was £24.747m. The Fund does not have access to an overdraft facility. All financial liabilities at 31 March 2016 are due within one year.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation was undertaken as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The Funding strategy statement specifies a target period for achieving full funding of 19 years (19 years as at the 2010 valuation). For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2013 actuarial valuation, the Fund was assessed as 76% funded (81% at the March 2010 valuation). This corresponded to a deficit of £383 million (2010 valuation was £226 million) at that time. Revised contributions set by the 2013 valuation were introduced in 2014/15 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 14.0% of pensionable pay.

The valuation of the Fund has been undertaken by the projected unit method under which the salary increase assumed for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

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Financial assumptions	31 March 2013	31 March 2010
Discount rate	4.95% p.a.	6.25% p.a.
Assumed long term CPI inflation	2.6% p.a.	3.0% p.a.
Salary increases – long term	4.1% p.a.	4.5% p.a.
Salary increases – short term	1% p.a. for 3 years	In line with Government proposals
Pension increases in payment	2.6% p.a.	3.0% p.a.

Mortality assumptions	Male	Female
Current pensioners (at age 65)	23.7	26.0
Future pensioners (assumed current age 45)	25.9	28.8

18. ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2016. An analysis of debtors is shown below:

	2015/16 £000	2014/15 £000
Central Government bodies	5	9
Other Local Authorities	1,949	1,679
NHS Bodies	0	1
Other entities and individuals	2,143	1,643
Total	4,097	3,332

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2016. An analysis of creditors is shown below:

	2015/16 £000	2014/15 £000
Other Local Authorities	1,852	1,239
Other entities and individuals	1,883	3,229
Total	3,735	4,468

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Scheme members have the option to make Additional Voluntary Contributions (AVC's) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093).

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member.

At present there are around 497 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2015/16 contributions to the schemes amounted to £0.474m. The combined value of the AVC funds as at 31 March 2016 was £4.276m.

21. RELATED PARTY TRANSACTIONS

The Shropshire County Pension Fund is administered by Shropshire Council. Consequently there is a strong relationship between the Council and the Pension Fund. Shropshire Council incurred costs of £0.977m (2014/15 £0.906m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

Shropshire Council is also the single largest employer of members of the pension fund and contributed £18.523m (2014/15 £18.686m). All monies owing to the Fund were paid across in the year. The Scheme Administrator of the Shropshire County Pension Fund is also the Head of Finance, Governance & Assurance for Shropshire Council.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Head of Finance, Governance & Assurance (s151 Officer & Scheme Administrator), the Head of Treasury and Pensions, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the Fund.

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Shropshire County Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Shropshire Council.

Under legislation, introduced in 2003/04, Councillors are entitled to join the scheme and three Members of the Pension Fund Committee are Members of the Fund. These are Thomas Biggins, Malcolm Pate and Andrew B Davies.

Jean Smith, pensioner representative, and Nigel Neat, Unison representative, are also members of the Fund.

Legislation which came into force on 1 April 2014 means the LGPS is only available to councillors and elected mayors of an English County Council or District Council who elected to join before 31 March 2014. From 1 April 2014 access to the LGPS for councillors has been removed. Current members can continue in the LGPS until the end of their individual office.

22. CONTRACTUAL COMMITMENTS

The Fund has a 5% (£75 million) strategic asset allocation to Private Equity. It is necessary to over commit the strategic asset allocation because some private equity investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2016 £129m has been committed to investment in private equity via a fund of funds manager (HarbourVest Partners). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2016 the funds Private Equity investments totalled £65.688m.

23. CONTINGENT ASSETS

14 admitted body employers in the Shropshire County Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

24. VALUE ADDED TAX

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

25. CUSTODY OF INVESTMENTS

Custodial Services are provided to the Fund by Northern Trust. This includes the safekeeping of assets, the collection of income, the exercise of voting rights and the monitoring and execution of corporate actions in conjunction with investment managers. The Custodian also provides independent confirmation of the assets and their value held by the Fund. Securities are held on a segregated basis via a nominee account and are clearly separated from the Custodian's own assets.

26. FUND AUDITORS

Grant Thornton has completed its audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

27. PENSION FUND BANK ACCOUNT

In March 2010 a separate bank account was opened for the Shropshire County Pension Fund and from the 1 April 2010 all income received is being paid into this account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2016 £0.860 million was invested. The cash balance in the Pension Fund account as at the same date was £0.005 million. During 2015/16 all expenditure was still being paid by Shropshire Council on behalf of the Fund and this was reimbursed to Shropshire Council on a monthly basis.

In April 2016 a second bank account was opened and from 27th April 2016 the Fund will have the capacity to make all payments direct from this account including the monthly pensioner payroll. The Fund will no longer require Shropshire Council to make payments on its behalf and therefore the monthly transfer to Shropshire Council will no longer be necessary.

28. FUND STRUCTURE UPDATE

At the March 2015 Pensions Committee, members, (under guidance from the Fund Advisers), decided to undertake a manager selection exercise to appoint a Liability Driven Investment (LDI) Manager and two unconstrained bond managers. This would be achieved by replacing the L&G index linked gilt allocation as well as the Pimco Investment grade corporate bond investment.

At the June 2015 Committee Blackrock and Global Asset Management (GAM) were appointed as unconstrained bond managers and BMO Global Asset Management (BMO) as the LDI Manager. The process to transfer funds from Pimco to Blackrock took place in March 2016, whereas the L&G to BMO and GAM transfers were not completed until April and May 2016 respectively.

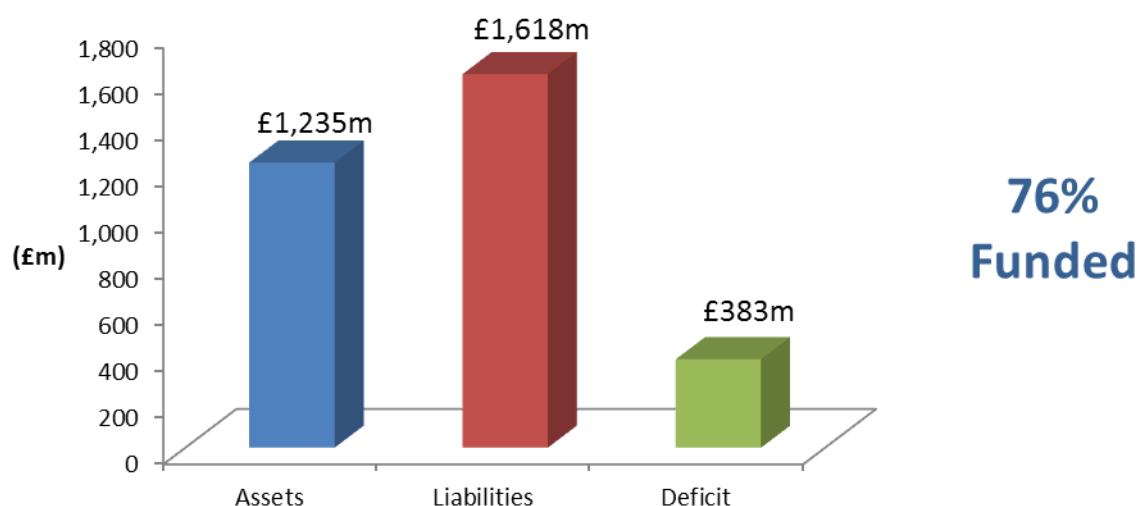
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2016 Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,235 million represented 76% of the Fund's past service liabilities of £1,618 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £383 million.



The valuation also showed that a common rate of contribution of 14.0% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 82% with a resulting deficit of £274 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £17 million per annum increasing at 4.1% per annum (equivalent to approximately 8.2% of projected Pensionable Pay at the valuation date) for 19 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

PENSION FUND ACCOUNTS

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.95% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2015	31 March 2016
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,181 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£118 million. Adding interest over the year increases the liabilities by c£72 million, and allowing for net benefits accrued/paid over the period increases the liabilities by a further c£9 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £2,144 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2016

TO BE UPDATED FOLLOWING AUDIT OF ACCOUNTS

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 2016 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 2015/16.

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 2015/16, 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 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March 2016; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

xx September 2016

Section 8

**Housing Revenue
Account**

HOUSING REVENUE ACCOUNT

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HRA INCOME AND EXPENDITURE STATEMENT

2014/15		2015/16	
£		£	£
	Expenditure		
4,743,484	Repairs & Maintenance	4,332,865	
3,266,387	Supervision and Management	3,617,899	
117,734	Rents, rates taxes and other charges	140,092	
4,262,170	Depreciation - Dwellings	4,400,340	
43,030	- Other	40,030	
(7,397,450)	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	2,977,643	
6,540	Debt Management Costs	16,500	
(23,620)	Provision for Bad or Doubtful Debts	63,000	
5,018,275	Total Expenditure		15,588,368
	Income		
(17,197,625)	Dwelling Rents	(17,963,955)	
(175,657)	Non Dwelling Rents	(174,096)	
(27,200)	Other Income	(7,619)	
(308,431)	Charges for Services and Facilities	(324,869)	
(921,849)	Contributions towards expenditure	(314,510)	
(18,630,761)	Total Income		(18,785,048)
(13,612,487)	Net Cost of HRA Services included in the Comprehensive I&E Statement		(3,196,680)
178,275	HRA Share of Corporate & Democratic Core		193,757
(13,434,212)	Net Cost of HRA Services		(3,002,924)
(67,493)	(Gain) or loss on sale of HRA Assets		(489,886)
2,994,856	Interest payable and similar charges		2,993,944
(39,267)	Interest and Investment Income		(42,995)
(20,561)	Income & Expenditure in relation to investment properties & change in fair values		45,045
(10,566,676)	(Surplus) or deficit for the year on HRA Services		(496,815)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2014/15 £		2015/16 £
(2,546,067)	Balance on the HRA at the end of the previous year	(3,075,951)
(10,566,676)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(496,815)
10,036,792	Adjustments between accounting basis and funding basis under statute	(2,251,257)
(529,884)	Net increase or (decrease) before transfers to or from reserves	(2,748,073)
0	Transfers to or (from) Reserves	0
(529,884)	(Increase) or Decrease in year on the HRA	(2,748,073)
(3,075,951)	Balance on the HRA at the end of the current year	(5,824,024)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2015/16	2014/15 Restated
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,244	3,261
Flats	869	874
	4,113	4,135
Change in Stock		
Stock at 1 April	4,135	4,115
Less: Sales – Right to Buy	(31)	(28)
Sales – Other	0	0
Disposal/restructuring	0	(1)
Acquisition – full ownership	6	38
Acquisition – shared ownership	3	11
	4,113	4,135

2. RENT ARREARS

	2015/16 £	2014/15 £
Due from Current Tenants	103,600	88,137
Due from Former Tenants	102,131	83,388
Total Rent Arrears as at 31 March	205,731	171,525
Pre-Payments	(310,860)	(321,652)
Net Arrears	(105,130)	(150,127)

As at 31 March 2016, the total provision set aside for housing rent bad debts is £353,875.

HOUSING REVENUE ACCOUNT

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings	Other Land & Buildings	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Current Assets Held for Sale	Total
	£	£	£	£	£	£	£
Cost or Valuation							
At 1 April 2015	170,500,584	767,000	1,514,751	172,782,336	309,999	734,777	173,827,112
Additions	3,539,093	0	1,390,633	4,929,727	0	0	4,929,727
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	965,910	(7,000)	0	958,910	0	0	958,910
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15,711,054)	0	0	(15,711,054)	(64,999)	(899)	(15,776,952)
Derecognition - disposals	(1,328,181)	0	0	(1,328,181)	0	(1,045,228)	(2,373,409)
Derecognition - other	(39,000)	0	0	(39,000)	0	0	(39,000)
Assets reclassified (to)/from Held for Sale	(335,100)	0	0	(335,100)	0	335,100	0
Other movements in cost or valuation	561,201	0	(1,064,411)	(503,210)	0	0	(503,210)
As at 31 March 2016	158,153,455	760,000	1,840,973	160,754,428	245,000	23,750	161,023,178
Accumulated Depreciation and Impairment							
At 1 April 2015	(8,970,220)	(20,720)	0	(8,990,940)	0	0	(8,990,940)
Depreciation Charge	(4,430,010)	(10,360)	0	(4,440,370)	0	0	(4,440,370)
Depreciation written out to the Revaluation Reserve	89,010	31,080	0	120,090	0	0	120,090
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,734,310	0	0	12,734,310	0	0	12,734,310
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition - disposals	67,700	0	0	67,700	0	0	67,700
Derecognition - other	6,000	0	0	6,000	0	0	6,000
Other movements in depreciation and impairment	503,210	0	0	503,210	0	0	503,210
As at 31 March 2016	0	0	0	0	0	0	0
Net Book Value							
As at 31 March 2016	158,153,455	760,000	1,840,973	160,754,428	245,000	23,750	161,023,178
As at 31 March 2015	161,530,364	746,280	1,514,751	163,791,396	309,999	734,777	164,836,172

There is a difference of £313.559m between the tenanted valuation and the District Valuer's Vacant Possession Value of £475.089m at 1 April 2015.

The Vacant Possession Value is an estimate of the total sum that would be received if all of the assets were sold on the open market. The tenanted value declared on the balance sheet is less in recognition of the fact that the properties are occupied by tenants on secure rent less than would be obtainable on the open market.

HOUSING REVENUE ACCOUNT

The difference represents the economic cost of the Government providing council housing at less than market rents.

4. MAJOR REPAIRS RESERVE

	2015/16 £	2014/15 £
Balance Brought Forward	1,635,524	3,722,229
Amount Transferred to the MRR during the Year	4,440,370	4,305,200
Capital Expenditure Financing	(3,273,194)	(6,391,905)
Balance Carried Forward	2,802,700	1,635,524

5. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on the Council Housing Stock during the year was financed as follows.

	2015/16 £	2014/15 £
Usable Capital Receipts	1,355,034	147,780
Revenue Contributions utilised in year	0	1,650,000
Major Repairs Allowance	3,273,194	6,391,905
Government Grants and Contributions	314,510	921,849
Total Capital Expenditure on Housing Stock	4,942,737	9,111,534

6. CAPITAL RECEIPTS

Capital receipts from the disposal of Housing Revenue Account Assets are shown below. 75% of Capital Receipts arising from Right to Buy disposals are subject to National Pooling arrangements payable to CLG.

	2015/16 £	2014/15 £
Sale of Council Houses under Right to Buy (RTB)	1,709,750	1,614,500
Other Land & Buildings	1,157,644	103,750
Total Capital Receipts from HRA Asset Disposals	2,867,394	1,718,250
Less Capital Receipts subject to Pooling requirement	(600,488)	(538,587)
Net Capital Receipts from HRA Asset Disposals	2,266,906	1,179,663

7. HOUSING REPAIRS ACCOUNT

	2015/16 £	2014/15 £
Balance Brought Forward 1 April	25,000	25,000
Expenditure on Capital	0	0
Balance Carried Forward 31 March	25,000	25,000

HOUSING REVENUE ACCOUNT

8. CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

	2015/16 £	2014/15 £
Interest paid on mid-year HRA Capital Financing Requirement	66,692	67,604
Less Impairment	(3,042,642)	(332,854)
Capital Asset Charges Accounting Adjustment	(2,975,950)	(265,250)

Impairment represents capital work undertaken in the year that did not increase the asset value.

Section 9

Collection Fund

COLLECTION FUND

The Collection Fund is a statutory account showing the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution to local authorities and Central Government.

COLLECTION FUND

2014/15 Total £000		Council Tax £000	2015/16 NDR £000	Total £000
	Income:			
(154,576)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(158,061)		(158,061)
0	Income from Specific Grants	(47)		(47)
3	Transfers from General Fund - Transitional relief	2		2
(76,294)	Income collectable from business ratepayers		(75,520)	(75,520)
257	Transitional Protection Payments		(337)	(337)
(230,610)	TOTAL INCOME	(158,105)	(75,857)	(233,962)
	Expenditure:			
	Precepts			
160,339	- Shropshire Council and Parish and Town Councils	125,587	39,166	164,753
18,314	- West Mercia Police & Crime Commissioner	19,039	0	19,039
9,848	- Shropshire & Wrekin Fire Authority	9,444	799	10,244
38,170	- Central Government	0	39,965	39,965
464	Charges to Collection Fund - costs of collection	0	463	463
	Bad and doubtful debts			
(1,037)	- write offs	(24)	(375)	(399)
1,353	- provisions	572	594	1,166
	Appeals rates			
(1,993)	- write offs	0	(2,258)	(2,258)
8,122	- provisions	0	3,852	3,852
	Contributions			
450	- Towards previous year's estimated Collection Fund surplus	5,061	(1,906)	3,155
234,031	TOTAL EXPENDITURE	159,680	80,301	239,980
3,421	Deficit/(Surplus) for the Year	1,575	4,443	6,018
(425)	Balance brought forward	(4,920)	7,916	2,996
2,996	Balance carried forward	(3,346)	12,360	9,014

COLLECTION FUND

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX BASE

The council tax base consists of the number of chargeable dwellings in each valuation band adjusted to reflect discounts and other variations. The total tax base is calculated by converting each band to its band D equivalent and providing for losses and variations during the year of collection. The tax base for 2015/16 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	28.38	5/9	15.77
A	15,363.75	6/9	10242.50
B	26,223.78	7/9	20396.27
C	23,915.73	8/9	21258.43
D	17,655.92	9/9	17655.92
E	13,428.08	11/9	16412.10
F	7,312.61	13/9	10562.66
G	4,069.49	15/9	6782.48
H	254.9	18/9	509.80
			103,835.93
Adjustment for MoD Properties (665.43 Band D Equivalents) and Collection Rate (98.0%)			(1,424.60)
			102,411.33

2. NON-DOMESTIC RATES (BUSINESS RATES)

Shropshire Council is the billing authority for NDR and retains 49% share of the total collected and distributes the remaining balance to Central Government (50%) and Shropshire & Wrekin Fire Authority (1%).

At 31 March 2016, the total non-domestic rateable value for all business premises in Shropshire was £203,209,572. The multiplier set by Government to calculate rate bills in 2015/16 was 48.0p for small businesses and 49.3p for all other businesses.

Section 10

Glossary

GLOSSARY

Accountable Body	An accountable body receives external funding and is responsible for the financial management of these funds, therefore the accountable body must ensure that robust accounting and performance management arrangements are in place with regard to the distribution and spending of these funds.
Accounting Concepts	The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.
Accounting Policies	The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.
Accumulated Absences Account	The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
Accruals	The accruals accounting concept requires the non-cash effect of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuarial Gain	This may arise on defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated).
Actuarial Loss	These may arise on defined benefit pension scheme liabilities and assets. A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

GLOSSARY

Adjusted Capital Financing Requirement	The value of the Capital Financing Requirement after it has been adjusted by the value of Adjustment A.
Adjustment A	The difference between the Council's Credit Ceiling and Capital Financing Requirement to ensure that the impact of the Prudential Code (effective from 1 April 2004) is neutral on the Council's revenue budget. Once calculated the figure is fixed.
Appropriation	The transfer of sums to and from reserves, provisions and balances.
Assets	These are economic resources that can include anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value.
Associated Company	<p>An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.).</p> <p>The exercise of significant influence occurs when one organisation is actively involved and is influential in the direction of another organisation through its participation in policy decisions including decisions on strategic issues. A holding of 20% or more of the voting rights of an organisation is generally recognised as being a significant influence.</p>
Balances	Amounts set aside to meet future expenditure but not set aside for a specific purpose.
Balance Sheet	The financial statement that reports the financial position of an organisation at a point in time, for Shropshire Council this is the 31st March. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non-current assets held.
Below the Line Items	Items that are notionally allocated to services to arrive at the "Net Cost of Service". Below the line items include depreciation and IAS19 pension costs.

GLOSSARY

Bonds	Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.
Borrowing	Loans from the Public Works Loans Board and the money markets which finance the capital programme of the Council.
Budget	The financial plan reflecting the Council's policies and priorities over a period of time i.e. what the Council is going to spend to provide services. This is the end product of a budget strategy.
Budget Strategy	A plan of how the Council is going to meet its policies and priorities, taking account of the resources available to the Council. This will include proposals for efficiency savings and possibly service changes and/or cuts, which may free resources to spend on other policies and priorities.
Cabinet	The group of members (local councillors) that provide the executive function of the Council within the policy parameters set by Council. This group of members is able to exercise considerable control over the Council. Its decision-making powers are set out in the Council's Constitution.
Capital Adjustment Account	<p>The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision.</p> <p>The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.</p> <p>The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.</p>
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.

GLOSSARY

Capital Financing Requirement (CFR)	This sum represents the Council's underlying need to borrow for capital purposes. It is calculated by summing all items on the balance sheet that relate to capital expenditure, e.g. non-current assets, financing leases, Government grants deferred etc. The CFR will be different to the actual borrowing of the Council as actual borrowing will relate to both capital and revenue activities and it is not possible to separate these sums. This figure is then used to calculate the Council's Minimum Revenue Provision.
Capital Grants Unapplied	The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.
Capital Receipts	The proceeds from the sale of non-current assets such as land and buildings. These sums can be used to finance new capital expenditure.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capitalised Expenditure	Represents expenditure on assets. This expenditure is reflected in the value of assets that are reported in the Balance Sheet and will result in increased depreciation costs to the Income and Expenditure Account.
Cash Equivalents	Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Cash Flow Statement	The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

GLOSSARY

Code of Practice on Local Authority Accounting (Code)	A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.
Collection Fund	A separate statutory fund which records Council Tax and Non-Domestic Rates collected, together with payments to precepting authorities (e.g. Police Authorities, Fire Authorities etc.), NDR distribution to Central Government and the billing Council's own General Fund.
Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Comprehensive Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

GLOSSARY

Council Tax	A local taxation that is levied on dwellings within the local Council area. The actual level of taxation is based on the capital value of the property, which is split into 8 bands from A to H, and the number of people living in the dwelling.
Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.
Council Tax Precept	The amount of income due to the Council in respect of the total Council Tax collected.
Credit	A credit represents income to an account.
Credit Ceiling	A term from the old Local Authority capital expenditure system, the credit ceiling represented the Council's total debt outstanding after taking account of sums set aside to repay borrowing.
Creditors	Represents the amount that the Council owes other parties.
Debit	A debit represents expenditure against an account.
Debt Charges	This represents the interest payable on outstanding debt.
Debtors	Represents the amounts owed to the Council.
Dedicated Schools Grant (DSG)	A specific grant paid to Local Authorities to fund the cost of running its schools.
Deferred Capital Receipts Reserve	The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.

GLOSSARY

Depreciation	The accounting term used to describe the charge made representing the cost of using tangible non-current assets. The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Exceptional Item	Material Items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Council, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.

GLOSSARY

Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.
Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.
General Fund Balance	<p>The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.</p> <p>The General Fund Balance is the reserve held by the Council for general purposes, i.e. against which there are no specific commitments. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.</p>
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.

GLOSSARY

Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The Housing Revenue Account reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. This account includes the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.
Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.
Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.
Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.

GLOSSARY

Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.
Managed Funds	A type of investment where a number of investors pool their money into a fund which is then invested by a fund manager.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Materiality has both quantitative and qualitative aspects.
Medium Term Financial Plan (MTFP)	A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP covers three years.
Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement	This provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.
Non Domestic Rates (NDR)	Taxation that is levied on business properties. This is collected by billing authorities and then distributed to preceptors and Central Government.
Net Book Value	The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

GLOSSARY

Net Expenditure	The actual cost of a service to an organisation after taking account of all income charged for services provided.
Net Cost of Service	The actual cost of a service to an organisation after taking account of all income charged for services provided. The net cost of service includes the cost of depreciation relating to non-current assets.
Non-Current Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.
Outturn	Actual expenditure within a particular year. In the Explanatory Foreword this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Pension Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Precept	The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the council on their behalf. A body which can set a precept is called a preceptor.

GLOSSARY

Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.
Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Borrowing	The amount of borrowing undertaken by the Council to fund capital expenditure, in line with affordable levels calculated under the Prudential Code.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.

GLOSSARY

Revaluation Reserve	<p>The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.</p> <p>The Reserve contains only revaluation gains accumulated since April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.</p>
Revenue Expenditure	<p>Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.</p>
Revenue Expenditure Funded By Capital Under Statute	<p>Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of non-current assets.</p>
Revenue Support Grant (RSG)	<p>An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.</p>
Reserves	<p>Sums are set aside in reserves for specific future purposes rather than to fund past events.</p>
Service Reporting Code of Practice (SERCOP)	<p>Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.</p>
Soft Loan	<p>This is a loan which is provided with a below-market rate of interest.</p>
Specific Grant	<p>A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.</p>
Subsidiary	<p>An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)</p>
Surplus	<p>Arises when income exceeds expenditure or when expenditure is less than available budget.</p>

GLOSSARY

Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.
Usable Capital Receipts Reserve	Represents the resources held by the Council that have arisen from the sale of non-current assets that are yet to be spent on other capital projects.
Usable Reserves	Reserves that can be applied to fund expenditure or reduce local taxation, all other reserves retained on the balance sheet cannot.
Variation	The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.
Virement	The transfer of resources between two budgets, such transfers are governed by financial rules contained within the Constitution.

Draft Statement of Accounts

2015 – 2016

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<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
26 June 2016	
09:30am	<u>Public</u>

INTERNAL AUDIT ANNUAL REPORT 2015/16

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1. Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2016. It informs on delivery against the approved annual audit plan and includes the Audit Service Manager's opinion on the Council's internal controls, as required by the Public Sector Internal Audit Standards (PSIAS). This in turn, contributes to delivering the Accounts and Audit Regulations 2015 requirement to have internal audit, 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Final performance has been good with the revised plan being delivered in excess of the 90% delivery target, in compliance with the Public Sector Internal Audit Standards and to the satisfaction of customers. Forty nine percent of assurance opinions delivered were good or reasonable. This represented a reduction of 15% compared to last year.

Lower levels of assurance were, in the main, awarded in two areas; Children's Services (at a number of schools) and Chief Executives (ICT Infrastructure).

Whilst the control issues identified in Children's Services are key to school's operational arrangements, they do not impact significantly on the Council's assurance framework. The results of the ICT Infrastructure reviews remain a concern however, with particular regard to the Council's reliance on these systems acknowledged.

The continuing number of lower level assurances issued on the ICT infrastructure systems, combined with the direction of travel, has resulted in the Audit Service Manager (Chief Audit Executive) having to qualify her *overall* opinion on the Council's internal control environment. These risks are already known to Directors and Members and are recorded in the strategic risk register. The ICT infrastructure, on which Council applications operate, continues to provide a clear risk to service continuity. This has now been the case for several years, and although it is acknowledged that significant resource and prioritisation has been applied to manage this risk, it was also accepted that it may take several years for the necessary improvements to be implemented and embedded sufficiently to attain appropriate assurance levels. The issues currently identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must continue to prioritise implementation of plans to address the matters

raised. Whilst identifying these control weaknesses and highlighting them to management, it should be said, there has been no evidence of significant IT business failure or other error that could result in a material misstatement in the Council's accounts and reliance can still be placed upon it for that purpose.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment;

- a) Performance against the Audit Plan for the year ended 31 March 2016.
- b) That Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, taking into account public sector internal auditing standards or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2015/16.
- c) The Audit Service Manager's qualified year end opinion on the Council's internal control environment for 2015/16 on the basis of the work undertaken and management responses received.

REPORT

3. Risk assessment and opportunities appraisal

- 3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Council's financial and risk management systems and procedures, and is closely aligned to the Council's strategic and operational risk registers. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examine, evaluate and report on the adequacy of its customers' control environments as a contribution to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying areas for improvement or potential weaknesses, and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal control creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss and reputational damage.
- 3.2 Internal Audit operates a strategic risk based plan. This approach to audit planning has been referenced as an example of best practice in CIPFA's "It's a Risky Business 2014" publication. The plan is revisited each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. This results in a comprehensive range of audits being undertaken in the year, supporting the overall opinion on the control environment. The plan contains a contingency provision which can be utilised during the year to respond to unforeseen work demands that may arise, i.e. special investigations and advice.
- 3.3 The next twelve months continues to see the need to deliver significant budget savings as the Council maintains its journey towards a commissioner of services. This reduction of resources against changes to the delivery of services is expected to

continue to impact on systems, processes, structures and governance models, which will impact on the internal control environment. The management of risk will continue to play a key role in delivering the Council's Business Plan and Financial Strategy. Internal Audit will need to reflect the Council's needs and be resourced and skilled appropriately to continue to provide the appropriate level of advice and assurance on the effectiveness of the internal control environment during this ongoing period of major change and high risk.

- 3.4 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 3.5 There are no direct environmental, equalities or climate change consequences of this proposal.
- 3.6 Internal Audit customers are consulted on the service that they receive. Feedback is included in this report and continues to be very positive.

4. Financial implications

- 4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5. Background

- 5.1 This report is the culmination of the work of the Internal Audit team during 2015/16 and seeks to provide:
- An update on the internal audit work undertaken
 - An annual opinion on the adequacy of the Council's governance arrangements
 - Information on the performance of Internal Audit including results of the quality and assurance programme and progress against the improvement plan.
- 5.2 As the Accountable Officer, the Section 151 Officer has responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, whilst safeguarding the Council's assets, in accordance with local government legislation. This includes section 151 of the Local Government Act 1972 which requires the Council to make arrangements for the proper administration of its financial affairs.
- 5.3 The Accounts and Audit Regulations 2015 applied from the start of this financial year. The regulations require the Council to have internal audit to; 'evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. In addition, organisations are no longer required to undertake an annual review of effectiveness, although audit committees should note the requirements of the Public Sector Internal Audit Standards to maintain an ongoing programme of quality assessment and improvement.

Scope and purpose of Internal Audit

- 5.4 The Public Sector Internal Audit Standards define the scope of the annual report on internal audit activity. The annual report should include an assessment as to the extent

to which compliance with the Standards has been achieved. This annual report provides an internal audit opinion that can be used by the Council to inform its governance statement as part of the wider framework of assurances considered. The annual internal audit opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and incorporates a summary of the work in support of the opinion, a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. This is in accordance with the requirements of the 2015 Accounts and Audit Regulations. In addition, Internal Audit has an independent and objective consultancy role to help line managers improve governance, risk management and control.

- 5.5 The purpose of internal audit is to provide the Council, through the Audit Committee, the Chief Executive and the Section 151 Officer, with an independent and objective opinion on risk management, control and governance processes and their effectiveness in achieving the Council's agreed objectives.

Internal Audit work undertaken

- 5.6 The Internal Audit Plan 2015/16 was considered and approved by Audit Committee at its meeting on the 23 February 2015. The Plan provided for a total of 2,050 days. Revisions throughout the year to reflect changing risks and resources were reported to Audit Committee and the plan revised to a target of 1,932 days. Final performance has been good and remains in excess of the target to deliver 90% of the annual plan. **Appendix A, Table 1.**
- 5.7 The audit findings and performance of audit have been set out in summary reports which have been presented to the Audit Committee during the course of the year. In total 103 final reports have been issued in 2015/16. These are broken down by service area at **Appendix A, Table 2.**
- 5.8 Fifty one good and reasonable assurances were made in the year accounting for 49% of the opinions delivered. This represents a 15% reduction in the higher levels of assurance compared to the previous year, offset by an 11% increase in limited and unsatisfactory opinions. Nine unsatisfactory opinions and 43 limited assurance opinions were issued, 51% in total, compared to 36% last year.
- 5.9 Adult Services and Commissioning Services audit review results whilst not significant enough to sway the overall year-end opinion, are being used by managers to target areas for improvement. Children's Services and Chief Executive Directorate (Information Technology Services) showed lower assurance levels than others. Children's Services reviews included a number of areas considered low risk to the Council overall and will therefore not affect the Audit Service Manager's overall year-end opinion. To help improve the control environment in schools, auditors have continued to provide support and information to head teachers, teachers, administrators and governors through a number of forums and area meetings. In addition, a self-assessment document has been provided on the Schools Learning Gateway to allow schools to examine their own internal control environment between audit reviews. Fourteen of the lower assurance levels concern IT systems/ processes. IT Services were still implementing required control improvements towards the end of 2015/2016. This indicated that there had been little or no change in the IT control environment which led to the qualified opinions in 2013/2014 and 2014/2015. In this knowledge,

follow up audits in business continuity and disaster recovery and physical and environmental controls were not conducted. These audits, key to IT control risk, will be prioritised in 2016/2017. This information supports qualification of the current opinion on this issue. The results of these audits have been considered by officers and members, and the overall assurance and direction of travel remains a concern given the systems overall impact on delivering the Council's objectives. This issue is referred to in greater detail later in this report.

- 5.10 Within the Audit Plan there are eleven reviews categorised as fundamental, high risk business critical systems. In addition to providing assurance on internal controls, these reviews complement the work of the Council's external auditors and help to avoid unnecessary duplication of work between the two audit services. Given their level of risk and importance to the business, these areas are audited annually and have a strong influence in informing the Annual Governance Statement. A summary of the level of assurances for each fundamental review area together with the number of recommendations made is shown at **Appendix A, Table 3**.
- 5.11 From the table it can be seen that all fundamental systems showed a static or improved direction of travel, with most areas providing reasonable or good assurance. The Sales Ledger is the only one showing a lower level of assurance and this was mainly due to issues around debt collection activities.
- 5.12 Work has also been completed for external clients including honorary and voluntary bodies in addition to the drafting and auditing of financial statements.
- 5.13 A summary of the reviews resulting in an unsatisfactory or limited assurance since the last report, in February 2016 is included at **Appendix A, Table 4**. The Appendix also includes descriptions for the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 5 and 6**.
- 5.14 A total of 1,568 recommendations have been made in the 103 final audit reports issued in the year; these are broken down by audit area and appear at **Appendix A, Table 7**.
- 5.15 The number of fundamental recommendations has fallen from six to four for planned audit work compared to last year; overall this represents less than 1% of the total number of recommendations made. Fundamental recommendations were made on the following audits:

- **Sales Ledger 2014/15**

An operational approach, including appropriate liaison and support from the directorates, should be defined with clear targets in respect of reducing debt with details relating to where operational staff will be used to support debt reduction both in terms of the amount of debt and numbers of accounts in debt.

(Updated from recommendations made and agreed between 2009/10 and 2013/14)

Management attended the Audit Committee during the year and the Head of Financial Management and Reporting provided an update on progress on implementing improved management controls within Sales Ledger. The Audit Committee concluded that the report demonstrated that the audit recommendations were being addressed.

- **Hardware Replacement Programme Follow Up 2014/15**

Management should define a hardware replacement strategy aligned to the overall IT Strategy which takes a long term view of hardware procurement, hardware replacement costs, license fees and support staffing demands. The risk is that a lack of strategy will likely result in piecemeal development of ICT and failure to exploit ICT to the full. From a resourcing perspective both staffing and resourcing requirements will rely on short term rather than strategically efficient decisions. (Updated from recommendations previously made and agreed in 2013/14).

- **Hardware Replacement Programme Follow Up 2015/16**

As recommended and agreed in 2013/14 and 2014/15, management should define a hardware replacement strategy aligned to the overall IT Strategy which takes a long term view of hardware procurement, hardware replacement costs, license fees and support staffing demands.

Management have completed a desktop hardware age assessment. Finance has been agreed to prioritise the replacement of aged ICT Equipment, which includes the replacement of switches. This will address the immediate issues. A strategy will be developed for ongoing hardware replacement requirements, based on budget allocation. It has been recommended to management that a centralised desktop replacement be re-introduced.

- **IDOX Gazetteer 2015/16**

IDOX is the system used by planning and building control. Management need to obtain assurance from IDOX that the patching has been undertaken as agreed. The current state of patching is to be included in the relevant section of the monthly performance report as a Service Level Agreement Key Performance Indicator. Without this control there is risk of exposure to security vulnerabilities and malicious exploits.

Management have provided an update stating that patching has been completed on Test and Live Databases and continual Patching has been added to the Schedule.

The percentage of significant requiring attention recommendations have risen slightly compared to last year with a corresponding fall in best practice recommendations.

- 5.16 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. With the exception of annual audits where recommendations are revisited as a matter of course, recommendations are followed up after six months by obtaining an update from management on progress made.
- 5.17 Forty nine recommendations, equivalent to 3.2% of all recommendations made, have been rejected by management. As reported previously to the Committee, The Grove School rejected 36 of their recommendations on the 2014/15 audit. By taking these 36 recommendations out of the figures, the rejected percentage reduces to 0.8%, showing a more comparable situation to previous year's figures (0.5% 2014/15 and 0.8% 2013/14). All recommendations have been discussed with the managers concerned.
- 5.18 In relation to The Grove School, management comments indicated that actions had been taken to address the weaknesses identified; supporting the fact that the audit finding was correct and that a control issue existed at the time of the audit. A follow up

on The Grove School during 2015/16 identified a much improved situation attracting a good assurance overall.

5.19 Where the reasons for rejection, of any recommendation, are not accepted by Internal Audit, and it is considered that the identified risk is not being managed or mitigated, this has been highlighted to the managers concerned. Examples where rejection of a recommendation has not been accepted by Internal Audit, and where it is considered that the identified risk is not being managed or mitigated include:

- The purchase of alcohol to reward a volunteer for the school should not be met from school budgets, a more suitable gesture should have been purchased;
- Income due to the school budget should be transferred regularly from the school fund;
- Invoices should be date stamped in the event that a claim of interest is made under the Late Payments Act;
- Establishment lists should be checked on a regular basis and each time there is a change of personnel. Failure to do this may lead to the school incurring the cost of staff no longer employed at the school (ghost employees).
- There should be clear segregation of duties in the purchasing process to reduce the risk of fraud occurring;

No fundamental recommendations have been rejected.

5.20 Given the significance of the ICT infrastructure controls in terms of supporting the Council's fundamental systems (including financial systems), the Audit Service Manager considers the control issues identified sufficient to warrant qualifying the annual audit opinion. Such is the concern, that the qualification records that management must continue to prioritise implementation of the planned improvements. These issues are already recognised and recorded as high strategic risks, and are reflected in the Annual Governance Statement with a specific action for improvement. Throughout the year Audit Committee have sought independent assurances from key officers and, whilst plans have been adapted to manage outstanding control issues, only limited progress on improvement can be evidenced. IT audit reviews conducted during the year receiving unsatisfactory or limited assurances include:

- Hardware Replacement Programme Follow Up 2014/15
- Hardware Replacement Programme Follow Up 2015/16
- Homepoint IT System
- CIVICA Environmental Health System Application Review 2014/15
- Cardholder Management System for Blue Badges
- Mobile Devices – iPads, iPhone, Windows Phone 2014/15
- Remote Support 2014/15
- Corporate Networking – Active Directory
- Patch Management
- CM2000 Electronic Homecare Monitoring – Application Review
- EDRM Sharepoint
- Disposal of IT equipment
- Internet Security
- IT Registration and Deregistration Procedures
- Network Perimeter Defences
- ONE - Education Management System 2015-16

- Antivirus Controls
- Social Media
- Back-up Arrangements
- IDOX Planning, Building Control and Gazetteer Management System

- 5.21 During 2015/16, Internal Audit continued to facilitate work on the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes. Work includes matches on pension payments to registered deaths, matching payrolls between authorities, and other matches including UK visas, blue badges, private residential care and Housing Benefits. Savings of £5,096 were identified and recovered, the majority of which was due to a case where the death of a pensioner had not been notified to the Council and the pension had been over paid. The Internal Audit team has also assisted other authorities undertake their NFI enquiries by providing information to support their investigations.
- 5.22 In the current year, a number of internal audit reviews have been conducted, to help ensure appropriate controls are in place and are operational to counter the risk of fraud. These include:
- Treasury management
 - Payroll
 - Housing benefits
 - Council tax
 - NNDR
 - Parking
 - Direct payments
 - Personal budgets
 - Purchase ledger
 - Sales ledger
 - Income collection
- 5.23 The above were further supported by specific counter fraud work in relation to strike payments, driving documentation, and overtime payments. In addition, every investigation, where weaknesses have been identified in internal controls, results in a management report which lists areas to be improved to help reduce a repeat of any inappropriate activity.
- 5.24 Although Internal Audit is primarily an assurance function, internal audit activity should also add value to the Council. Contingencies are provided in the plan to allow for such activities and review areas reprioritised based on risks. Examples of the types of additional work that the service has conducted during the year include:
- Department for Transport transformation funding and other grant work – providing advice on and ensuring that the claims are evidenced appropriately to receive the grant/ funds.
 - Provision of a presence on the Learning Gateway for maintained schools designing and making available details of self-help tools to improve their internal control environments.
 - Attendance at school forums to increase awareness of the requirements for internal controls, how Internal Audit can help and where to find more information.

- Supporting IT and various consultants in their understanding of the control environment and advising on areas for improvement
- Provision of counter fraud training to key social care staff
- Reviews of and support for the completion of business cases through to advice and guidance on transforming services in to new delivery models: People to People; County Training; hosting solutions;
- Evaluation of financial ratios and accounts to help support the business to decide if contract increments are due.

Direction of travel

5.25 This section compares the Assurance Levels (where given) and categorisation of recommendations made at the Council to demonstrate a direction of travel in relation to the control environment.

Comparison of Assurance Levels (where given)

Assurances	Good	Reasonable	Limited	Unsatisfactory	Total
2015/16	14%	35%	42%	9%	100%
2014/15	17%	47%	28%	8%	100%
2013/14	30%	45%	15%	10%	100%
2012/13	31%	56%	12%	1%	100%

Comparison of recommendation by categorisation

Categorisation	Best practice	Requires attention	Significant	Fundamental	Total
2015/16	4%	54%	42%	0%	100%
2014/15	6%	53%	40%	1%	100%
2013/14	15%	57%	27%	1%	100%
2012/13	23%	57%	20%	0%	100%

The statistics demonstrate a weakening control environment reflected in an increased number of lower level assurances (51%) and higher recommendation categorisations awarded (42%).

- a) The majority of high level assurances relate to key financial systems through which the majority of the Council's financial business is transacted. These processes are supported by applications which also attract higher level assurances. This combines to provide a high level of confidence in the robustness of the data reflected in the accounts.
- b) Over a quarter of the lower assurance levels concern IT systems/processes. IT Services were still implementing required control improvements towards the end of 2015/16. This indicated that there had been little or no change in the IT control environment which led to the qualified opinions in 2013/14 and 2014/15. In this knowledge, follow up audits in business continuity and disaster recovery and physical and environmental controls were not conducted. These audits, key to IT control risk, will be prioritised in 2016/17. This further supports qualification of the current opinion.

- c) The lower levels of assurance in social care and schools are not significant enough to sway the opinion; managers have agreed actions plans here to target improvement.

Given the overall impact of (a), (b) and (c) above, there is no option other than for the Audit Service Manager's Year-end opinion to be qualified. There is a concern that this is the fourth year where the opinion has been qualified and neither management nor members should accept this as the norm, instead they should continue to be robust and challenging in their improvement agenda.

An annual opinion on the adequacy of the governance arrangements

- 5.26 In considering an annual audit opinion, it should be noted that assurances given can never be absolute. The internal audit service can however provide the Council with reasonable assurance as to whether there are any major weaknesses to be found in risk management, governance and control processes.
- 5.27 The matters raised in this report are only those which came to Internal Audit's attention during its internal audit work and are not necessarily a comprehensive statement of all weaknesses that exist, or of all the improvements that may be required.
- 5.28 In arriving at her opinion, the Audit Service Manager has taken the following matters into account:
- Results of all audits undertaken during the year ended 31 March 2016;
 - Results of Corporate Governance and Risk Management reviews (good assurance);
 - Results of fundamental audit reviews and their direction of travel;
 - Implementation of recommendations of a fundamental nature;
 - Assurance levels provided and their direction of travel, and those of the recommendation ratings, compared against the risk appetite of the Council.
 - Fundamental recommendations not accepted by management and the consequent risks;
 - Effects of any material changes in the organisation's objectives or activities;
 - Matters arising from previous reports to the Audit Committee and/or Council;
 - Whether or not any limitations have been placed on the scope of internal audit;
 - Whether there have been any resource constraints imposed which may have impinged on Internal Audit's ability to meet the full internal audit needs of the Council; and
 - Proportion of the Council's internal audit needs that have been covered to date.
- 5.29 All assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

On the basis of the work undertaken and management responses received; the Audit Service Manager has qualified her overall opinion on the Council’s internal control environment. This is based primarily on the continuing numbers, and negative direction of travel, of the internal audit assurances provided on the IT infrastructure systems. These risks are already known to Directors and Members and are reflected in the strategic risk register. The IT infrastructure on which Council applications operate continues to present a clear risk to service continuity. This has now been the case for several years, and although it is acknowledged that significant resource and prioritisation has been applied to manage this risk, it was also accepted that it may take several years for the necessary improvements to be implemented and embedded sufficiently to attain appropriate assurance levels. The issues currently identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must continue to prioritise implementation of plans to address the matters raised.

Whilst identifying these control weaknesses and highlighting them to management, it should be said, there has been no evidence of significant IT business failure or other error that could result in a material misstatement in the Council’s accounts and reliance can still be placed upon it for that purpose.

Audit performance

5.30 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards, benchmarking the service against others in the sector and evaluating improvements made over the previous twelve months. The effectiveness of Internal Audit is further reviewed through the Audit Committee’s delivery of its responsibilities and feedback gained from customer satisfaction surveys.

Aspect of measure	Target 2015/16	Actual 2015/16
Percentage of revised plan delivered	90%	100%
Compliance with Public Sector Internal Audit Standards	Compliant	Compliant
Percentage of customers satisfied overall with the service	80%	82%

5.31 An annual review of Internal Audit is conducted in the form of a self-assessment of compliance with the Public Sector Internal Audit Standards. The self-assessment forms part of another report on this agenda: ‘Annual review of Internal Audit: Quality Assurance and Improvement Programme 2015/16’.

5.32 Internal Audit recognises the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. The Service continually focuses on delivering high quality audit to clients – seeking opportunities to improve where possible.

- Commitment to quality begins with ensuring that appropriately skilled and experienced people are recruited and developed to undertake audits.

- Audit practice includes ongoing quality reviews for all assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.
- A Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. The quality of audits is evidenced through performance and delivery, feedback from our clients and an annual self-assessment.
- There is a financial commitment for training and developing staff. Training provision is reviewed continually through the appraisal process and regular one to one meetings. Individual training programmes are developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.

- 5.33 A customer feedback survey form is sent out with the majority of audits completed. These can provide feedback on the quality of the service and play a key part in ensuring audit work meets client expectations and the quality of audit work is maintained. The percentages of excellent and good responses for the last four years are detailed in **Appendix A, Table 8**.
- 5.34 The percentage of customers scoring the service as high or excellent has reduced and demonstrates a downward trend against all results. Given the current climate where an increasing number of reviews are reporting reduced assurances and with a significant reduction in resources for both Internal Audit and our customers starting to impact on services, this trend is not unexpected.
- 5.35 Results can mainly be attributed to the reduced resources both within the client; who has less time to properly engage before, during and after audit reviews and the auditors in having to spread their attention and focus over a number of competing areas. Reprioritisation of audit work, has at times led to delays in completing projects and whilst this is communicated to customers at the time, it is reflected in their scores. There have also been significant issues with contractor delivery and a performance issue within the team, resulting in a lower, ‘timeliness of production of report’ and, ‘professionalism’ result.
- 5.36 Services receiving recommendations are also reporting difficulties in resourcing improvements, managing their internal control risks and subsequently challenging what they see as, ‘the practicality of the recommendations’. The risk to the business and the validity of the recommendation remains in these cases and is rightly reported by Internal Audit. The challenge for the Council is to realign its risk appetite or address the issue.
- 5.37 During the last year a number of compliments and comments have been received in respect of the service from both questionnaires and directly, these appear at **Appendix A, Table 9**. The vast majority of comments have been very positive reflecting the hard work the team devote to establishing a good professional relationship with clients. All critical comments are followed up with the author to identify where lessons can be learnt and improvements made.
- 5.38 Internal Audit employ a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting audit assignments. All work has been performed in accordance with PSIAS.

- 5.39 In order to ensure the quality of the work performed, a programme of quality measures is used, which includes:
- Supervision of staff conducting audit work;
 - Review of files of working papers and reports by managers and partners;
 - Receipt of formal feedback from managers to audit findings and recommendations;
 - Follow up reviews for reports attracting low assurance levels and recommendation follow up processes;
 - The use of satisfaction surveys for each completed assignment;
 - Annual appraisal of audit staff and the development of personal development and training plans;
 - The maintenance of guidance and procedures.
- 5.40 There have been no instances during the year which have impacted on Internal Audit's independence and/or have led to any declarations of interest.

Performance measures

- 5.41 All Internal Audit work has been completed in accordance with the agreed plan and the outcomes of final reports have been reported to the Audit Committee.

Review of the effectiveness of Internal Audit work by the Audit Committee

- 5.42 The Council has a well-established Audit Committee, which operates in accordance with best practice. Its terms of reference and associated working practices are aligned with those suggested by CIPFA and are reviewed annually. Its members receive regular training on the role of the committee and how they can best support this, as well as the roles of internal and external audit. It undertakes an annual self-assessment exercise and seeks to improve the way in which it operates.
- 5.43 The Committee provides an Annual Assurance Report to Council to summarise its work and opinion on internal controls. This report is also located on this agenda.
- 5.44 The Council's Audit Committee considers external and internal audit reports and the Committee requests management responses to any significant issues reported, including reporting the progress made in implementing audit recommendations. Senior officers have attended the Audit Committee to provide management responses in relation to a number of reports. Examples of audit work and remedial action that have been scrutinised by the Audit Committee include reports on strategic risks; IT update report, sales ledger, council tax and national non domestic rates performance, housing benefit overpayment performance, and programme controls and risks and the top fifty contracts controls and risks.

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

Draft Internal Audit Risk Based Plan 2015/16 - Audit Committee February 2015
Internal Audit Plan 2015/16 – Performance Report - Audit Committee September 2015
Internal Audit Plan 2015/16 – Performance Report - Audit Committee November 2015
Internal Audit Plan 2015/16 – Performance Report - Audit Committee February 2016

Public Sector Internal Audit Standards (PSIAS).
Various internal documents supporting self-assessment against the PSIAS.
Audit Management system.
Accounts and Audit Regulations 2015

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council and Tim Barker, Chairman of Audit Committee

Local Member: All

Appendices

Appendix A

Table 1: Summary of actual audit days delivered against plan 2015/16

Table 2: Final audit report assurance opinions issued in 2015/16

Table 3: Audit opinion and recommendations made on fundamental systems 2015/16

Table 4: Unsatisfactory and limited assurance opinions since February 2016 listed by service area

Table 5: Audit assurance opinions

Table 6: Audit recommendation categories:

Table 7: Audit recommendations made in 2015/16

Table 8: Customer Feedback Survey Forms

Table 9: Summary of compliments and comments 2015/16

Appendix B - Audit plan by service – annual report 2015/16

Table 1: Summary of actual audit days delivered against plan 2015/16

	Original Plan	Revised Plan	March Actual	% of Original Complete	% of Revised Complete
Chief Executive	58	55	51.2	88%	93%
Adult Services	110	101	104.9	95%	104%
Commissioning	118	101	86.1	73%	85%
Children's Services	399	433	472.8	118%	109%
Public Health	32	17	16.2	51%	95%
Resources and Support	517	448	438.1	85%	98%
S151 Planned Audit	1,234	1,155	1,169.3	95%	101%
Contingencies and other chargeable work	595	538	527.1	89%	98%
Total S151 Audit	1,829	1,693	1,696.4	93%	100%
External Clients	221	239	226.2	102%	95%
Total	2,050	1,932	1,922.6	94%	100%

Please note that a full breakdown of days by service area is shown at **Appendix B**

Table 2: Final audit report assurance opinions issued in 2015/16

Service area	Good	Reasonable	Limited	Unsatisfactory	Total
Chief Executive	10	13	10	4	37
Finance	8	8	0	1	17
ICT	0	0	9	3	12
Legal	0	1	0	0	1
HR	1	2	0	0	3
Property Services	0	0	1	0	1
Information Governance	0	2	0	0	2
Risk Management and Business Continuity	1	0	0	0	1
Adult Services	0	2	7	1	10
Commissioning	0	0	6	1	7
Children's Services	3	19	18	2	42
Public Health	2	2	2	1	7
Total for 2015/16					
➤ Numbers	15	36	43	9	103
➤ Percentage	14%	35%	42%	9%	100%
Percentage 2014/15	17%	47%	28%	8%	100%
Percentage 2013/14	30%	45%	15%	10%	100%
Percentage 2012/13	31%	56%	12%	1%	100%

Table 3: Audit opinion and recommendations made on fundamental systems 2015/16

Fundamental system	Direction of travel	Level of assurance given	Number of recommendations made			
			BP	RA	S	F
Purchase Ledger	=	Reasonable	0	7	1	0
Sales Ledger	↑	Limited	0	6	6	0
General Ledger	=	Good	0	5	0	0
Income Collection	↑	Good	0	4	0	0
Payroll System	↑	Good	0	1	1	0
Council Tax	=	Reasonable	0	4	2	0
NNDR Collection	↑	Good	0	3	0	0
Housing Benefits	↑	Good	0	0	0	0
Treasury Management	=	Good	0	1	1	0
Capital Accounting System	=	Good	1	0	0	0
Risk Management	↑	Good	0	0	0	0

Table 4: Unsatisfactory and limited assurance opinions since February 2016 listed by service area

Unsatisfactory assurance

Chief Executive

Back-up Arrangements
Hardware Replacement Programme Follow Up 2015/16

Commissioning

IDOX Planning, Building Control and Gazetteer Management System

Children's Services

Lydbury North Primary School (federated with Onny CE Primary) and Little Pippins Nursery Class

Limited assurance

Adult Services

Kempsfield Transfer - Exit Audit
Church Stretton Day Centre Transfer - Exit Audit

Commissioning

Licensing

Children's Services

Adoption Process Including Allowances

Burford CE Primary School
 Newcastle CE Primary School
 St Andrew's CE (Voluntary Controlled) Primary School, Nescliffe
Public Health
 Registrars Service

Table 5: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 6: Audit recommendation categories: an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Table 7: Audit recommendations made in 2015/16

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Chief Executive	13	157	97	3	270
Finance	1	72	19	1	93
ICT	8	45	54	2	109
Legal	0	3	3	0	6
HR	0	29	16	0	45
Property Services	0	5	4	0	9

Service area	Number of recommendations made				
	Best practice	Requires attention	Significant	Fundamental	Total
Information Governance	4	3	1	0	8
Risk Management and Business Continuity	0	0	0	0	0
Adult Services	2	63	63	0	128
Commissioning	0	41	46	1	88
Children's Services	51	552	422	0	1025
Public Health	1	31	25	0	57
Total for 2015/16					
➤ Numbers	67	844	653	4	1568
➤ Percentage	4%	54%	42%	0%	100%
Percentage 2014/15	6%	53%	40%	1%	100%
Percentage 2013/14	15%	57%	27%	1%	100%
Percentage 2012/13	23%	57%	20%	-	100%

Table 8: Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	Direction of Travel
Pre-audit arrangements	97%	96%	96%	90%	↓
Post-audit briefing	99%	93%	97%	81%	↓
Audit coverage/scope of the audit	99%	95%	100%	97%	↓
Timeliness of production of report	94%	90%	88%	68%	↓
Accuracy and clarity of report	96%	94%	94%	87%	↓
Practicality of recommendations	84%	82%	87%	73%	↓
Professionalism of approach	99%	97%	100%	89%	↓
Communication skills	99%	97%	100%	95%	↓
Timeliness, competence, manner	97%	91%	90%	87%	↓
Number of forms returned	96	77	69	65	↓
% of forms scored as excellent and good	96%	93%	95%	85%	↓

Table 9: Summary of compliments and comments 2015/16

A good audit with very helpful post audit report briefing.

We felt that the audit was a positive experience which has enabled us to improve our practice significantly. Our Auditor was extremely thorough and also really helpful in suggesting ways we could improve.

I am writing to express my thanks to the auditors. In these difficult times when resources and staff are very stretched they were very supportive in bringing forward our audit to coincide with the notice period of our current SBM. As I am a member of CPG I know that some of my colleagues raised a number of issues regarding the conduct of school audits. I can only say that these negatives were in no way evident in the audit my school received. To the contrary the auditor put herself out to explain and engage my admin staff and myself in the process, she was willing to explain what her requirements were and was professional and non-confrontational in all that she did. She was always pleasant and smiling and in no way did we ever feel "done too" but only fully "engaged with". The feedback was very helpful and a positive experience, providing great opportunities for improving our financial practice. There were more points to address than I would have preferred, but that was our fault not yours and I am glad they were identified in such a helpful way. I am more than happy at the way the audit was conducted and the professional yet friendly relationship the Auditor developed with us as a school. Many thanks to your Team.

The audit itself was very useful. It was the first one I had experienced as a Head Teacher (although there was a lot of preparation needed to collect all the relevant information in advance). Unfortunately, I wasn't made aware of the schools previous audit date until the process began and as a different Head coming into the school, I hadn't seen the previous audit to be able to address some of the issues it had raised. I felt the audit itself and areas it focused on were thorough and the report provided details which were useful in supporting financial school improvement. Although an effective relationship was established with the auditor, the actual time spent in school was very limited and the process itself felt rushed as a result. Many emails and several calls then followed at the end of the very busy summer term and into Autumn term requesting documents which could have been viewed and collected in school especially when the Administrator was available and also the Head as extra release time from teaching had been provided in line with the audit dates given to enable regular communication and easy access to documentation. Some of the recommendations highlighted in the report came after following the advice and guidance provided to the school from Shropshire Council which was quite worrying. We also wondered why there is a judgement of "good" if no schools ever achieve this. I felt the audit was positive in helping the school to formalize necessary improvements.

¹As customers are issued their own copy of the audit report when an audit is undertaken, it is not considered necessary, under normal circumstances, to re-issue previous reports prior to a subsequent audit being undertaken. In this case, the new Head Teacher could have requested a copy of the earlier report if, for any reason, he was unable to locate the school's copy.

Time spent in schools is limited and getting the balance right is not easy. It relies on the school being able to accommodate the auditor, and the level of work that is required. All these aspects vary across the different schools. Internal Audit try to minimise the number of post audit enquiries that are required, but sometimes for a number of good reasons, this is unavoidable.

There is a judgement of good. It is awarded when a customer reaches that standard and is achievable with the right controls in place.

A very useful exercise delivered at a very timely period and providing excellent feedback and observations to assist with developing our processes and procedures.

¹ Text in highlights and italics sets out the actions Internal audit have completed to remedy the situation set out in the feedback

I would like to thank you for all your help with this audit and the team are now working on getting everything in place. They are grateful for the advice and it's given them the help they needed in some areas.

This audit has helped to highlight the volume and complexity of work that this small team is required to undertake. It has provided an evidence base from which to improve from and as a means of seeking additional resources. The assessment of reasonable as indicated above is not a reflection on the staff who completed the audit but relates to the timescales and continuity of auditors which we note was unavoidable due to maternity leave. We do though appreciate the opportunity to comment before the final audit report was issued and note the amendments.

As a new Head only in post six weeks when the audit took place I was aware of certain financial processes that had previously not been in place and had implemented them but this was not taken into consideration during the audit. The audit has been very useful for the school but with such a small staff membership it is very difficult to implement some of the recommendations accurately. The majority of points have now been implemented or dealt with. The auditors should have stated that they were unsure of the final judgement as we were led to believe that it would be requiring improvement and not unsatisfactory.

Audit reviews look for evidence that processes are embedded. With new systems it is not possible to say if systems are embedded and effective at the time of the audit, only whether the right controls are in place to demonstrate an improvement moving forward. I can understand the frustration of the customer in this instance and their understanding of Internal Audit's remit.

All Auditors have been reminded of the need to ensure that the customer is fully aware of their role. A marketing brochure setting out roles and responsibilities is provided to customers in advance of audits.

All Auditors have been reminded of the need to be clear to the customer when providing an initial assurance position, and to emphasise that it is provisional since the quality review process may seek out further data that could lead to the adjustment of an early assurance level indicator going up or down.

Only concern was the practicality of the recommendation give the reduced resources that we have, on the whole though the audit provided a helpful and useful assurance overview.

We have viewed this audit as a huge learning curve. However, it is a learning curve that wouldn't have been so steep were appropriate training available for administrators in the first place. Many of the systems that my administrator has been using were ones used by her predecessor and were not identified as issues in the previous audit.

Internal audit has introduced a marketing brochure to clarify the role and responsibilities of all partners.

An internal control self-assessment checklist has been set up to allow schools to assess their current position

A general manual or expectations from a finance point of view would be useful for us to then personalise and adapt for our establishment. The information provided at the HT update regarding issues for schools in general is something that needs to be sent out on a regular basis, so that schools can be picking them up and dealing with them quickly and not having to wait for 3 years to be told you are not doing it right. A termly update/bulletin of recommendations or checks would be very useful. During the HT meeting it was said that Audit were the third line of defence for schools, but by then it is actually too late as judgements are made and available to a wider audience. Undoubtedly however, we will be operating much more efficient systems as a result of the audit.

A more precise list of documentation needed for the audit would have been appreciated. We did find the overall experience helpful and useful.

It was a useful process to go through, as it re-enforced some of the issues and weaknesses I believed to exist within our current systems. The auditor was really professional throughout the process and made it very straight forward, from the initial contact arranging the audit, right through to receiving the final report.

The auditors were extremely professional and helpful during the audit and have remained so, post audit. There were some additional points on the final audit, which had not been discussed at the verbal feedback session with the SBM and Chair of Governors but overall we were pleased with the judgements. We have updated our SFVS and are monitoring the action plan accordingly. One small point which is a bit disappointing is the rating term "reasonable". The auditor advised that our rating of reasonable was actually very good and we were in a minority to have achieved this level but the term itself suggests only adequate. (a different terminology might be a better incentive)

against a number of expected controls following which they can improve these or seek advice. The establishment and delivery of the controls in the school environment remains the responsibility of the schools with their delegated budgets (the first line of defence), including the production of a manual. Internal Audit can only ever provide independent assurance that the controls are in place and effective (third line of defence).

To highlight common issues, recommendation areas have been made available to all schools and it is hoped that the learning from these will benefit the school environment. This is an added value process Internal Audit has provided to help reduce similar errors.

A list of documents required is sent out prior to the audit starting and the self-assessment checklist available to schools on the intranet also aids this process.

AUDIT PLAN BY SERVICE – ANNUAL REPORT 2015/16

	Original Plan Days	Revised Plan Days	March 16 Actuals	% of Original Plan	% of Revised Plan Achieved
CHIEF EXECUTIVE					
Governance	58	55	51.2	88%	93%
ADULT SERVICES					
Social Care Operations					
Long Term Support	55	58	56.2	102%	97%
Provider Services - Establishments	13	10	10.5	81%	105%
Housing Services	29	7	12.0	41%	171%
	97	75	78.7	81%	105%
Social Care Efficiency and Improvement					
Development Support	13	26	26.2	202%	101%
ADULT SERVICES	110	101	104.9	95%	104%
COMMISSIONING					
Waste & Bereavement	10	7	7.1	71%	101%
Leisure Services	13	10	10.3	79%	103%
Highways	14	17	16.9	121%	99%
Development Management	18	15	15.7	87%	105%
Visitor Economy	5	9	9.0	180%	100%
Business & Enterprise	15	15	0.0	0%	0%
Project Development	5	0	0.0	0%	0%
Community Safety	23	19	18.1	79%	95%
Environmental Protection and Prevention	15	9	9.0	60%	100%
COMMISSIONING	118	101	86.1	73%	85%
CHILDREN'S SERVICES					
Safeguarding					
Assessment & Looked After Children	5	8	8.5	170%	106%
Safeguarding	20	9	8.4	42%	93%
Children's Placement and Joint Adoption	58	60	59.4	102%	99%
	83	77	76.3	92%	99%
Learning and Skills					
Business Support	17	14	14.6	86%	104%
Education Improvements	16	16	16.6	104%	104%
Primary/Special Schools	250	308	346.7	139%	113%
Secondary Schools	23	18	17.8	77%	99%
	306	356	395.7	129%	111%

Learning Employment and Training	10	0	0.8	8%	0%
CHILDREN'S SERVICES	399	433	472.8	118%	109%
PUBLIC HEALTH	32	17	16.2	51%	95%
RESOURCES AND SUPPORT					
Customer Care, Commercial and Support Services					
Estates & Facilities	5	10	10.3	206%	103%
Property Services	23	28	28.3	123%	101%
Shire Services	23	21	20.4	89%	97%
	51	59	59.0	116%	100%
Service Support, Marketing and Engagement					
Customer Services	34	26	25.2	74%	97%
ICT	83	69	57.7	70%	84%
	117	95	82.9	71%	87%
Finance Governance & Assurance					
Finance Transactions	69	39	49.7	72%	127%
Finance and S151 Officer	65	58	61.2	94%	106%
Financial Management	37	35	24.5	66%	70%
Procurement and Contract Management	25	17	17.6	70%	104%
Benefits	29	20	19.4	67%	97%
Revenues	40	33	33.4	84%	101%
Risk Management and Business Continuity	5	6	6.6	132%	110%
Treasury	10	15	15.0	150%	100%
	280	223	227.4	81%	102%
Payroll and Human Resources	52	48	44.9	86%	94%
Legal, Democratic & Strategic Planning					
Information Governance	7	11	11.8	169%	107%
Legal Services	10	12	12.1	121%	101%
	17	23	23.9	141%	104%
RESOURCES AND SUPPORT	517	448	438.1	85%	98%
Total Shropshire Council Planned Work	1,234	1,155	1,169.3	95%	101%

CONTINGENCIES					
Advisory Contingency	40	40	42.0	105%	105%
Fraud Contingency	250	133	123.7	49%	93%
Unplanned Audit Contingency	45	70	63.5	141%	91%
Other non-audit Chargeable Work	260	295	297.9	115%	101%
CONTINGENCIES	595	538	527.1	89%	98%
Total for Shropshire	1,829	1,693	1,696.4	93%	100%
EXTERNAL CLIENTS	221	239	226.2	102%	95%
Total Chargeable	2,050	1,932	1,922.6	94%	100%



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
23rd June 2016	
9:30am	<u>Public</u>

REVIEW OF SHROPSHIRE COUNCIL'S CODE OF CORPORATE GOVERNANCE 2015/16

Responsible Officer Pete Chadderton

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1. Summary

Shropshire Council is committed to the principles of good corporate governance. The attached review of Shropshire Council's Code of Corporate Governance was developed using the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance and identifies how, as a Council, we achieved effective corporate governance in 2015/16. Compliance with our Governance Code supports the Council's review of the effectiveness of its system of internal controls as required by the Accounts and Audit Regulations 2015 3 and 6(Part 2). This in turn informs the Annual Governance Statement which accompanies the Annual Statement of Accounts, signed by the Leader of the Council and the Head of Paid Service.

From the 1st April 2016 the new CIPFA Framework for Governance takes effect and future assessments will be completed against this.

2. Recommendations

The Committee is asked to consider and approve, with appropriate comment, the Internal Audit conclusion that the Council has strong evidence of compliance with the Code of Corporate Governance. The detailed code, incorporating evidence, is contained in **Appendix A**.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Corporate Governance is part of the overall internal control framework and contributes to the Council's strong governance arrangements.

- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 3.3 There are no environmental consequences of this proposal and consultation has been used to inform the review of the Code of Corporate Governance by seeking assurances and evidence from senior officers as to the effectiveness of internal controls and governance processes.

4. Financial Implications

- 4.1 There are no financial implications arising from this report.

5. Background

- 5.1 The Audit Committee's terms of reference include a requirement to review and report on the adequacy of the Council's Corporate Governance arrangements. This report looks at the Corporate Governance arrangements we had in place for last year to enable the Audit Committee to deliver its year end assurance report.
- 5.2 The Shropshire Council Code of Governance forms part of the Constitution. Internal Audit have completed a review of the code and examined the relevant evidence to assess whether the Council has followed its adopted code of governance.
- 5.3 The CIPFA/SOLACE guidance entitled "Delivering Good Governance in Local Government – Framework" contains six core principles, each of which is supported by sub-principles to provide a governance framework. The guide identifies best practice for authorities to adopt when establishing their own local Code of Corporate Governance. Shropshire Council's Code of Corporate Governance is entirely based on this and further guidance provided in the CIPFA "Delivering Good Governance in Local Government: Framework Addendum 2012".
- 5.4 CIPFA and SOLACE have refreshed the guidance in 2016: "Delivering Good Governance" incorporating aspects of the "International Framework: Good Governance in the Public Sector" from the International Federation of Accountants. This new framework is intended to assist authorities individually in reviewing and accounting for their own unique approach to governance. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities. This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 5.5 The fundamental principles of Corporate Governance are: Openness and Inclusivity, Integrity and Accountability. These principles are entirely consistent with the Council's values. The six core principles identified in The CIPFA/SOLACE guidance are:

- Focussing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

5.6 Under each of the six core principles and their sub-principles the audit review of the code shown at **Appendix A** demonstrates how we address and meet these principles in accordance with the best practice identified by CIPFA/SOLACE.

5.7 The Monitoring Officer and Section 151 Officer are responsible for ensuring an annual review of compliance with this Code and Internal Audit independently reviews the governance process. In conducting the review, evidence is collated from prime documents and, following discussions with and statements from key officers, this information is compared to known results of Internal Audit reviews. The assurance is then circulated publically through Audit Committee which allows for further member and officer challenge. The results of this review are included in the Audit Service Manager's annual report and form a part of the overall assurance for the Annual Governance Statement.

5.8 On a practical basis, the Code contains a corporate governance map defining our framework by reference to key processes, procedures and documents which contribute to our aspiration of excellent corporate governance in Shropshire. This is felt to be a very useful way of illustrating how the Council achieves good corporate governance.

6. Conclusion

6.1 The Council's formally adopted Code of Corporate Governance is compliant with CIPFA/SOLACE guidance. The Code was reviewed to determine whether the Council complied with the approved Code of Corporate Governance; the evidence in Appendix A demonstrates strong compliance and no material breaches of the Code were identified.

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

CIPFA / SOLACE: Guidance Note – Delivering Good Governance in Local Government – Framework.

CIPFA/SOLACE: Application Note to Delivering Good Governance in Local

Government: a Framework 2010.
CIPFA: Delivering Good Governance in Local Government: Framework Addendum 2012
CIPFA/ SOLACE: Delivering Good Governance in Local Government Framework 2016 edition
CIPFA/ SOLACE: Delivering Good Governance in Local Government Guidance notes for English Authorities 2016 edition

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council, and Tim Barker, Chairman of Audit Committee.

Local Member

All Members.

Appendices

Appendix A – Code of Corporate Governance.

SHROPSHIRE COUNCIL
CODE OF CORPORATE GOVERNANCE

Introduction

Shropshire Council is committed to the principles of good corporate governance which are set out in a Code of Corporate Governance based on the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) document entitled "Delivering Good Governance in Local Government – Framework". The Shropshire Code of Corporate Governance forms part of the Constitution and applies to all aspects of the Council's business.

Corporate governance in Shropshire is the systems and processes, culture and values, by which we, the local Council, direct, monitor and control our functions and account to, engage with and, where appropriate, lead our community. Put simply, good governance enables us to do the right things in the right way, for the right people in a timely, inclusive, open and accountable manner.

The Council is dependent on our members and staff delivering excellent corporate governance which requires them to conduct themselves in accordance with the high standards expected by the citizens of Shropshire.

The fundamental principles of corporate governance are openness and inclusivity, integrity and accountability. The CIPFA/SOLACE document identifies six core principles supported by numerous sub principles to the corporate governance framework. Our code includes the documents, systems, processes and actions the Council undertake to fulfil our commitment to, and compliance with, the code.

The Cabinet, in consultation with the Audit Committee is responsible for approving this Code and the Head of Paid Service and Monitoring Officer are responsible for ensuring that it is kept up to date by reviewing it annually.

The Monitoring Officer and Section 151 Officer are responsible for ensuring an annual review of compliance with this Code and Internal Audit will independently audit the process. The results of this review will be included in the Audit Service Manager's annual report and form a part of the overall assurance for the Annual Governance Statement signed by the Leader and the Head of Paid Service.

On a practical basis, the Code contains a corporate governance map at Appendix 1 defining our governance framework by reference to key processes, procedures and documents which contribute to our aspiration of excellent corporate governance in Shropshire.

There is a copy of the Code of Corporate Governance in the Constitution (Pages 100 to 106 Section E). There have been no proposed changes to the format of this from recognised bodies for the 2015/16 financial year. From the 1st April 2016 the new CIPFA Framework for Governance takes effect and future assessments will be completed against this.

Principle1 - Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

1.1. Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.

1.1.1. Develop and promote the authority's purpose and vision.

- The Council has continued to deliver the integrated Business Plan and Financial Strategy 2014-17. This has helped to keep the Council flexible and responsive to emerging local issues and significant national developments such as the Care Act during 2015/16.
- The revised performance framework that was developed with elected Members during early 2014 has progressed over 2015/16, continuing to use dashboards to provide a visual picture of progress around a number of targeted measures related to the Council's outcomes.
- Quarterly reporting is presented to Cabinet and Scrutiny committees, sharing progress and exceptions relating to the delivery of the Council's outcomes. The more detailed dashboards are presented to Scrutiny committees to support them to drill down into specific issues and identify lines of enquiry. 2015/16 has seen a focus on the exceptions being highlighted to scrutiny using year on year trends and additional information during presentations and discussion at the Committee.-
- The dashboard developed with Health and Adult Social Care Scrutiny Committee to track and display the impact of the Adult Social Care (ASC) New Operating Model (NOM), is reported on a six month basis alongside Complaints data and other available information e.g. statutory consultation results. This provides a view of the service and the impacts of the NOM from a number of different perspectives, and has enabled Members to focus on specific issues and areas of interest.
- Areas where reported performance raises concerns are highlighted in the quarterly reports and monitored, as recommended by Cabinet e.g. that the portfolio holder and director report back to Cabinet with an action plan to bring performance back to the expected standard. Cabinet may refer issues of continuing concern to Scrutiny for review.

1.1.2. Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements.

- The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.
- During 2015/16 the Council launched the Big Conversation; an engagement approach to develop a sustainable mechanism to

communicate with and hear from communities, businesses, partners and providers. The first phase of the Big Conversation has run from mid November 2015 to the end of March 2016, focusing on the three year Financial Strategy 2016/17 to 2018/19. This first phase has used surveys, focus groups, and action planning workshops and there will be a final report with conclusions, recommendation and next steps which will be published at a feedback event. The next steps will inform how the Council (and partners) progress working together to explore and deliver the actions required. By designing and delivering the second phase of the Big Conversation the Council will put in place a sustainable engagement framework for the next three to five years, and the vision is that this will be used by and of value to partners.

- Through the Directors group and Cabinet, work has started during 2015/16 to establish a new Corporate Plan, including a review of the vision, mission, priorities and objectives of the Council. Running alongside of this is work on refreshing the Council's outcome framework which in turn will inform a refresh of the Performance Management Framework. The findings from the first phase of the Big Conversation will inform the development of the new Corporate Plan and the outcome framework, and the implementation of the second phase of the Big Conversation will produce insights and information for performance and progress reporting, as well as informing a future review of the Council's vision.
- During 2015/16 the Council put in place a Commissioning Support Unit to bring together the functions that would support the Council to be intelligence driven, whether as commissioner, provider or partner. The new Unit brings together expertise on Performance Management, Research, Intelligence, Customer Feedback and Insight, Engagement, Accessing and Managing data, procurement, contract management and Strategic Commissioning advice. The unit is able to have a clear view of the challenges faced and the types of interventions that will help to tackle them and, for example, reduce demand on services.

1.1.3. Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.

- The Big Conversation has been designed to gather feedback and encourage the involvement of all those with an interest in the work of Shropshire Council: local people, local businesses, community groups, voluntary organisations, town and parish councils and public sector organisations. The Big Conversation has been used to communicate the challenges Shropshire is facing to ensure a shared understanding and way forward. A Big Conversation survey was used until January 2016 to allow stakeholders to identify spending priorities and give their views on actions that may be undertaken to manage budget pressures. This has been followed by a comprehensive programme of engagement events and workshops. Further work will continue through 2016/17.

- The Shropshire Compact is a set of shared principles and guidelines for effective partnership working between Shropshire's public sector bodies and the Voluntary and Community Sector (VCS). It acts as guidance to ensure shared understanding of responsibilities and obligations and works towards best practice in partnership arrangements. A Change and Compact Group leads compact work for the County (see Compact web pages: <http://vcsvoice.org/the-compact/>). This group is a cross sector group responsible for ensuring the Compact is considered in all strategic change projects, new policies and integrated into cross-sector projects.
- The Shropshire VCS Assembly is well established as the voice of the voluntary and community sector in Shropshire. The Assembly has around 250 members with a Board and 16 forums of interest. Forums of interest are groups of voluntary and community sector organisations with a common interest (for example heritage, arts, disability, health and social care, housing, mental health, older people etc.). The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities.
- The VCS Assembly works to develop new policy and guidance designed to establish a common vision and set out new partnership approaches and expectations. Public sector representatives join the VCS Assembly Board regularly in addition to supporting joint work through task groups.
- Shropshire Providers Consortium (SPC) works closely with Shropshire VCS Assembly. SPC is a Community Interest Company established to facilitate joint bidding for public sector contracts and funding opportunities. Membership is open to any member of the Shropshire VCS Assembly. The consortium has achieved success in a range of partnership bids. See: <http://www.shropshireprovidersconsortium.co.uk/>

1.1.4. Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.

- An audited and signed Statement of Accounts is published on an annual basis containing:
 - A statement of responsibilities for the Statement of Accounts.
 - A statement of the Council's accounting policies.
- An Annual Governance Statement signed by the Leader of the Council and the Chief Executive Officer/Head of Paid Service.

1.2. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.

1.2.1. Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.

- Specific service areas seek customer feedback both through systematic customer feedback and through annual surveys. For example the Adult Social Care Survey continues to engage with service users. The results help us to understand and evidence what has been achieved for local people, supporting local service and enabling people to make better choices about care and the Council is using the 'Making It Real' approach to check progress towards this.
- A survey targeting carers is carried out every other year. The results tell us what is working well and where improvements can be made to ensure that our resources are being used to their full potential.
- The Council also works with service users, enabling them to participate in the design and planning of services within the Council's objectives whilst achieving value for money. For example, Partnership Boards are in place for people with learning disabilities, family carers, older people, mental health and people with disabilities. The boards bring together service users, family carers and senior managers from the public, private, community and voluntary sectors to ensure effective local coordination and strategic planning to improve the lives of vulnerable people and family carers.
- The Council regularly consults on strategic decisions and service developments via an email list of people who have signed up to provide feedback to the Council. This includes those members of what was known as the People's Panel. Examples where these people have been used include consulting on Shropshire's town traffic management proposals, taxi licensing fees, and service specific changes such as opening hours and future delivery options.
- The Business Plan and Financial Strategy is under constant review and reported upon publicly; it sets out resource allocations aligned to the Council's policy framework.

1.2.2. Put in place effective arrangements to identify and deal with failure in service delivery.

- There is a clear reporting mechanism for performance information which is presented alongside the financial information for the corresponding period. Areas of concern are identified and reported quarterly and exceptions are monitored more frequently e.g. on a monthly basis, providing greater detail and explanation of the issues and actions being taken. The reports are presented to senior managers and Cabinet. The underlying detailed dashboards are also available to Scrutiny members who can identify specific issues they may want to consider. Cabinet may ask Scrutiny to look at specific issues of on-going concern.
- The Council has a clear, well publicised complaints procedure which requires complaints to be dealt with rigorously and promptly. Complaints are monitored by management and Cabinet, together with improvement actions arising from them.

1.3. Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

1.3.1. Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.

- The Council has balanced its budget in 2015/16 whilst delivering savings targets.
- The Financial Strategy, which is under constant review, sets out resource allocations aligned to the Council's policy framework.
- Having gone through a number of years of service redesign to meet the financial challenges, the Council is progressing with being intelligence driven. This has the additional benefit of being able to demonstrate to and bring on board partners to meet the next challenges where there are shared outcomes, priorities and benefits. For example, the scale of the challenge related to an aging population impacts on the Council, Hospitals, Primary Care, the independent care sector, Voluntary Community and Social Enterprise Sector, the Ambulance Service, Police and Fire.
- The Council promotes and applies social value through its procurement, and in doing so has a view of the additional social, economic and environmental value that will be delivered. During 2015/16 a well-attended and positively received Social Value event including speakers and a market place was held as part of the Social Value in Health development and promotion that the Council, Voluntary and Community Sector Assembly (VCSA) and Clinical Commissioning Group have taken forwards following successfully attracting external support.
- The Council's performance framework links directly to the Council's outcomes. Performance is reported quarterly to Members through Cabinet, and in more detail to Scrutiny Committees. Corresponding financial information on projected spend against budget is included.
- The Council's locality commissioning work, introduced during 2012/13 has progressed with the introduction of a focus on work to develop resilient communities. Alongside this the Local Joint Committees have been considered to look at how they can take on local commissioning roles. One such area that is progressing is Positive Activities for young people, where local areas will decide how to use available money to fund activities for young people in their area.

Principle 1

There is evidence which confirms that the Council is continuing to focus on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

2.1. Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.

2.1.1. Set out a clear statement of the respective roles and responsibilities of the cabinet and of the cabinet members individually and the authority's approach towards putting this into practice.

- Article seven of the Constitution lays down the role of the Cabinet. Part three sets out in more detail specific duties and functions of the Cabinet, chief officers, statutory officers and portfolio holders. Member roles, rights and duties are specified in Article two and in Part five, the Protocol for Member and Officer Relations.
- The specific role of a Cabinet Member is laid down in Part nine (I13) of the Constitution.

2.1.2. Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.

- Member roles and responsibilities are clearly defined throughout the Constitution, specifically their roles, rights and duties are specified in Article two and in Part five, the Protocol for Member and Officer Relations. In addition, Part nine clearly lays out the role and expectations of members both generally and with special responsibilities. Member remuneration is laid down in Part six the Members' Allowances Scheme.
- Part two Article 12 of the Constitution (B19 -22) sets out clearly the functions and responsibilities of all Chief Officers and specifically the Head of Paid Service (12.2) the Monitoring Officer (12.3) and the Chief Finance Officer (12.4). Delegations to specific officers are documented at Part eight of the Constitution.

2.2. Ensuring that a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard.

2.2.1. Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.

- The Constitution generally and Article 13 sets out the responsibilities and procedures for decision making. Key decisions, Cabinet, Scrutiny and other committees and full Council reserved decisions are defined in Part three and four of the Constitution. The

fundamental principles to be adopted in all decision making are also laid out as follows:

- Proportionality (i.e. the action must be proportionate to the desired outcome).
- Due consultation and the taking of professional advice from officers.
- Respect for human rights.
- A presumption in favour of openness.
- Clarity of aims and desired outcomes.
- Consideration of alternative options.
- Recording reasons for the decision, including details of any alternative options considered and rejected.
- That, in relation to decisions of the Cabinet, these are lawful and consistent with the powers delegated by the Council.

- In order to allow the Council to make decisions that are required on a daily basis, responsibilities for certain decisions are delegated to officers as identified in Section 8 of the Constitution “Delegations to Officers”. Part 3, Responsibilities for Executive Functions sets out how Portfolio Holders undertake their responsibilities taking advice from the relevant senior officer.

2.2.2. Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.

- Article 12 of the Constitution states the Chief Executive (Head of Paid Service) is responsible for “overall corporate management and operational responsibility (including overall management responsibility for all officers)” and this is reiterated in the Head of Paid Service’s job description.

2.2.3. Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.

- Part five of the Constitution clearly lays out the protocol for member/officer relations (Constitution page E86).
- The Chief Executive, the Leader and Deputy Leader meet weekly at the Leader Briefing with directors attending as required. The Chief Executive updates directors following this meeting. The Chief Executive’s appraisal is conducted by the Leader.

2.2.4. Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

- The functions of the Chief Finance Officer are stipulated in article 12.4 of the Constitution and statutory duties are listed under Financial Rules. The Chief Finance Officer is the Council’s S151 Officer (Financial Rules 4.14) and has statutory duties in relation to the financial administration and stewardship of the Council. Financial

Rule 4.15 outlines the principles critical to the achievement of the Section 151 Officers' statutory responsibilities in that he:

- Is a key member of the Leadership Team, helping it develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest.
 - Is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are considered and align with the authority's overall financial strategy.
 - Leads the promotion and delivery by the whole Council of good financial management and that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
 - Leads and directs a finance function that is resourced to be fit for purpose.
 - Is professionally qualified and suitably experienced.
- Duties and responsibilities are also included in the Chief Finance Officer's job description.
- In accordance with Section 114 of the Local Government Finance Act 1988 the Section 151 Officer reports to Council, Cabinet and the external auditors.
- In accordance with Section 25 of the Local Government Act 2003 the Section 151 Officer reports to members on the robustness of estimates and the adequacy of reserves.
- The role also operates to best practice principles established in CIPFA's statement on the Role of the Director of Finance in Local Government 2010.

2.2.5. Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

- Article 12.3 (B20) of the Constitution clearly defines the functions of the Monitoring Officer which include ensuring the lawfulness and fairness of decision-making. A protocol for the role of Monitoring Officer is included within Part five (E13-15) of the Constitution.
- The Monitoring Officer is the Corporate Head of Legal and Democratic Services, whose role and responsibilities are included in the job description.

2.3. Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.

2.3.1. Develop protocols to ensure effective communication between members and officers in their respective roles.

- Part five of the Constitution clearly lays out the protocol for member/officer relations (E86).

2.3.2. Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)

- Member remuneration is clearly laid down in Part six of the Constitution, the Members' Allowance Scheme.
- There is an independent Members Remuneration Panel for determining members' allowances of at least three persons who are not members of the Council (Part three, C38).
- Remuneration for Chief Officers is set on appointment by elected members at the relevant committee of the Council.

2.3.3. Ensure that effective mechanisms exist to monitor service delivery.

- Council, Cabinet and Scrutiny meet on a regular pre-scheduled basis to set the strategic direction of the Council and to monitor service delivery. The Council's Business Plan and Financial Strategy 2014-17 and the Forward Plan of Decisions continued to provide the focus for emerging issues and topics for decision and scrutiny during 2015/16. The new Financial Strategy for 2016/17 to 2018/19 will fulfil a similar role for 2016/17 onwards.
- A revised performance management framework based around the Council's outcomes was introduced in early 2014/15 establishing a clear reporting mechanism. The framework is reported using outcome dashboards setting out graphs, charts and infographics.
- The performance management framework looks at sharing and communicating the performance information using approaches appropriate to the audience and how they might use the information to fulfil their roles. For example, the presentation of the quarterly performance reports to Scrutiny includes detailed outcome dashboards to enable Scrutiny members to consider a wider view and drill down. For Cabinet, the report uses two presentations, the first is a small dashboard setting out four measures that reflect what the Council is working to achieve including delivering balanced budgets each year (thereby delivering the savings), and ensuring that services are delivered by the right and the best providers. The second is infographic based and draws out two key measures for each outcome to provide a focused view of progress and emerging issues.
- The quarterly reports are publicly available, being reported to the Council's senior managers, Cabinet, and to all members. Areas of concern are identified and reported quarterly and monitored by the relevant director(s) and portfolio holder(s). Continued issues with performance are highlighted in subsequent performance reports. Issues may also be referred to Scrutiny for review.
- Information is made available at different levels for Directors, Senior Managers, Service and Team Managers and teams to enable them to understand their performance and manage it as required. An

example of this is a matrix being developed for Children's Social Care, and a Data Quality report developed for Adult Social Care to support effective management and the accuracy of case recording. Appropriate dashboards have also been developed for partnership structures such as the Shropshire Safeguarding Board and Children's Trust.

- Different ways of understanding service delivery and the impact of change are used wherever appropriate. Standard deviation and control charts are used to track and present variation in activity and enable a focus to be taken on overall delivery rather than snapshot views for judgement purposes.
- The Council continues to benchmark its services to assist in identifying areas for review and to ensure that as many performance indicators as possible are performing to the standards that the Council sets. Benchmarking services used include:
 - Society of County Treasurers (SCT)
 - Association for Public Service Excellence (APSE)
 - Chartered Institute of Public Finance Accountants (CIPFA)
 - Association of Local Authority Risk Managers (ALARM)
 - Adult Social Care National Data
 - Children's Social Care National Data
 - School attainment results
 - HouseMark

2.3.4. Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.

- The Big Conversation was launched in November 2015. It is an engagement framework that has been put in place to seek views and feedback on the Financial Strategy in the first instance until the end of March 2016, and then to provide a sustainable mechanism for engagement for the next three to five years, and possibly beyond. The approach has used surveys, focus groups and action planning workshops, and the second phase which will run from April 2016 aims to include partners, and will also involve developing innovative and accessible mechanisms for frontline staff from the Council and partners to collect feedback from people as they meet them fulfilling their roles. The emphasis is on a two way conversation and will include feeding back e.g. you said, we did, explain the reasons for any decisions.
- The results from the first phase of the Big Conversation have already been used to inform and change thinking on the Financial Strategy 2016/17 – 2018/19, and will be informing the development of the Council's new Outcomes Framework and the new Corporate Plan.
- The Constitution also sets out the citizen's rights in their dealings with the Council under Part two, Article three.

- Consultation and engagement is achieved through a number of routes. Some examples are:
 - Member surgeries.
 - Local Joint Committees.
 - Locality commissioning.
 - Scrutiny panels.
 - Service specific engagement.
 - Engagement with the online consultation group.
 - One-off public consultation and participation events on topics such as transport, and the Local Development Framework.
 - Health and Well-being Board.
 - Members of Youth Parliament.
 - Established links and regular meetings with local interest groups/forums e.g. Senior Citizens Forums, Shropshire Youth Association, Tenant Groups, Parents and Carers of Children with Disabilities.
 - Shropshire VCS Assembly and its 16 Forums of Interest.
 - Partnership Boards including the Children's Trust and Safer, Stronger Communities Partnership.
 - Business Board.

- Local consultation has taken place using specific consultation and engagement activity for services and service areas. Locality commissioning activity involves engagement with communities and service user groups, as well as through structures such as the Local Joint Committees. These have helped to identify the needs and priorities of our citizens and make these our key areas for service delivery. Feedback from such events is used to develop strategic plans, priorities and targets. Widespread local consultation has taken place via service user and customer feedback surveys, public meetings, local partnerships and Local Joint Committees to identify the needs and priorities of our citizens and make these our key areas for service delivery.

- The Council recognises the importance of communicating its vision and uses a number of channels to this effect.
 - The Council aims for a consistent approach to communication across the Council, reaching and targeting the key customers, stakeholders and partners in the most appropriate way.
 - The Council aims to improve engagement through consistent branding, so that our stakeholders know what we do and who to contact. This ensures compliance with the Code of Recommended Practice on Local Authority Publicity March 2011. This requires all Council publicity aimed at the public to be clearly and unambiguously identified as being produced by the council. Printed material should make this evident on the front cover.
 - Our website can help residents understand the Council's vision and purpose and to access services on a day-to-day level.
 - The Shropshire Newsroom (www.shropshirenewsroom.com) hosts all the latest Council news stories with podcasts, videos and photographs available from the corporate Flickr account.

- The Council works with colleagues in the local, regional and national media to complement Shropshire Newsroom and ensure people have access to information about the Council.
- The Council uses relevant social media, as a method of disseminating our information and listening to feedback on issues as they arise.
- The Council uses its Customer Services telephone and face-to-face points as the main first point of contact enabling people to be more efficiently directed to the services they need.
- The Council uses the VCS Assembly weekly news bulletin to promote consultations, policy news, engagement opportunities and partnership working opportunities across the voluntary and community sector.

2.3.5. When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.

- The Shropshire Compact has been effective in supporting the relationships between Shropshire Council, other public sector bodies and the voluntary and community sector. It acts as an aid to problem solving by clearly setting out roles, responsibilities and commitments. The Shropshire Compact was refreshed in 2013/14 in order to both update the document, but also to allow new public sector partners to join. Memorandums of Understanding relating to the Compact have been developed to engage new partners. Supporting documents and briefings are produced to help build awareness of new policies and good practice ways of working.
- A range of joint working initiatives is underway to improve service performance and delivery. Examples of working in partnership are:
 - Shropshire Voluntary and Community Sector Assembly.
 - Supporting People in Shropshire.
 - Shropshire Children’s Trust Executive.
 - Health and Wellbeing Board and a Health and Wellbeing Strategy.
 - Sure Start.
 - The Safer Stronger Communities Partnership.
 - Drug and Alcohol Action Team.
 - Integrated Offender Management programme.
 - Local Resilience Forum.
 - Shropshire Business Board and the Marches Enterprise Partnership.
 - Telford and Wrekin for Adoption Services and for Youth Offending Services.
 - Working with carers in Shropshire.
 - Place Based Intervention Pilots.
- The Members Code of Conduct provides guidance on pecuniary interests and declarations (Part five – Interests E2 – E3).

2.3.6. When working in partnership:

- **Ensure that there is clarity about the legal status of the partnership.**
 - **Ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.**
- The Council enters into formal partnership agreements where necessary which clearly formalise aims of the partnership and respective obligations and liabilities. Delegated powers are contained in Part three of the Constitution.

Principle 2

There is evidence which confirms that Members and Officers are working together to achieve a common purpose with clearly defined functions and roles.

Principle 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

3.1. Ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.

3.1.1. Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.

The Council is committed to the principles of good corporate governance and to this end has adopted this Code of Governance which is reviewed annually by Internal Audit and a compliance report produced for the Audit Committee.

- The Shropshire Council Business Plan and Financial Strategy 2014-2017 defines the Council's mission as "our customers at the centre of everything we do"
- Complaints procedures are available on the Council's website.
- The contract procedure rules contained in the Constitution contain a list of standard clauses for ordinary and major contracts. These include:
 - Anti-bribery and corruption.
 - Public interest disclosure ('whistle blowing').
 - Equalities; human rights.
 - Health and safety.
 - Freedom of information, confidentiality and data protection.

- The Council encourages both staff and contractors to “speak up about wrongdoing” and provides a confidential hotline for raising concerns.

3.1.2. Ensure that standards of conduct and personal behaviour expected of members and officers, of work between members and officers and between the authority, its partners and the community, are defined and communicated through codes of conduct and protocols.

- The Constitution (Part 5) contains the following codes and protocols for members and officers:
 - Members Code of Conduct.
 - Standards Procedures.
 - Protocol for the Role of Monitoring Officer.
 - Local Protocol for Officers and Members Dealing with Regulatory Matters.
 - Local Protocol for Councillors and Officers Dealing with Licensing Matters.
 - IT Code of Practice for Members.
 - Local Members’ Protocol.
 - Employee Code of Conduct.
 - Speaking up about Wrong Doing (whistle-blowing policy).
 - Data Protection Policy.
 - Counter-Fraud, Bribery and Anti-Corruption Strategy.
 - Protocol for Member / Officer Relations.
 - Guidance for Gifts and Hospitality.
 - Protocol for Official Visits.
 - Protocol on the Use of Council Facilities.
 - Code of Corporate Governance.
 - Protocol for Members Attendance at Conference and Training.
 - Protocol for Task and Finish Groups.
 - Protocol for Task and Finish Groups (including Scrutiny Ground Rules – Work Planning).
 - Protocol for Opposition Briefings.
 - Protocol for Media Work.
 - Guidance for Acceptable use of Shropshire Councillor Webpages.
 - Guidance for Audio and Video recording, photography and social media during council meetings.

- Annual reminders on gifts and hospitality and whistleblowing are issued by email and placed on the intranet. Whistleblowing arrangements are in place and any irregularities identified are investigated by Internal Audit or the appropriate officers within the Service area. Audit Committee are responsible for the monitoring and overview of the “Speaking up about Wrongdoing Policy” and receive an annual report.

- The Employee Handbook and the HR pages on the Intranet contain policy statements and guidance on:
 - Discipline.
 - Grievances.
 - Harassment and Bullying.

- Speaking up about Wrongdoing.
 - Managing Employee Performance.
 - Expectations and Standards of Conduct.
 - Diversity (Equalities).
 - Health, Safety and Wellbeing.
 - Performance, Learning and Development.
- There is a clear and fully documented staff disciplinary process to deal with breaches in any code or protocol.
 - Complaints procedures are available on the Council's website.

3.1.3. Put in place arrangements to ensure that members and officers of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.

- Both members and employee codes of conduct stipulate that members and employees of the Council must not be influenced by prejudice, bias or conflicts of interest in any matter relating to the Council. There are numerous references throughout the Constitution to this issue, in particular in the Members Code of Conduct, Part five, Interests (E1 – E4).
- In accordance with The Localism Act 2011 all members have registered and disclosed their pecuniary interests, these are available on the Council's website.
- In addition the Council has declarations of interest books both centrally and locally to help ensure members and staff do not get involved in decisions or processes where they may have a conflict of interest. Individual member declarations can be viewed on line and a hard copy is retained.
- The standard meeting agenda includes a standing item for declarations of pecuniary interest.
- There is a code of conduct in relation to gifts and hospitality and all instances must be recorded. Advice and guidance is provided on the Intranet.
- Any breaches of the Members' Code are referred to the Monitoring Officer who will determine whether the matter should be formally investigated.
- Staff are encouraged to "blow the whistle" under the "Speaking up about wrong doing policy" with a dedicated hotline to report issues anonymously. Staff are reminded annually of the hotline and policy.

3.2. Ensuring that organisational values are put into practice and are effective.

3.2.1. Develop and maintain shared values including leadership values for both the organisation and officers reflecting public expectations, and communicate these with members, officers, the community and partners.

- The Council's Constitution Part 5 contains the Codes and Protocols which includes Codes of Conduct for members and employees.

3.2.2. Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.

- The Council has individual policy statements on Equality in Employment in place covering the following areas:
 - Sexual Orientation.
 - Disability.
 - Gender.
 - Race.
 - Religion.
 - Age.
- The Council has a formal process (available on its website) for the reporting of any instances of harassment and hate crime/incidents.
- The Council has a standardised recruitment policy and processes including employee reference, identity checks and mandatory Disclosure and Barring Service (DBS) checks for designated posts.
- The Council are committed to having an ongoing local commitment to equality, diversity and social inclusion. Service areas use Equality and Social Inclusion Impact Assessments (ESIIA) to help identify if any proposed changes to policy or services are likely to either adversely or positively impact on particular groups of people, and whether the human rights of individuals may be affected. These assessments include actions for reviewing and mitigating against or enhancing the effect upon particular groups of people if the changes are implemented.
- The ESIIA replaced the previous Equality Impact Needs Assessment (EINA) in 2014/15. The new assessments include social inclusion and allow the Council to consider all groups and communities in Shropshire, to ensure that actions taken meet the legal requirements under the Equalities Act 2010.
- The Council publishes completed ESIIA on the website, and examples of areas reviewed include:
 - Hackney Carriage and Private Hire Licensing Policy;
 - Commissioning of Community Hub Services;
 - Discretionary Housing Payments Policy;
 - Local Welfare Provision;
 - Location of Registration Services.

3.2.3. Develop and maintain an effective standards committee.

- The Localism Act 2011 abolished the requirement for the Council to have a statutory Standards committee, though the Council has retained a non-statutory Standards committee which meets as and when required.

3.2.4. Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.

- The Council ensures all our members have received training and on-going support to ensure that there is 'due regard' to equalities in our entire decision making as part of the Members Induction Program. The Diversity in Employment policy underpins both an employee's responsibilities and expectations.

3.2.5. In pursuing the vision of a partnership, agree a set of values against which decision-making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.

- The Shropshire Compact provides partnership values and agreed ways of working; it is focused on commissioner and provider relationships. As Shropshire Council changes the way it works to demonstrate a more clearly defined commissioner/provider split, work will take place through the Shropshire Compact to more clearly communicate shared expectations of commissioners and providers. The Shropshire Compact offers an opportunity to challenge perceived poor practice and brings commissioners from across the public sector together to share learning and best practice.
- Shropshire Council is also working to communicate its values through pre-commissioning engagement activity and the development of Market Position Statements. It is working to ensure that the provider market understands the Council and vice versa. This work is designed to further strengthen and develop robust provider/potential provider and commissioner relationships based on evidence based and intelligent commissioning.

Principle 3

There is evidence which confirms that the Council is demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- 4.1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.**

4.1.1. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.

- The Council has five established scrutiny committees which operate under clear terms of reference and rules of procedures laid down in the Constitution. Scrutiny Committee chairs and members have clearly laid down accountabilities and duties in Part four (D60 - 68) and Part nine (I15 - 16) of the Constitution. Members may not participate in the scrutiny of decisions they were involved in.
- The Council is part of a long standing and effective Joint Health Overview and Scrutiny Committee with Telford and Wrekin Council. This reflects the reality that most substantial changes to services covered by the statutory duties for Health Scrutiny affect services across both local authority areas and as such would need to be looked at jointly, in line with regulatory direction.
- There is an effective apolitical Audit Committee, whose purpose is, to provide independent assurance as to the adequacy of the Council's governance, risk management framework, associated internal control environment, financial reporting and treasury management.

4.1.2. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.

- Decision making is clearly laid down in Article 13 of the Constitution.
- There is a standardised format for all committee reports which includes background to the report, any recommendations that decisions need to be made upon together with reasons behind those recommendations.
- The Cabinet is the Council's key decision making body and makes decisions within the policy framework approved by Full Council. It is made up of the Leader, who is elected by the Council, and up to nine members. When key decisions are to be discussed or made, these are published in the Cabinet forward plan in so far as they can be anticipated. If these key decisions are to be discussed with Council officers at a meeting of the Cabinet, this will be open for the public to attend except where personal or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
- In addition to Cabinet meetings there are also decision making sessions in respect of each portfolio holder. These meetings are not open to the public though the public can submit questions for consideration.

- All committee meetings are independently minuted by trained staff working to a common format. Minutes will include any debate, motions, results of votes and decisions resolved. These are available electronically via the website or Intranet in addition to paper copies.

4.1.3. Put in place arrangements to safeguard members and officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.

- The standard meeting agenda includes a standing item to remind members that they must not participate in discussion or voting on any matter which they have a disclosable pecuniary interest and should leave the room prior to the commencement of the debate.
- Both the members and employee codes of conduct stipulate that members and employees of the Council must not be influenced by prejudice, bias or conflicts of interest in a matter relating to the Council.
- Individual member's pecuniary interest disclosures can be viewed on line and a hard copy is retained.

4.1.4. Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee.

- There is an effective apolitical Audit Committee with clear terms of reference which are reviewed annually and based on the Chartered Institute of Public Finance and Accountancy's Guidance.
- The Audit Committee meets at least four times a year and undertakes regular training aimed at helping members discharge their function effectively. The Section 151 Officer and Head of Audit are required to attend.
- External Auditors for the Council regularly attend Audit Committee meetings and have commented that the Audit Committee is effectively discharging its duties.

4.1.5. Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.

- There are clearly documented complaints procedures and advice to staff on how to deal with complaints. Complaints can be made electronically using an online form, in writing or verbally.
- The Complaints procedure includes an undertaking that the Council will respond to corporate complaints within 12 weeks (to cover stages 1 and 2), depending on the issue (statutory complaints for adults and children's services are handled in line with those timescales). If any extension is required these will be discussed with the complainant.

- Complaints are processed and monitored centrally by the Customer Feedback and Complaints Team who review and monitor customer satisfaction and complaints handling.
- Complaints are monitored centrally by the Senior Management Board. Reports include customer satisfaction levels and improvements in services put in place as a result of complaints. Reports in respect of complaints for Children's Services or Adult Social Care are provided to the appropriate Scrutiny Committee on an annual basis. Reports on Corporate Complaints are produced to members as requested.
- The Council advise complainants that if they are dissatisfied with its response, they have the option to refer the matter to the Local Government Ombudsman. The Ombudsman's address, telephone number and their website address is provided.

4.2. Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.

4.2.1. Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.

- The Cabinet has a forward plan, and Scrutiny Committees a work programme, which officers work to in the production of relevant reports and advice in order to facilitate the decision making process.
- The duties of chief officers are laid down in the Constitution and their respective job descriptions. These include the giving of relevant and timely advice.

4.2.2. Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.

- There is a standard committee reports template which provides a framework for officers to draft reports.
- Cabinet and Scrutiny Committee reports are reviewed by the Council's Chief Finance Officer and the Corporate Head of Legal and Democratic Services (the Council's Monitoring Officer) or their designated representatives for both financial and legal implications. In addition all reports are considered by Senior Management Team for approval before issue.

4.3. Ensuring that an effective risk management system is in place.

4.3.1. Ensure that risk management is embedded into the culture of the authority; with members and managers at all levels recognising that risk management is part of their jobs.

- The requirement to develop and maintain proactive and robust systems for identifying and evaluating all significant risks are clearly laid out in Financial Rules, Section six, Financial Rule 3 and Appendix C, Risk Management and Control of Resources. In particular:
 - Strategic risks have been identified and robust controls to manage the risks put in place, further controls are implemented as required to provide the necessary assurances that our exposure to risk is effectively managed and minimised.
 - Operational risks are monitored, reviewed and updated regularly.
 - Routine monitoring of insurance claims and other losses is undertaken.
- The Council has an Opportunity Risk Management Strategy which sets out roles, responsibilities and the procedures for managing risks within the Council. The Strategy is signed and endorsed by the Chief Executive.
- Council strategic risks have been identified, aligned to the Annual Governance Action Plan and a member of the Senior Management Team assigned as the risk owner. Risk profile and actions plans have been put in place to ensure the risks are mitigated effectively and are reviewed on a monthly basis.
- All Committee Reports include a section on risk assessment and opportunities appraisal.
- Internal Audit conducts an independent review of the risk management process annually which is reported to the Chief Finance Officer and the Audit Committee.
- An Annual Report is provided to the Audit Committee summarising the year's activities, challenges and achievements.

4.3.2. Ensure that effective arrangements for whistle-blowing are in place to which officers, and all those contracting with or appointed by the authority have access.

- The Council have a well-publicised whistleblowing policy available on the website and in leaflet form. Information is available for our partners and major contractors for their staff to encourage and facilitate speaking up about wrongdoing. Audit Committee receive reports on fraud and special investigations include those relating to whistleblowing cases.
- There is a whistleblowing hotline located in Audit Services for people to ring in confidence and report their concerns either openly or anonymously.
- On line fraud awareness training is available to staff and members but is not compulsory.

4.4. Using their legal powers to the full benefit of the citizens and communities in their area.

4.4.1. Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine (beyond the legal powers of the council) but also strive to utilise their powers to the full benefit of their communities.

4.4.2. Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law.

4.4.3. Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law (rationality, legality and natural justice) into their procedures and decision making processes.

- The Council has a Monitoring Officer whose duties, laid down in the Constitution under Article 12; include ensuring the lawfulness and fairness of decision making (Article 12.3B). The Monitoring Officer is also the Corporate Head of Legal and Democratic Services.
- The Monitoring Officer, or their delegated representative, attends the key decision-making meetings of members, including Council and Cabinet.
- Officers in Legal and Democratic Services play a key role in ensuring that the principles enshrined in the Constitution, sustainable decision making, robust scrutiny, rules of natural justice, standards of conduct, efficiency, transparency, legality and high standards of corporate governance are delivered in practice through the Council's decision-making process. The Service provides advice and guidance on the interpretation of legal developments, is Lexcel accredited and possesses specialist legal officers who are experts in specific areas of Council activities.
- All Committee reports require their authors to address the impact of the recommendations with respect to human rights.

Principle 4

There is evidence which confirms that the Council is taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Principle 5 - Developing the capacity and capability of members and officers to be effective.

5.1. Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.

5.1.1. Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.

- There is a member induction programme in place, supporting and developing newly elected members. A Community Leadership and Development Framework provides comprehensive development opportunities, and essential sessions. Development interventions are designed in the context of what individual members say they require during their one to one development reviews, and what their roles and responsibilities dictate they need. Member secretaries provide support, and the Member and Officer Protocol clearly stipulates officers' duties to provide professional and technical advice. The Local Member Protocol guides members and officers to behave in a way that promotes excellent communication.
- A comprehensive Member Induction programme was planned and delivered over a twelve month period from May 2013. It is open to all 74 members of Shropshire Council.
- One to one development interviews are offered to all members (although these are not compulsory). The purpose is to review members' learning and development activities and their impact on the member role and to agree further learning needs.
- An induction framework is in place for all new staff; this includes a corporate welcome and information session and a role induction supported by day 1 induction guidance for managers.
- A management development programme commenced in February 2016. This has been designed to meet the needs of organisational change at Shropshire Council. Core topics include managing absence, handling redundancy, managing capability and managing grievances and disciplinaries.
- The management programme is supported by continued advice, guidance, support and coaching from HR&D. All managers receive a toolkit – this includes updated policy documents and guidance for implementing policy and procedures.
- A core skills development programme is available for all employees. This can also be accessed by managers as they continue to identify further development needs. For example, recruitment training and essential conversations, commercial awareness, customer service and diversity awareness feature as part of the core skills programme. The on line offer includes handling sensitive information and fraud prevention.
- A coaching connections network group has been established to build a pool of people who are skilled in facilitating personal development tools and to develop internal coaching capacity. This

network provides group and individual personal development and coaching support to help people through change.

- All staff can access on line assessment toolkits such as 'my skills portrait' and 'my leadership toolkit', these are also made available to support the management development programme. Staff can discuss development needs with their manager and identify relevant training from our core skills programme.

5.1.2. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.

- The Council are required to provide the Monitoring Officer and the Chief Finance Officer with such officers, accommodation and other resources as are in their opinion sufficient to allow them to perform their duties (Article twelve, 12.5).
- Implementation of the Council's values and behaviours starts at induction. All learning and development programmes are underpinned by the values and behaviours.
- The Council have recruitment and selection policies and guidelines for managers, and associated training is available. All posts have job descriptions and person specifications detailing the essential and desirable abilities, qualifications and experience necessary to undertake the duties of the post.
- The Council have compulsory Continuous Professional Development (CPD) in specialist areas such as finance.
- Each new senior team undergoes leadership development and concentrates on clarification of roles responsibilities and expectations.
- A CPD programme is being drafted with a view to this being offered to schools.

5.2. Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group.

5.2.1. Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.

- An annual programme of development seminars is provided as part of the Continuous Member Development Programme (CMDP). They are designed in the context of what individual members say they require during their one to one development reviews. Member secretaries provide support, and the Member and Officer Protocol clearly stipulate officers' duties to provide professional and technical advice.

- Specialist development is also available for members of particular committees, such as Audit, Planning, Licensing and the Pensions Committee to improve knowledge on technical issues and update members on new developments. The Audit Committee Terms of Reference include a requirement to undertake specialist training in order to fulfil its function effectively.
- A management development programme commenced in February 2016, to provide managers with the knowledge, skills and understanding to perform their roles in areas such as absence, redundancies, grievance, disciplinary and capability.
- A core skills development framework is available to all staff, made up of ten priority themes. “Core skills” is effectively a Council wide training programme with offerings available for staff and managers at all levels. The range of development methods includes workshops, on line learning, coaching and mentoring.
- A high performance team programme is offered to managers and their teams, this is a bespoke solution designed to develop leadership capacity, management ability and the engagement of teams. Senior managers are supported by a Business Partner responsible for People Development, to identify ‘new team’ and individual development needs and a bespoke training package is designed and delivered on a team basis to meet corporate objectives. Recent examples of this have been leadership development programmes in three service areas, bespoke customer service training, commercial awareness, diversity, performance management training and support through change using windmills tools.
- Regular catch ups, team meetings and in some areas supervision sessions are conducted throughout the year.
- A performance review scheme is in place across the Council. The scheme continues to focus on the quality of discussion between manager and employee with a requirement to review previous year’s performance, agree objectives and behaviours for the coming year and identify development needs to support the achievement of objectives as well as career aspirations.
- In 2015 a commissioning skills programme outline was created working in partnership with the University Centre Shrewsbury. Commissioning skills support was also provided as a one day workshop for managers by the New Economic Foundation.
- The Council has a commitment to train and develop our staff; staff performance reviews occur at least once a year where training needs are identified and personal development plans agreed. Senior managers are supported by a Business Partner responsible for People Development, to identify team and individual development needs and a bespoke training package is designed and delivered on a team basis to meet corporate objectives. Training is also provided on

generic areas such as opportunity risk management, data protection, freedom of information and human resource issues.

5.2.2. Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

- Our Scrutiny Panels and performance monitoring and reporting system provide the vehicles for robust scrutiny and challenge.
- Our comprehensive programme of officer and member development facilitates challenge; this results in improved performance at an operational level.
- Our commitment to member and staff training helps to ensure that members and officers have the necessary skills to effectively challenge and improve existing policies and performance.
- The Council have compulsory Continuous Professional Development (CPD) in specialist areas such as finance.
- The Council readily uses outside expert advice in those areas where specialist knowledge is required such as our Pension Fund Investment Managers, Waste Private Finance Investment specialists, construction professionals, energy and water consultants and external expert legal advice when required.

5.2.3. Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.

- The Community Leadership and Development Framework provides members with what they need to deliver their expanded role to the best of their ability.
- Executive members may undertake the LGID (Idea) Leadership academy.

5.3. Encouraging new talent for officers and members of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

5.3.1. Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.

- The Council has documented recruitment and selection policies and guidelines for managers. All posts have job descriptions and person specifications detailing the essential and desirable abilities, qualifications and experience necessary to undertake the duties of the post. Shropshire Council values the diversity of its workforce. It

will not tolerate less favourable treatment on grounds of: gender, race, colour, ethnic or national origin, disability, marital status, sexual orientation, responsibility for dependents, age, trade union or political activities, religion/beliefs, or any other reason which cannot be shown to be justified. Recruitment training for managers is designed to ensure that these policies and the guidance is implemented.

- The Shropshire Voluntary and Community Sector Assembly brings voluntary and community sector groups and organisations together to offer a collective and strong voice. The Assembly's Forums of Interest are open to organisations but they have strong links to groups of interest where individuals are represented. For example, the Pan Disability Forum offers a link to Shropshire's Deaf and Hard of Hearing Group and Visual Impairment Forum and there are links between the Health and Social Care Forum and Shropshire's Carers Forum. Similarly the Older People's Assembly links to Senior Citizens Forums across the county.
- Training and briefings on equality, diversity and social inclusion is available for Members and Officers.
- The Council has the following in place to facilitate effective engagement with and participation from all sections of the community, partners and providers:
 - Hate Crime Reporting Group.
 - Equality and diversity included in the induction framework.
 - Public Sector Equality Duty.
 - Local Joint Committees.
 - Making it Real (Adult Social Care).
 - Governor Opportunities and Training.
 - Gypsy Liaison Team.

5.3.2. Ensure that career structures are in place for members and officers to encourage participation and development.

- Staff are annually appraised which includes the identification of training and development needs and the drawing up of training action plans to address these.
- The Council has a core skills development programme including management and leadership development for the development of existing and new managers.
- In response to business need, a new HR Management Development programme and a Commissioning skills programme have been developed. Alongside these is a skills analysis for the Commissioning Council. The Core Skills Development Programme continues to be informed by generic development needs.
- The Council has compulsory CPD in specialist areas such as Finance which is also included in job descriptions.

- The Council has an ongoing Member Development programme in place; particular attention is paid to training/developing newly elected members, members and officers of Overview and Scrutiny; Community Leadership in action; members of regulatory committee's; statutory duty and ethical governance.
- Graduates on our Shropshire Graduate Development Programme continue to develop their knowledge and skills; contributing to succession planning for the future of Shropshire Council.

Principle 5

There is evidence which confirms that the Council is developing the capacity and capability of members and officers to be effective.

Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

6.1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.

6.1.1. Make clear to themselves, all officers and the community to whom they are accountable and for what.

- This is clearly enshrined in the Constitution, the purpose of the Constitution in Article One includes:
 - To enable the Council to provide clear leadership to the community in partnership with citizens, business and other organisations.
 - To support the active involvement of citizens in the process of local council decision making.
- The Business Plan and Financial Strategy 2014-17 which sets out the Council's mission and priorities.

6.1.2. Consider those stakeholder bodies to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.

- The Council is accountable to the Department of Communities and Local Government (CLG) and other key government departments such as the Department for Education.
- Partnership action and delivery takes place through the individual organisations and joint working. Thematic partnerships such as the Health and Wellbeing Board, Safer Stronger Communities Partnership, Children's Trust Executive and Housing Strategy Group take forward, identify and agree how to address issues together.

- Through the Shropshire Change and Compact Group, and the VCS Assembly Board, the Council works to assess its relationship with the voluntary and community sector. A bi-annual 'State of the Sector' survey is carried out (based on similar issues to the National Survey of Charities and Social Enterprises last carried out in 2010).
- The Change and Compact Group is currently leading on work to maintain strong cross sector relationships through a period of intensive change.

6.1.3. Produce an annual report on the activity of the scrutiny function.

- The Council has well established Scrutiny arrangements that provide the opportunity to challenge delivery of policy and services and hold the Cabinet accountable for their decisions.
- An item is included on the agenda for every ordinary Council meeting to facilitate the review of both the Executive and Scrutiny functions of the Council's work; this will cover the work of the committees and their key achievements. An annual report from each of the scrutiny committees is presented to Council alongside reports from the portfolio holders; the scrutiny reports detail the past work of the Committees, the present work and the plans for the future.

6.2. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.

6.2.1. Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively.

- Customer Services help ensure that all of our communications are appropriately written and communicated in a way to maximise engagement. Together with the Written Style Guide it helps the Council achieve more effective communications.
- Shropshire Council's Brand Rules set out how the Council can deliver effective communications through a consistent approach and meet the requirements of the Code of Recommended Practice on Local Authority Publicity March 2011.
- Internal Communication channels include:
 - Staff Intranet.
 - Latest staff information e-mails.
 - Team meetings and staff briefings.
 - Ad hoc information sessions on specific areas.

6.2.2. Hold meetings in public unless there are good reasons for confidentiality.

- Article 3 of the constitution states “Citizens have the right to attend meetings of the Council, Cabinet and its committees, except where confidential or exempt information is likely to be disclosed and the meeting is therefore held in private” these exceptions are clearly defined. The public will only be excluded where the public interest in maintaining an exemption outweighs the public interest in disclosing the information.
- The Council also have very clear rules within the Constitution governing access to information and the grounds on which information should be excluded from the public domain (Constitution Part four, pages D26-39).

6.2.3. Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognize that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.

- The Council has many ways of communicating with our citizens and stakeholders such as:
 - Publications and leaflets.
 - Customer Service Centre.
 - Face to face points.
 - Shropshire Council website.
 - Local Joint Committees.
 - Established links and regular meetings with local interest groups/forums such as Older Peoples Forum, Youth Parliament.
 - Public and stakeholders open budget consultation meetings, single issue and geographical area issue consultation meetings.
 - Council tax spend online information.
 - Social media channels.
- Marketing and communications strategies are being developed that reflect the need to carefully target communications and marketing activity and link to the new corporate plan.

6.2.4. Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.

- The Council consults regularly on strategic decisions and service developments via an email list of people who have signed up to provide feedback to the Council. All public consultations are listed on the Council’s Consultation Portal.
- Some recent examples of consultation the Council has undertaken are:
 - The Big Conversation Survey.
 - Budget Proposals 2016-17.

- Shrewsbury Quarry Swimming Pool Options.
- Adult social care users' survey.
- Adult social care carers' survey.
- Outdoor recreation users' annual survey.
- Customer contact centres user survey.
- Taxi licence fees survey.
- Library Services.
- Children's centre satisfaction survey.

6.2.5. On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.

- Our framework establishes a clear reporting mechanism for performance of corporate priorities and the Council's outcomes. The quarterly reports are available publicly, being reported to the Council's senior managers, Cabinet and members to identify any issues they may want to have considered through Scrutiny. They build quarter on quarter with the quarter four report providing the full year view.
- In addition to the performance report each Portfolio Holder provides an annual report to Council on progress in their area of responsibility, with issues and future plans, going to the July and September meetings. The corresponding Scrutiny Chairs also provide a report on the work of their Scrutiny Committee to provide the full picture around decision making and holding to account.

6.2.6. Ensure that the authority as a whole is open and accessible to the community, service users and its officers and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

- The rules concerning confidentiality are clearly laid down in the Constitution Part 4 with a presumption that items will remain open to the public unless they meet specific confidentiality criteria.
- Partners' responsibilities are clearly stated in Financial Rules (Section E1, DD67-69) and in the partnership guidance document.
- The Council has a small Information Governance team committed to ensuring the principles of Data Protection, Freedom of Information and Transparency are followed.

6.3. Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

6.3.1. Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.

- The Chief Executive provides a regular update for all staff via email on key issues including relevant information from the senior management team. Staff without access to email, are updated by their managers.
- The Intranet is used widely to communicate information and also as a mechanism to involve staff in providing feedback on particular issues.
- The performance review process provides a one to one opportunity for staff to discuss performance, achievements and issues as well as an opportunity to discuss how things are working in their area. From this work, objectives and personal development plans are produced.
- There is a Joint Consultative Council which consists of elected trade union representatives, members and senior management. This meets regularly to review and agree key employment policies.
- The Council has monthly informal meetings with trade unions to manage issues of concern, discuss emerging issues and policy changes. In addition a regular meeting between Human Resources and trade unions is held to discuss current issues at the Council, in a less formal environment than the Joint Consultative Committee.
- Focus groups are held with trade union representatives to discuss and contribute to key employment policies whilst they are being drafted as part of the consultation process.
- Issues which need consultation and approval over policy changes are discussed through a quarterly 'Policy Forum' prior to the items then going to the next Joint Consultative Committee.
- Managers hold regular team meetings where staff have the opportunity to provide comments on their service and contribute to policy and service delivery issues in their own service area. Managers also have regular individual meetings (known as catch ups, one to ones or supervision) which provide another mechanism for consultation.

Principle 6

There is evidence which confirms that the Council is engaging with local people and other stakeholders to ensure robust public accountability.

Revised April 2016

Appendix 1

SHROPSHIRE COUNCIL FRAMEWORK OF CORPORATE GOVERNANCE

Council Mission: As soon as possible everything is as efficient as it can be, focusing on the customer, prevention and partnership. The priorities are:

- Growing: Help to manage our environment (in a way that helps Shropshire thrive).
- Protecting: Strive to keep people from harm (in a way that doesn't compromise on their choices).
- Helping: Help people, communities and businesses to help themselves (in a way that helps them to make the most of the choices available to them).

The Shropshire system by which we direct and control our functions and relate to our community.

Principal 1 Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	Principle 2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	Principle 3 Promoting values for the authority & demonstrating the values of good governance through upholding high standards of conduct and behaviour.	Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.	Principle 5 Developing the capacity and capability of members and officers to be effective.	Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability.
Budget Book	Shropshire Council Business Plan and Financial Strategy 2014-17	Shropshire Council Business Plan and Financial Strategy 2014-17	Cabinet Forward Plan	Members Induction	Locality Commissioning
Shropshire Council Business Plan & Financial Strategy 2014-17	Shropshire Compact	Speaking Up about Wrongdoing	Key Decision Process	Specialist Member Training	Shropshire Council Business Plan and Financial Strategy 2014-17
Shropshire Compact	Local Joint Committee Meetings	Fraud and Corruption Hotline	Speaking Up about Wrongdoing	Member Development Programme	Shropshire Voluntary and Community Sector Assembly
Local Joint Committee Meetings	Shropshire Website, including. e-Shrop Intranet	Complaints Procedure	Fraud and Corruption Hotline	Shropshire Voluntary and Community Sector Assembly	Annual Scrutiny Chairs Report
Shropshire Website, Shropshire Newsroom. e-Shrop Intranet	Locality Commissioning	Register of Pecuniary Interests	Complaints Procedure	Recruitment and Selection Process	Shropshire Website, Shropshire Newsroom. e-Shrop Intranet
Council Tax Leaflet	Record of Decisions	Gifts and Hospitality Register	Register of Pecuniary Interests	HR Development Team	Customer First
Shropshire Business Board	Local Governance	Freedom of Information	Gifts and Hospitality Register	Training and Development Courses	Local Joint Committees
Locality Commissioning	Constitution	Partnership Guidance – Shropshire Compact	Opportunity Risk Management Strategy	Continuous Professional Development	Council Tax Leaflet
Constitution	Head of Paid Service	IT Code of Practice for Employees	Freedom of Information	Member Officer Protocol	Budget Book
Local Governance	Chief Finance Officer	Constitution	Constitution	Job Descriptions	Constitution
Annual Statement of Accounts	Financial Rules	Monitoring Officer	Chief Finance Officer	Scrutiny Process	Local Governance
Annual Governance Statement	Monitoring Officer	Code of Corporate Governance	Monitoring Officer	Audit Committee	Scrutiny Process
Commissioning Strategy	Member / Officer Relations Protocol	Contract Procedure Rules	Job Descriptions	Performance Framework	Performance Framework
Scrutiny Process	Members Code of Conduct	Counter-Fraud, Bribery and Anti-corruption Strategy	Scheme of Delegation	Professional Development	Staff Briefing and Consultation
Internal and External Audit	Employee Code of Conduct	Member / Officer Relations Protocol	Members Code of Conduct		
Inspectorates	Scheme of Delegation	Members Code of Conduct	Employee Code of Conduct		
Scrutiny Process	Job Descriptions	Employee Code of Conduct	Scrutiny Process		
Internal and External Audit	Contracts of Employment	Harassment and Disciplinary Policies	Audit Committee		
Inspectorates	Performance Framework	Recruitment Process and DBS checks	Medium Term Financial Plan		
	Scrutiny Process	Internal and External Audit	Performance Framework	KEY	
		Performance Framework	Insurance	Openness and inclusivity	
		Scrutiny Process	Scrutiny Process	Accountability	
				Integrity	



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
23rd June 2016	
9:30am	<u>Public</u>

ANNUAL GOVERNANCE STATEMENT (AGS) AND REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S SYSTEM OF INTERNAL CONTROLS 2015/16

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

1. Summary

The Council is required under Regulation 6 of the Accounts and Audit Regulations 2015, to produce an Annual Governance Statement to accompany the annual statement of accounts, which must be signed by the Leader of the Council and the Head of Paid Service. This statement should be considered after a review of the effectiveness of the Council's system of internal controls as required by the Accounts and Audit Regulations 3. Members are asked to consider the proposed statement and the basis on which it has been compiled, and comment on its contents. This will help ensure that it remains a true reflection of the internal controls of the Council for 2015/16.

2. Recommendations

The Committee is asked to consider and approve, with appropriate comment, the Annual Governance Statement 2015/16 at **Appendix A**.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. Risk management is part of the overall internal control arrangements and contributes to the Council's strong governance. The AGS has been drafted based on information contained in the risk register alongside data from assurance statements and officer review groups. The strategic risk register is regularly monitored and updated by senior managers and is a useful, up to date tool to identify governance issues. Consequently this creates a clear link between the AGS, the strategic risk register, business planning and performance.
- 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.

- 3.3. There are no environmental consequences of this proposal and consultation has been used to inform the Annual Governance Statement by seeking assurances from senior officers as to the effectiveness of internal controls.

4. Financial Implications

- 4.1. Currently there are no financial implications in respect of the Statement. Any which arise when implementing future improvement activities will be reported upon separately.

5. Background

- 5.1 Shropshire Council is required to prepare an Annual Governance Statement; a statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015. In doing so the Council complies with the principles of corporate governance set out in the CIPFA/SOLACE Good Governance Framework (2007- reviewed and revised in 2012). The framework is a discretionary code which the Council is judged against it as part of best practice. The original framework outlines six core principles of good governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community. In July 2014, a joint report from CIPFA and the International Federation of Accountants (IFAC) was produced on the, "International Framework: good governance in the Public Sector". This report looked at governance across all public sector bodies and in reviewing the Annual Governance Statement has been referred to and used to further inform the process.
- 5.2 Both frameworks emphasise that good governance should be corporately owned. The degree to which the Council follows these principles should be declared in its Annual Governance Statement. The purpose of the Annual Governance Statement is to provide assurance that the Council has in place sound governance arrangements that are supported by effective systems of internal control.
- 5.3 The six core principles referred to in the CIPFA framework are:
- i) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
 - ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 - v) Developing the capacity and capability of members and officers to be effective.
 - vi) Engaging with local people and other stakeholders to ensure robust public accountability.
- 5.4 In line with best practice the Council's existing Code of Corporate Governance has been reviewed and compliance assessed in light of the guidance issued. Looking forward, CIPFA have produced an updated framework and guidance note on good governance and this will be applied when reviewing the governance in place for the 2016/17 financial year.

- 5.5 Current guidance recommends that the Annual Governance Statement should include:
- i) Scope of Responsibility.
 - ii) The purpose of the governance framework.
 - iii) A description of the governance framework and the key elements of the systems and processes that comprise the authority's governance arrangements.
 - iv) Review of effectiveness.
 - v) Significant governance issues including an outline of the actions taken, or proposed, to deal with any significant governance issues identified.
- 5.6 The Annual Governance Statement is a key corporate document with the Chief Executive (CEO and Head of Paid Service) and the Leader having joint responsibility as signatories for its accuracy and completeness. It is also important that all other senior officers provide assurances to the process. As a corporate document which is owned by all senior officers and members, the preparation of the Annual Governance Statement is overseen and approved by directors supported by senior management.
- 5.7 In compiling the Annual Governance Statement a review of the effectiveness of the Council's systems of internal controls, as required by the Accounts and Audit Regulations 2015 (3), is conducted and information is obtained from a range of sources. As such, the signatories to the Statement can assure themselves that it reflects the governance framework for which they are responsible. **Annex A** of the Annual Governance Statement Framework 2015/16 clearly identifies the areas from which assurance and supporting evidence has been obtained, thereby demonstrating the effectiveness of the Council's systems of internal control. Further key assurances are provided via:
- i) CEO / Head of the Paid Service.
 - ii) Directors and senior management.
 - iii) Head of Finance, Governance and Assurance, Section 151 Officer and Responsible Financial Officer.
 - iv) Head of Legal, Democratic and Strategic Planning Services, Monitoring Officer.
 - v) Audit Service Manager.
 - vi) Performance and risk management officers and
 - vii) External Audit and other review agencies.
- 5.8 In being responsible for the first line of defence, Management have provided assurance as to whether adequate and effective governance arrangements are operating within their service area and whether they are promoting a strong risk culture within the Council as a whole. A summary of assurances from the senior managers is collated in the following diagram:

First line of defence - managers assurances 2015/16

Overall Assurance	
Purpose, Outcomes and Vision	Reasonable
Members and Officers functions and roles	Reasonable
Good governance, promoting values and demonstrating high standards of conduct and behaviour	Reasonable
Informed decision making, effectively scrutinised and managing risks	Good
Capacity and capability of members and officers	Reasonable
Engagement and robust public accountability	Reasonable

5.9 In order to moderate their views and to identify the significant governance issues to be identified in the AGS, Directors consider managers' assurances (first line of defence), information from their services and across the authority (second line of defence), and third party reports such as Ofsted, peer reviews, internal and external audit (third line of defence).

5.10 The Annual Governance Statement is a key document which identifies the strong systems and processes the Council has in place to continue its high standards of corporate governance. A copy of the Statement is attached as **Appendix A**.

5.11 The Council has identified the following significant governance issues.

"The main challenges facing the Council appear below and are set in the context of delivering services to acceptable standards whilst achieving the budget savings required in 2016/17 and the overall funding gap of £80m as identified as part of the Business Plan and Financial Strategy. To ensure this is delivered and strategic risks managed, the Council will strive to achieve the following outcomes:

- *Regular Sound engagement is in place between health and social care for the future provision of services, which includes the agreement of Clinical Health Commissioning funding on a case by case level through to service redesign and commissioning through the Better Care Fund, the Transforming Care Partnership and the Strategic Transformation Plan.*
- *The Council is considering devolution opportunities with at least four partners:*
 - *The Marches*
 - *West Midlands Combined Authorities*

- Northern Gateway
 - Middle England Authorities
- *Shropshire Council has maximised all opportunities from the Marches LEP*
 - *There is an Economic Vision and Strategy for Shropshire*
 - *The Council is communicating where it is going to all stakeholders through an approved Corporate Plan and associated strategies (E.g. workforce and IT).*
 - *There are clear links between service delivery and the Corporate Plan.*
 - *The Council's IT Strategy is established and underpins the Corporate Plan.*
 - *IT solutions and systems have robust controls embedded within them to ensure business continuity in the event of a disaster.*
 - *A balanced budget is achieved and resources allocated and managed effectively within known financial constraints.*
 - *Human resources are skilled, knowledgeable and appropriate to deliver the Council's Corporate Plan. Especially in the areas of ICT and commissioning.*
 - *Structural changes aligned to business plans are consulted upon, supported by staff and members, implemented and monitored for effectiveness.*
 - *Adults and children are safeguarded. There are supporting governance arrangements and processes in place and consultation with key stakeholders.*
- 5.12 The associated 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.
- 5.13 Action plans and programmes of monitoring and evaluation are in place and are regularly updated to support both of these issues over the current and future years. An overall outcome report will be made to the Audit Committee at the end of the year.
- 5.14 The action plan attached to the 2015/16 statement has been reviewed, details of which are incorporated into the AGS.

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

- CIPFA/SOLACE - Publication - Delivering good governance in local government. Guidance note for English Authorities and Framework, 2007
- CIPFA: Delivering Good Governance in Local Government: Framework Addendum 2012
- Accounts and Audit Regulations 2015.
- Application Note to Delivering Good Governance in Local Government: A Framework CIPFA/SOLACE (March 2010)
- International Framework: Good governance in the Public Sector: International Federation of Accountants and CIPFA, July 2014

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council and Tim Barker, Chairman of Audit Committee.

Local Member N/A

Appendices

Appendix A - Annual Governance Statement 2015/16
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SHROPSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT

2015/16

Scope of responsibility

1. Shropshire Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.
3. The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on the Council website at: <http://staff.shropshire.gov.uk/committee-services/documents/s11249/Part5CodesandProtocols.doc.pdf>. This statement explains how the Council has complied with the Code and also meets the requirements of Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

4. The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have contributed to the delivery of appropriate services and value for money.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise any risks to the achievement of Council policies, aims and objectives; to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.
6. The governance framework accords with proper practice and has been in place at the Council for the year ended 31st March 2016, up to the date of approval of the Statement of Accounts.
7. A brief description of the key elements of the Council's governance framework is outlined below. Documents referred to may be viewed on the Council's website and are available on request.

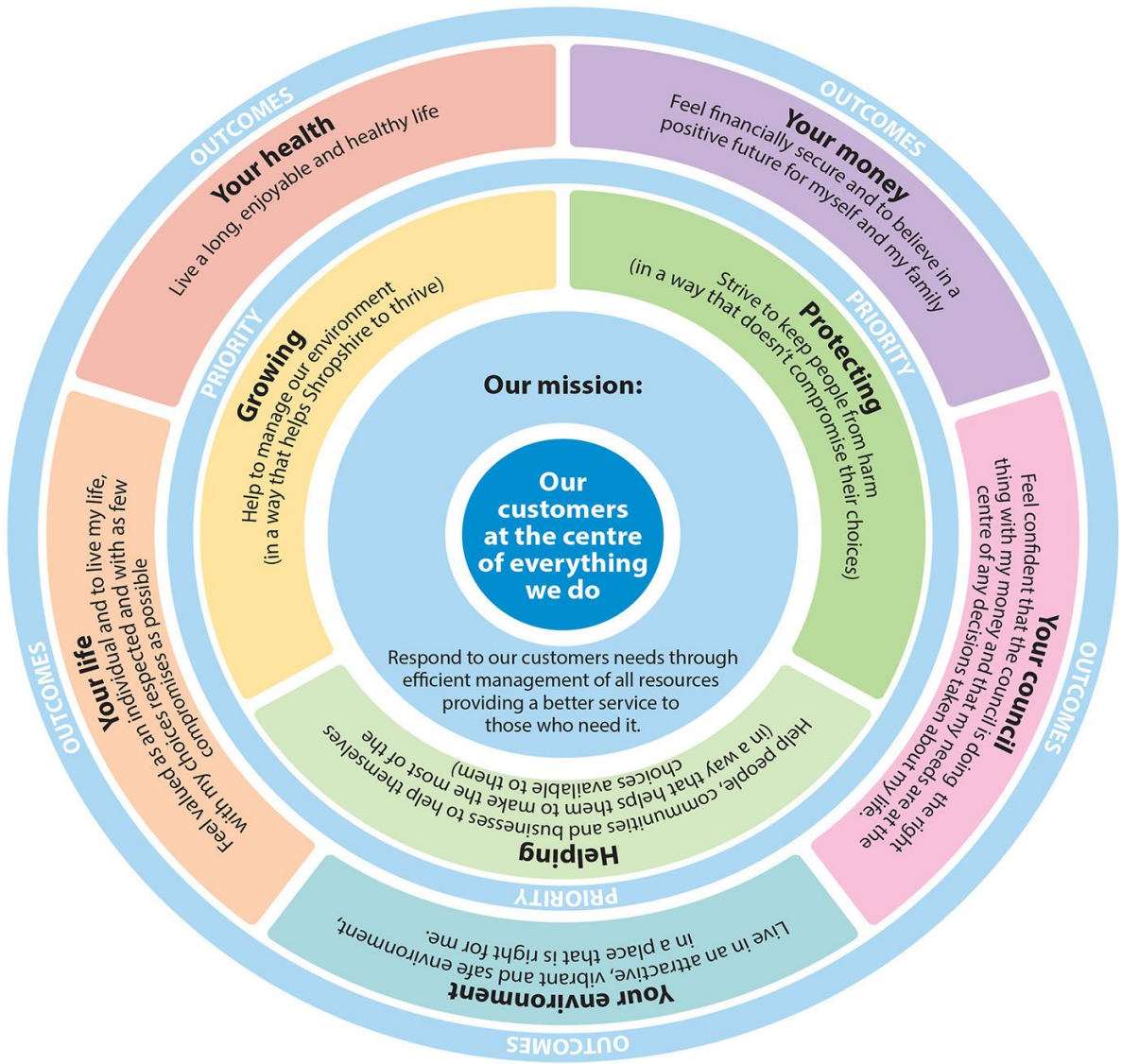
Leadership and behaviour

8. The Council's Constitution is updated annually and sets out how the Council operates. It states the matters reserved for decision by the whole Council, the responsibilities of the Leader and Cabinet, the matters reserved for collective and individual decision, and the powers delegated to panels, boards, committees and wider bodies such as partnerships. Decision making powers not reserved for members are delegated to directors and senior managers. The Monitoring Officer's main roles are: to report on matters she believes are, or are likely to be, illegal or amount to maladministration; to be responsible for matters relating to the conduct of Councillors and Officers and to be responsible for the operation of the Council's Constitution. **Annex A** identifies the process which leads to the preparation of the Annual Governance Statement and it being signed off and published with the Statement of Accounts. The Local Code of Corporate Governance is reviewed annually and reported to Audit Committee.
9. The Cabinet is the Council's key decision making body and makes decisions within the policy framework approved by Full Council. It is made up of the Leader, and up to nine members. The incumbent Leader's resignation in November 2015 brought about a change in Leader and Cabinet members. Key decisions are published in the Executive Forward Plan and are discussed with Council officers at a meeting of the Cabinet, open for the public to attend except where confidential matters are being discussed. The Cabinet can only make decisions which are in line with the Council's overall policies and budget. Decisions outside of the budget or policy framework must be referred to the Council as a whole to decide.
10. Senior Management are responsible for overseeing and monitoring the control environment as an integral part of the risk management process. This key management responsibility is supported by the three statutory officers; the Head of Paid Service (Chief Executive), the Chief Financial Officer (Head of Finance Governance and Assurance, and Section 151 Officer) and the Monitoring Officer (Head of Legal and Democratic Services) the roles of whom are set out in the Constitution, plus Internal and External Audit and other external review agencies, such as Ofsted, the Care Quality Commission etc.
11. The Council's financial arrangements conform with the governance requirements of the CIPFA, "Statement on the Role of the Chief Financial Officer in Local Government (2010)" as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Chief Financial Officer has statutory responsibility for the proper management of the Council's finances and is a key member of the Council's senior management team reporting directly to the Chief Executive. He devolves formally the management of the Council's finances within services to directors through a scheme of delegation. Directors further devolve decision making through service schemes of management. The Section 151 Officer also provides detailed financial rules, guidance and finance training for members, managers and staff.
12. The Council's assurance arrangements conform to the governance requirements of CIPFA's "Statement on the Role of the Head of Internal Audit (2010)". The Audit Service Manager reports functionally to the Audit Committee, which approves the proposed Audit Plan and receives performance reports throughout the year on audit and anti-fraud activity as well as the annual report and opinion on the internal control framework.
13. Whilst the Audit Service Manager is responsible for its compilation, the Annual Governance Statement is prepared with the full engagement of senior management and key officers, using data collated from all areas of the Council.

14. The Council has in place an effective Audit Committee which provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process, including scrutiny of Treasury Management strategy and policies. The core functions of the Audit Committee are undertaken in accordance with CIPFA's, "Audit Committee – Practical Guide for Local Authorities".
15. The Constitution includes codes of conduct for both members and staff. These are reviewed regularly to reflect any necessary changes and all members and staff have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided for officers and appropriate induction sessions are arranged for all new staff and members.
16. The Head of Legal and Democratic Services is also the Council's Senior Information Risk Owner (SIRO) and there is an Information Governance Group which considers and reviews risk assessments and current issues on the handling and use of personal information. Risk assessments are updated to reflect system and service changes. All employees handling personal data are required to undertake appropriate training on line.
17. Monitoring of compliance is delivered by relevant key officers, including the Section 151 Officer and the Monitoring Officer.
18. The Chief Executive continues to show his commitment to engage with and support staff by providing regular updates and key messages through emails and he visits places of work regularly to engage with staff.

Openness and comprehensive stakeholder engagement

19. The Council has a Business Plan and Financial Strategy 2014-17 and has drafted a Corporate Plan for 2016/17. These plans sets out an approach to redesigning everything the Council currently does and how best use will be made of the resources available. The financial strategy takes account of any known transfer of services to other delivery models to ensure that the Council's financial position is understood and reflected ahead of any decision taken to approve a transfer. It remains flexible and responsive to emerging local issues and significant national developments such as the Care Act, whilst continuing to focus on delivery of the Council's outcomes as detailed in the diagram overleaf.
20. The Council commissioned a review of its Inspiring Partnerships and Enterprise initiative (ip&e), comprising two companies: ip&e Limited and ip&e Trading. The review sought to determine if the company had achieved its objectives as a wholly owned separate trading entity or whether the business activities, commercial practice and income generation could be achieved more efficiently and effectively within the Council or another entity. The review agreed to cease the Company's operation and return the services to the Council. A high level Directors' Commissioning Group was established to monitor the overall progress of all new delivery models. Individual directors are responsible for the effective management of change and transformation in their areas but also report through to this Group, where relevant.



21. A revised performance framework was implemented in 2014/15 to measure the Council's delivery of change, as well as the impact of commissioning decisions on Council outcomes. Quarterly performance reports are presented to Cabinet and Scrutiny Committees. The reports highlight any areas of concern. These are monitored and Cabinet will refer issues of continuing concern to Scrutiny for review.
22. The initial savings required for the period 2014-17 were agreed by Council in February 2014. Over the three year period, savings of £80m were identified as required, £66.333m by 2015/16.
23. In February 2015, review of progress on achievement of savings to set the 2015/16 budget identified some slippage in achievement and also further savings required to offset growth of £28.442m.
24. Throughout 2015/16 regular monitoring reports have been considered by Cabinet. The monitoring considers both achievement of savings and other expenditure and income variations. Where there has been a delay in achieving savings or the planned savings have not been achieved, management action has been taken to find alternative savings and offset service pressures to seek to balance the 2015/16 budget, the details of which appear in the quarterly revenue monitoring reports to Cabinet.
25. In February 2016, Council agreed the financial strategy for 2016/17 to 2018/19. For 2016/17, which was the third and final year of the financial strategy 2014-17, projections of resources and expenditure have been revised and, after taking into account slippage on achievement of 2015/16 savings and new pressures identified largely in Adults services, proposals to meet a funding shortfall of £47.474m were agreed.
26. There is an established Opportunity Risk Management Strategy in place supported by a Risk Management Governance Structure of officers and members which has key responsibilities for maintaining the profile of risk management across all areas of service. The Strategy is signed and endorsed by the Chief Executive.
27. The strategic risks to the Council have been identified. Action plans have been prepared to mitigate these risks and are aligned to them. The plans are designed to minimise disruption to the delivery of the Council's outcomes where possible. The strategic risks are updated bi-monthly and reported to the Directors and informal Cabinet meetings. All committee reports include a section on risk assessment and opportunities appraisal and all risks are allocated an owner.
28. The Council recognises the importance of communicating its vision and uses a number of channels to this effect.
29. The Council regularly consults with the public on strategic decisions and service developments. During 2015/16 the Council responded to the increasing challenge of reducing funding from Government and the need to make hard decisions about how services will be delivered in the future by developing and launching the Big Conversation. Split into two phases, the Big Conversation combines communication with the development of a sustainable engagement framework. The first phase utilised external expertise from a national market research company (Pye Tait Ltd) and used a survey, focus groups and action planning workshops to develop a comprehensive and statistically viable view of perceptions relating to the Council's Financial Strategy 2016/17 to 2018/19. The findings have informed the decision to raise Council Tax by the maximum 1.99% as well as the 2% precept for Adult

Social Care, and confirmed the Financial Strategy focus on which service areas should be protected in future years. They also informed ongoing work with public sector partners, town and parish councils, the Voluntary Community and Social Enterprise sector, communities and individuals to see if there are different ways of delivering services which are valued in communities with little or no money. The second phase of the Big Conversation will run from April 2016 and will develop the sustainable engagement framework for the Council and its partners.

Locality commissioning

30. Shropshire Council has continued to commission services and activity locally, developing a number of commissioning models which have resulted in a range of community based activities being delivered differently. Soft market testing, use of local intelligence and consultation enable robust assessments of need to be undertaken. This leads to the design of services and activity that reflects both strategic and local need. In 2015/16 a number of library services and Customer First Points, plus activities for young people have all been commissioned locally. The Council has also been able to delegate the responsibility for the provision of youth activity to Shrewsbury Town Council and transfer areas of amenity land and public open space to town councils. These approaches enable a very local design for the management of services and assets along with the opportunity for other resources, such as external funding, volunteers and other assets to be employed and maximised to add value for communities.
31. Reports taken to Cabinet describe the council's approach to the redesign of the library service and customer service points, and the locality commissioning of youth activity.
32. Shropshire Council's Local Joint Committees (LJCs) are instrumental in the locality commissioning process, either by commissioning taking place through them, as with youth activity, or by providing local intelligence that informs commissioning design. LJCs continue to provide a local public forum for discussions on services and assets to take place as well as providing a local partnership structure for Shropshire Council and town and parish councils. There will be a review of the LJCs in 2016/17 to ensure that they evolve in line with the changes affecting Shropshire Council, town and parish councils and communities.

Commissioning

33. During 2015/16 the Council reviewed the functions which support effective commissioning and developed a support unit to work across the Council. The Commissioning Support Unit brings together teams that:

- acquire and manage data;
- provide engagement;
- collect and analyse feedback developing insights;
- provide performance management and policy advice;
- support and develop intelligence;
- support effective procurement and contract management;
- Support strategic commissioning development.

Short term benefits are already emerging with better sharing of skills and knowledge and the building of working groups around topics and issues. The new unit enables the right challenge and support to be integrated into teams with operational staff and lead senior officers/commissioners, and supports the move to intelligence driven decision making.

Contracts review

34. One of the key areas of work for the Commissioning Support Unit team continues to be the establishment of a consistent approach to contract management that ensures key principles are followed in order to develop a more cohesive and robust way of monitoring and managing

contracts. An analysis is underway looking at the top 80% by value of contractor expenditure and reviewing and matching this against the specific contractual arrangements and documentation in place. This will identify the contractual arrangements currently in place and ensure there is a central electronic repository of procurement and contract documentation in order to assist commissioners when re-commissioning or decommissioning services. This will also assist the Council to ensure that consistent outcomes, values and performance measures are built into new contract arrangements. Finally, this work will assist in the development of a contract management framework together with guidance for commissioners and help to target ongoing skills development requirements.

Counter fraud

35. The Council has a zero tolerance to fraud, corruption and bribery and is self-regulating in respect of Counter Fraud. It undertakes a self-assessment, identifies its risks and understands them. It acknowledges the problems and puts in place plans which demonstrate that action is being taken and outcomes are visible. It is transparent about this process and reports to senior management and to those charged with governance.
36. Guidance on 'Speaking up about Wrongdoing' which incorporates whistle blowing is distributed to staff, members and contractors. Any irregularities identified will be investigated by Internal Audit or the appropriate officers within the Services. Audit Committee are responsible for the monitoring and overview of the "Speaking up about Wrongdoing Policy" and receive an annual report.

People

37. The Council continues to invest in staff and members to ensure engagement and motivation.
38. Implementation of the Council's values and behaviours starts at Induction. All staff can access an electronic skills assessment and a leadership toolkit. Staff can discuss development needs with their manager and identify relevant training from a core skills programme. Managers have access to a management development programme and supporting toolkit covering HR related topics. An organisation wide coaching group provides support using a range of tools to help people through change.
39. Member development is delivered through a Community Leadership and Development Framework of blended learning, structured enough to ensure good planning and flexible enough to remain dynamic. It comprises the induction programme, essential training which all Members are asked to undertake, the Member briefing programme, and individual assessment of development needs.

Partnerships and other joint arrangements

40. The Council continues to support a range of joint working initiatives to improve service performance and delivery. Governance arrangements in respect of partnerships and other group working are identified within the Constitution, Financial Rules and the Corporate Performance Management Framework.
41. The Shropshire Compact is a set of shared principles and guidelines for effective partnership working between Shropshire's public sector bodies and the Voluntary and Community Sector (VCS). It acts as guidance to ensure shared understanding of responsibilities and obligations and works towards best practice in partnership arrangements. A cross sector Change and

Compact Group leads compact work for the County ensuring it is considered in all strategic change projects, new policies and integrated into cross-sector projects.

42. The VCS Assembly has around 250 members with a Board and 16 forums of interest. Forums of interest are groups of voluntary and community sector organisations with a common interest (for example disability, health and social care, criminal justice etc.). The Assembly undertakes regular communication activity to involve its members in events, tender opportunities, consultations and to promote funding opportunities. It works to establish cross sector working and co-production in the development of new policy, programmes and guidance. Public sector representatives work closely with the VCS Assembly representatives through the VCS Assembly Board and a wide range of task groups linked to local partnership structures.
43. A number of public health services are delivered by the Council in conjunction with the local NHS and other services in the area to provide information and services to promote healthier lifestyles. The Health and Wellbeing Board acts as the coordinating body for health and social care related areas of partnership.
44. There are weekly Chief Operating Officer Meetings between Social Care, Shrewsbury and Telford Hospital (SATH), the Clinical Commissioning Group (CCG) and Shropshire Community Trust. On a case by case basis in relation to Clinical Health Commissioning (CHC) funding, agreement is reached through a multi-disciplinary CHC process which includes a social worker assessment. CHC funding income is reviewed on a monthly basis by senior managers in adult social care and a dispute process is in place. The Head of Operations has regular meetings with the CHC lead nurse at the CCG.
45. Better Care Fund activity is reviewed through the Health and Wellbeing Delivery Group and Health and Wellbeing Board. The Transforming Care Partnership (TCP) Board is joint with Telford and Wrekin and reports to the Health and Wellbeing Board. The TCP Board includes senior managers in adult social care.
46. The Strategic Transformation Plan is being developed with health and social care partners across the whole health and social care economy including Telford and Wrekin
47. Shropshire Towns and Rural Housing Ltd (ST&RH) manages homes and neighbourhoods on behalf of the Council, collecting rent, organising repairs and making improvements to the housing stock. The 'management agreement' between the two parties sets out in detail the 'who-does-what'. It includes arrangements for checking how ST&RH performs to make sure high standards are maintained.

Review of effectiveness – how does the Council know its arrangements are working?

48. The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the governance arrangements is informed by the work of the directors and senior management who have responsibility for the development and the maintenance of the governance environment, the Audit Service Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

49. The Head of Paid Service, Chief Financial Officer and the Monitoring Officer all contribute to the identification of any known areas of weakness which may need to be addressed. Led by the Chief Executive, all directors, area commissioners and senior managers have confirmed that, to their knowledge, internal control systems and governance arrangements are operating adequately in their areas of the Council or steps are being taken to address known areas of weakness.
50. Management Team have provided assurance that the arrangements generally continue to be regarded as fit for purpose in accordance with the governance framework. Where there are exceptions and services have been identified as having fundamental or significant risks in their management controls, for example the infrastructure IT systems, these form part of an on-going process of service improvement which is managed, monitored and reported upon. Progress on key system internal control areas is also being reported to Audit Committee. The significant areas to be addressed for the Council and activities for their management are outlined in the action plans later in this statement.
51. The Council has implemented the actions agreed in the 2014/15 Annual Governance Statement. A summary of which appear below:

An Information Communications Technology Strategy has been implemented

Work to develop the ICT strategy is underway, but is delayed slightly. The Council has experienced difficulties in appointing a Head of IT to lead on this.

Improved governance arrangements for commissioning and the robust monitoring of contracts are in place

A review of the top fifty contracts was completed and a single team (Commissioning Support Unit) established to manage and monitor all of the key areas across the commissioning cycle including contract management. A central electronic repository of procurement and contract documentation is being established alongside development of a contract management framework with guidance for commissioners and help to target ongoing skill requirements.

The Commissioning Approach web based tool was updated to further enhance this area. New governance arrangements were put in place (Commissioning Directors' Group) to ensure all new commissioning, recommissioning and decommissioning has a single avenue for approval.

Commissioning of new youth activity has taken place through the Local Joint Committees, coordinated by the Community Enablement Team. A locality commissioning approach has also been taken to transfer the management of local libraries and customer service points to community based organisations, led by the Area Commissioner and Locality Commissioning Managers. Further opportunities will be progressed in 2016/17 with town and parish councils and local voluntary sector organisations.

The Council's Business Plan and Financial Strategy has been regularly monitored to deliver a balanced budget

The Council continued regular monitoring of delivery against the second year (2015/16) of the Council's Business Plan and Financial Strategy and adjusted plans as required at Director and Cabinet levels to achieve a balanced budget for 2016/17. This was achieved and approved by Council on 25 February 2016.

The Corporate Plan, ICT and Workforce Development Strategies are all in development, but have been progressed significantly, specifically for alignment to the new Medium Term Financial Plan and 2017/18 Budget.

The Council's Business Plan and Financial Strategy has been regularly monitored to deliver outcomes through commissioning

The Council continued regular monitoring of delivery against the second year of the Council's Business Plan and Financial Strategy to deliver outcomes, whilst managing demand and exploring different delivery methods through commissioning. Following lessons learnt in 2015/16, it has refreshed its business plan and financial strategy and reviewed its approach to commissioning which has led to significant changes and the drafting of a Corporate Plan to redirect Council services.

A new model of commissioning youth activities based on identified need using a needs analysis including one around rurality was developed. This replaced the former universal approach that the Council adopted. Commissioning of youth activities has been led at a local level via the Local Joint Committee's and local members to maximise the local intelligence and to ensure value for money on the reduced budget that was available. Work was undertaken to review a number of bus routes including the Park and Ride service and to encourage competition in the corresponding marketplace. As a result of this work £497k annual savings have been achieved with little change to the outcomes originally scoped.

A workforce plan aligned to business plans and supported by our staff development processes is implemented

Staffing resources, given the changing shape of the Council, continue to remain skilled, knowledgeable and appropriate to deliver the Council's business plans. Especially for commissioning and ICT resources the Council has invested in consultants to meet an interim skills gap and, although unsuccessful in recruiting a Head of IT, has moved quickly to progress a solution.

Robust business cases for any project involving redesign and new delivery models are in place

Guidance for providing business cases was reviewed, updated and requires the inclusion of key areas:

- Service description and vision;
- Full options appraisal of the alternative delivery models;
- Financial statement;
- Market assessment;
- Staff assessment;
- Summary of assets being included (if a service is transitioning out of the Council);
- Equality impact and social inclusion needs assessment;
- Risk assessment;
- Timescales and timetable of activity.

The comprehensive business case is now subject to a robust decision making process:

- The officer with lead responsibility for the redesign or new service delivery model
 - a. Ensures that the business case meets the expectations of the guidance and that the information provided is accurate and allows for the decision making process to be followed.
 - b. Is accountable for considering the need to communicate the business case to directors and the appropriate portfolio holders throughout the process.
 - c. Ensures that the business case and supporting report is subject to approval by Shropshire Council's Cabinet.
- Shropshire Council's Cabinet have the opportunity to accept the business case, ask for further information, or reject it.
- Once approved, the lead responsible officer is accountable for implementing the recommendations and next steps to progress the Business Case.

Whilst the business case process is well documented, the consistency and quality of its application has been variable. Increased communication, challenge and adoption of the process is required.

Safeguarding governance arrangements have been reviewed

Adult and Children's Services are continually reviewing Safeguarding processes in light of new and emerging guidance, national and local issues. A review of the governance arrangements for the key health, well-being and safeguarding forums has commenced but has not yet been completed, and is continuing through 2016/17. An Independent Adult Safeguarding Board was re-established, April 2015, in accordance with requirements of the Care Act with an independent Chair; a Designated Adult Safeguarding Manager (DASM) is in place; there are regular Care Quality Commission (CQC) liaison meetings held jointly with Telford to monitor the quality of independent care provision; regular meetings are held with Healthwatch¹ to agree activity relating to enter and view inspections to gather user and patient experiences. These are reported to CQC liaison meetings.

A review of Deprivation of Liberty Safeguards (DOLS) activity has been undertaken and the Director of Adult Social Services' (ADASS) risk matrix has been applied and included in the

¹ Healthwatch Shropshire is the health and social care champion for people and local communities in Shropshire

use of light touch assessments. These are reviewed by senior managers on a regular basis and the annual position has been reported to Directors and Cabinet; In addition, annual training for DOLS authorisers is undertaken.

52. The Internal Audit Service complies with the requirements of the Public Sector Internal Audit Standards and works continually with managers in assessing the risk management, control and governance environment, enhancing processes where necessary. A risk based internal audit plan is in place which examines all key financial and managerial systems. This is endorsed by the Audit Committee and reports on counter fraud activity.
53. On the basis of the work undertaken and management responses received; the Audit Service Manager has qualified her overall opinion on the Council's internal control environment. This is based primarily on the continuing numbers, and negative direction of travel, of the internal audit assurances provided on the IT infrastructure systems. These risks are already known to Directors and Members and are reflected in the strategic risk register. The IT infrastructure on which Council applications operate continues to present a clear risk to service continuity. This has now been the case for several years, and although it is acknowledged that significant resource and prioritisation has been applied to manage this risk, it was also accepted that it may take several years for the necessary improvements to be implemented and embedded sufficiently to attain appropriate assurance levels. The issues currently identified are sufficient to warrant qualifying the annual audit opinion to the extent that management must continue to prioritise implementation of plans to address the matters raised. Whilst identifying these control weaknesses and highlighting them to management, it should be said, there has been no evidence of significant IT business failure or other error that could result in a material misstatement in the Council's accounts and reliance can still be placed upon it for that purpose.
54. Members and officers have been advised on the implications of the Audit Committee's review of the effectiveness of the governance framework, and that the issues identified are sufficient to warrant the Audit Service Manager qualifying the annual audit opinion to the extent that management must prioritise implementing their plans to address those issues. Audit Committee continue to monitor planned improvements.
55. In their Audit Findings for the year ended 31 March 2015, the External Auditor provided an unqualified opinion on the financial statements and an unqualified Value for Money (VFM) conclusion. In respect of internal controls a high level recommendation was made; 'Management should strengthen ICT resilience during a major event in relation to business continuity and disaster recovery to reduce the risk that access to and functionality of significant data could be considerably compromised.' Management actions have been agreed to address this risk.
56. The External Auditor also issued an unqualified opinion on the Pension Fund for the year ended 31 March 2015.
57. Given the uncertainty in relation to future funding mechanisms for Local Authorities and the Council's ability to set a sustainable budget for future years, a financial Health Check was commissioned from the Local Government Association. The outcomes and recommendations arising from that review have been considered and a small number of improvements to processes and governance have been implemented.
58. Cabinet monitors the effectiveness of the internal control system via consideration of regular performance and financial information reports from senior management. Cabinet members

receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Each portfolio holder produces an annual report to Council on performance in their area highlighting matters which require improvement.

59. Scrutiny Committees have a role in the review of policies and their outcomes, development of new policies and in the performance of services. Scrutiny Chairs produce an annual report on the work of their panels.
60. During 2015/16 all Shropshire Council's adult services, registered by the Care Quality Commission (CQC), maintained their compliance status with CQC. Four Rivers Nursing Home was inspected in autumn 2016 and achieved a good rating.
61. During the year a further registered service, Kempfield, was transferred to an external provider. The service has maintained its registration and compliance status following transfer.
62. Adult Social Care services senior staff have participated in the regional peer review programme as peer assessors. The learning from being involved as a peer assessor will inform the Council's preparations for its own peer review later in 2016.
63. Adult Social Care continues to participate in regional and collaborative work. During 2015/16 adult social care participated in a review of carers support services commissioned by the NHS and examples of both good practice and where outcomes could have been different for carers have been include in the resulting report.
64. The Adult Social Care Senior Directorate Management team meetings have included regular reviews of the introduction the new Care Act Legislation and assured themselves of compliance.
65. The Health and Adult Social Care Scrutiny Committee continued to receive a variety of reports and reviews of adult social care. During 2015/16 two previously externalised care services, Community Living and Shared Lives, which are both CQC registered services, have been subject to Scrutiny which included Members meeting the service users that these services support as well as the care staff who deliver the service to hear their views first hand
66. Schools' performances, as measured by Ofsted inspections have continued to improve over the last two years. In December 2014 69 per cent of Shropshire secondary schools were judged by Ofsted to be good or outstanding and 75 per cent of pupils attended good or outstanding secondary schools. In March 2016 76 per cent of Shropshire secondary schools were judged by Ofsted to be good or outstanding and 78 per cent of pupils attended good or outstanding secondary schools. Over the same period the proportion of good and outstanding Shropshire primary schools has risen from 82 to 84 per cent and the proportion of pupils attending good or outstanding primary schools has remained at 84 per cent. In March 2016 one secondary academy and two primary schools were in special measures categories. When an LA maintained school is judged to require special measures the Council is required to set out its action plan for improvement. All action plans have been approved by Ofsted and the Council's support for these schools has been judged to be effective.
67. Ofsted last undertook an unannounced safeguarding inspection in Shropshire on the 19th to the 28th November 2012. The overall judgment was 'Adequate', meaning that Shropshire meets the requirements in terms of quality of practice, leadership and governance and effectiveness of help and protection. The strong or good elements related to timeliness of

assessments, the direction of travel and the potential for good Early Help arrangements. The areas for development were largely focussed on referral and decision-making processes. All recommendations have been addressed and reported to the Safeguarding Board and improvements continue. Shropshire's Children's Services are currently preparing for the new unannounced inspection of their services, under the new Ofsted framework which commenced nationally in 2013. Preparation continued through 2015/16. In June 2015 a Peer Review took place conducted by the LGA. This is an extensive review and identified areas of good practice as well as areas for improvement. An Internal Improvement Board has been established to oversee the implementation of the Action Plan.

68. Shropshire's children's homes: Chelmaren and the new short breaks provision at Havenbrook were both inspected twice in 2015/16. Chelmaren was rated as outstanding at full inspection in November 2015 and the interim inspection in February 2016 adjudged that it had sustained effectiveness. Havenbrook was rated as "requires improvement" at full inspection in December 2015 but the interim inspection in February 2016 adjudged that it had improved effectiveness.
69. Direct quotations from the 2016 Chelmaren inspection include: "Staff have an excellent knowledge and understanding of safeguarding. They are extremely competent in identifying the risk factors that influence young people's behaviours and work with young people and other agencies to reduce these", "Staff receive excellent support and training from the registered manager" and "Partnership working arrangements between the home, education providers and health services are very effective". Direct quotations from the 2016 Havenbrook inspection include: "Young people are safe and say they feel safe. Staff provide support and assistance to create a safe and welcoming environment that helps them to feel at ease" and "The effective joint working with health, education and social services has enabled young people to improve their, social, emotional and physical well-being". During verbal feedback the inspector also described Havenbrook as having innovative development in edge of care provision for young people and she felt others would most certainly be following suit. She felt the need for such service had been known for some time but no one had been "visionary or brave" enough to take the first step and she noted the approach very positively as "a service that will be the envy of other LA's".
70. During 2015/16 two inspections of children's centres took place, a single area inspection of Severn Valley was graded as "good" and a Borders area group inspection was graded as "requires improvement". An action plan is in place and reviewed quarterly.

Significant governance issues

71. The main challenges facing the Council appear below and are set in the context of delivering services to acceptable standards whilst achieving the budget savings required in 2016/17 and the overall funding gap of £80m as identified as part of the Business Plan and Financial Strategy. To ensure this is delivered and strategic risks managed, the Council will strive to achieve the following outcomes:

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
1.	Regular Sound engagement is in place between health and social care for the future provision of services, which includes the agreement of Clinical Health Commissioning funding on a case by case level through to service redesign and commissioning through the Better Care Fund, the Transforming Care Partnership and the Strategic Transformation Plan.	Differences in culture and priority between the Council and key NHS partners leads to the risk of higher than necessary costs to both Health and Adult Social Care	<p>Delivery against the BCF programme and Health and Well Being Board three Exemplar Projects</p> <p>Agreement for Continuing Health Care funding agreed on a case by case basis using jointly agreed risk tool</p> <p>Service redesign and commissioning through the Better Care Fund, the Transforming Care Partnership and the Strategic Transformation Plan in conjunction with the Health and Wellbeing Board.</p> <p>Public Health to be focussed on short term evidence based cost reducing interventions</p> <p>Overspend on discharge from hospitals is brought under control</p>	<p>Rod Thomson</p> <p>Andy Begley</p> <p>Andy Begley</p> <p>Rod Thomson</p> <p>Andy Begley</p>	<p>March 2017</p> <p>June 2016</p> <p>April 2016 and onwards</p> <p>June 2016</p> <p>June 2016</p>
2.	The Council is considering	Failure to be	Involvement in three way	George Candler	June2016

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	devolution opportunities with at least four partners: <ul style="list-style-type: none"> • The Marches • West Midlands Combined Authorities • Northern Gateway • Middle England Authorities 	involved will weaken Shropshire's opportunity to maximise financial rewards that in turn will drive economic growth in the area.	discussions, shaping the devolution proposals with T&W and Herefordshire Councils Involvement with WMCA to understand and be at the forefront of key strategic thinking decision making Partner on the Northern Gateway Partnership to maximise opportunities from the HS2 Crewe station development along the A500 corridor Exploring shared opportunities with other adjacent authorities (Staffs CC, Cheshire East, Powys) in areas such as shared services, skills or staff	George Candler	March 2017
				George Candler	March 2017
				George Candler	March 2017
	Shropshire Council has maximised all opportunities from the Marches LEP		Development of Local Growth Fund 3 Bids	George Candler	June 2016
			Submission for funding from the Local Majors Fund to develop an outline Business Case for the North west Relief Road	George Candler	July 2016

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	There is an Economic Vision and Strategy for Shropshire		Economic Development Needs Assessment being delivered by Oxford Economics	George Candler	July 2016
			Shropshire Council working in partnership with IPPR (North) to co-design the vision and strategy	George Candler	Sept 2016
3.	<p>The Council is communicating where it is going to all stakeholders through an approved Corporate Plan and associated strategies (E.g. workforce and IT).</p> <p>There are clear links between service delivery and the Corporate Plan.</p>	<p>Failure to clearly articulate the strategic vision and strategy for the Council results in inability to deliver outcomes</p> <p>Loss of reputation and public confidence in the Council by failing to meet public expectations and identified need.</p>	<p>Completion of Draft Corporate Plan</p> <p>Strategies, policies and service plans reviewed to ensure delivery of Corporate plan</p>	<p>Clive Wright</p> <p>Clive Wright</p>	<p>June 2016</p> <p>December 2016</p>
4.	<p>The Council's IT Strategy is established and underpins the Corporate Plan.</p> <p>IT solutions and systems have robust controls embedded within them to ensure business continuity</p>	<p>Failure of existing systems could result in significant impact on service delivery and disruption to business activities.</p>	<p>IT strategy drafted</p> <p>Work completed on IT system controls and reported to Directors on a monthly basis.</p>	<p>Clive Wright</p> <p>Karen Davis / Paul Voogt</p>	<p>31 May 2016</p> <p>Monthly</p>

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
	in the event of a disaster.	Failure to implement an ICT Digital Transformation Programme to provide ICT solutions to support business applications, will impact the strategic direction of travel.			
5.	A balanced budget is achieved and resources allocated and managed effectively within known financial constraints.	<p>Inability to set a sustainable budget with the resources available, resulting in services not being delivered.</p> <p>Lack of clarity from Central Government on the future funding levels and increased uncertainty re: local resources, which inhibits the ability to calculate future budgets.</p> <p>A funding methodology that disadvantages</p>	<p>Financial Strategy approved and communicated</p> <p>Service plans reflect any proposed changes to budgets and senior managers complete and report on regular budget monitoring reports to Directors</p> <p>Directors provide robust challenge of achievements against the financial strategy.</p>	<p>James Walton</p> <p>Clive Wright</p> <p>Clive Wright</p>	<p>July 2016</p> <p>August 2016</p> <p>August 2016</p>

	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
		Shropshire results and certain inability to deliver statutory duties.			
6.	<p>Human resources are skilled, knowledgeable and appropriate to deliver the Council's Corporate Plan. Especially in the areas of ICT and commissioning.</p> <p>Structural changes aligned to business plans are consulted upon, supported by staff and members, implemented and monitored for effectiveness.</p>	<p>Inadequate retention and recruitment of experienced and qualified staff results in insufficient capacity and experience to sustain the Council's service provision.</p> <p>Insufficient mechanisms in place to report and manage work related stress results in increasing levels of staff absence and compromised service delivery.</p> <p>Risk of challenge from unions to required and proposed organisational restructures and</p>	A Workforce Strategy is in place to complement and deliver the Corporate Plan.	Michele Leith	May 2016

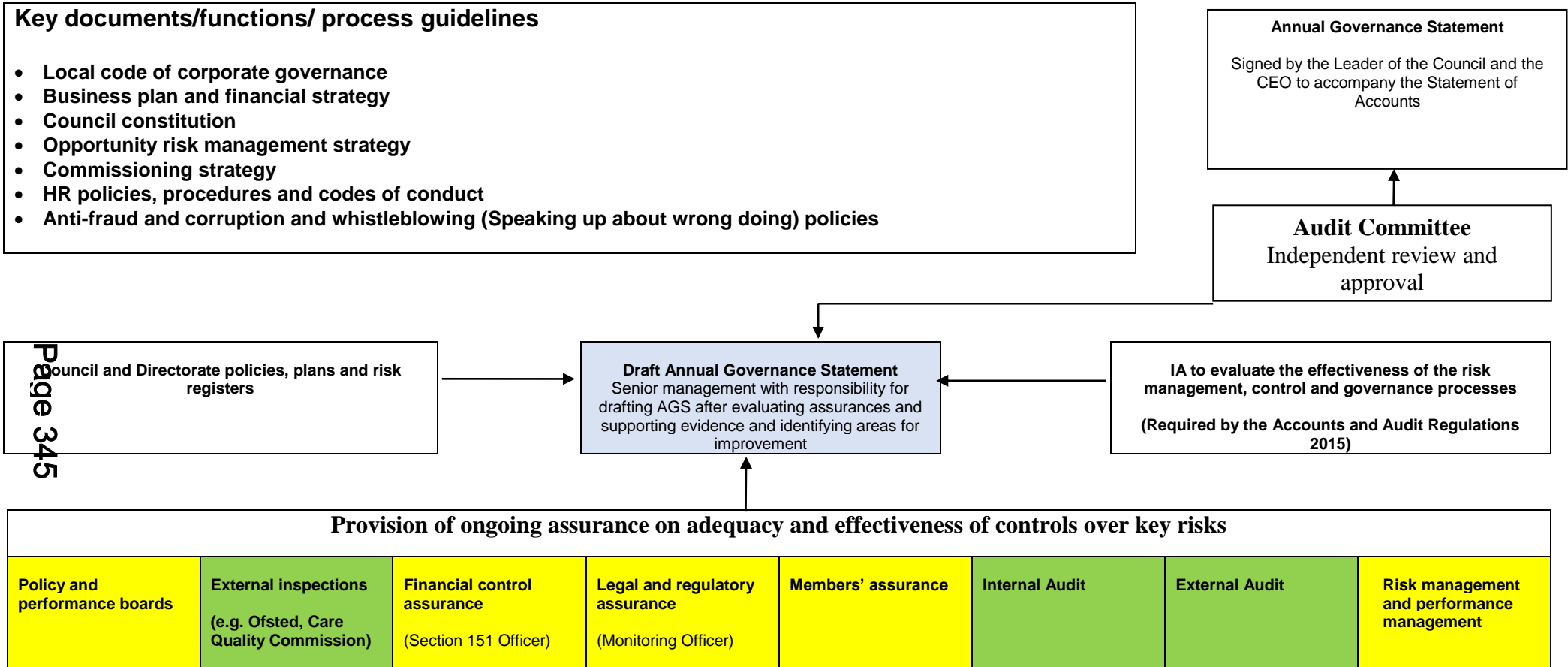
	Targeted outcome	Strategic Risk	Activity	Lead Officer	Completion date
		the possibility to gain support in a wider public arena against these changes.			
7.	Adults and children and children are safeguarded. There are supporting governance arrangements and processes in place and consultation with key stakeholders.	Failure to safeguard vulnerable adults and children	Performance measures are under development for inclusion in an annual adult safeguarding report	Andy Begley	March 2017

72. The associated strategic risks have been identified, remain under close review and will be managed throughout the year given that they are key to ensuring the continued delivery of high quality services.
73. Over the coming year, the Council propose to take steps to address the above matters to further enhance its governance arrangements. It is satisfied that these steps will address the need for improvements identified in the review of effectiveness and will monitor their implementation and operation as part of its next annual review.

Leader

CEO/ Head of the Paid Service

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Key to levels of assurance
First line of defence
Second line of defence
Third line of defence

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<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
23 June 2016	
9:30am	<u>Public</u>

ANNUAL REVIEW OF INTERNAL AUDIT: QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) 2015/16

Responsible Officer James Walton

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1. Summary

- 1.1 The Accounts and Audit Regulations 2015 (5) require the Council 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 (PSIAS) or guidance.
- 1.2 As part of the Service's Quality Assurance and Improvement Programme (QAIP), this report provides the results of a self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards. Compliance with these standards demonstrates an effective Internal Audit Service. Audit Committee is required to review this report and its findings.
- 1.3 This review should be read in conjunction with the Annual Internal Audit report, found elsewhere on this agenda. When read together the two reports demonstrate the effectiveness of internal audit. The update of the self-assessment has confirmed that the Council continues to operate an effective Internal Audit function. There are no areas where the Internal Audit function is not complying with the Code and whilst there are areas of partial compliance, these are not considered significant and do not compromise compliance with the code.

2. Recommendations

- 2.1 The Committee is asked to consider and endorse, with appropriate comment, the conclusion that the Council employs an effective internal audit to evaluate its risk management, control and governance processes

that complies with the principles of the Public Sector Internal Audit Standards and has planned improvement activities to work towards full compliance where appropriate.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The Accounts and Audit Regulations 2015 (section 5) require a relevant 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 (PSIAS) or guidance.
- 3.2 Under the PSIAS, Internal Audit's mission is, 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.' Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Thereby providing assurances on the Council's internal control systems by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Internal Audit will also continue to align its work with the Strategic Risk Register.
- 3.3 The use of a consistent framework for internal audit across the UK public sector has benefits for both partnership working and for internal auditors who work across different parts of the public sector. The standards are designed to drive improvement and lead to better public finance arrangements. Under 1310 of the PSIAS there is a requirement for Internal assessments which include:
- Ongoing monitoring of the performance of the internal audit activity; and
 - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.
- 3.4 Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity and is incorporated into the routine policies and practices used to manage the activity. It uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 3.5 This Report provides Members with details of an annual assessment conducted to evaluate conformance with the Definition of Internal

Auditing, the Code of Ethics and the Standards. It is completed by the Audit Service Manager and discussed with the Section 151 Officer before the results and improvement plan are reported to Audit Committee.

- 3.6 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or climate change consequences of this proposal.

4. Financial Implications

- 4.1 The Internal Audit service is provided within approved budgets. There may be a small cost to enable an external assessment of Internal Audit's conformance with the PSIAS in compliance with Standard 1312 (external inspection) to be conducted. The Chairman, Section 151 Officer and the Audit Service Manager have delegated authority to consider the approach/scope of the assessment and agree this with an external assessor and report back to the Committee.

5. Background

- 5.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory for all principal local authorities and were updated in 2016. They consist of:
- Mission of Internal Audit (new);
 - Definition of Internal Auditing;
 - Core Principles for the Professional Practice of Internal Auditing (new);
 - Code of Ethics; and
 - Standards for the Professional Practice of Internal Auditing.
- 5.2 The 'Mission' of Internal Audit is, 'to enhance and protect organisational value by providing risk based and objective assurance, advice and insight'. Internal Audit's effectiveness is demonstrated when the following principles are present and operating effectively.
- Demonstrates integrity
 - Demonstrates competence and due professional care
 - Is objective and free from undue influence
 - Aligns with the strategies, objectives, and risks of the organisation
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk based assurance
 - Is insightful, proactive and future focused
 - Promotes organisational improvement.
- 5.3 In April 2013, CIPFA produced a Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards. Internal

Audit is reviewed using this guidance for compliance with the Standards, the results of which are summarised in **Appendix A**.

- 5.4 The PSIAS aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide the Head of Finance, Governance and Assurance (the Section 151 Officer) with the key assurances he needs in both managing the financial affairs of the Council and producing the annual governance statement.
- 5.5 In complying with the PSIAS, Shropshire Council can provide assurances to Internal Audit's external customers of the teams' professionalism, quality and effectiveness.
- 5.6 **Appendix A** provides an update against the previously approved improvement plan. The majority of standards are complied with totally. Where there are areas of non-compliance these are detailed below for members to consider further. Where further improvements have been identified in areas of compliance these, along with the actions outlined below, appear in the improvement plan within the appendix, to ensure full conformance to the standards in future.

Areas of potential non-conformance

- 5.7 **Code of Ethics - Objectivity Standard:** Do internal auditors display objectivity by not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?

Finding: It is felt important that internal audit is consulted during system, policy or procedure development. Auditors have been assigned to business review projects where there is a possibility that internal control systems will be affected. This is seen as an opportunity for internal audit to add value and strengthen internal control arrangements. Where specific auditors have been involved in providing system advice they will be excluded from carrying out the audit as far as possible i.e. another auditor would be allocated to the audit. If this was not possible, it is felt the benefit of using the experience of developing controls and procedures outweighs concerns of independence and the review process will help to ensure that the review and report remain objective and evidenced based.

Therefore there is **partial** conformance. This is not considered to be to the detriment of the principles of auditing and the independent review process helps to mitigate any risks, therefore no actions are proposed.

- 5.8 **1100 Independence and Objectivity Standard:** Does the Chief Audit Executive (CAE) confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following

examples **can be** used by the CAE when assessing the organisational independence of the internal audit activity: The board:

- **approves the internal audit budget and resources plan.**

Finding: It is the responsibility of the Section 151 Officer to ensure that the budget and resources allocated to internal audit are sufficient to ensure delivery of the plan and to report any concerns to the Audit Committee.

- **approves decisions relating to the appointment and removal of the CAE**

Finding: It is the responsibility of the Section 151 Officer to ensure that the budget and resources allocated to internal audit are sufficient to ensure delivery of the plan, including the appointment and removal of the CAE, and to report any concerns to the Audit Committee.

Therefore **partial** conformance: Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector, CIPFA advise that this can be achieved by ensuring that the Chief Executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the Chair of the Audit Committee, this is completed for Shropshire Council.

The Section 151 Officer also seeks as he deems appropriate, opinions from the Chairs of externally serviced Audit Committees and their key officers on the Audit Service Manager's performance for use in her appraisal.

5.9 **1312 External Assessments Standard: Has an external assessment been carried out, or is planned to be carried out, at least once every five years?**

Finding: The new standards came in from the 1st April 2013. Therefore, an external assessment under the standards needs to be conducted by March 2018. The Audit Committee are aware that the services of an external assessor are presently being procured, the results of which and timing for an external review will be reported to a later Committee after consultation with the Chair and the s151 Officer.

Therefore, currently Internal Audit is not conforming to the standard but is still within the given timeframe to comply.

5.10 The above are not considered significant variations in respect of the principles of the PSIAS to require specific mention in the Annual Governance statement since the intention is to comply with the PSIAS within the prescribed time frames once further details are known.

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

- Accounts and Audit Regulations 2015
- Public Sector Internal Audit Standards 2016
- Local government application note for the UK Public Sector Internal Audit Standards CIPFA
- Completed Conformance Checklist 2015/16 and supporting evidence

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council and Tim Barker, Chairman of Audit Committee

Local Member N/A

Appendix A: Public Sector Internal Audit Standards conformance assessment and improvement plan

Public Sector Internal Audit Standards 2016 conformance assessment and improvement plan

Standard	Conformance	Observations and actions proposed	When?	Who?
Mission of Internal Audit	Yes	0 Update charter with mission	November 2016	Audit Service Manager
Definition of Internal Auditing	Yes			
Core Principles for the Professional Practice of Internal Auditing	Yes	1.3 Update charter with principles	November 2016	Audit Service Manager
Code of Ethics				
Integrity	Yes	2.1.3 Update conflict of interest forms	June 2016 underway	All Auditors
Objectivity	Partially			
Confidentiality	Yes	2.3.1 Ensure information security training conducted by all staff in 2016/17 2.3.2 Ensure all filing conforms with retention guidelines	June 2016 completed July 2016 underway	Audit Service Manager All Auditors
Competency	Yes	2.4.1 Review induction process for new trainees 2.4.2 Set up training log for 2016/17 and complete 2.4.3 Set dates for appraisals in first and third quarters	July 2016 April 2016 completed April and October April is	Audit Service Manager All Auditors All Auditors

Standard	Conformance	Observations and actions proposed	When?	Who?
		2.5 Remind all at team meeting of Seven Principles of Public life	completed July 2016	Engagement Auditor
Attribute Standards				
1000 Purpose, Authority and Responsibility	Yes	3.1.4 Circulate Internal Audit Charter to senior management board for any comments	April 2016 completed	Audit Service Manager
1100 Independence and Objectivity	Yes			
1110 Organisational Independence	Partially	3.2.8 The Terms of Reference of external clients Audit Committee's Terms of Reference will be reviewed as appropriate to ensure compliance with PSIAS 3.2.9 Agree process with HFG&A – continue to consider feedback from all clients CEO equivalents and Audit Committee Chairs in contribution to the performance appraisal of the CAE.	Aug 2016 April 2016 completed	Engagements Auditor Section 151 Officer
1111 Direct Interaction with the Board	Yes			
1120 Individual Objectivity	Yes			
1130 Impairment to Independence or Objectivity	Yes	3.2.17 Plan to rotate auditors for external clients 3.2.22 Remind all auditors of the Counter Fraud, Bribery and Anti-Corruption Strategy at team meeting	April 2016 onwards June 2016	Engagement Auditors

Standard	Conformance	Observations and actions proposed	When?	Who?
1200 Proficiency and Due Professional Care	Yes			
1210 Proficiency	Yes	<p>3.3.5 Review the options to cover skills gaps as a result of maternity and vacancies</p> <p>3.3.7.1 Review and refresh fraud investigation manual and supporting documentation</p> <p>3.3.7.2 Remind auditors of the fraud investigation manual and its application</p> <p>3.3.7.3 Ensure fraud awareness training is completed by all annually</p> <p>3.3.8 Check information technology checklist or its parts, are applied as appropriate to all audits</p> <p>3.3.9 All auditors to be reminded of the availability of CAATS where it can assist in large data analysis</p>	<p>April/ May 2016 Completed</p> <p>July 2016</p> <p>August 2016</p> <p>June 2016 completed</p> <p>July 2016</p> <p>July 2016</p>	<p>Audit Service Manager</p> <p>Engagement Auditor</p>
1220 Due Professional Care	Yes			
1230 Continuing Professional Development	Yes	3.3.13 All auditors to be reminded of the need for them to ensure that their personal CPD/ log books, etc. are up to date and	April 2016 completed	Audit Service Manager

Standard	Conformance	Observations and actions proposed	When?	Who?
		that they have clear records if requested as part of the assessment.		
1300 Quality Assurance and Improvement Programme	Yes	3.4.1.1 Review the IA manual and the quality review processes to ensure complete compliance with the standards	July 2016	Audit Service Manager
		3.4.1.2 Review and order procedure notes for MK	September 2016	Engagement Auditor
		3.4.1.3 Complete this assessment and continue to report to Audit Committee annually along with a high level improvement programme.	June 2016 completed	Audit Service Manager
1310 Requirements of the Quality Assurance and Improvement Programme	Yes			
1311 Internal Assessments	Yes	3.4.8 Refining performance monitoring of individual activity against plans where it is efficient and effective to do so with the use of improved reporting from MK.	July 2016	Engagement Auditors
		3.4.9 Review SLA's when they are up for renewal and consider including a basket of performance targets in consultation with the client.	August 2016	
1312 External Assessments	Partially	3.4.14.1 Complete tender process with SCAG	Summer 2016	Audit Service Manager

Standard	Conformance	Observations and actions proposed	When?	Who?
		3.4.14.2 Discuss with successful contractor the process required at Shropshire in liaison with S151 Officer	September 2016	
		3.4.14.3 Agree date to undergo an external assessment	March 2018	Audit Service Manager/ S151 Officer
		3.4.14.4 Update Audit Committee on progress and eventual results	March 2018	
1320 Reporting on the Quality Assurance and Improvement Programme	Yes			
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	Yes	3.4.22 When conducted external assessment results will be presented to the Audit Committee	March 2018	Audit Service Manager/ S151 Officer
1322 Disclosure of Non-conformance	Yes	3.4.25 Report outcome of this assessment to June Audit Committee on compliance with the standards and a resulting QIAP.	June 2016 completed	Audit Service Manager
Performance Standards				
2000 Managing the Internal Audit Activity	Yes			
2010 Planning	Yes			
2020 Communication and Approval	Yes			
2030 Resource Management	Yes			
2040 Policies and Procedures	Yes			
2050 Coordination	Yes	4.1.33 Complete AGS exercise formalising	May 2016	Audit Service

Standard	Conformance	Observations and actions proposed	When?	Who?
		assurance mapping process to inform IA planning.	completed	Manager
2060 Reporting to Senior Management and the Board	Yes	4.1.36 Continue to ensure senior managers are informed of changes in the internal control environment	Following Audit Committees	Audit Service Manager
2070 External Service Provider and Organisational Responsibility for Internal Auditing	Yes			
2100 Nature of Work	Yes			
2110 Governance	Yes			
2120 Risk Management	Yes	4.2.13 Remind all auditors of the need to avoid managing risks themselves, or being perceived as such, when helping to improve the risk management processes and to use the advice disclaimer.	May 2016 completed	Engagement Auditor
2130 Control	Yes			
2200 Engagement Planning	Yes	4.3.6 Ensure consultancy engagements are documented as necessary in compliance with PSIAS	April 2016 completed	Engagement Auditors
2210 Engagement Objectives	Yes	Action: 4.3.10 Remind all to consider these elements when developing audit programme objectives - considering the probability of: a) Significant errors? b) Fraud? c) Non-compliance?	May 2016 completed	Engagement Auditors

Standard	Conformance	Observations and actions proposed	When?	Who?
		d) Any other risks?		
2220 Engagement Scope	Yes			
2230 Engagement Resource Allocation	Yes			
2240 Engagement Work Programme	Yes			
2300 Performing the Engagement	Yes			
2310 Identifying Information	Yes			
2320 Analysis and Evaluation	Yes			
2330 Documenting Information	Yes			
2340 Engagement Supervision	Yes			
2400 Communicating Results	Yes			
2410 Criteria for Communicating	Yes			
2420 Quality of Communications	Yes			
2421 Errors and Omissions	Yes			
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	Yes			
2431 Engagement Disclosure of Non-conformance	Yes			
2440 Disseminating Results	Yes			
2450 Overall Opinion	Yes			
2500 Monitoring Progress	Yes			
2600 Communicating the Acceptance of Risks	Yes			

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<u>Committee and Date</u>	<u>Item</u>
Council 21 July 2016	
Audit Committee	
23 June 2016	<u>Public</u>
9:30 am	

ANNUAL ASSURANCE REPORT OF AUDIT COMMITTEE TO COUNCIL 2015/16

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

1. Summary

Attached to this report is the draft Audit Committee's Annual Assurance Report to Council for 2015/16. This provides Council with an independent assurance that the Council has in place adequate and effective governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that can be relied upon and which contribute to the high corporate governance standards that this Council expects and maintains consistently.

2. Recommendations

Audit Committee is asked to consider and comment on the contents of the draft Annual Assurance report for 2015/16 before forwarding to Council with a recommendation to accept this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The Audit Committee's Annual Assurance Report is part of the overall internal control arrangements and risk management process. By examining and evaluating objectively the adequacy of the control environment through the reports it receives the Committee can, in turn, provide assurances to Council on its governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that inform the Annual Governance Statement.

- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change requirements or consequences of this proposal.

4. Financial Implications

There are no direct financial implications from this report

5. Background

- 5.1 A key part of the Audit Committee's role is to report annually to Full Council on the Committee's findings, conclusions and recommendations; providing its opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements. In addition, the Audit committee should report to Council where they have added value, improved or promoted the control environment and performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose and functions.
- 5.2 The Audit Committee has a well established role within the Council and it is important that an Annual Assurance report based on the work of the Committee is produced and recommended to Council. In compiling this assurance report, information provided at the Audit Committee meeting on 23 June 2016 has also been taken into account.
- 5.3 In addition, this report has been reviewed to ensure its continuing compliance with CIPFA¹'s Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition. Section 6.34 requires the Audit Committee to be held to account on a regular basis by the Council specifically in relation to:
- whether the;
- committee has fulfilled its agreed terms of reference;
 - committee has adopted recommended practice;
 - development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities;
 - committee has assessed its own effectiveness, or been the subject of a review, and the conclusions and actions from that review and,
 - what impact the committee has on the improvement of governance, risk and control within the Council.
- 5.4 The annual assurance report to Council for 2015/16, attached to this report, is an aid to addressing the key areas where the committee should be held to account. **(Appendix A).**

¹ The Chartered Institute of Public Finance and Accountancy

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

CIPFA's Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition
Draft Internal Annual Audit Risk Based Plan 2015/16 - Audit Committee 23 February 2015
Internal Audit Plan 2015/16 – Ten month report - Audit Committee 18 February 2016
Internal Audit Plan 2015/16 – Seven month review - Audit Committee 26 November 2015
Internal Audit Plan 2015/16 – Performance report- Audit Committee 17th September 2015
Internal Audit Annual Report 2015/16 – Audit Committee 23 June 2016

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council and Tim Barker, Chairman of Audit Committee

Local Member

N/A

Appendices

Appendix A - Draft Audit Committee Annual Assurance Report 2015/16

DRAFT AUDIT COMMITTEE ANNUAL ASSURANCE REPORT FINANCIAL YEAR 2015/16

STATEMENT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

1. Governance in and of the public sector continues to be high profile with the Chartered Institute of Public Finance and Accountancy (CIPFA) supporting good practice in local government. In Shropshire we have a Code of Corporate Governance which is reviewed annually in line with the best practice issued by CIPFA and SOLACE²; we have also produced an Annual Governance Statement, again in line with best practice and legislative requirements. Being well managed and well governed are important attributes in helping to improve performance and in reducing the risk of failing to achieve our objectives, and providing good service to our community.
2. Shropshire Council has an Audit Committee that is long established in seeking to maintain and improve our governance procedures. The Committee is a key component of the Council's corporate governance arrangements and a major source of assurance of the Council's arrangements for managing risk, maintaining an effective control environment and reporting on internal and external audit functions and financial and non-financial performance.
3. The benefits to the Council of operating an effective Audit Committee are:
 - Maintaining public confidence in the objectivity and fairness of financial and other reporting.
 - Reinforcing the importance and independence of internal and external audit and any other similar review process; for example, reviewing the Annual Statement of Accounts and the Annual Governance Statement.
 - Providing a sharp focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial reporting process.
 - Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable.
 - Providing additional assurance through a process of independent and objective review.
 - Raising awareness within the Council of the need for governance, internal control and the implementation of audit recommendations.
 - Providing assurance on the adequacy of the Council's risk management arrangements and reducing the risk of illegal or improper acts.
4. The Committee continues to have a professional and arm's length relationship

² Society of Local Authority Chief Executives

with Grant Thornton, the Council's external auditors, who attend all meetings of the Committee to offer their advice where needed.

5. The Committee undertakes a substantial range of activities and works closely with both internal and external auditors and the Chief Finance Officer (Section 151 Officer) in achieving our aims and objectives. We have put together a work and development plan for the year to enable key tasks to be considered and completed.
6. As incoming Chair of the Audit Committee, I see training as a key priority for members in order to undertake our roles effectively. The Committee continues to undertake a full and extensive programme of training and this year has been no exception. In addition, the committee has updated a self-assessment of its activities against CIPFA's practical guidance released in 2013 to ensure that it continues to adopt recommended practice. The results of which have informed future development needs and will help to ensure that all members of the Audit Committee continue to have access to appropriate training and are equipped with the skills and knowledge to enable them to fulfil their roles effectively and efficiently. Members also have access to CIPFA's Better Governance Forum network which provides specific information in the form of regular briefings, training events, and an informative web site.
7. This year the Committee has held four planned meetings including the meeting held on 23 June 2016. We have received and considered a substantial number of reports across key areas of the Council's activity (see **Annex A**).

Audit Committee Membership and Dates of Meetings

8. Membership of the Audit Committee for 2015/16 was made up of the following Councillors: B Williams (Chairman) who stood down from the Committee in May 2016 when Tim Barker took his place and was appointed to the Chair; M Wood (Vice Chairman, part year); J Cadwallader (Vice Chairman, part year); P Moseley (Substitute initially, Member from December 2015); C Mellings, Mansell Williams (Until December 2015) and D Turner (from February 2016).
9. Substitutes who are invited to attend and contribute at all meetings and training include: D Carroll; R Macey; R Evans; S West; A Davies; J Jones and N Laurens.
10. Meetings of the Committee have been held on:
 - 17 September 2015
 - 26 November 2015
 - 18 February 2016
 - 23 June 2016

Details of Reports/Information Received

11. **Annex A** provides a summary of the key reports and information received by the Audit Committee at its meetings. These appear categorised in the areas which, under the Audit Committee's Terms of Reference, we have a responsibility to consider and report upon. They are:

- Governance;
- Risk management framework;
- Controls, including specific focus on:
 - Contracts and partnerships
 - Fraud, corruption and whistleblowing
 - Value for money
- Financial reporting and treasury management.

A detailed audit work plan has been agreed for the current year.

12. Following receipt of the reports the Audit Committee resolved that:

- There were effective arrangements in place for corporate governance and, where improvements are required, there is a clear improvement plan with dedicated lead officers that will be monitored by Members.
- The risk management and assurance framework was fit for purpose and operating as intended but expressed concerns over the reduced level of Internal Audit resources when compared to the risk profile demands of the Council.

Recent discussions have identified some need for changes to improve Member involvement in the framework and to strengthen and make more explicit the assurance framework. Work is now underway to make changes to help to strengthen this involvement, especially at the decision making level.

- There had been a noticeable reduction in the level of assurances for the internal control environment, whilst not unexpected in the current environment, this needed to be monitored continually by management and members alike. In particular, ongoing concern was expressed relating to the controls in place on the IT infrastructure systems, on which the Committee would be looking for further assurances. This will be an area of focus in the coming year and is a key component of the changes in the risk management and assurance framework referred to above.
- Following management reports that there is evidence of effective management and monitoring of contracts and partnerships. The Audit Committee have been advised by managers that performance around the management of contracts and commissioning processes will be strengthened further during 2016/2017 as the Council's commissioning approach is adopted more widely. Given the wider approach the Council is taking to commissioning and contracting of services, managers will increasingly be expected to provide assurances on this area.
- There were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).
- The Audit Committee resolved that there were effective arrangements in place to support Value for Money.

- Financial Statements reflected the Council's true position, were complete including all transactions, and were prepared in accordance with International Financial Reporting Standards.
13. Given the Audit Service Manager's qualified opinion on the Council's internal control environment, the Audit Committee confirms that it had been made aware of the increase in terms of numbers, and negative direction of travel, of the internal audit assurances provided on the control systems overall which has made it difficult to classify the internal control environment as either strong or weak. Eleven of the high level assurances relate to key financial systems through which the majority of the Council's financial business is transacted. These processes are supported by applications which also attract higher level assurances. This combines to provide a high level of confidence in the robustness of the data reflected in the accounts. Fourteen of the lower assurance levels concern IT systems/processes. IT Services were still implementing required control improvements towards the end of 2015/2016. This indicated that there had been little or no change in the IT control environment which led to the qualified opinions in 2013/2014 and 2014/2015. In this knowledge, follow up audits in business continuity and disaster recovery and physical and environmental controls were not conducted. These audits, key to IT control risk, will be prioritised in 2016/2017. This information supports qualification of the current opinion on this issue. The lower levels of assurance accorded in social care and schools are not significant enough to sway the opinion, but are being used by managers to target areas for improvement.
14. Given the overall impact of assurances as described above, the Audit Committee accepts that there is no option other than for the Audit Service Manager's Year-end opinion to be qualified. There is a concern that this is the fourth year where the opinion has been qualified and neither management nor members should accept this as the norm, instead they should continue to be robust and challenging in their improvement agenda. The Audit Committee is satisfied that there has been no evidence of significant IT business failure or material errors that could result in a material misstatement in the Council's accounts and reliance can be placed upon them for that purpose.

Additional Responsibilities

15. Members of the Audit Committee and the Audit Service Manager and her staff are well aware of the changing nature of local government in relation to the greater responsibilities for innovative practice allowed by the Government's Powers of Competence Act. In particular we are aware that the Audit function has an essential and on-going role to play in monitoring the risks involved in the arrangements for strategic commissioning. Members continue to receive training in this extended aspect of their responsibilities, and the Audit Service Manager is ensuring that adequate resources are available in order to minimise any possibility of the risk of financial malpractice.

Audit Service Staff

- 16. The key staff are James Walton, the Section 151 Officer, Ceri Pilawski, the Audit Service Manager and her deputies: Katie Williams, Peter Chadderton and Barry Hanson.
- 17. Without the support of all Audit staff and, in particular, of the officers mentioned above, it would not be possible for the Audit Committee to be as highly effective as peer comparisons show us to be. My thanks, that of the outgoing Chairman and that of my fellow committee members are given to all our Audit Service officers.

Annual Statement of Assurance

- 18. On the basis of:
 - The work carried out by the Internal and External Auditors and their reports presented to this Committee;
 - Reports from service managers and;
 - The work carried out by the Section 151 Officer, Audit Service Manager and their reports presented to this Committee.

It is the Audit Committee’s opinion, founded on those reports, explanations and assurances received, that the Council continues to be aware that it is liable to increased risks in the IT systems currently operating. Whilst there is no evidence of significant IT business failure or material errors reported that could result in a material misstatement in the Council’s accounts; a number of control improvements have been agreed by management and require urgent dedicated implementation in order to improve internal control systems.

RECOMMENDATION – Council is asked to accept this report

Signed Date.....
On behalf of the Audit Committee
Tim Barker

Summary of assurance reports received by Audit Committee

Governance

- **Annual Governance Statement and a review of the effectiveness of the Council's system of internal control 2015/2016**

Report of the Section 151 Officer on the effectiveness of the system of internal controls and the production of the Annual Governance Statement.

- **Annual review of Internal Audit - Quality Assurance and Improvement Programme (QAIP) 2015/2016**

Report of the Section 151 Officer on the effectiveness of the system of Internal Audit in 2015/2016.

- **Annual review of Audit Committee terms of reference**

Report of the S151 Officer which set out minor changes being proposed to the Audit Committee Terms of Reference.

- **Audit Committee self-assessment of good practice**

Report of the Section 151 Officer which requested members to review and comment on the self-assessment of good practice questionnaire to assess the effectiveness of the Audit Committee and identify any further improvements. Members agreed that they would revisit the detail behind the Committee's self-assessment as part of their training every second year.

- **Internal Audit Charter, annual review**

Report of the Audit Service Manager which set out the changes being proposed to the Internal Audit Charter.

- **Review of the Audit Committee's annual work plan and future learning and development requirements 2016/2017**

Report of the Audit Service Manager providing members with a proposed work plan for the year ahead to ensure they received appropriate learning and development to deliver their responsibilities effectively to fulfil their roles as members of the Audit Committee. The work plan demonstrated how the Committee's agendas contribute to delivery of its terms of reference and the assurances they provided.

- **Internal Audit external assessment**

Report of the Audit Service Manager which set out the approach adopted for the external assessment required every five years under the Public Sector Internal Audit Standards (PSIAS). The final details for which are to be agreed by the Section 151 Officer and Audit Services Manager in consultation with the Chairman of the Audit Committee.

- **External Audit: Informing the audit risk assessment for Shropshire Council**

Report of the Engagement Lead (Grant Thornton) which set out the contribution towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'.

➤ **Annual Assurance report of Audit Committee to Council 2015/2016**

Report of the Section 151 Officer in respect of the Audit Committee's Annual Assurance report to Council.

➤ **Review of Shropshire Council's Code of Corporate Governance 2015/2016**

Report of the Engagement Auditor providing an update on the review of the Council's compliance with the Code of Corporate Governance.

➤ **Changes to arrangements for appointment of External Auditors**

Report of the Section 151 Officer setting out changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

The Audit Committee resolved that there were effective arrangements for corporate governance and where improvements are required there is a clear improvement plan with dedicated lead officers that will be monitored by Members.

Risk Management Framework

➤ **Risk Annual Report 2014/2015**

Report from the Risk and Insurance Manager which set out the challenges and achievements accomplished by the Risk Management Team during 2014/2015. She informed Members that, following an audit of risk management, an assurance level of "reasonable" had been identified with two recommendations; one significant relating to the monitoring of operation risks, as a result of which, a new process for the management of operation risk and robust reporting had been introduced, and one of best practice around the consideration of a bespoke Risk Management software package. She added that, due to cost and the lack of availability of a suitable package, this would not take place in the foreseeable future.

➤ **Strategic risks update**

The report of the Risk and Insurance Manager set out the current strategic risk exposure and advised of recent modifications and planned changes to the management of strategic risk within the authority. Members were informed that strategic risks were reported and reviewed on a monthly basis by relevant officers, directors and portfolio holders and that there were currently thirteen risks identified on the strategic risks register.

➤ **Strategic risk report 2016**

The report of the Risk and Insurance Manager set out the current strategic risk exposure of the Council and detailed recent movements within the register following the latest review.

➤ **Internal Audit risk management report 2015/2016**

Report of the Engagement Auditor which summarised the detailed findings identified in the Internal Audit review of risk management of which the overall control environment had been assessed as Good.

➤ **Draft Internal Audit risk based plan 2016/2017**

Report of the Audit Service Manager on the proposed risk based Internal Audit Plan for 2016/17. She confirmed that 1,270 days had been planned for Shropshire Council audit work and 200 days for external clients.

The Audit Service Manager reported that all fundamental system audit reviews, except for the Payroll System, would now be done on a cyclical basis after considering the risk profile for each area. She confirmed that the contingency for fraud investigations was being maintained to reflect current activity levels and that secondary schools were to be reviewed every four years with an alternative approach being taken to for primary schools who were being asked to complete a self-assessment on a rolling five year basis. This would be used to determine any further auditing requirements. Members were also reminded that assurances could be sought from individual managers for those areas of high priority for which no provision had been made in the plan.

The Audit Committee resolved that the risk management framework was fit for purpose and operating as intended but expressed concerns over the reduced level of Internal Audit resources when compared to the risk profile demands of the Council.

Controls

➤ **IT revised implementation plan for audit recommendations (Sept - exempted by Category 3)**

Exempt report of the Head of Programme Management providing an update on service delivery against the audit recommendations.

➤ **Management report on housing benefit overpayment performance**

Report of the Revenues and Benefits Service Manager which provided members with performance monitoring information on the collection of housing benefit overpayments for the year 2014/15.

➤ **Sales Ledger update on progress implementing improved management controls**

Report of the Head of Financial Management and Reporting provided an update on progress with implementing improved management controls within Sales Ledger in order to address the "unsatisfactory" assurance opinion given in the internal Audit review carried out in May 2015. The report demonstrated that the audit recommendations were being addressed.

➤ **Internal Audit Plan performance update Sept 2015/2016**

Report of the Audit Services Manager which set out refinements and revisions to the Internal Audit Plan and provided details of work undertaken by Internal Audit for the period 1 April to 23 August 2015.

She informed the meeting that the new Plan would provide 2,068 audit days across the Council's services and external clients compared with 2,050 days in the draft Plan published in February. She advised that this was due to the fact that there had been a number of changes in the risks faced by the Council which had resulted in slight adjustments to the areas requiring

assurances from Internal Audit. Thirty seven percent of the revised Plan had been completed, which was in line with previous delivery records, and that 21 good and reasonable assurances, 15 unsatisfactory and three limited assurance opinions were issued and that the 39 final reports contained 594 recommendations. She added that two fundamental recommendations had been identified.

➤ **Management Report: Council tax and non-domestic rates performance monitoring report**

Report from the Revenues and Benefits Manager which set out the performance monitoring information on the collection of income through Council Tax and National Non Domestic Rates (NNDR) for the year up to 31 March 2015 and progress on the year to 31 March 2016. He reported that the final collection rate for council tax for 2014-15 was 98.3% which compared favourably to the previous year's collection rate of 98.1% and for NNDR the final in-year collection rate for 2014/15 was 98.7% which again compared favourably with the previous year's collection rate of 98.3%.

➤ **Internal Audit performance report and revised annual audit plan 2015/2016**

Report of the Audit Service Manager provided members with an update of the work undertaken by Internal Audit since the last report considered in September 2015 and summarised progress against the 2015/2016 Internal Audit Plan. The plan was on target with some slight revisions. Lower assurance levels were reported in Children's Services and Customer Involvement but were considered to be low risk and would not affect the overall year end opinion. A comparison of assurance levels since 2013/14 demonstrated a falling level of assurance levels overall (30% good assurance in 2013/14 compared to 8% in 2015/16 to date; and 15% limited assurances in 2013/14 compared to 41% in 2015/16 to date). The Chairman reflected that whilst the Council's direction of travel was not unexpected, he was concerned whether other Members of the Council were generally aware that the required standards of control were lower / not being met and he wished for all Members to be made aware that the level of operational assurances were falling. Members agreed to raise their concerns in relation to the deteriorating levels of assurance and the downwards direction of travel with the Portfolio Holder, and requested him to attend the next meeting of the Audit Committee in order to discuss the way forward.

➤ **Management Report: IT update report (November - exempted by category 3)**

Exempt report of the Interim ICT Manager providing a brief update to members on the current situation.

➤ **Management Report: IT update report (February - exempted by category 3)**

Exempt report of the Chief Executive providing an update to members on previous audit reports and a brief update on the ICT Digital Strategy Programme and further suggested recommendations both short term and strategic.

➤ **Internal Audit Plan 2015/2016 - Ten month plan report**

Report of the Audit Service Manager which provided members with an update of the work undertaken by Internal Audit since the last report in November 2015 and summarised progress against the 2015/2016 Internal Audit Plan. The plan was on target for delivery with minor revisions. She drew attention to the limited assurance levels in Adult and Commissioning Services and the continuing lower assurance levels in Children's Services and Customer Involvement which were considered to be low risk and were not expected to affect the overall

year end opinion. The direction of travel for ICT issues remained a cause for concern. In respect of the Council's overall direction of travel in relation to the control environment, she reported that there had been an increased number of lower level assurances, 49% compared to 36% in the previous year.

➤ **External Audit: Reporting on progress against recommendations from 2014/15 for Shropshire Council**

Report of the External Auditor detailing the progress against recommendations from 2014/15. It was confirmed that all recommendations had been progressed but that there was still some work to be undertaken.

➤ **Council tax and non-domestic rates performance monitoring report**

Report of the Revenues and Benefits Manager setting out performance monitoring information on the collection of Council Tax and National Non Domestic Rates (NNDR).

➤ **Internal Audit annual report 2015/16**

Report of the Audit Service Manager on achievements against the revised internal audit plan for 2015/2016 and the annual internal audit assurance. The Audit Service Manager qualified her overall opinion on the Council's internal control environment based on the continuing numbers, and negative direction of travel, of the internal audit assurances provided on the IT infrastructure systems.

The Audit Committee resolved that there had been a noticeable reduction in the level of assurances for the internal control environment, whilst not unexpected in the current environment this needed to be continually monitored by management and members alike. In particular, ongoing concern was expressed relating to the controls in place on the IT infrastructure systems on which the Committee would be looking for further assurances.

Controls: Contracts and Partnerships

➤ **Management report on programme controls and risks and the top fifty contracts controls and risks**

Report of the Director of Commissioning which updated Members on the existing and emerging assurance and management controls and risk management arrangements within the Council. Processes had been established for managing and reporting on all strategic commissioning activity. A Commissioning Support Unit was being developed and its officers would work closely with Commissioners to ensure they had the necessary information to support their work. A "Commissioning Approach" had been developed to enable services to be commissioned out of Shropshire Council in a consistent and robust way. Guidance around decommissioning of services had also been reviewed and updated to ensure that all the necessary tasks were completed to deliver a robust and safe process.

The Audit Committee resolved following management reports that there is evidence of effective management and monitoring of contracts and partnerships. The Audit

Committee have been advised by managers that performance around the management of contracts and commissioning processes will be strengthened further during 2016/2017 as the Council's commissioning approach is adopted more widely. Given the wider approach the Council is taking to commissioning and contracting of services, managers will increasingly be expected to provide assurances on this area.

Controls: Fraud, Corruption and Whistleblowing

➤ **Fraud, special investigation and Regulation of Investigatory Powers Act (RIPA) update (Exempted by categories 2, 3 and 7)**

Members are provided with exempt reports of the Audit Engagement Officer providing an update on the current fraud and special investigations undertaken by Internal Audit and current RIPA activity.

➤ **Internal Audit: National Fraud Initiative (NFI) update**

Report of the Engagement Auditor provided members with an update on the outcomes of the 2014/15 National Fraud Initiative (NFI), the results of which were reported to and monitored by the Cabinet Office (previously by the Audit Commission) using their secure NFI website. He confirmed that savings of £5,096.53 had been identified so far during the 2014/15 exercise which had reduced significantly compared to 2012/13, this was due to the transfer of housing benefit fraud investigations to the Single Fraud Investigation Service.

➤ **Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy**

Report of the Audit Service Manager which outlined the measures undertaken in the last year to evaluate the potential for the occurrence of fraud and how the Council managed those risks with the aim of prevention, detection and subsequent reporting of fraud and corruption. It also informed Members that the Counter Fraud, Bribery and Anti-Corruption Strategy had been reviewed in line with best practice and continued to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on or from within the Council, thus demonstrating the strategy's continuing and important role in the corporate governance and internal control framework. She also confirmed that the Council was meeting the standard set out in the CIPFA Code of Practice on managing the risk of fraud and corruption and drew attention to the main changes identified within the strategy and the revised RIPA Policy.

➤ **Annual Whistleblowing report**

Report of the Head of Human Resources on the number of cases raised through the whistleblowing process over the last year and the actions resulting.

The Audit Committee resolved that there were effective arrangements for the prevention and detection of fraud and corruption, and for enabling whistleblowing (confidential reporting).

Controls: Value for Money

➤ **External Audit: Shropshire Council audit findings 2014/15**

Report of the Engagement Lead (Grant Thornton) on key matters arising from the audit of Shropshire Council's financial statements for the year ending 31 March 2015. The Engagement Lead advised that, since the publication of the report, certain matters had been brought to the attention of the external auditors which had meant that the audit could not be formally concluded until these matters had been fully considered. He was satisfied that the matters in question did not have a material effect on the financial statements or a significant impact on the Value for Money conclusion. An updated report was circulated and Members' attention drawn to the amended paragraphs.

➤ **External Audit: Annual audit letter 2014/2015**

Report of the Engagement Lead (Grant Thornton) which summarised the findings arising from the work carried out for the year ended 31 March 2015 in relation to the financial statements of both the Council and the Pension Fund and the Value for Money conclusion. An unqualified opinion was presented.

➤ **External Audit: The Audit Plan for Shropshire Council**

Report of the Engagement Lead (Grant Thornton) setting out the plan for the year ending 31 March 2016 for Shropshire Council in relation to the Council's financial statements and to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Audit Committee resolved that there were effective arrangements in place to support Value for Money.

Financial reporting

➤ **Audited Annual Statement of Accounts 2014/2015**

Report of the Section 151 Officer which set out the final audited outturn position for the financial year 2014/2015 which would be confirmed by Council on the 24th September 2015. The Head of Finance, Governance and Assurance informed members that there had been no material changes to the main accounting statement since the version considered by the Committee in June.

➤ **External Audit: Shropshire County Pension Fund audit findings report 2014/2015**

Report of the Engagement Lead (Grant Thornton) summarised the findings for the year ended 31 March 2015 on the audit of the Pension Fund financial statements. He informed the meeting that this report would be considered by the Pensions Committee and had been brought to the Audit Committee as an information item.

➤ **External Audit: Audit Committee update for Shropshire Council**

Report of the Engagement Lead (Grant Thornton) which highlighted the progress made on work undertaken during the year and summarised the emerging national issues and developments of relevance to the Council. It also included several challenge questions in respect of the emerging issues which the Audit Committee may wish to consider in its future work or training programmes. He drew Members' attention to the progress to date and to several publications which may be of interest.

- **External Audit: Certification summary reports 2014/2015 Shropshire Council**
Report of the Engagement Lead (Grant Thornton) detailing the Certification Work Report 2014/2015 relating to grants, subsidies and the return of financial information. It was noted that Grant Thornton had certified two claims for the financial year 2014/2015 with a total value of £15 million.
- **Revenue outturn report 2015/2016**
Report from the Section 151 Officer providing details of the revenue outturn position for the Council.
- **Capital outturn report 2015/2016**
Report from the Section 151 Officer informing members of the full year capital expenditure and financing of the Council's capital programme.
- **Review of the Annual Statement of Accounts 2015/2016 including a review of accounting policies**
Report of the Section 151 Officer on the draft Annual Statement of Accounts and the accounting policies

Treasury Management

- **Annual treasury report 2014/2015**
Report of the Section 151 Officer providing information on treasury activities for Shropshire Council for 2014/2015. He indicated that the internal Treasury Team had outperformed their investment benchmark by 0.26% in 2014/2015 and that performance for the last three years was 0.38% per annum above benchmark. He reported that during the year 2014/2015 the performance of the Treasury Team had delivered an underspend of £0.673 million compared to budget which had contributed to the overall underspend achieved by the Council at year end.
- **Treasury Strategy 2015/2016 mid-year report**
Report of the Section 151 Officer on a mid-term review of Treasury activities of the Council for the first six months of the year. He highlighted that the internal Treasury Team achieved a return of 0.58% on the Council's cash balances, outperforming the benchmark by 0.22%. The Council currently had £150m held in investments and borrowing of £332m however with interest rates being very low the Council was not getting any benefit from this. He further explained that officers regularly looked at re-profiling the Council's finances however Public Works Loan Board redemption conditions made it impossible to redeem these loans.
- **Treasury Strategy 2016/17**
Report of the Section 151 Officer which proposed the Treasury Strategy for 2016/2017 and the recommended Prudential Indicators for 2016/2017 to 2018/2019.

The Audit Committee resolved that Financial Statements reflected the Council's true position, were complete including all transactions, and were prepared in accordance with International Financial Reporting Standards.



<u>Committee and Date</u>	<u>Item</u>
Audit Committee 23 June 2016 9:30 am	
Council 21 July 2016	<u>Public</u>

CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

Responsible Officer James Walton

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1. Summary

This report summarises the changes to the arrangements for appointing external auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits. The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017. The Local Government Association (LGA) are working on developing a Sector Led Body (SLB). In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB. In order to the strengthen the LGA's negotiating position and enable it to more accurately evaluate the offer, the Council is asked to consider whether it is interested in the option of opting in to an SLB. A formal decision to opt-in will be required at a later stage.

2. Recommendations

Audit Committee:

2.1. Members are requested to consider their preferred approach of the options set out below and provide Council with their comments on these:

- a) Supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating intention to "opt-in"
- b) Establishing a stand-alone Auditor Panel to make the appointment on behalf of the Council.
- c) Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities
- d) Using an existing independent panel of the authority (this will only be applicable where a suitably constituted panel already exists).

Council:

- 2.2. The relevant option chosen by Audit Committee will be inserted here and the Council will be asked to consider and endorse their preferred approach. A further report will be brought to Council on this, including details of any costs that will need to be included in the 2016/17 and /or 2017/18 budgets.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority.
- 3.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 3.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.
- 3.4 Whilst there is no immediate risk to the Council, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.
- 3.5 Providing the LGA with a realistic assessment of the Council's likely way forward will enable the LGA to invest in developing appropriate arrangements to provide support.
- 3.6 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

- 4.1 Current external fee levels are likely to increase when the current contracts end in 2018.

- 4.2 The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 below will need to be estimated and included in the Council's budget for 2016/17 and 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
- 4.3 Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. There will not be a fee to join the sector led arrangements. The audit fees that opted-in bodies will be charged by the sector led body will cover the costs of appointing auditors. The LGA believes that audit fees achieved through block contracts will be lower than the costs that individual authorities will be able to negotiate. In addition, by using the SLB councils will avoid having to do their own procurement and the legal requirement to set up a panel of independent members.

5. Background

- 5.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 5.2 The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years the Council has have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's current external audit fees are just under £134,000 per annum.
- 5.3 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.

- 5.4 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has commenced, although the number of firms is not known. It is reasonable to expect however that the list of eligible firms may include the top ten or twelve firms in the country, including the Council's current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

Options for local appointment of External Auditors

- 5.5 There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 To make a stand-alone appointment

- 5.6 In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefit

- 5.7 Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision, although this local input will be completely independent of the Council.

Disadvantages/risks

- 5.8 Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances
- 5.9 The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- 5.10 The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

- 5.11 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act. The Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- 5.12 The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- 5.13 There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- 5.14 Depending on the constitution agreed with the other bodies involved, the opportunity for local input to the decision making body will be limited. This could be only one elected member representing each Council or, potentially, no input from elected members where a wholly independent auditor panel is used.
- 5.15 The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently, or is currently, carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted with this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 Opt-in to a sector led body (SLB)

- 5.16 In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. A SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/benefits

- 5.17 The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
- 5.18 By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.
- 5.19 Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
- 5.20 The Council would not need to set up an Auditor Panel and so the process would not be ceded to locally appointed independent members. Instead, a separate body would be set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering establishing such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

Disadvantages/risks

- 5.21 Individual elected members would have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

5.22 In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB would need councils to indicate their intention to opt-in before final contract prices are known.

6 The way forward

- 6.1 The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
- 6.2 The LGA are working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB. In order to the strengthen the LGA’s negotiating position and enable it to more accurately evaluate the offer, the Council is asked to consider whether it is interested in the option of opting in to an SLB. A formal decision to opt-in will be required at a later stage.

7 Conclusion and Next Steps

- 7.1 The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed, the Council/Committee is asked to give early consideration to the preferred approach.
- 7.2 The Council has been asked by the LGA for an indication of the preferred approach in order that it can invest resources in providing appropriate support to Councils. The LGA is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having the potential to negotiate lowest fees.

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

Local Audit and Accountability Act 2014
CIPFA’s Auditor Panels

Cabinet Member (Portfolio Holder) Malcolm Pate (Leader of the Council) and Tim Barker (Chairman of Audit Committee)

Local Member n/a

Appendices
None



Grant Thornton

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Our ref: MCS/EJM/S09000039/Fee_Letter_16-17

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21 April 2016

Dear Clive,

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £133,845.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return (if applicable).

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by PSAA at £11,505. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves

Pension Fund audit

PSAA has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £23,427. We also propose a fee variation of £1,979 for our work on providing IAS19 assurances. Both of these fees are the same as for 2015/16. Our work on the pension fund will be undertaken in July 2017 by our specialist pension fund audit team, led by John Gregory.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	33,462
December 2016	33,461
March 2017	33,461
June 2017	33,461
Total	133,845
Grant Certification	
March 2017	£11,505
Pension Fund audit	
March 2017	£25,406

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2016 to March 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in September 2017 and work on the whole of government accounts return in September 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2016 – March 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July – September 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January – September 2017	Audit Findings (Report to those charged with governance)	As above.
Whole of government accounts	September 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.

Phase of work	Timing	Outputs	Comments
Annual audit letter	October 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	March – December 2017	Grant certification report	A report summarising the findings of our grant certification work.

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Mark Stocks	0121 232 5437	mark.c.stocks@uk.gt.com
Engagement Manager	Emily Mayne	07880 456112	emily.j.mayne@uk.gt.com
Pensions Audit Manager	Terry Tobin	0121 232 5276	terry.p.tobin@uk.gt.com
In Charge Auditor	Kieran Armitage	0121 232 5422	kieran.armitage@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Public Sector Assurance regional lead partner, via sarah.howard@uk.gt.com.

Yours sincerely



Mark Stocks
Engagement Lead
for Grant Thornton UK LLP

cc James Walton, Head of Finance, Governance and Assurance, Shropshire Council

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of the Local Government Act 1972.

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